Regulatory Impact Statement

Problem Gambling Levy
2010/11–2012/13

Citation: Ministry of Health, Department of Internal Affairs. 2010.
Regulatory Impact Statement: Problem gambling levy 2010/11–2012/13.
Wellington: Ministry of Health.

Published in May 2010 by the
Ministry of Health
PO Box 5013, Wellington, New Zealand

ISBN 978-0-478-35962-6 (online)
HP 5105

This document is available on the Ministry of Health's website:
http://www.moh.govt.nz

Agency Disclosure Statement

Role of Ministry of Health and Department of Internal Affairs

The Ministry of Health and Department of Internal Affairs have prepared this Regulatory Impact Statement on the problem gambling levy.

The Ministry of Health is responsible for developing and implementing an integrated problem gambling strategy from a public health perspective.

The Department of Internal Affairs is the primary regulator of the gambling sector, administers the legislation and is the key policy advisor on gambling to the Government.

Cabinet agreement sought for appropriation and levy

Cabinet agreement is sought on the appropriation required to implement the first three years of the 2010/11–2015/16 integrated problem gambling strategy. The current integrated problem gambling strategy and the funding appropriated to implement the strategy expire on 30 June 2010.

Cabinet agreement is also sought on the problem gambling levy rates payable by the four main gambling sectors (non-casino gaming machines, casinos, the New Zealand Racing Board and the New Zealand Lotteries Commission) over 2010/11–2012/13.

Consequence of no Cabinet agreement

If Cabinet does not agree to continue the problem gambling levy, the services required to implement the integrated problem gambling strategy will need to be funded from the Ministry of Health baseline or discontinued.

Content of this Regulatory Impact Statement

This Regulatory Impact Statement examines the problem gambling service options required to implement the integrated problem gambling strategy over 2010/11–2012/13. The statement seeks to determine the optimal mix of services that will deliver the maximum benefit without increasing overall funding levels.

The Regulatory Impact Statement also assesses options for setting the problem gambling levy rates payable by gambling operators over 2010/11–2012/13.

Problem gambling in New Zealand and the costs and benefits of gambling in New Zealand are described in this Regulatory Impact Statement.

Limitations of the analysis

The analysis in this Regulatory Impact Statement is constrained by two factors.

- Limited data exists on the size of the costs and benefits of gambling in New Zealand.
- Economic uncertainty has made it difficult to forecast gambling expenditure levels for 2010/11–2012/13. It remains to be seen what effect the economic downturn will have on New Zealand, and whether gambling or particular forms of gambling will contract or become a preferred choice for discretionary spend.

Impact of options

Once Cabinet decisions are confirmed, the Ministry of Health will confirm its contract arrangements with its problem gambling service providers.

The policy options will affect gambling operators. Depending on the decisions for the problem gambling service plan and levy rates for 2010/11–2012/13, some gambling operators may be subject to increased or decreased levy contributions.

Given the economic environment and the Government's call for restraint and prudence within state sector spending, the Ministry of Health has sought to maintain the funding required for the 2010/11–2012/13 levy period to the 2007/08–2009/10 funding levels. Therefore, the overall impact on the gambling sector is not expected to change significantly from 2007/08–2009/10 to 2010/11–2012/13.

The policy options are unlikely to affect private property rights, market competition or the incentives on businesses to innovate and invest, and they do not override fundamental common law principles.

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Problem gambling

Definition of problem gambling

Problem gambling has been defined as 'gambling behaviour that results in any harmful effects to the gambler, his or her family, significant others, friends, and co-workers' (National Research Council 1999, p 21). The severest form of problem gambling, pathological gambling, is defined in the *Diagnostic and Statistical Manual of Mental Disorders* as 'persistent and recurrent maladaptive gambling behaviour ... that disrupts personal, family or vocational pursuits' (APA 2000, p 671).

In population studies, the prevalence of problem gambling is measured with a problem gambling 'screen'. A screen generally consists of a set of questions about a person's gambling behaviour and gambling-related harm. The person's answers are scored to determine their likely problem gambling status.

The 2006/07 New Zealand Health Survey involved interviews with 12,488 people aged 15 years and over. The health survey included the nine-question Canadian Problem Gambling Index,[1] which is an internationally recognised and widely used instrument for measuring the prevalence of problem gambling in a population (Ministry of Health 2008b). The questions in the Canadian Problem Gambling Index are relevant to all forms of gambling and no gambling activities are excluded.

The questions relate to loss of control, loss of motivation, chasing losses, borrowing, problem recognition, criticism, feelings of guilt, negative effects on health, and financial problems. Each question has four response options: 'never' (0 points), 'sometimes' (1 point), 'most of the time' (2 points) and 'almost always' (3 points). The points are summed for all nine questions, and the total score corresponds to a problem gambling level.

The questions are used to measure a range of gambling problems across four outputs.

- Problem gambling (score of 8 or more) – gambling at levels that is leading to negative consequences; the person may have lost control of their gambling behaviour.
- Moderate risk gambling (score of 3 to 7) – gambling at levels that may or may not be leading to negative consequences.
- Low risk gambling (score of 1 or 2) – probably gambling at levels that are not leading to negative consequences.
- Recreational gambler (score of 0) – not experiencing any negative consequences of gambling.

[1] It is important to note that the prevalence of problem gambling from this study is not directly comparable with those from previous national surveys, due to the use of different gambling screens.

Prevalence of problem gambling

The 2006/07 New Zealand Health Survey found that about 119,300 people aged 15 years and over had experienced harm from gambling in the year before the survey (Ministry of Health 2008b).[2] This estimate is considered conservative because it does not include people aged under 15 years, prisoners and people in residential treatment.[3]

The health survey also identified non-casino gaming machines as the type of gambling most associated with gambling problems, followed by casinos, TAB betting, and lottery products. This result is typical of the results from numerous national and overseas surveys and research (Abbott and Volberg 2000; Ministry of Health 2008b; Health Sponsorship Council 2007; Centre for Gambling Research, Australian National University 2004; SHORE 2008).

The health survey identified the risk factors for problem gambling as being of Māori or Pacific ethnicity, being aged 35–44 years, having fewer educational qualifications, and living in more socioeconomically deprived areas.

Measuring the costs of problem gambling

A comprehensive analysis and measurement of the costs of problem gambling to New Zealand has not been undertaken. However, officials consider such a measurement would need to consider the:

- diversion of funding from high-deprivation communities
- debts incurred by problem gamblers and burden borne by other family members because of those debts
- process costs of bankruptcies that occur as a result of gambling activity
- loss of job productivity as a result of gambling activity
- costs incurred as a result of people changing jobs because of their gambling
- value of money and goods stolen as a result of gambling-related crime and costs to the justice sector
- costs of adverse personal and family impacts as a result of gambling
- cost of services to assist problem gamblers.

[2] The survey found about 54,000 people aged 15 years and over were experiencing problem or moderate risk gambling and about 65,300 people had experienced problems in the last 12 months due to someone else's gambling.

[3] For example, most international prevalence studies that include adolescents show that adolescents have much higher rates of problem gambling than adults (Productivity Commission 2009, p 6.22).

Diversion of funding from high-deprivation communities

Data on all classes of gambling expenditure by geographical census unit is not available. However, an independent geographical analysis of gambling venues in 2008 shows that gambling venues are concentrated in more deprived areas. The analysis found, for example, that 56 percent of all non-casino gaming machine expenditure occurred in census area units with a deprivation decile rating of 8 or higher. Racing Board (TAB) and New Zealand Lotteries Commission outlets were also concentrated in high-deprivation areas.

Research has also found that:

- low-income groups spend proportionately more of their household incomes on gambling (Abbott and Volberg 2000)
- people living in neighbourhoods in high-deprivation areas are more exposed to gambling and are more likely to be problem gamblers and to suffer gambling-related harm than are people living in other neighbourhoods (Health Sponsorship Council 2007; Ministry of Health 2008b, 2008d)
- a disproportionate amount of gambling expenditure comes from problem gamblers (Productivity Commission 2009, p xxiv).

Therefore, it is reasonable to conclude that communities in high-deprivation areas, in particular, are spending disproportionate amounts on gambling activities. This spending represents money leaving high-deprivation communities. However, even when gambling is used to raise funds for community purposes, those funds are not necessarily returned to the communities in which they were raised. For example, most groups that operate gaming machines in pubs must distribute a minimum of 37.12 percent of the GST-exclusive gross proceeds from the machines to community purposes in the form of grants. However, evidence is limited that those grants are targeted to the communities from which much of this funding derives.

The Ministry of Health (the Ministry) is, therefore, concerned that most of the gaming machine funding made available to social groups and groups such as the racing industry and relatively well-off community services is being generated from low-income and high-deprivation families who have the least resources, resiliency and capacity to mitigate the impact of gambling. (The Ministry is also aware that these high-deprivation communities are already over-represented in many negative health statistics.). The Ministry considers this diversion of funding to be one of the costs of gambling on a societal level.

Debts incurred by problem gamblers and burden borne by other family members because of those debts

Research has found that problem gamblers typically accumulate considerable debt and, even when the debt is repaid, the burden of the debt is often borne by other family members (Productivity Commission 1999, vol 3, pp J.9–10). A New Zealand study found that 70 percent of gambler participants had borrowed money without permission in order to gamble (SHORE 2008).

Process costs of bankruptcies that occur as a result of gambling activity

Although the bad debt of problem gamblers may not count as a net cost to society (because it represents a transfer from the lender to the problem gambler), the effort and resources that go into trying to recover that debt are a net cost.

Table 1 shows the number of bankruptcies in New Zealand where 'gambling, speculation and extravagance in living' is recorded as the major reason for the bankruptcy.

Table 1: Bankruptcies where the debtor says 'gambling, speculation and extravagance in living' is the major cause of the bankruptcy, 2002/03–2008/09

	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09
Number of bankruptcies	85	85	92	89	93	55	54

Source: Insolvency and Trustee Service, Ministry of Economic Development.

Loss of job productivity as a result of gambling activity

Problem gambling can significantly affect all aspects of a person's life, including their job performance (Productivity Commission 1999, vol 3, p J.13). A New Zealand study found that heavy gamblers were more likely to report poorer work performance (SHORE 2008). In 1999, the Australian Productivity Commission estimated the total cost of lost productivity in Australia as a result of problem gambling to be $21 million to $150 million each year (Productivity Commission 1999, vol 3, p J.14).[4]

Costs incurred as a result of people changing jobs because of their gambling

The costs incurred as a result of people changing jobs because of their gambling include unemployment benefits, lost income costs, job search costs and staff replacement costs.

The number of people who have changed jobs in New Zealand because of gambling is not readily available. However, a 1999 national Australian survey found that, in the preceding 12 months, almost 5600 people had changed their job because of their gambling (Productivity Commission 1999, vol 3, p J.14).

