

Budget Sensitive

Office of the Minister of Internal Affairs and Office of the Associate Minister of Health

Chair, Cabinet Social Wellbeing Committee

Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22

Proposal

- 1 This paper reports back on and seeks approval for the *Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22* (attached), for changes to the Ministry of Health's appropriations to fund the Strategy, and for a problem gambling levy and levy rates to recover the cost of the Strategy from levy-paying gambling sectors.

Executive Summary

- 2 Gambling harm is a significant social and economic issue. Measures to prevent and minimise gambling harm contribute to several government priorities, including supporting improved mental health and health equities and reducing child poverty.
- 3 The Ministry of Health (the Ministry) is responsible for the Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22 (the Strategy), which is the "integrated problem gambling strategy focused on public health" described in section 317 of the Gambling Act 2003 (the Act). This is a revised Strategy prepared for 2019/20 to 2021/22.
- 4 The revised Strategy proposes to refocus and develop services to better meet the needs of people affected by harmful gambling by:
 - 4.1 improving the range of, and access to, services, facilitating co-design and use of consumer networks to develop more targeted and appropriate services; and
 - 4.2 strengthening enablers that support these including: workforce training, addressing cultural and language barriers, use of technology, and action-oriented research and evaluation.
- 5 These changes strongly align with the types of service changes recommended by *He Ara Oranga*, the report of the Mental Health and Addiction Inquiry. *He Ara Oranga* notes harmful gambling is often associated with other forms of addiction and mental health issues.
- 6 The total cost for the Ministry to implement its Strategy for 2019/20 to 2021/22, is \$60.339 million. This is an increase of \$5 million from the previous levy period, to invest in expanding access to, and choice of, services. The cost of the Strategy is recovered by a problem gambling levy (the levy) set by regulation at different rates on the profits of specified gambling operators, so the Strategy will be fiscally neutral over time.
- 7 The current levy regulations expire after 30 June 2019. If the revised Strategy and new levy regulations are not in place from 1 July 2019, until the date they are in place the cost of any Ministry-funded services to prevent and minimise gambling harm will not be recovered.

- 8 The levy weightings that determine the share that each levy-paying sector will pay towards the cost of the Strategy will be set at 30 percent on player expenditure, and 70 percent on presentations to problem gambling services, attributable to each levy-paying sector.
- 9 The Ministry and the Gambling Commission have met the detailed requirements specified in the Act to refresh the Strategy and develop new levy rates. A broad range of industry, service provider and community stakeholders were consulted and made submissions, including Māori, Pacific and Asian service providers and community representatives. While most submissions supported the new proposals, non-casino gaming machine operators were critical of the need for extra funding, research and new services.
- 10 Historically there is a risk of judicial review of the levy or strategy process. While the Ministry cannot eliminate this risk, it is confident that it has done everything reasonable to develop the Strategy and levy as required under the Act.

Background

Previous Cabinet consideration

- 11 On 20 August 2018, Cabinet:
 - 11.1 approved the release of a Ministry of Health's (the Ministry's) consultation document on the proposed *Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22* (the Strategy); and
 - 11.2 invited the Associate Minister of Health with responsibility for Problem Gambling and the Minister of Internal Affairs to report to Cabinet Wellbeing Policy Committee, following the required consultation process, seeking policy approvals for the Strategy, the Ministry's appropriation, and the problem gambling levy rates for the period from 1 July 2019 to 30 June 2022 [SWC-18-MIN-0098 refers].
- 12 This paper is that report-back and takes into account feedback from consultation.

Gambling harm

- 13 The Act defines gambling harm broadly and includes harm from another person's gambling. Gambling harm can include depression, suicide, relationship breakdown, reduced work productivity, job loss, bankruptcy and crime. Harm can extend to family, whānau, friends, employers, colleagues, and whole communities.
- 14 *He Ara Oranga* noted "Gambling was also seen as harmful due to its addictive nature and the financial stress and anxiety it causes families, contributing to neglect of children and family violence". Research shows that children in families affected by harmful gambling are more likely to develop risky gambling behaviours.
- 15 While reported rates of gambling harm are at their lowest levels in 25 years, the number of people affected has increased in line with population growth over the past seven years.
- 16 Gambling harm affects 5 percent of the New Zealand population, while one in five will be affected at some time in their lives by their own or someone else's gambling. Research estimates about 37,000 people aged 15 years or older are at high risk of harm or "problem gamblers", 47,000 are at moderate-risk and 106,000 are at low risk, but would experience gambling related harm. Importantly, the burden of harm attributable to low-risk gambling is

significant, at nearly 50 percent of all gambling harm. There are also well established inequities based on ethnicity and socioeconomic factors. People affected by gambling harm are more likely to be Māori, Pacific, or Asian, on a low income and/or living in an isolated area.

- 17 Most adults in New Zealand gamble at least occasionally and usually without causing harm to themselves or others. However, most people participate only in less-harmful forms of gambling, such as occasional Lotto. By contrast, over half the money spent on gambling comes from a relatively limited number of people who play 'continuous' forms of gambling such as gaming machines, which is the form of gambling most often associated with harm.
- 18 Each year, some of these people seek help. For example, in 2017/18, over 5,400 people sought help from Ministry-funded services, for problems due to their own or someone else's gambling. Most of these people were in crisis. If brief interventions in non-clinical settings are included, the total of people seeking help is over 10,500.

The legislative context

- 19 The Act provides the regulatory framework for gambling, primarily to control the growth of gambling and ensure that money from gambling benefits the community. The Act also recognises gambling can be harmful and includes a purpose to "prevent and minimise harm from gambling, including problem gambling" (section 3(b)). Several provisions are intended to help achieve this objective, including regulatory provisions administered by the Department of Internal Affairs (the Department), and an "integrated problem gambling strategy focused on public health". The Act specifies the strategy must include:
 - 19.1 measures to promote public health by preventing and minimising the harm from gambling;
 - 19.2 services to treat and assist problem gamblers and their families and whānau;
 - 19.3 independent scientific research associated with gambling, including (for example) longitudinal research on the social and economic impacts of gambling, particularly the impacts on different cultural groups; and
 - 19.4 evaluation.
- 20 The Ministry is funded through an appropriation to Vote: Health to develop and implement the Strategy. A problem gambling levy (the levy) is set by regulation at a different rate for each of the main gambling sectors, to reimburse the Crown the amount of that appropriation, ensuring the Strategy is broadly fiscally neutral over time. The levy is collected by Inland Revenue.
- 21 The Act details a lengthy, three-yearly process to refresh the Strategy and put in place a new levy. The Ministry consults gambling operators, problem gambling service providers and other affected groups on a needs assessment, draft strategy and costings, and estimated levy rates. After consulting, the Ministry revises its proposals and submits them to the Ministers of Health and Internal Affairs, and the Gambling Commission. The Gambling Commission analyses the proposals, undertakes its own consultation and reports to the responsible Ministers.
- 22 After considering advice from officials and the Gambling Commission, the relevant Associate Minister of Health and the Minister of Internal Affairs make recommendations on the Strategy and the levy.

Comment: The proposed Strategy

- 23 Decisions are required about Ministry's funding for the *Strategy to Prevent and Minimise*

Gambling Harm 2019/20 to 2021/22 (attached). The Strategy builds on five previous strategies and consists of a strategic framework and a three-year Service Plan that sets out the activities the Ministry considers are required for the 2019/20 to 2021/22 period, to make further progress towards preventing and minimising gambling harm.

- 24 The Ministry’s budgeted spending for 2019/20 to 2021/22 is \$60.339 million (Table 1 refers). This represents a \$5 million (9%) increase compared with the average cost of the preceding three levy periods (which averaged an appropriation of \$55.539 million each), but is less than one percent of the \$7.5 billion forecast player expenditure over the same period.