Value of money and goods stolen as a result of gambling-related crime and costs to the justice sector

Several New Zealand and overseas studies have found that a range of crimes is committed because of problem gambling and a substantial proportion of these crimes go unreported to the police (Smith et al 2007, pp 545, 549–550; Bellringer et al 2008a; SHORE 2008; Productivity Commission 1999, vol 1, p 7.67; Productivity Commission 2009, p xxiv).

[4] The Productivity Commission is the Australian Government's independent research and advisory body on a variety of economic, social and environmental issues.

The costs of problem gambling on the justice sector include the costs of police incidents, court appearances and jail terms.

Costs of adverse personal and family impacts as a result of gambling

New Zealand and overseas research has found that problem gambling can result in adverse personal and family impacts such as relationship break-ups (including divorce), violence, depression, emotional stress, attempted suicide and suicide.

A New Zealand study found (SHORE 2008, p 11):

> Close family members ... of heavy gamblers were most negatively impacted by their family members' gambling. The life domains affected included physical health, mental well being, housing situation, material standard of living, relationships, care-giving for children, feelings about self, overall quality of life and overall satisfaction with life.

Another New Zealand study, which synthesised the major findings from the New Zealand Gaming Survey and other New Zealand gambling-related research, concludes (Abbott 2001, p 33):

> For people at the severe end of the [problem gambling] continuum, the consequences of their problems are devastating for themselves and often for others in their lives. They not infrequently lead to serious psychological disturbance, relationship break-ups, financial ruin, criminal offending, imprisonment and suicide.

The 1999 Australian National Gambling Survey found that problem gambling led to significant numbers of people suffering adverse impacts such as violence, relationship break-ups (including divorce and separation), depression, emotional distress, attempted suicide, and suicide (Productivity Commission 1999, vol 1, pp 9.12–13).

Cost of services to assist problem gamblers

The cost of services to assist problem gamblers include the Ministry's costs for developing, managing and implementing the integrated problem gambling strategy, which includes the costs of problem gambling treatment services, public health prevention services (including awareness and education campaigns), and problem gambling research.

Problem gambling is also linked to other health issues such as smoking, hazardous alcohol consumption and depression (Ministry of Health 2008a, summary of p 62). The 2006/07 New Zealand Health Survey found that more than 9 in 10 (91.6 percent) problem gamblers had visited a doctor in the last 12 months, while 1 in 6 (17.0 percent) had visited a psychologist, counsellor or social worker in that time.[5] More research is required to establish whether such visits are a result of the problem gambling.

[5] These figures do not necessarily translate into problem gambling 'presentations'. A problem gambling 'presentation' is recorded when a person presents to a specialist problem gambling intervention (treatment) service funded by the Ministry of Health. Visits to GPs, for example, are not 'presentations'.

However, where problem gambling does lead to other health problems, the costs on other health services used by problem gamblers need to be considered.

These costs may also include the costs of accessing social agency services such as food banks, Housing New Zealand services, budgeting services, alcohol and other drug services, mental health services, doctors, legal aid, Work and Income New Zealand services, and Child Youth & Family services.

The Australian Productivity Commission's 1999 cost–benefit analysis of gambling estimated the social costs of various forms of gambling in Australia. The commission found that, after accounting for the consumer losses from problem gamblers and the social costs of gambling associated with the various forms of gambling:

- lotteries products (including 'scratchies') and casino gaming were a net benefit to the community
- non-casino gaming machines and race and sports betting might be an overall net cost to the community (Productivity Commission 1999, vol 3, p J.38, Table J.13).

In 2009, the Productivity Commission applied updated gambling prevalence rates and changes in the population and the economy to the basic parameters used in the 1999 analysis. The commission concluded that the figures 'continue to suggest benefits of many billions of dollars, but also substantial costs that run into billions of dollars' (Productivity Commission 2009, p xxii).

Benefits of gambling in New Zealand

The gambling industry provides a service that consumers value as a form of entertainment. A comprehensive measurement of this value to New Zealand consumers is complex and has not been undertaken. However, officials consider such a measurement would need to consider the:

- entertainment value of gambling to consumers compared with alternative forms of entertainment (the net 'consumer surplus')
- sensitivity of the demand for gambling to changes in its price for each category of consumer (ie, the recreational gambler, moderate risk gambler, and problem gambler)
- loss (lack of value for money) to problem gamblers of 'excess' gambling expenditure (the net 'consumer surplus' for this group is likely to be negative, so would need to be deducted from the total value of the overall 'consumer benefit' from gambling)
- level of 'tax' collected from gambling (including licence fees and community grants).

Employment in the gambling industry and economic activity as a result of gambling are not likely to result in significant benefits. If gambling did not exist, alternatives to gambling for consumer spending (eg, spending on retail products or other forms of entertainment) would 'contribute' to the economy in terms of labour, capital and consumption benefits (Productivity Commission 2009, p 3.5).

The 1999 cost–benefit analysis of gambling in Australia concluded that 'the gambling industries generate a significant net benefit to consumers, even when discounted for the likely shortfall in value received by problem gamblers' (Productivity Commission 1999, vol 1, p 5.36). The Productivity Commission's estimate of the value of benefits for gambling consumers showed net consumer benefits across all forms of gambling, even after accounting for the losses from problem gamblers (at p 5.24, Table 5.13). However, the analysis also showed that once the social costs of gambling are added to the equation, the overall costs of gambling could outweigh the benefits.

Overview of gambling in New Zealand

Participation in gambling

Although various New Zealand surveys show slightly varying rates of participation in gambling activities, the most recent surveys (Department of Internal Affairs 2008; Health Sponsorship Council 2007; Ministry of Health 2008b) show that:

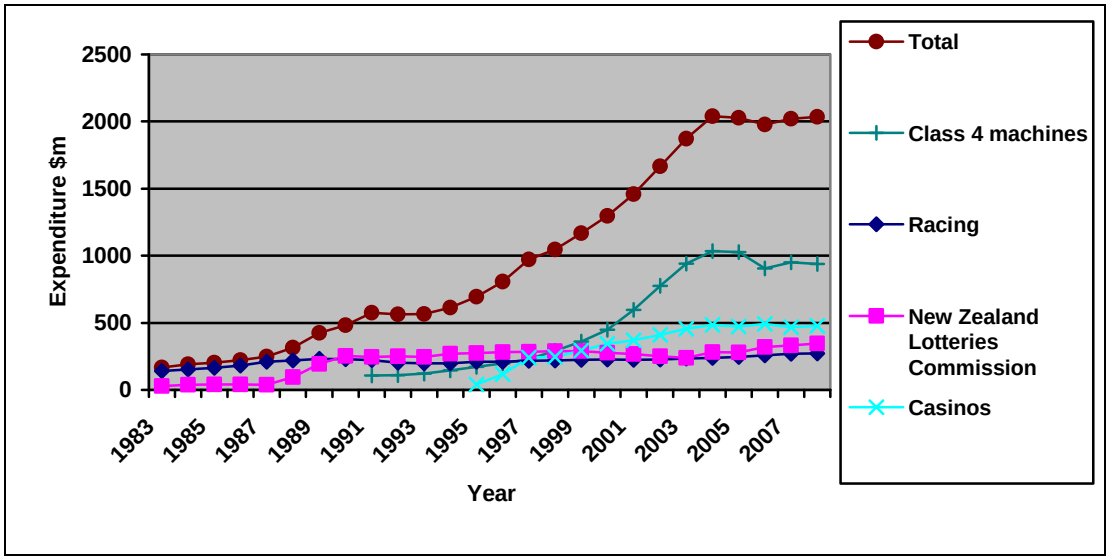
- a majority of adults in New Zealand gamble
- most adults who gamble play on Lottery products
- a minority of adults play non-casino gaming machines, gamble in casinos, bet on horse or dog races, and bet on sports events
- a considerable proportion of adults who gamble on Lottery products, non-casino gaming machines, and housie or bingo participate at least once a month.

National gambling expenditure

Total gambling expenditure in New Zealand trended upwards from 1983 to 2004, but levelled off from 2004 with the implementation of the Gambling Act 2003. Expenditure across what are now the four main gambling sectors totalled $168 million in 1983, peaked at $2.039 billion in 2004, and was $2.034 billion in 2008.

Figure 1 illustrates gambling expenditure in New Zealand by gambling activity type.

Figure 1: National expenditure statistics (actual dollars, non-inflation adjusted, for gambling operators at financial year end), 1983–2008



Notes: Expenditure is the amount lost or spent by players (ie, the gross profit of the gambling operator). Expenditure represents actual dollars (non-inflation adjusted) for gambling operators financial year-end. Most gambling operators have a balance date of 30 June.

Source: Gambling expenditure statistics from the Department of Internal Affairs.

New Zealand's response to problem gambling

Legislative response

Gambling Act 2003

The Gambling Act 2003 is the primary piece of legislation that regulates gambling activities in New Zealand. This Act sets out the:

- authorised classes of gambling in New Zealand
- licensing and other regulatory requirements for each class of gambling
- roles of the responsible minister, the Department of Internal Affairs, the department allocated responsibility by Cabinet for the integrated problem gambling strategy (the Ministry of Health), and territorial authorities in contributing to the purposes of the Act 2003.

The purposes of the Gambling Act 2003 are to:

- control the growth of gambling
- prevent and minimise the harm caused by gambling, including problem gambling
- authorise some gambling and prohibit the rest
- facilitate responsible gambling
- ensure the integrity and fairness of games
- limit opportunities for crime or dishonesty associated with gambling
- ensure that money from gambling benefits the community
- facilitate community involvement in decisions about the provision of gambling.

Racing Act 2003

The Racing Act 2003 is the primary piece of legislation that regulates the racing industry and racing and sports betting in New Zealand.

One function of the New Zealand Racing Board, which owns the TAB brand, is to develop or implement, or arrange for the development or implementation of, programmes to reduce problem gambling and minimise the effects of that gambling.

Local Government Act 2002

The Local Government Act 2002 sets out the processes required by territorial authorities regarding the establishment and review of non-casino gaming machine and TAB gambling venue policies.

Gambling Amendment Bill (No. 2)

The Gambling Amendment Bill (No. 2) is before Parliament, but is unlikely to come into effect before Cabinet finalises the problem gambling levy for 2010/11–2012/13. The Bill proposes an amendment to the calculation of the problem gambling levy. The purpose of this amendment is to ensure that any under-collection or over-collection of levy from a gambling sector in any period is debited or credited to that same sector in the next levy period.

Problem gambling levy

The problem gambling levy is collected on the profits of the gambling industry (ie, from player expenditure) and reimburses the Crown for the costs of delivering problem gambling services. The levy ensures problem gambling services are fiscally neutral to the Crown.

The problem gambling levy is set under the Gambling Act 2003. The purpose of the levy is 'to recover the cost of developing, managing, and delivering the integrated problem gambling strategy' (section 319(2)).

The problem gambling levy is collected on the profits of New Zealand's four main gambling sectors. These sectors are:

- non-casino gaming machine operators
- casinos
- the New Zealand Racing Board
- the New Zealand Lotteries Commission.