Table 1 Ministry of Health Budget (GST exclusive), 2019/20 to 2021/22

Service	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	Total (\$m)
Public health services	6.870	6.790	6.870	20.530
Intervention services	8.413	8.415	8.415	25.243
Research and evaluation	2.060	2.219	2.350	6.629
New service and technology pilots	1.335	1.695	1.970	5.000
Ministry operating costs	0.957	0.990	0.990	2.937
Total (\$m)	19.635	20.109	20.595	60.339

- 25 The investment in the Strategy is necessary because the gambling harm needs assessment required under the Act to inform the Strategy found that significant changes were necessary to make inroads into reducing gambling harm.¹ For example, it found the number of people affected by gambling harm continues to increase in line with population growth, harm reduction impacts have plateaued over the past seven years, service use rates have declined and systemic inequities persist for the most affected at risk population groups.

Key proposals for the Strategy and Service Plan

- 26 The Strategy proposes to refocus and revitalise activities to better meet the needs of people affected by harmful gambling and achieve further gains in gambling harm reduction. This is in line with the needs assessment and the recommendations of *He Ara Oranga* (see below). Key changes include:
- 26.1 expanding the mix of services to more closely match those available for addictions generally (by adding residential care and peer support), facilitating co-design and use of consumer networks to develop more targeted and appropriate service models;
 - 26.2 strengthening enablers to support these services such as workforce development, training, addressing cultural and language barriers, and the use of technology; and
 - 26.3 using pilots, evaluation and action research to inform decision-making.
- 27 The additional \$5 million will be invested in piloting new service models and technology to manage and mitigate gambling harm, covering public health and intervention services co-designed with stakeholders and consumers, and seeking to build resilience by enhancing the mana of service users. The pilots will also address service gaps and areas of systemic, persistent gambling harm and would be evaluated and supported by action research. This investment will enable current levels of service to be maintained while the Ministry tests new service models and identifies those activities that more effectively address gambling harm.

¹ Sapere Research Group. 2018. *Gambling Harm Reduction Needs Assessment*. Wellington: Ministry of Health.

- 28 This approach will enable the Ministry to refocus the mix of services in order to:
- 28.1 increase awareness and engagement by those at risk, with a greater focus on health literacy, service responsiveness and gambling host responsibility;
 - 28.2 explore new intervention initiatives and learn what works best;
 - 28.3 address long-standing inequities for Māori and other ethnicities; and
 - 28.4 emphasise achieving health outcomes and value for money.
- 29 In addition, the Ministry will continue to:
- 29.1 prioritise reducing gambling harm-related health inequalities and inequities for vulnerable, at-risk populations; particularly Māori, Pacific and Asian communities;
 - 29.2 encourage further workforce development, with public health and intervention training²;
 - 29.3 fund the gambling helpline service, through the integrated national telehealth service; and enhance telephone support to Pacific and Asian communities
- 30 The Act requires the Strategy to also provide independent scientific gambling research, which came in for some criticism during consultation. The revised Strategy signals a move towards targeted action research, pilots and evaluations to inform policy and operational decision making. The key research aims are to understand addictive gambling behaviours and monitor population prevalence and the impacts on vulnerable groups, particularly Māori and Pacific families and youth.
- 31 The Gambling Commission has endorsed several aspects of the Ministry's proposed Strategy and the amount the Ministry proposes spending, and also noted concerns about cost pressures impacting on the sustainability of services. The Ministry is monitoring these pressures and will make adjustments as required through its procurement processes.

Alignment with the Government Inquiry into Mental Health and Addiction

- 32 The Strategy's proposals align strongly with *He Ara Oranga*, the report of the Government Inquiry into Mental Health and Addiction. Examples include: the importance of placing people at the centre using service codesign, lived experience and consumer networks; expanding the range and choice of services to be more holistic and culturally appropriate; and strengthening the mix of peer and cultural, support, clinical workforces, communities, tāngata whaiora and whānau.
- 33 *He Ara Oranga* notes harmful gambling behaviours often co-exist with other forms of addiction and should be considered as a risk factor. The Ministry is considering broader mental health and addiction service responses as part of the response to the Inquiry.

Decisions about the problem gambling levy

- 34 Decisions are required about levy-paying sectors and the levy rate to be set in regulations. A detailed description and analysis of the levy formula, the levy components and weighting options, which affect levy rates, is provided in the attached Cost Recovery Impact Statement.

² For training equivalent to registration with the Drug and Alcohol Practitioners Association Aotearoa New Zealand.