The Gambling Act 2003 includes a formula that 'is to be used to assist in estimating the proposed levy rates payable by gambling operators' (section 320(2)). The formula calculates levy rates using rates of player expenditure (losses) on each gambling sector and rates of client presentations to problem gambling services attributable to each gambling sector.

The levy rates are set every three years. The next period is from 1 July 2010 to 30 June 2013 (ie, 2010/11–2012/13).

For the 2007/08–2009/10 levy period (the current levy period, which expires on 30 June 2010), a weighting of 10 percent on expenditure and 90 percent on presentations was applied to determine the relative shares for each gambling sector.

Ministry of Health's current integrated problem gambling strategy

The Ministry's current integrated problem gambling strategy was developed in 2004 and expires in 2010. The integrated problem gambling strategy includes all of the components required under the Gambling Act 2003, being:

- measures to promote public health by preventing and minimising the harm from gambling
- services to treat and assist problem gamblers and their families and whānau
- independent scientific research associated with gambling
- evaluation.

Cabinet approves the size of the problem gambling levy and funding for the integrated problem gambling strategy every three years. The current service plan (which is needed to obtain funding) was approved in 2007 and expires on 30 June 2010.[6] Table 2 shows the funding approved for 2007/08–2009/10.

Table 2: Problem gambling services – approved Ministry of Health spend (GST exclusive), 2007/08–2009/10

Services	**Ministry of Health spend (GST exclusive) ($ million)**			
	2007/08	**2008/09**	**2009/10**	**Total**
Public health services (including evaluation)	5.653	5.810	6.270	17.733
Intervention services (including evaluation)	9.436	9.709	9.840	28.985
Research programme	2.200	2.200	1.400	5.800
Ministry of Health operating costs	0.950	1.378*	1.008	3.336
Total	18.239	19.097	18.518	55.854

* Includes audit costs (once every three years).

[6] However, Cabinet's approval of appropriations to the Ministry to fund problem gambling services included funds outside the service plan period of $11.224 m in 2010/11 and 2011/12 and out-years (CAB Min (07) 13/3).

Effectiveness of current strategy

Intervention services

The Ministry contracts a variety of non-governmental organisations to provide problem gambling intervention and public health services throughout New Zealand.

The Ministry's problem gambling intervention (treatment) services are free to anyone who has been affected by the harm from gambling, from people who have suffered some problems due to moderate risk gambling to people who have reached crisis point as a result of severe pathological problem gambling. The Ministry's model of care includes interventions to accommodate the full spectrum of harm from gambling, including brief interventions to encourage help-seeking at an early stage in the development of the problem and full intervention services for people requiring comprehensive intervention for moderate to severe problems. Intervention services are also available to family/whānau affected by the harm caused by another family member's gambling.

The Ministry's model of care also seeks to address the underlying cause of problem gambling and includes a facilitation service so specialist problem gambling clinicians, when appropriate, can facilitate clients into other specialist services such as alcohol and other drug treatment services.

The number of people seeking help for the effects of gambling harm using the Ministry's contracted problem gambling intervention (treatment) services has increased in recent years (see Table 3), but still represents only a small proportion of those affected by gambling harm.

The Ministry has collected a variety of outcome data to determine the effectiveness of intervention services for problem gamblers and affected others. The data collected includes assessments of problem gambling status, control over gambling, and proportion of household income spent on gambling. The Ministry has collected this data since 2004.

Annual data on problem gambling service users has consistently shown improved outcomes for those clients accessing intervention services. Improved outcomes are shown in improved screen scores, reduced dollars lost, and improved sense of control.

A review of intervention client progress was undertaken in 2007. Outcomes were measured by looking at the difference between a client's first and last treatment assessments. The four key findings from the review were:

- problem gambling screen scores decreased substantially for 48.3 percent of reassessed clients and to a lesser extent for a further 34.5 percent of reassessed clients[7]

[7] The screen used was the SOGS-3M. This screen is adapted from the South Oaks Gambling Screen and is used to provide information on a client's gambling over the preceding three months.

- 85.2 percent of clients reported they had lost less money in the four weeks before reassessment than in the four weeks before their initial assessment, and 63.8 percent reported losing 80–100 percent less
- 27.1 percent of clients reported being in control or mostly in control of their gambling at first assessment, but had increased to 77.4 percent at reassessment
- comparing progress measures in 2001/02–2006/07, significant differences were found in favour of those who completed treatment compared with those who had not completed treatment.

The Ministry has also commissioned an independent, three-stage evaluation project to evaluate the effectiveness of problem gambling intervention services. Stages one and two of the evaluation project found that (Bellringer et al 2008b, p 95):

> high levels of [client] satisfaction were mirrored in terms of reported outcomes ... [A]ll 51 survey participants who had sought help for their own gambling problem reported problem improvement.

Stage three of the project was completed in December 2009. Stage three included self-reported outcome data from 49 clients of problem gambling treatment services. The stage three findings were consistent with the stages one and two findings and were overwhelmingly positive. The findings were:

- 92 percent of participants reported that attending their respective gambling treatment services had helped them with their gambling issues
- 76 percent reported that their treatment attendance had also helped with other, non-gambling-specific, issues
- 93 percent of participants reported decreased gambling activity, and the majority of these participants reported they had stopped gambling
- all participants reported being 'very satisfied' or 'satisfied' with their current or most recent problem gambling treatment service.

Stage three also found that of those clients who received an initial assessment (before treatment) and a follow-up assessment (after treatment), the mean difference in gambling harm score had decreased 3.6 points. (The overall initial mean assessment score was 12.3. Anything over 3 is considered a positive gambling harm screen score.)

The client assessments also showed a significant difference in the dollars lost screen score after treatment. Clients showed an overall initial mean score of $500 on the dollars lost screen. This score fell to a mean score of $165 on the post-treatment dollars lost screen assessment (Bellringer et al 2009).

Public health (prevention) services

Public health is concerned with keeping people healthy and improving the health of populations rather than with providing individualised care for people who are unwell. Problem gambling public health practitioners perform a variety of activities in the community to reduce gambling related harm.

The Ministry's public health contracts reflect international recommendations and expectations for public health service delivery as outlined by the World Health Organization and the Ottawa Charter for Health Promotion.

At a contract management level, the Ministry requires all providers' services to comply with a variety of quality standards and reporting and monitoring requirements. Contract managers routinely review public health programmes and delivery to assess alignment with Ministry service specifications and public health objectives of the integrated strategy.

The Ministry recognises the importance of monitoring the impact and effectiveness of its approach, including public health. To reflect this importance, the Ministry, over 2007/08–2009/10, developed the monitoring and reporting outcomes framework and committed to operationalising the framework and reporting on progress towards the agreed outcomes over 2010/11–2015/16.

The Ministry's problem gambling monitoring and reporting outcomes framework identifies key objectives and the actions required to achieve them. The framework outlines short-, medium- and long-term goals and describes indicators to demonstrate the effectiveness of services, including public health activities.

The Ministry recognises that in many instances the indicators reflect positive changes in the attitudes and behaviours of New Zealanders in relation to gambling. The Ministry believes many of these changes can be attributed to the effectiveness of its public health programme as well as gambling sector host responsibility programmes. For example, the reach of the public health and awareness programme to Māori and Pacific populations, the increasing rate of service use by Māori, and changes in the number of territorial authorities reflecting an active awareness of the potential harms from gambling.

The problem gambling awareness and education programme Kiwi Lives has been independently evaluated (Hall and Dickinson 2009). The evaluation found that the programme had been successful as measured against its goals and objectives and when compared with larger and more expensive programmes. In particular, the evaluation showed the campaign had:

- stimulated discussion about problem gambling
- increased understanding and concern about the impact of problem gambling
- encouraged participants to view problem gambling as more than an individual problem
- increased calls to the Gambling Helpline
- contributed to people's knowledge, understanding of and concern about problem gambling
- made people feel better able to respond to problem gambling
- achieved a strong response from Māori and Pacific peoples, in particular.

Contract management processes

The Ministry's contract management processes for intervention and public health services include six-monthly reporting and verification visits. The reporting requirements for intervention services include the electronic recording and reporting of key steps and processes to represent the client's pathway through the clinical process.

The Ministry reviews intervention service data monthly, quarterly and annually to inform service and planning and to assess emerging trends in problem gambling presentations or delivery effectiveness.

As part of its contract management processes, the Ministry also conducts independent routine audits each levy period. These audits review all aspects of business and financial management, service quality and delivery, and cultural and consumer perspectives.

Research programme

Several research projects have been completed and led to better informed policy and service development.[8] Completed projects include:

- a study of the barriers to help-seeking by the Auckland University of Technology
- a formative investigation into the links between gambling (including problem gambling) and crime in New Zealand by the Auckland University of Technology
- an assessment of the social impacts of gambling in New Zealand by Massey University
- a study of the impacts of gambling (including problem gambling) on Māori communities by Te Rūnanga o Kirikiriroa Charitable Trust
- a longitudinal study of Pacific families by the Auckland University of Technology
- a review of the effectiveness of problem gambling approaches by Research New Zealand.

Effectiveness of the current strategy for Māori

Whānau Ora

The Ministry's strategic plan for preventing and minimising gambling harm sits within and aligns with other Ministry strategic documents, including:

- *He Korowai Oranga: Māori Health Strategy* (Minister of Health and Associate Minister of Health 2002a)
- *Whakatātaka: Māori Health Action Plan 2002–2005* (Minister of Health and Associate Minister of Health 2002b)

[8] The list of completed research projects is available from the Ministry of Health website: http://www.moh.govt.nz/problemgambling (Ministry of Health 2009c).

- *Te Puāwaiwhero: The second Māori mental health and addiction national strategic framework 2008−2015* (Ministry of Health 2008c)
- *Statement of Intent 2009–2012* (Ministry of Health 2009d).

The high-level aim of these strategies is to achieve Whānau Ora: Māori families supported to achieve their maximum health and wellbeing.

Māori problem gambling service provision

Māori are a high risk problem gambling population. The 2006/07 New Zealand Health Survey showed Māori were about four times more likely than the total population to be problem gamblers (Ministry of Health 2008b).

Of the Ministry's 24 problem gambling service providers, 13 are dedicated Māori providers. These services are spread nationwide. The Ministry also funds a dedicated Māori 0800 phoneline that provides counselling and information services to problem gamblers or people affected by someone else's gambling.

In addition to this, all problem gambling intervention services must maintain a kaumātua support function to ensure a culturally safe service is delivered for Māori and that Māori staff within non-Māori-dedicated organisations are supported to work within a kaupapa Māori approach.

Flexible service model

The Ministry's service model accommodates all practice requirements and frameworks endorsed in New Zealand, including kaupapa Māori delivery frameworks and a whānau/iwi approach. For example, whānau and significant others can and should be involved in any stage of a client's treatment. The facilitation element of the service model allows providers to adopt a holistic approach and ensures the client's wider needs are appropriately addressed.