Levy-paying gambling sectors

- 35 Since 2004, the levy has applied to four gambling sectors: non-casino gaming machine (NCGM) operators, casinos, the New Zealand Racing Board and the New Zealand Lotteries Commission. We recommend that these four sectors remain as the levy-paying gambling sectors for the levy period commencing 1 July 2019.
- 36 The Minister of Internal Affairs has also instructed the Department to review provisions governing online gambling and the class 4 (NCGM) gambling regulatory framework. The Ministry is providing a harm minimisation perspective into these reviews, which may result in changes to levy-paying sectors. The Act anticipates such change (section 319(3)(a) refers).

The levy rates and levy recovery

- 37 Section 320 of the Act prescribes a relatively complex formula to calculate the share that each levy-paying sector will pay towards the cost of the Strategy, and to calculate each sector's levy rate. This includes consideration of player 'expenditure' (the money lost by players in each sector), 'presentations' (the number of customer presentations for help to gambling harm services attributed to each sector), the total cost of the Strategy to the Ministry and any over or under payment of the levy by each sector in the levy periods to date.
- 38 For the period to 30 June 2019, each gambling sector is forecast to have overpaid its share of the levy funding required when the levy was set. The levy formula treats any over-recovered levy amount from a sector as a credit against that sector's levy liability in the next levy period. The over-recovered amount is \$11.958 million, made up of a forecast \$6.958 million extra in levy payments to Inland Revenue and a \$5 million underspend of the current appropriation, by 30 June 2019. The underspent amount will be expense transferred into 2019/2020.³ Given the total cost of the Strategy for 2019/20 to 2021/22 is \$60.339 million, this leaves the total amount to be raised in sector levy payments to maintain fiscal neutrality as \$48.381 million.

The proposed weightings

- 39 A key decision is required on the levy weightings. The weightings do not affect either the total levy amount required or the Ministry's appropriation and the services it purchases. They only determine the portion of the total levy amount each levy-paying sector will pay towards the total cost of the Strategy. This portion of the total levy amount is divided by that sector's forecast expenditure to derive the levy rate for that sector, which is then set in regulations.
- 40 The levy formula uses weightings based on player expenditure and presentations, as described in paragraph 37, as proxies for harm attributed to each levy-paying gambling sector. Each weighting is expressed as a combination of percent expenditure/percent presentations. For example, 30/70 means 30 percent based on each sector's share of total expenditure and 70 percent based on that sector's share of total presentations.
- 41 The Ministry consulted on four weighting options: 5/95; 10/90; 20/80; and 30/70. Details of these options and their impacts are set out in the attached Cost Recovery Impact Statement.

³ This forecast underspend has largely accumulated as a result of a legal challenge to the procurement process early in the levy period and resulting delays in being able to let service provider contracts in the Waikato and other areas.

Preferred weighting

- 42 There is no “correct” weighting option; each is a subjective judgment about how to best apportion payments to each sector. There was broad support for the 30/70 weighting option from the NCGM sector, two service providers, one local government and some gambling industry stakeholders. Gambling operators preferred weightings that limited their own levy liabilities. Casinos, the New Zealand Racing Board, the New Zealand Lotteries Commission and one local government stakeholder indicated support for the 10/90 weighting.
- 43 The Ministry notes there is now a stronger evidence-based case to increase the weighting on expenditure. A broad range of submissions on the draft Strategy called for a greater weighting on expenditure, arguing it is a more current indicator of exposure to harm than presentations, which tend to be more subjective and reflect harm that has manifested as a crisis.
- 44 Ministry officials consider that any weighting from 5/95 to 30/70 would meet the statutory weighting provisions, but note there is strong support for increasing the weighting on expenditure to 30 percent (the 30/70 option). This support came from the NCGM sector, service providers and most other stakeholders. Casinos, the Racing Board and the Lotteries Commission all supported the status quo 10/90 option, which also limits their levy liability compared to the 30/70 option. The Gambling Commission also supports the 30/70 option and could see no justification for either 5/95 or 10/90 options.
- 45 We have considered this advice and the information and analysis in the Cost Recovery Impact Statement attached to this paper. The Strategy includes public health, intervention, research and evaluation components, but ultimately it is intended to prevent and minimise gambling harm. There is now stronger evidence that a high weighting on presentations does not provide a fair allocation based on harm. Presentations tend to account for much, but not all, of the acute harm such as high risk problem gambling, but do not reflect any of the low to moderate harm that represents about half of all gambling harm. Player expenditure is more likely to attribute to a sector their share of this low to moderate harm and the non-intervention service components of the Strategy.
- 46 While lowering the weighting on presentations might discourage diligent host responsibility, there are regulatory provisions in the Act that minimise this risk. In any case, this risk is not a satisfactory reason for any sector not to pay a reasonable share of the budget. In our view, the 10/90 and 20/80 options both push the NCGM sector’s share of the budget too far above that sector’s share of 2017/18 expenditure while at the same time pushing the New Zealand Lotteries Commission’s share of the budget too far below its share of presentations. We consider the 30/70 weighting represents a suitable balance to enable the Strategy’s costs to be spread fairly across all levy-paying sectors.
- 47 We recommend that the Committee agrees to a 30/70 weighting for the problem gambling levy, for the period 2019/20 to 2021/22. Table 2 shows the resulting levy rates and amounts.