Workforce development

With some smaller dedicated Māori problem gambling service providers, a key focus of the Ministry's workforce development activities involves supporting providers to share best practices and approaches for achieving positive outcomes for Māori. As part of the existing problem gambling workforce development contracts, the Ministry funds:

- two training days annually for Māori problem gambling intervention service providers
- two Māori-specific forums annually at which Māori problem gambling public health and intervention providers can share best practice and discuss innovative approaches of delivery
- one annual forum at which all problem gambling providers can meet and discuss workforce development opportunities and strategic issues.

The Ministry also contracts for workforce development in the area of intervention and national co-ordination of problem gambling services with a specific focus on supporting Māori services and service delivery. Specialist Māori addiction practitioners are involved in planning and delivering intervention service training.

The Ministry's Hoe Wha problem gambling scholarships, which Te Rau Matatini administers, also has a specific goal of improving research capacity and capability in the Māori problem gambling workforce.

Access to services for Māori

A review of the Ministry's intervention service utilisation data and national prevalence data shows that, in 2008, Māori access to problem gambling services was comparable to access by New Zealand European and other groups (not including Pacific and Asian peoples) and was above the national average. This is a noticeable improvement from access rates in previous years.

The higher access rate to problem gambling services in 2008 by Māori experiencing harm from gambling may indicate the effectiveness of the current approach, including its emphasis on providing quality, culturally safe and accessible services for Māori.

Achieving Whānau Ora continues to be a priority for the Ministry. This is reflected in the Ministry's Statement of Intent for 2009–2012 and the Ministry's problem gambling monitoring and reporting outcomes framework (discussed below).

Key trends

The key trends identified in relation to gambling in New Zealand are:

- an increase in help-seeking
- changes to national forecast expenditure in:
  - non-casino gaming machines
  - casinos
  - the New Zealand Racing Board
  - the New Zealand Lotteries Commission
- an increase help seeking by gambling mode.

Increase in help seeking

The number of people using the Ministry's contracted problem gambling intervention (treatment) services has increased in recent years (see Table 3).

Table 3: Clients recorded as using the Ministry of Health's contracted problem gambling intervention (treatment) services, 2006/07–2008/09

	2006/07	2007/08	2008/09
Number of clients	4421	4659	6077
Percentage increase from previous year	26%	5%	30%

Notes: The data in the table is made up of the following elements.

- All clients who recorded a primary or additional problem gambling mode.
- All agencies (inpatient and outpatient).
- All client types (gambler, affected family members, and affected other).
- Total clients (new and existing).
- Full intervention, facilitation and follow-up services accessed by clients, including Gambling Helpline full and facilitation services (but brief intervention clients are excluded).

Direct comparisons between the 2006/07, 2007/08 and 2008/09 data have limitations because new service specifications for problem gambling intervention service providers were implemented from January 2008. The data available represents a snapshot at a point in time. The above statistics are subject to slight variation as the Ministry updates client data elements in accordance with the data collection and submission rules required of treatment service providers.

The Ministry considers that possible explanations for the increase in people using the Ministry's contracted problem gambling intervention (treatment) services include:

- increased awareness of help services as a result of public health activity, including the television awareness and education campaign
- improvements in client recording practices by service providers
- increases in problem gambling prevalence as a result of the economic recession.[9]

The Ministry expects a continued increase in client presentations over 2010/11–2012/13. However, the Ministry also expects the increases to plateau at some point because many of the possible reasons for the increase are short-term conditions that would not lead to sustained increases.

[9] The Canadian Problem Gambling Index screen was introduced in the 2006/07 New Zealand Health Survey. It is important to note that the prevalence of problem gambling from this study is not directly comparable with those from previous national surveys, due to the use of different gambling screens. Until a follow-up national Canadian Problem Gambling Index screen is undertaken, the Ministry is unable to determine with certainty whether problem gambling prevalence is increasing or decreasing in New Zealand.

National forecast expenditure

Non-casino gaming machines

Spending in the non-casino gaming machines sector decreased from $950 million in 2007 to $938 million in 2008 and $889 million in 2009. More recent data from the electronic monitoring system suggests this decrease might be starting to level off.

Casinos

Casino spending increased from $469 million in 2007 to $477 million in 2008, but may have been limited by the refurbishment of the SKYCITY Auckland Casino's gaming floor. Modest spending growth is expected during the period of the proposed levy.

New Zealand Racing Board

Historically, gambling on New Zealand Racing Board products has increased about 2.5 percent each year. Although the current economic conditions may be having a negative impact on betting expenditure, it is expected that the amount people gamble on racing and sports betting will change only a minor amount.

New Zealand Lotteries Commission

Spending on New Zealand Lotteries Commission products has shown considerable volatility. This spending appears to be most influenced by the number of large jackpots in any given period. Overseas experience suggests that lottery markets mature, so more modest growth can be expected for the period of the proposed levy.

Help seeking by gambling mode

Table 4 compares the proportion of people presenting to problem gambling intervention services citing each type of gambling mode as causing them harm from 2007 to 2009.

Table 4: Sector share of people presenting to problem gambling intervention services by gambling mode, as at 30 June 2007–2009

Sector share	Non-casino gaming machines	Casinos	New Zealand Racing Board	New Zealand Lotteries Commission
June 2007 (%)	71	19	7	2
June 2008 (%)	71	20	7	2
June 2009 (%)	69	18	7	6

The percentage sector share of people presenting to problem gambling intervention services citing casinos or New Zealand Racing Board gambling modes as causing them harm has remained relatively stable from 2007 to 2009.

The sector share of non-casino gaming machine presentations fell two percentage points and New Zealand Lotteries Commission presentations have increased three-fold from 2 percent to 6 percent.

The number of large Lotto jackpots in 2009, increased expenditure by high-deprivation communities on New Zealand Lottery Commission products during the economic recession, the introduction of higher frequency options for lotteries gambling products, and improved service provider recording practices may have contributed to the increase in New Zealand Lotteries Commission presentations.

Why continued government action is needed

Strategy and service plan

The current integrated problem gambling strategy and the funding appropriated for implementing the service plan expire on 30 June 2010. A six-year integrated problem gambling strategic plan is required for 2010/11–2015/16. A service plan (and appropriation) is needed in order to obtain the required funding to implement the first three years of the new strategic plan.

If Cabinet does not agree to continue the problem gambling levy, the services required to implement the integrated problem gambling strategy will need to be funded from the Ministry baseline or discontinued.

Without the problem gambling levy and integrated problem gambling strategy, the gambling industry would not have to pay the levy of about $18.5 million annually. Under the current levy weighting allocations (10 percent on expenditure and 90 percent on presentations), this would mean the following approximate annual contributions would not need to be paid:

- $12 million for the non-casino gaming machine sector
- $4 million for the casino sector
- $1 million for the New Zealand Racing Board gambling sector
- $1 million for the New Zealand Lotteries Commission sector.

If the casino gambling sector does not have to contribute to the levy, profits might increase for casino shareholders. If the New Zealand Racing Board sector does not have to contribute to the levy, funding returned to the racing industry might increase. If the non-casino gaming machine and New Zealand Lotteries Commission sectors do not have to contribute to the levy, community grants might increase. These outcomes will not result in net benefits to New Zealand, as they simply represent a transfer of some of the consumer surplus from the Government (used to fund the integrated problem gambling strategy) back to the gambling industry (used by shareholders and by the community through grants).

If, however, an integrated problem gambling strategy could not be funded, then people requiring help from gambling harm (6077 clients in 2008/09) would be without specialist problem gambling treatment services. Without intervention, the harm they are experiencing is likely to get more severe and lead to increased financial hardship and increased social and health problems.

About 119,300 adults are affected by gambling harm in New Zealand. Without the problem gambling public health (prevention) activity, it is likely the prevalence of problem gambling in New Zealand would increase.

Increased rates of problem gambling prevalence and severity are likely to lead to increased pressure on the health, social welfare and criminal justice sectors. These impacts are likely to be greater for groups already disproportionately affected by gambling harm, such as Māori, Pacific peoples and people living in high-deprivation areas.

Without a research programme, significant questions about the effectiveness of current problem gambling services, both interventions and public heath activities, will remain unanswered.

In 2009, the Australian Productivity Commission updated its 1999 cost–benefit analysis. The commission concluded that (Productivity Commission 2009, vol 1, pp 3.22–3.23):

> Even conservative estimates suggest that a small temporary reduction in problem gambling could produce sizable welfare gains ... Accordingly, even harm minimisation measures with modest efficacy may produce worthwhile net benefits.

Overall, problem gambling is still a significant social and health issue in New Zealand. The results of the 2006/07 New Zealand Health Survey indicate that there is still a burden of gambling-related harm in the New Zealand community, particularly on Māori and Pacific communities and on people living in areas of higher socioeconomic deprivation (Ministry of Health 2008b). For these reasons, officials consider that continued government intervention is required.

Problem gambling levy

The problem gambling levy expires on 30 June 2010. New regulations are required to set the levy rates for each gambling sector, so the Government can recover the cost of developing, managing and delivering the integrated problem gambling strategy over the 2010/11–2012/13 levy period.

2 Objectives of the Integrated Problem Gambling Strategy

The overall goal of the integrated problem gambling strategy is:

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

The Ministry's problem gambling monitoring and reporting outcomes framework identifies 11 objectives required to achieve the overall goal of the strategy.

- Objective 1: There is a reduction in health inequalities related to problem gambling.
- Objective 2: Māori families are supported to achieve their maximum health and wellbeing through minimising the negative impacts of gambling.
- Objective 3: People participate in decision-making about local activities that prevent and minimise gambling harm in their communities.
- Objective 4: Healthy policy at the national, regional and local level prevents and minimises gambling harm.
- Objective 5: Government, the gambling industry, communities, family/whānau and individuals understand and acknowledge the range of harms from gambling 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: People have the life skills and the resilience to make healthy choices that prevent and minimise gambling harm.
- Objective 8: Gambling environments are designed to prevent and minimise gambling harm.
- Objective 9: Problem gambling services[10] effectively raise awareness about the range of harms from gambling that affect individuals, families/whānau and communities for people who are directly and indirectly affected.
- Objective 10: Accessible, responsive and effective interventions are developed and maintained.
- Objective 11: A programme of research and evaluation establishes an evidence base, which underpins all problem gambling activities.

The monitoring and reporting outcomes framework identifies the actions required to achieve each of the 11 objectives. The framework outlines short-, medium- and long-term goals and includes indicators to demonstrate the efficacy of services.

[10] The reference to problem gambling services for this objective includes health services that treat problem gamblers, and it excludes all primary health care services.

An additional objective of the integrated problem gambling strategy is to maintain the funding required for the 2010/11–2012/13 levy period within 2007/08–2009/10 funding levels to align with the Government's call for restraint and prudence within state sector spending.

3 Options for the Problem Gambling Service Plan

The options considered for the problem gambling service plan were compared against the current 2007/08–2009/10 plan.

The analysis of the options seeks to determine the optimal mix of problem gambling services that will deliver the maximum benefit (assessed against objectives 1–11 of the problem gambling monitoring and reporting outcomes framework) for the given cost and within the budget constraint (assessed against the additional objective of maintaining overall funding levels).

The analysis of the options focuses on:

- intervention services, including the number of full-time equivalent (FTE) intervention service staff
- public health services, including:
  - the awareness and education campaign
  - primary prevention service FTEs
- the research programme, including research contracts and evaluation[11]
- Ministry operating costs.

Intervention services

The options considered for intervention services were:

- decrease funding for intervention service FTEs (the Ministry's preferred option)
- increase funding for intervention service FTEs
- maintain funding for intervention service FTEs at 2007/08–2009/10 levels.

Decrease funding for intervention service full-time equivalents

Ministry's preferred option	✓

The Ministry reviewed the demand for problem gambling intervention services over 2008. The review found that service utilisation for some providers met or exceeded contracted levels and that the service capacity being purchased in some areas was under-utilised. The review showed that if existing trends and service utilisation continue, some intervention services would have excess capacity (based on client volumes) in some areas.[12] As a result, the Ministry reduced intervention service capacity by 14 FTEs in 2009/10.

[11] Funding for evaluation is included under the public health services and intervention services budget lines in the 2006/07–2009/10 levy period. However, the Ministry has moved this funding under the main research contracts budget line for 2010/11–2012/13.

[12] The Ministry notes that service data and evaluation reports found that although presentations to services have increased, the average time each client spends with a clinician has decreased significantly.

The Ministry believes the level of funding in contract for intervention services is sufficient to meet current demand, with some flexibility to manage the possibility of further increases in presentations. This results in a reduction in funding for intervention service FTEs from $23.1 million (excluding GST) over 2007/08–2009/10 to $20 million (excluding GST) over 2010/11–2012/13.

The Ministry considers that the proposed reductions will not affect access to services or compromise the Ministry's strategic objectives.

The Ministry considered options for reducing intervention service funding through service alignments – such as devolution of services to District Health Boards – but noted that although such approaches could be explored over 2010/11–2012/13, the financial implications could not be forecast at this time. For example, the Ministry notes that proposals for change to the Ministry and, potentially, the wider health sector, such as those the Minister of Health's Ministerial Review Group proposed, may influence the future delivery structure for problem gambling services.

Increase funding for intervention service full-time equivalents

The Ministry believes the level of funding in contract for intervention services is sufficient to meet current demand, with some flexibility for possible increases in presentations.

Evidence suggests that intervention services are providing effective outcomes for clients at current funding levels (see 'Effectiveness of current strategy' in section 1).

If demand for intervention services increases dramatically during 2010/11–2012/13, the Ministry could seek an early reconsideration of the levy. The Act allows the Ministry to initiate the levy-setting process within the normal three-year period, if it considers that a significant change in the gambling environment warrants a reconsideration of the levy.

Maintain funding for intervention service full-time equivalents at 2007/08–2009/10 levels

Maintaining funding for intervention service FTEs for 2010/11–2012/13 at 2007/08–2009/10 levels would mean increasing the capacity from what is currently in contract. The Ministry believes the level of funding in contract for intervention services is sufficient to meet current demand, with some flexibility to manage the possibility of further increases in presentations.

Public health services – awareness and education campaign

The awareness and education campaign (Kiwi Lives) is a component of the public health budget.

The options considered were:

- decrease funding for the awareness and education campaign (Ministry's preferred option)
- further decrease funding for the awareness and education campaign
- increase funding for the awareness and education campaign.

Decrease funding for the awareness and education campaign

Ministry's preferred option	✓

Under this option, funding for the awareness and education programme Kiwi Lives would decrease from $4.78 million in the 2007/08–2009/10 service period to $4.44 million in 2010/11–2012/13.[13]

This budget would allow:

- a basic level of:
  - formative work to inform any new campaign messages and resources
  - evaluative work to assess the impact of current or new campaign messages
- a low level of television placement to continue (about 8–9 weeks of the year)
- a basic level of communications activity to support the campaign messages at a regional or local level (with a key aspect of this work involving working with public health service providers to support the integration of these messages in their communities)
- the production of printed resources and materials to support the campaign at a local level
- some work on venue-based activities.

The Ministry considers that this level of funding, while modest, would allow the campaign to continue to achieve its objectives and contribute to the Ministry's strategic objectives and outcomes for preventing and minimising gambling harm.

[13] The funding represented for the awareness and education campaign in both 2006/07–2009/10 and 2010/11–2012/13 is made up of public health resources and social marketing campaign resources.

Further decrease funding for the awareness and education campaign

The problem gambling awareness and education programme Kiwi Lives has been operating for three years. The programme is a key component of the Ministry's contracted public health activity and supports primary prevention initiatives. The campaign asks New Zealanders to think about the broad impacts of problem gambling on individuals, communities and families and to understand solutions that can prevent and minimise gambling harm.

The programme comprises a population based-approach using a variety of media to raise awareness of gambling harm, promote and de-stigmatise help-seeking behaviour, and promote harm minimisation initiatives.

The Ministry has proposed that funding for the awareness and education programme reduce from a total of $4.78 million in the 2007/08–2009/10 service period to $4.44 million in 2010/11–2012/13. This level of funding for the awareness and education programme is modest in comparison to other health promotion campaigns. Any further decrease in the funding is likely to result in the discontinuation of the television component of the campaign and would significantly compromise the effectiveness of the programme.

The Ministry also considers that any further decrease in the funding would undermine the investment to date in the campaign. The impact of television campaigns diminishes over time. If funding is reduced, then the gains made to date from the Kiwi Lives campaign (see 'Effectiveness of current strategy' in section 1*)* would be lost over time.

Increase funding for the awareness and education campaign

Increasing the funding for the awareness and education campaign could be used to extend the programme to include a mass media component (television advertisements, radio and national print media) to support industry-based host responsibility initiatives. This would provide consistent messages to New Zealanders about gambling venues' roles and responsibilities and support the harm minimisation role of the industry. Based on the cost of producing and disseminating the other mass media components of Kiwi Lives (assuming relatively low levels of placement as at present), this will require an additional budget of $900,000 in each of the three years during 2010/11–2012/13.

However, given that the current modest level of funding is achieving positive results (see 'Effectiveness of current strategy' in section 1) and is consistent with the additional objective to maintain overall funding levels, the Ministry does not consider it necessary to increase the level of funding. This aligns with the Government's call for restraint and prudence within state sector spending.

Public health services – primary prevention services

Funding for primary prevention service FTEs is a component of the public health budget line.

The options considered were:

- increase the funding for primary prevention service FTEs (the Ministry's preferred option)
- maintain or decrease the funding for primary prevention service FTEs.

Increase funding for primary prevention service full-time equivalents

Ministry's preferred option	✓

Under this option, funding for primary prevention service FTEs would increase from $11 million (excluding GST) over 2007/08–2009/10 to $15 million (excluding GST) over 2010/11–2012/13. This funding will enable an increase of 5.5 FTEs in primary prevention services from the 46.5 FTEs currently in contract.

The Ministry supports this option because of the results from the calculation the Ministry used to model demand and need for primary prevention services. The model uses a variety of data variables (such as gambling opportunities and the demographic composition of a region) and calculates the total number of FTEs and the ideal spread and mix of FTEs at a regional level.

The model found that to achieve optimal results consistent with the Ministry's strategic objectives, the number of primary prevention FTEs needed to increase by 10.76 FTEs (from 46.5 FTEs in 2009/10 to 57.26 FTEs in 2010/11).

However, the Ministry reduced the recommended increase to a more realistic 5.5 FTEs, after considering the:

- capacity of the problem gambling primary prevention sector to manage such an increase
- Ministry's focus on improving the workforce development of the existing primary prevention staff
- objective to maintain overall funding levels.

The Ministry expects an increase in public health activity outputs from additional FTEs. This increase in activity is expected to result in measurable improvements towards achieving the Ministry's 11 strategic objectives.

The Ministry believes the level of funding currently in contract for intervention services is sufficient to meet possible increases in presentations as a result of an increase in primary prevention FTEs.

Maintain or decrease funding for primary prevention service full-time equivalents

Over 2004/05–2009/10, the Ministry aligned public health service specifications and service delivery to its strategic objectives. This alignment has resulted in improved accountabilities and information, which the Ministry has used to more accurately model demand and need for primary prevention services than has been previously possible.

The model showed that the number of current primary prevention FTEs does not provide adequate coverage nationally to achieve the ideal level of primary prevention activities to meet the Ministry's strategic objectives.

Research programme

The options considered for the research programme were:

- increase research programme funding overall, but reduce funding for new research contracts (the Ministry's preferred option)
- fund only evaluation, outcomes monitoring and existing research contracts.

Increase research programme funding overall, but reduce funding for new research contracts

Ministry's preferred option	✓

Problem gambling is considered an emerging field in which significant gains can still be made through continued investment in research. Research is needed to improve the Ministry's understanding of the impact of gambling on high-risk populations, risk and resiliency factors relating to the incidence of problem gambling, and the effectiveness of the Government's response to problem gambling.

Under this option, overall funding for the research programme would increase from $5.8 million (excluding GST) in 2007/08–2009/10 to $6.1 million (excluding GST) in 2010/11–2012/13.

This funding represents the continuation of funding for projects budgeted for and started in 2007/08–2009/10, the introduction of new funding for the Ministry's six-year and annual outcome monitoring and reporting processes, and the inclusion and alignment of research projects previously reported under other budget lines.

Although there is an overall increase in the research programme budget line, proposed funding for new individual research contracts has been reduced by $1.9 million (excluding GST) in 2010/11–2012/13 from 2007/08–2009/10.

The Ministry believes the proposed research programme under this option balances advancing the sector's knowledge base, building and maintaining research capacity in the New Zealand gambling and problem gambling sectors, and not over-extending a relatively small research capacity.

Fund only evaluation, outcomes monitoring, and existing research contracts

Under this option, funding for the research programme would decrease from $5.8 million (excluding GST) in 2007/08–2009/10 to $2.3 million (excluding GST) in 2010/11–2012/13.

The Ministry does not support this option because it would mean several priority research projects would not be completed in 2010/11–2012/13. This would limit the sector's advancement of knowledge, which would result in less evidence to inform policy and service development. It would also have a detrimental impact on New Zealand's gambling and problem gambling research capacity and would be inconsistent with the Gambling Act 2003.

Ministry of Health's operating costs

The options considered for the Ministry's operating costs were:

- maintain the Ministry's operating costs (the Ministry's preferred option)
- decrease the Ministry's operating costs.

Maintain the Ministry of Health's operating costs

Ministry's preferred option	✓

The funding for the Ministry's operating costs in 2007/08–2009/10 totalled $2.9 million (excluding GST).[14]

The Ministry's operational requirements for managing the funding of and co-ordinating problem gambling services includes contract management, ongoing policy and service development work, and the management and analysis of service utilisation data for the monitoring of services.