Table 2: Levy rates per sector: 30/70 weighting 2019/20 to 2021/22 (all figures GST exclusive)

	NCGMs	Casinos	NZRB	NZLC
Sector levy rates (%)	0.78	0.56	0.52	0.43
Expected levy payment (\$m)	22.967	11.213	6.174	7.906
Share of total expected levy amount	47.59%	23.23%	12.79%	16.38%
Share of total budget cost	48.46%	23.34%	11.81%	16.39%

Other work to reduce gambling harm

48 The Strategy consultation document canvassed other matters relevant to gambling harm, such as the location of class 4 gaming machines and whether the levy formula could be improved. It also identified important areas such as online gambling that are currently out of scope of this levy setting process, but we feel need to be addressed. We have instructed Ministry and Department officials to report on these matters separately as part of a programme of work covering gambling harm, in the context of wider reforms of the gambling sector.

Risks

49 Historically, there is a risk of judicial review of the levy setting or strategy development process, most likely from the gambling sector. While this risk cannot be eliminated, the Ministry is confident that it has done everything reasonable to develop and consult on the Strategy and levy proposals as required under the Act. Some of this risk may be mitigated by the work programme noted above.

Consultation

50 The following agencies were consulted in the preparation of this paper: Ministries of Business Innovation and Employment, Social Development, Pacific Peoples, Education, Justice, Women and Youth Development; Oranga Tamariki-Ministry for Children, the Departments of Internal Affairs, the Prime Minister and Cabinet, Inland Revenue, Corrections; New Zealand Police, Office of Disability Issues, Office of Ethnic Communities, Office for Seniors, Treasury, Te Puni Kōkiri, the Health Promotion Agency and Sport New Zealand.

51 The Ministry of Health and Gambling Commission have met the consultation requirements in section 318 of the Gambling Act 2003. Gambling operators and other industry groups, gambling harm service providers, health sector groups, researchers, local government authorities, consumers and affected community organisations, were given the opportunity to comment on the draft Strategy and levy proposals, the needs assessment and proposed costs to be recovered by the new problem gambling levy. Māori, Pacific and Asian service providers and community representatives were specifically invited to meetings to provide Māori, Pacific and Asian viewpoints respectively, and to make submissions.

Financial Implications

52 The problem gambling levy is set to recover the costs of the Strategy, so it is fiscally neutral over time to the Crown. The Ministry proposes to spend \$60.339 million to implement the Strategy over the next levy period from 2019/20 to 2021/22, which is an increase in \$5 million over the cost of the Strategy for the current period (2016/17 to 2018/19).

53 For the current levy period there is also a forecast levy over-recovery of \$11.958 million. This over recovery comprises a \$5 million underspend by the Ministry of its 2018/19 appropriation and a \$6.958 million overpayment to Inland Revenue by the levy-paying gambling sectors.

54 The \$60.339 million cost is offset by a transfer of \$5 million of ring-fenced funding into the 2019/20 year, reducing the levy funding requirement to \$55.339 million.