In 2007, the Ministry centralised the staff involved in managing the problem gambling programme into a National Problem Gambling Team to improve consistency of service delivery across the programme. The improvements achieved through this alignment have been reflected in considerable positive feedback from across the sector.[15]

The Ministry expects an increased workload for the National Problem Gambling Team over 2010/11–2012/13 due to the implementation of the problem gambling reporting and monitoring programme and an increased focus on a whole-of-government approach.

With an increased workload expected for the National Problem Gambling Team over 2010/11–2012/13, this option would see the Ministry achieving more with less.

[14] Excluding audit costs.

[15] This includes the Gambling Commission's comment in its 2009 report to Ministers 'that the Ministry's team and processes have improved significantly compared to past years' (Gambling Commission 2009, para 10.17).

The Ministry has committed to identifying opportunities to increase efficiency and alignment of service delivery and management, including the possible devolution of services to District Health Boards. The Ministry will work with key stakeholders and sector representatives to consider possible approaches during 2010/11–2012/13.

Funding for this option is largely independent of other decisions about the mix of problem gambling services, assuming that the overall level of funding for the integrated problem gambling strategy is maintained at 2007/08–2009/10 levels. If, however, there were significant changes to the overall budget for the integrated strategy, then the funding required for the Ministry's operating costs may vary.

Decrease the Ministry of Health's operating costs

No reductions have been proposed to the Ministry's operating costs because of the expected increased in the National Problem Gambling Team's workload over 2010/11–2012/13.

Options for the problem gambling levy

The Gambling Act 2003 includes a formula for estimating the proposed levy rates payable by gambling operators.

The levy formula was designed to allocate in a fair and reasonable way the contribution of each sector of the gambling industry to the total amount required to pay for the integrated problem gambling strategy. Sectors that cause more harm add to the size and extent of the integrated strategy required to minimise and prevent that harm. The components of the levy formula are designed to determine which sectors are causing the most harm and should, therefore, be required to contribute more towards funding the integrated strategy.

This conclusion is consistent with the view expressed by the Gambling Commission 'that the weightings in the levy formula should be apportioned to recognise the relative harm caused by individual sectors' (Gambling Commission 2006, p 22).

The Ministry presented three expenditure to presentation weighting options for the levy in its consultation for the 2010/11–2012/13 levy period: 10 : 90, 20 : 80 and 30 : 70. However, the Ministry did not preclude submissions from stakeholders on other weighting options.

The Ministry considers the three options it presented best represent the range of stakeholder views on the weightings. In its 2006 report to Ministers on the 2007/08–2009/10 problem gambling levy, the Gambling Commission recommended a 20 : 80 weighting. The independent report commissioned by the Gambling Commission in 2006 recommended that consideration be given to a 30 : 70 weighting. The 10 : 90 weighting represents the current weighting.

The higher the weighting placed on presentations, the higher the amount of levy that must be paid by the gambling sectors recording the highest numbers of problem gambling service clients who cite that sector's products as their primary problem

gambling mode. The higher the weighting placed on expenditure, the higher the amount of levy that must be paid by the gambling sectors in which players spend the most money.

The levy weighting options do not affect the total amount of funding the Government receives to fund the integrated problem gambling strategy. The weightings affect only how the levy payments are allocated among the four main gambling sectors.

Impact of the weighting options on the gambling sectors

Table 5 shows the sector share of presentations for 2008/09 by gambling sector. The presentation figures show that most clients who present to problem gambling services cite non-casino gambling machines as a mode of gambling causing them, or others, harm. The presentation figures are consistent with numerous New Zealand and overseas surveys and research identifying non-casino gaming machines as the type of gambling most associated with gambling problems, followed by casinos, New Zealand Racing Board products (ie, TAB betting), and finally New Zealand Lotteries Commission products.

Table 5: Sector share of presentations by gambling sector, 2008/09

	Non-casino gaming machines	Casinos	New Zealand Racing Board	New Zealand Lotteries Commission
Sector share	69%	18%	7%	6%

The higher the weighting on presentations in the levy formula, the larger the proportion of the levy the non-casino gaming machine sector will pay and the smaller the proportion of the levy the New Zealand Lotteries Commission will pay.

Table 6 shows the forecast expenditure over the levy period, by gambling sector. Because of the ratio between presentations and expenditure within each sector, a higher expenditure weighting will result in the New Zealand Lotteries Commission, casinos, and the New Zealand Racing Board contributing a larger proportion of the levy and the non-casino gaming machine sector contributing a smaller proportion.

Table 6: Forecast expenditure by sector (GST inclusive), 2010/11–2012/13

Year	Forecast expenditure ($m)			
	Non-casino gaming machines	Casinos	New Zealand Racing Board	New Zealand Lotteries Commission
2010/11	834.8152	468.5276	275.7243	383.1311
2011/12	826.4670	477.8981	281.2387	390.7937
2012/13	826.4670	487.4561	286.8635	394.7016

Table 7 shows the expected levy (excluding GST) on each of the gambling sectors over 2010/11–2012/13 under each of the three levy weighting options and, for comparative purposes, under 0 : 100 and 100 : 0 expenditure to presentations weightings.

Table 7: Proposed problem gambling levy rates for gambling sectors

Expenditure to presentation ratio	Expected levy ($m)			
	Non-casino gaming machines	Casinos	New Zealand Racing Board	New Zealand Lotteries Commission
0 : 100	38.0626	10.0372	3.9660	3.2722
10 : 90	36.8187	10.3239	4.3035	3.9733
20 : 80	35.3260	10.6107	4.6410	4.7914
30 : 70	34.0822	10.7541	4.9786	5.6094
100 : 0	24.6287	12.4748	7.3413	11.1020

Impact of the weighting options on consumers

It is not expected that the adoption of any weighting option will have a significant impact on consumers overall (in terms of increased gambling costs or less money distributed to the community).

However, a particular weighting option may benefit some consumers and disadvantage others. For example, a 10 : 90 weighting would result in a cost increase of about $2.8 million for the non-casino gaming machine sector. Some of these costs might result in less money from non-casino gaming machines being returned in the form of community grants. This could result, for example, in a sports club not receiving a community grant from a corporate society that runs non-casino gaming machines. However, a 10 : 90 weighting would also result in a cost reduction of about $1.5 million to the New Zealand Lotteries Commission, and these reduced costs might result in more funding to the community by the Lottery Grants Board. This could result, for example, in more funding being provided to Sport and Recreation New Zealand from the Lottery Grants Board.

Overall, the costs and benefits to consumers under the various weighting options are largely balanced out, so are not expected to result in significant net impacts.

Preferred option – 30 : 70 expenditure to presentation ratio

The Ministry recommended a 10 : 90 weighting for 2007/08–2009/10. Since then, however, the Ministry has considered the Gambling Commission's recommendation for a 20 : 80 weighting in its 2006 report to Ministers. The Ministry has also implemented the commission's recommendation that the Ministry review how the data requirements in the levy formula best reflect gambling harm.

The results of this review have led the Ministry to recommend a 30 : 70 weighting for 2010/11–2012/13. The Department of Internal Affairs concurs with the Ministry's recommended 30 : 70 weighting option, but notes that there are no compelling reasons why the weighting should not be anywhere in the range of 50 : 50 to 0 : 100.

Officials consider the levy rates should continue to apply a heavier weighting to presentations over expenditure, because presentations are a reasonable indicator of the

proportion of responsibility each gambling sector should carry for the individual harm of problem gambling occurring in New Zealand.

Evidence for this can be found by comparing the similar distribution of gambling harm shown through the presentation figures with other national studies and surveys, such as the 2006/07 New Zealand Health Survey (Ministry of Health 2008a), the 2006/07 Gaming and Betting Activities Survey (Health Sponsorship Council 2007) and the *Assessment of the Social and Economic Impacts of Gambling in New Zealand* (SHORE 2008).

A presentation represents an individual who has been harmed by their own or someone else's gambling and has sought help at a problem gambling service. This harm is directly attributable to a gambling sector (or sectors) as determined by the record of the primary gambling modes cited by clients. The Ministry recognises, however, that intervention service presentations represent only part of the picture. Gambling expenditure also needs to be considered. The Ministry believes gamblers' expenditure in each gambling sector also represents some of the responsibility of the respective industry for the broader harm likely to be occurring in communities.

The Ministry proposes an increased weighting on expenditure to 30 percent, from the 10 percent weighting in the 2007/08–2009/10 levy period for three reasons.

The first reason for the changed weighting is that presentations do not encompass all the harms that can result from gambling. Analysis of the gap between the estimated problem gambling prevalence in New Zealand and problem gambling intervention client data indicates that only a small proportion of problem gamblers seek formal help for their gambling problems. Also, those who do seek help tend to be at the more severe end of the problem gambling spectrum (research has found that help-seeking for a gambling problem is primarily associated with a crisis event).

The second reason for the changed weighting is that the diversion of funds from high-deprivation communities is a harm from gambling. An increased weighting on expenditure acknowledges the relationship between gambling expenditure and the distribution of gambling harm on a societal level, and the Ministry's responsibility to reduce health inequalities. Research has found that, compared with people living in other neighbourhoods, low-income groups spend proportionately more of their household incomes on gambling (Abbott and Volberg 2000), and people living in high-deprivation neighbourhoods are more exposed to gambling and more likely to be problem gamblers and suffer gambling-related harm (Health Sponsorship Council 2007; Ministry of Health 2008b, 2008d). A gambler's expenditure in each gambling sector represents the degree that the respective industry has some responsibility for the harm likely occurring in communities with the least resources, resiliency and capacity to mitigate its impact.

The third reason for the changed weighting is that the increased expenditure weighting mitigates the disincentive on gambling operators to refer people to treatment. The Ministry is concerned that using presentations as a proxy of the ratio of responsibility that each gambling sector has for addressing harm in New Zealand may act as a disincentive to gambling providers to support problem gamblers to seek formal assistance when appropriate.

Summary of the three levy options

The levy weighting options and a summary of the main trade-offs under each of the three options is shown in Table 8.

Table 8: Summary of levy-weighting option trade-offs

Levy weighting option	Trade-offs
10 : 90 (current)	Non-casino gaming machine sector pays more than it would under the other options Greater disincentive on gambling operators to refer customers to treatment, where appropriate Attributes a larger proportion (90 percent) of gambling 'harm' to presentations than to expenditure
20 : 80	Casinos, the New Zealand Racing Board and New Zealand Lotteries Commission pay more than they would under the 10 : 90 option
30 : 70 (preferred option)	Casinos, the New Zealand Racing Board and New Zealand Lotteries Commission pay more than they would under the other options Less of a disincentive on gambling operators to refer customers to treatment, where appropriate Attributes a larger proportion (30 percent) of gambling 'harm' to expenditure than presentations (to reflect that presentations do not encompass all the harms that can result from gambling) Reflects that funding diverted from high-deprivation communities via gambling expenditure is a harm

Non-casino gaming machine levy split between pubs and clubs

The problem gambling levy is collected on the profits of New Zealand's four main gambling sectors: non-casino gaming machine operators, casinos, the New Zealand Racing Board and the New Zealand Lotteries Commission.