55 To reflect the increase in the cost of implementing the Strategy from 2019/20, we recommend that the Committee approves the increases in appropriations for 2019/20 to 2021/22, as set out in Table 3 (with no impact on the operating balance). The budget for problem gambling

services would then be as set out in Table 3. The detailed budget is shown earlier in Table 1.

Table 3: Proposed Ministry of Health baselines to prevent and minimise gambling harm

Vote Health Minister of Health	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	2022/23 (\$m)	2023/24 & out-years (\$m)
Total baselines currently held by the Ministry of Health for Problem Gambling Services	16.224	11.224	11.224	11.224	11.224
Increase in appropriations sought	3.431	8.875	9.361	-	-
Total	19.655	20.099	20.585	11.224	11.224

56 After the transfer of \$5 million to 2019/20, there is still a forecast levy over collection of \$6.958 million for the current levy period to 30 June 2019. This reduces the amount required from the levy-paying sectors to meet the remaining costs of the Strategy for the 2019/20 to 2021/22 period, to \$48.381 million. On current projections, the problem gambling levy will need to be amended to collect that level of revenue (\$48.381 million).

57 Inland Revenue will absorb the cost of implementing the problem gambling levy rate change, effective from 1 July 2019, within its existing baseline. Current Inland Revenue forecasts are to collect approximately \$22 million per annum through the problem gambling levy. This is higher than the amount required to be collected in the new levy period, therefore the forecast will be reduced by approximately \$6 million per annum to reflect the new levy settings.

Human Rights

58 The proposals in this paper are not inconsistent with either the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Legislative Implications

59 Regulations are required to implement the proposal. To meet the 28-day rule, new problem gambling levy regulations must be drafted, approved, made and notified in the Gazette by 2 June 2019.

Impact Analysis

60 A panel with representatives from the Ministry of Health and the Department of Internal Affairs has reviewed the attached Cost Recovery Impact Statement and considers it meets the quality assurance criteria.

Gender Implications

61 Women make up most of those who seek help for problems associated with someone else's gambling, and there are some differences in problems by gender within different forms of gambling, and by gender within particular ethnic groups. For example, women, particularly Māori women, may now be more at risk than men from problems associated with NCGMs. The mix of services currently funded by the Ministry, and that the Ministry proposes to fund in future, is sufficiently comprehensive and flexible to address any differences in gambling harm, or risk of harm, by gender.

Disability Perspective

62 The mix of services currently funded by the Ministry, and that the Ministry proposes to fund in future, is sufficiently comprehensive and flexible to address any disability issues. For example, a helpline is available for anyone who needs help but is unable, or finds it difficult to access face-to-face services.

Publicity and Proactive release

63 Media statements about the Strategy and new levy rates, and proactive release of the Cabinet paper and impact statement, will be timed to coincide with announcements about Budget 2019 and after the regulations are made. Once the regulations are notified in the Gazette, the Ministry will inform submitters and put information on its website, the Department will advise gambling operators, and Inland Revenue will provide information on the new levy rates via its website and other relevant communication channels.

Recommendations

64 The Minister of Internal Affairs and Associate Minister of Health recommend that the Committee:

- 1 **note** that on 20 August 2018 Cabinet approved the release of a consultation document and invited the Ministers responsible to report to Cabinet Social Wellbeing Committee by 14 March 2019 seeking approval for the Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22 (the Strategy) and a new problem gambling levy rate;
- 2 **note** that the problem gambling levy is intended to recover the cost of developing, managing and delivering an “integrated problem gambling strategy focused on public health”;
- 3 **note** that the Ministry of Health and the Gambling Commission have met the consultation requirements in the Gambling Act 2003;
- 4 **note** that the proposed Strategy meets all the statutory requirements for an integrated problem gambling strategy, and is the proposed integrated problem gambling strategy for the 2019/20 to 2021/22 period;
- 5 **note** that the Strategy proposes to refocus and develop services to better meet the needs of people affected by harmful gambling by:
 - 5.1.1 improving the range of, and access to, services;
 - 5.1.2 using co-design and consumer networks to develop more effective services; and
 - 5.1.3 strengthening enablers that support these objectives;
- 6 **note** that the changes proposed in the Strategy strongly align with the recommendations of *He Ara Oranga*, the report of the Government Inquiry into Mental Health and Addiction;
- 7 **approve** the Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22;
- 8 **note** that the cost to implement the Strategy is \$60.339 million, and this cost is partially offset by an expense transfer of \$5 million from the 2018/19 appropriation;