In its 2006 report to Ministers on the 2007/08–2009/10 problem gambling levy, the Gambling Commission discussed splitting the non-casino gaming machine sector into two sectors(gaming machines in pubs and gaming machines in clubs) for calculating and collecting the 2010/11–2012/13 problem gambling levy.

After the commission's report, the Ministry was tasked with establishing whether such a split was justified, so reviewed the relevant data. The review found that the ratio of clients presenting to problem gambling services per non-casino gaming machine venue was more than three and a half times higher for pub venues than for club venues.

However, there are significant difficulties with implementing the proposal, including increased fiscal and administration costs for the Government, so it is not a viable option for 2010/11.

4 Consultation

Who has been consulted

The agencies consulted in the preparation of the draft integrated problem gambling strategy were:

- the Department of Corrections
- the Department of Internal Affairs
- the Inland Revenue Department
- Local Government New Zealand
- the Ministry of Economic Development
- the Ministry of Education
- the Ministry of Justice
- the Ministry of Pacific Island Affairs
- the Ministry of Social Development
- the Ministry of Women's Affairs
- the Ministry of Youth Development
- the New Zealand Police
- the Office of Ethnic Affairs
- Te Puni Kōkiri
- Sport and Recreation New Zealand
- The Treasury.

The Department of the Prime Minister and Cabinet was informed about the draft report.

On 9 July 2009, the Ministry of Health released for public consultation *Preventing and Minimising Gambling Harm 2011–2016: Consultation document* (Ministry of Health 2009a). The consultation document contains the Ministry's:

- draft integrated problem gambling strategy
- draft six-year strategic plan for 2010/11–2015/16
- draft three-year service plan for 2010/11–2012/13
- a problem gambling needs assessment
- proposed problem gambling levy calculations for 2010/11–2012/13.

The Ministry consulted widely during the consultation period. Public consultation meetings were held in Auckland, Hamilton, Wellington, Christchurch and Dunedin; Māori, Pacific and Asian viewpoint meetings were held in Auckland; and two separate consultation meetings were held for the gambling industry and government agencies. The Ministry also convened a Māori Working Group, which discussed the consultation document at two meetings.

At the close of the consultation period on 21 August 2009, the Ministry had received 65 written submissions from groups and individuals.

Significant issues raised during consultation

The issues raised during consultation about the service plan and levy calculations are summarised below.

Issues about the service plan

Issues raised about the service plan included:

- whether access to services can be maintained with fewer intervention FTEs
- criticism of perceived gaps in evidence, especially a lack of research into the effectiveness of current public health programmes
- the awareness and education programme is not a cost-effective use of levy funds, evidence of success is insufficient to justify the increased expenditure, and funding for the awareness and education programme should be reduced and focused on Māori and Pacific peoples
- the need for resources for extended training of staff in non-governmental organisations and government departments to screen for problem gambling, provide brief interventions and, where appropriate, provide facilitation to specialist problem gambling services
- the need for increased rigour throughout the document about how gambling harm for Māori will be addressed, including acknowledgement of Māori models of health.

Issues about the problem gambling levy

Issues raised about the problem gambling levy included:

- cards, housie and other problem gambling modes should be included in the problem gambling levy calculation, and these gambling sectors, or the Government, should contribute to the levy
- splitting the non-casino gaming machine sector into two sectors (gaming machines in pubs and gaming machines in clubs) for calculating and collecting the problem gambling levy.

Changes as a result of the consultation

Publication of consultation outcomes

An external contractor analysed the themes in the submissions and produced a comprehensive report summarising the submissions. This report was made publicly available on the Ministry's website and was used to inform the Ministry's changes to the draft integrated problem gambling strategy.

The Ministry also produced *Preventing and Minimising Gambling Harm 2011–2016: Ministry of Health's response to issues raised in the submissions*. This document summarises the key issues raised in the submissions and the Ministry's response to each issue. This document was also made publicly available on the Ministry's website.

The Ministry's response to the issues raised in the consultation about the service plan and levy is in the Appendix, Table 11.

Changes to the six-year strategic plan

Most of the changes to the draft integrated problem gambling strategy were made to the six-year strategic plan. These changes included the addition of a new objective into the strategic plan (Objective 2: Māori families are supported to achieve their maximum health and wellbeing through minimising the negative impacts of gambling) and an expanded Whānau Ora section.

Changes to the levy calculation

The Ministry added an additional proposal to split the non-casino gaming machine sector into two sectors (gaming machines in pubs and gaming machines in clubs) for calculating and collecting the 2013/14–2015/16 problem gambling levy. This proposal is subject to a continued trend in the relevant data justifying this split.

No changes to the service plan

The Ministry did not significantly change the service plan as a result of the consultation.

5 Conclusions and Recommendations

Preferred service plan

The Ministry's preferred option for the service plan is to maintain total 2010/11–2012/13 service plan funding at 2007/08–2009/10 levels, but to redistribute the funding within the public health services, intervention services and research contracts budget lines.

Under the preferred option, **funding for intervention service FTEs decrease** from $23.1 million (excluding GST) over 2007/08–2009/10 to $20 million (excluding GST) over 2010/11–2012/13. Because the number of intervention service FTEs was reduced in 2007/08–2009/10, the level of funding currently in contract for intervention services can be maintained over 2010/11–2012/13. The Ministry considers this funding sufficient to meet current demand, while allowing some flexibility for managing further increases in the number of presentations.

Under the preferred option, **funding for the awareness and education programme decreases** slightly from $4.78 million in 2007/08–2009/10 to $4.44 million in 2010/11–2012/13. This level of funding, while modest in comparison to other health-related awareness and education programmes, will allow the campaign to continue to contribute to the Ministry's strategic objectives and outcomes.

Under the preferred option, **funding for primary prevention service FTEs increases** from $11 million (excluding GST) over 2007/08–2009/10 to $15 million (excluding GST) over 2010/11–2012/13. This funding increase enables an increase of 5.5 FTEs in primary prevention from the 46.5 FTEs currently in contract. This increase will improve primary prevention service coverage in areas of need. The Ministry expects progress-measurement indicators to show improvements under the Ministry's 11 strategic objectives from the additional FTEs.

Under the preferred option, **overall funding for the research programme increases** from a total $5.8 million (excluding GST) over 2007/08–2009/10 to $6.1 million (excluding GST) over 2010/11–2012/13. This funding represents the continuation of funding for projects budgeted for and started in 2007/08–2009/10 and a reduction in funding for new individual research contracts.

Under the preferred option, **funding for the Ministry's operating costs is maintained** at the 2007/08–2009/10 level, amounting to $2.9 million (excluding GST) over 2010/11–2012/13.[16]

Table 9 shows the funding proposed for 2010/11–2012/13 under the Ministry's preferred option.

[16] Excluding audit costs.

Table 9: Problem gambling services – proposed Ministry of Health spend (GST exclusive), 2010/11–2012/13

Services	Proposed Ministry of Health spend (GST exclusive) ($ million)			
	2010/11	2011/12	2012/13	Total
Public health services (including evaluation)	6.758	7.091*	6.965	20.814
Intervention services (including evaluation)	8.413	8.549*	8.564	25.526
Research contracts	2.499	2.224	1.423	6.146
Ministry operating costs	0.957	0.979	1.001	2.937†
Total	18.627	18.843	17.953	55.423

* Includes audit costs (once every three years).

† Excludes audit costs.

Under the Ministry's preferred option, the total proposed Ministry of Health spend over 2010/11–2012/13 is $55.423 million (excluding GST) compared with $55.854 million (excluding GST) for services in 2007/08–2009/10.

Preferred problem gambling levy option

Expenditure to presentations weighting of 30 : 70

Overall, the Ministry considers a weighting of 30 percent on expenditure and 70 percent on presentations to be appropriate for 2010/11–2012/13 problem gambling levy.

The higher the weighting placed on presentations, the larger the amount of levy that must be paid by the gambling sectors that record the highest numbers of problem gambling service clients citing their products as a primary problem gambling mode. The higher the weighting placed on expenditure, the larger the amount of levy that must be paid by the gambling sectors in which players spend the most money.

The 30 : 70 weighting attributes a larger proportion (30 percent) of gambling 'harm' to expenditure (than currently – 10 percent) and reflects that presentations do not encompass all the harms that can result from gambling. The weighting reflects that funding diverted from high-deprivation communities through gambling expenditure is a harm.

An advantage of the 30 :70 weighting compared with the 10 :90 and 20 : 80 options is that it creates less of a disincentive on gambling operators to refer customers to treatment. This option will see casinos, the New Zealand Racing Board and the New Zealand Lotteries Commission contribute more towards the levy than they would under the other options. However, overall, the non-casino gaming machine sector will still pay the largest proportion of the levy (about 61 percent) under the 30 : 70 weighting option.

Splitting non-casino gaming machine sector into two sectors

The Ministry does not consider it viable to split the non-casino gaming machine sector into two sectors for calculating and collecting the 2010/11–2012/13 problem gambling levy.

However, strong support for this option was shown during the consultation process and the split is justified on the basis of the presentation data. Therefore, the Ministry proposes that the Government splits the non-casino gaming machine sector into two sectors (gaming machines in pubs and gaming machines in clubs) for calculating and collecting the 2013/14–2015/16 problem gambling levy. This proposal is subject to a continued trend in the relevant data justifying this split.

The Ministry notes that splitting the non-casino gaming machine sector for calculating and collecting the problem gambling levy will result in club venues contributing less and pub venues more to the levy (see Table 10).

Table 10: Estimated problem gambling levy rates for a split non-casino gaming machine sector

Expenditure to presentation ratio	Expected levy ($m)	
	Gaming machines in pubs	Gaming machines in clubs
10 : 90	1.56	0.96
20 : 80	1.49	0.97
30 : 70	1.43	0.97

Note: Although the proposal relates to the 2013/14–2015/16 levy period, this estimate has been calculated using the same presentation figures used to calculate the 2010/11–2012/13 levy and applies the formula used in the Gambling Amendment Bill (No. 2). The expenditure figures are derived from the Department of Internal Affairs' electronic monitoring system, so differ a little from Inland Revenue Department figures.

Delaying the split until the 2013/14–2015/16 levy will give the Inland Revenue Department (IRD) time to allocate the necessary funding and implement the system changes required.

At the time of consultation, the IRD estimated the costs of the proposal at $635,000. The IRD has since provided the Ministry with more precise information on the costs of implementing the proposal.

The IRD has informed the Ministry that implementing this proposal will cost $1.1 million (consisting of $640,000 capital costs and $465,000 operational costs).

The Ministry has not included the IRD's implementation costs in the draft problem gambling service plan for 2010/11–2012/13.

The purpose of the problem gambling levy, under the Gambling Act 2003, is 'to recover the cost of developing, managing, and delivering the integrated problem gambling strategy'. The IRD's costs are, technically, implementation costs that could be included in the Ministry's draft problem gambling service plan for 2010/11–2012/13.[17] However, the Ministry has not included these costs in the draft problem gambling service plan for two reasons.

The first reason is that the Ministry has not consulted on the option to recover IRD's costs from the 2010/11–2012/13 levy, and including these costs at this point in the levy setting process is likely to incur strong opposition from the gambling industry, as the proposal benefits only one small sector (gaming machines in clubs).

The second reason is that the Ministry has sought to maintain the funding required for the 2010/11–2012/13 levy period within 2007/08–2009/10 funding levels. If overall funding levels were to be maintained, then including IRD's costs into the draft service plan would result in corresponding funding reductions to problem gambling services.

The IRD has advised the Ministry that if Cabinet, in a future Cabinet paper, agrees to splitting the non-casino gaming machine sector into two sectors for calculating and collecting the 2013/14–2015/16 levy, then the IRD will need to seek funding from the Government to cover the costs of implementing the proposal.

This proposal will be considered further. If ministers agree, a separate paper will be submitted to Cabinet before the 2013/14–2015/16 levy period begins and in time for the IRD to implement the changes.

[17] The Ministry has had legal advice to confirm that IRD's costs could be included in the draft service plan and, therefore, recouped from the problem gambling levy.

6 Implementation

Service Plan for 2010/11–2012/13

Following Cabinet's decision and the subsequent gazetting of the problem gambling levy regulations, the Ministry will confirm its contract arrangements with its 24 problem gambling service providers and the IRD will conclude its system changes to reflect any changes to the levy rates.

The Ministry has started negotiations in principle with providers of problem gambling services on the basis that a levy is struck for 2010/11–2012/13. It has been necessary to start negotiations to ensure new agreements for problem gambling service delivery are in place by 30 June 2010. This also ensures stability in the sector during the transition from the 2007/08–2009/10 service plan to the 2010/11–2012/13 service plan.

If Cabinet's decision on the appropriation for the 2010/11–2012/13 service plan differs from that in the draft service plan, the Ministry will establish contracts with providers for a six-month period (30 June 2010 to 31 December 2010), meet any shortfall in costs from within existing baselines for this six-month period, and realign (or exit) contracts with Cabinet's approved appropriation from 1 January 2011.

Splitting the non-casino gaming machine sector into two sectors

The IRD advises that to implement the proposal to split the non-casino gaming machine sector into two sectors it needs to update its system to identify the two sectors, instead of one sector, and to communicate the changes in the levy rates to affected taxpayers.

To mitigate compliance risks, the IRD would update online and paper return forms and advise affected taxpayers of the levy changes through one-off letters and webpages. Compliance costs imposed on the affected taxpayers as a result of such notification will be kept to a minimum.

The IRD advises that it would require funding from the Government to implement this change.

7 Monitoring, Evaluation and Review

Contract management processes

The Ministry will continue to monitor intervention and public health services using a variety of contract management processes such as:

- six-monthly reporting from service providers
- verification visits to service providers by contract managers
- requiring service providers to provide electronic recording and reporting of key steps and processes representing the client's pathway through the clinical process
- monthly, quarterly and annual reviews of intervention service data to inform service and planning and assessment of emerging trends in problem gambling presentations or delivery effectiveness
- an independent routine audit of service providers each levy period to assess and review all aspects of business and financial management, service quality and delivery, and cultural and consumer perspectives.

Monitoring and reporting outcomes framework

The Ministry has developed a problem gambling monitoring and reporting outcomes framework. This framework enables the Ministry to report on the progress made against the sector's strategic outcomes and monitor the impact and effectiveness of its approach to achieving the outcomes.

The Ministry has proposed short-term annual and longer-term six-yearly reporting on progress against its strategic outcomes, with specific measures for:

- prevalence and incidence of gambling harm
- levels of public awareness of the harms arising from gambling along with individual and community responses
- the effectiveness of and progress towards minimising gambling harm for Māori and other groups disproportionately affected by gambling harm.

The Ministry will implement the framework and report on progress against the agreed outcomes over 2010/11–2015/16.

The Ministry has proposed, in particular, to evaluate primary prevention services in 2010/11–2012/13 once the outcome measures, primary prevention service guidelines and workforce development services are finalised and developed. The Ministry expects that considerable progress on these work streams will be achieved in 2009/10, which will establish clear direction for an evaluation of primary prevention services in 2010/11–2012/13.

Evaluation projects

The Ministry's proposed research agenda in 2010/11–2012/13 includes:

- a review of intervention service delivery compared with the findings from the 2007/08–2009/10 intervention evaluation project
- an evaluation of service effectiveness for improving access to services or treatment outcomes for Māori clients
- an evaluation of service effectiveness for improving access to services or treatment outcomes for Pacific and Asian clients
- an assessment of the implementation of Whānau Ora by problem gambling services (public health and intervention)
- a review of public health activities associated with positive progress towards local and regional outcomes.

The Ministry's proposed Kiwi Lives public awareness and education campaign for 2010/11–2012/13 includes independent evaluations to continue measuring the campaign's effectiveness.

Appendix: Ministry of Health's Response to Issues Raised in Consultation about the Problem Gambling Service Plan and Levy

Table 11: Ministry of Health's response to the issues raised in the consultation about the service plan and problem gambling levy

Issue	Ministry of Health response
Whether access to services can be maintained with fewer intervention full-time equivalents	The proposed funding for intervention services is based on the review of the demand for services in 2008. The review found that the use of several services met or exceeded contracted levels, but also identified that the service capacity being purchased in some areas was under-utilised. The review showed that, based on a continuation of existing trends and service utilisation, intervention services had excess capacity based on client volumes in some areas. As a result, the Ministry reduced service capacity in some areas to meet forecast demand. The Ministry does not consider that the proposed reductions will affect access to services.
Criticism of perceived gaps in evidence, especially lack of research into the effectiveness of current public health programmes	The Ministry's public health contracts reflect international recommendations and expectations for public health service delivery as outlined by the World Health Organization and the Ottawa Charter for Health Promotion. The Ministry recognises the importance of monitoring the impact and effectiveness of its approach, including its public health activities. To reflect this importance, the Ministry developed an outcomes framework over 2007/08–2009/10 and has committed to operationalising the framework and reporting on progress against the agreed outcomes over 2010/11–2015/16. The Ministry's problem gambling monitoring and reporting outcomes framework identifies key objectives and the actions required to achieve them. The framework outlines short-, medium- and long-term goals and indicators to demonstrate the efficacy of services, including public health activities. The Ministry recognises that in many instances the indicators do reflect positive changes in the attitudes and behaviours of New Zealanders in relation to gambling. The Ministry believes many of these changes can be attributed to the effectiveness of its public health programme. In addition, at a contract management level, the Ministry requires all providers to provide services that comply with quality standards and reporting and monitoring requirements. Contract managers routinely review public health programmes and delivery to assess alignment with Ministry service specifications and public health objectives of the integrated strategy.

Issue	Ministry of Health response
The awareness and education programme is not a cost-effective use of levy funds, evidence of success is insufficient to justify the increased expenditure, funding for the awareness and education programme should be reduced and focused on Māori and Pacific peoples	The Ministry considers the awareness and education programme Kiwi Lives a key component of its contracted public health activity. Kiwi Lives asks New Zealanders to think and talk about the broad impacts of problem gambling on individuals, communities and families and to understand solutions that can prevent and minimise gambling harm. The programme takes a population based-approach using a variety of media to raise awareness of gambling harm, promote and destigmatise help-seeking behaviour, and promote harm minimisation initiatives. Without a broad multi-media component to the programme, the positive impact of the wider strategy for preventing and minimising gambling harm for the public, communities, service providers and venue operators would be reduced, and the gains already made could be lost. The awareness and education programme has been independently evaluated. The evaluation found the programme had successfully met its goals and objectives and was successful compared to larger and more expensive programmes. The proposed funding for the awareness and education programme has decreased and is modest in comparison to other health promotion campaigns. Funding for public health resources and the social marketing campaign in the 2007/08–200910 service period totalled $4.78 million. The proposed funding for the education and awareness programme in 2010/11–2012/13, including resources, is $4.44 million. Any further decrease in the proposed funding may result in the discontinuation of the television component of the campaign and would significantly compromise the effectiveness of the programme.
The need for resources for extended training of staff in non-governmental organisations and government departments to screen for problem gambling, provide brief interventions and, where appropriate, provide facilitation to specialist problem gambling services	The Ministry agrees that extending problem gambling awareness and training to non-specialist agencies is important, and this is reflected in the six-year strategic plan. (The term 'non-specialist' in this context means health and social services that do not have specialist problem gambling services.) The Ministry contracts with problem gambling service providers to undertake public health activity. This activity involves working with and encouraging organisations to understand the potential harms that can arise from gambling and to develop systems to support active screening for problem gambling harm and to refer individuals to appropriate specialist problem gambling intervention services as necessary. The service contracted by the Ministry to provide problem gambling intervention workforce training has also developed a problem gambling training module for non-specialist services, and has delivered training to social service, foodbank, and alcohol and other drug agencies. The Ministry is also committed to measuring progress in this area, with relevant reporting indicators included under objectives in the six-year strategic plan.

Issue	Ministry of Health response
The need for increase rigour throughout the document about how gambling harm for Māori will be addressed, including acknowledgement of Māori models of health	The Ministry considers that a key focus of the integrated problem gambling strategy for 2010/11–2015/16 is how the Government will address the disproportionate level of gambling harm experienced by Māori. In discussions with the problem gambling sector and Te Puni Kōkiri through the consultation process, the Ministry identified areas where the consultation document could be expanded to reflect this focus. The Ministry's funding principles in the service plan specifically outline a focus on maintaining a comprehensive range of public health services based on the Ottawa Charter for Health Promotion and New Zealand models of health (such as Te Pae Mahutonga and Te Whare Tapa Wha).
Cards, housie and other problem gambling modes should be included in the problem gambling levy calculation and these gambling sectors, or the Government, should contribute to the levy	The Gambling Act 2003 says the purpose of the levy is to recover the cost of developing, managing and delivering the integrated problem gambling strategy from the gambling sector. Government contributions to the levy would be inconsistent with this purpose. The Ministry notes that no mechanisms currently exist for the recovery of levy funds from these gambling sectors. The Ministry will explore with the Department of Internal Affairs and Inland Revenue Department the practicality of developing mechanisms for these gambling sectors to contribute to the problem gambling levy before starting consultation for the 2013/14–2015/16 levy period. (Indications are that the suggestion might be impractical.)
Splitting the non-casino gaming machine sector into two sectors (gaming machines in pubs and gaming machines in clubs) for calculating and collecting the problem gambling levy	There are significant difficulties with implementing the proposal, including increased fiscal and administration costs for the Government. Therefore, it is not a viable option for 2010/11. The Ministry proposes that the Government split the non-casino gaming machine sector into two sectors (gaming machines in pubs and gaming machines in clubs) for calculating and collecting the 2013/14–2015/16 problem gambling levy. This proposal is subject to a continued trend in the relevant data justifying this split This will give the Government time to allocate the necessary funding and implement the system changes required.

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