Decisions on the problem gambling levy

- 9 **note** that the problem gambling levy is forecast to collect \$6.958 million in excess of costs for the current levy period ending 30 June 2019, further reducing the amount of additional funding required for the Strategy for the 2019/20 to 2021/22 period;
- 10 **agree** that the problem gambling levy recovers \$48.381 million (GST exclusive) over the years 2019/20 to 2021/22;
- 11 **note** that officials are reviewing the broader policy settings for class 4 gambling, and related issues such as online gambling and the levy formula, that may result in changes to levy-paying sectors in due course, but no changes are proposed for the levy-paying sectors for the levy period commencing on 1 July 2019
- 12 **agree** that the four levy-paying sectors remain as non-casino gaming machines, casinos, the New Zealand Racing Board, and the New Zealand Lotteries Commission;
- 13 **agree** to apply 'weightings' of 30 percent on player expenditure and 70 percent on customer presentations in the problem gambling levy formula for the new levy period;
- 14 **approve** the resulting levy rates (which are percentages of player expenditure in each sector over the period from 1 July 2019 to 30 June 2022 inclusive), as set out in the table below, to take effect on 1 July 2019;

	2019/20 to 2021/22 levy rates (GST excl)
	30/70 Weighting
Non-Casino Gaming Machines	0.78 % of player expenditure
Casinos	0.56 % of player expenditure
New Zealand Racing Board	0.52 % of player expenditure
New Zealand Lotteries Commission	0.43 % of player expenditure

Changes to Vote Health appropriations

- 15 **note** that the Vote Health baseline for developing, managing and delivering the Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22 is in the table below [CAB Min (07) 13/3 refers];

Vote Health Minister of Health	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	2022/23 & out-years (\$m)
Non-departmental Output Expense: Problem Gambling Services	17.765	15.527	10.527	10.527	10.527
Departmental Output Expense: Managing the Purchasing of services (funded by revenue Crown)	0.697	0.697	0.697	0.697	0.697
Total	18.462	16.224	11.224	11.224	11.224

- 16 **approve** the following increase to appropriations to implement the policy decisions in recommendations 7 and 8 above;

Vote Health Minister of Health	\$m – increase/(decrease)				
	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	2022/23 & out-years (\$m)
Departmental Output Expense: Managing the Purchasing of Services (funded by revenue Crown)	-	0.260	0.293	0.293	-
Non-departmental Output Expense Problem Gambling Services:		3.171	8.582	9.068	
Total Operating	-	3.431	8.875	9.361	-

- 17 **note** the following forecasting change to the problem gambling levy, as a result of the decision in recommendation 10 above

Vote Revenue Minister of Revenue	\$m – increase/(decrease)				
	2018/19 (\$m)	2019/20 (\$m)	2020/21 (\$m)	2021/22 (\$m)	2022/23 & out-years (\$m)
Non-Tax Revenue: Problem Gambling Levy	-	(5.838)	(5.721)	(5.552)	(5.383)
Total Operating	-	(5.838)	(5.721)	(5.552)	(5.383)

- 18 **note** that the above changes to appropriations are fiscally neutral to the Crown over time, as the problem gambling levy reimburses the costs of this activity;

Publication of the Ministry's Strategy

- 19 **approve** the publication of the Ministry of Health's Strategy to Prevent and Minimise Gambling Harm 2019/20 to 2021/22, after Budget day, and subject to any necessary minor editing and formatting changes;

Issuing drafting instructions

- 20 **invite** the Minister of Internal Affairs to issue drafting instructions for problem gambling levy regulations to be made under the Gambling Act 2003 for the 2019/20 to 2021/22 period.

Authorised for lodgement

Hon Tracey Martin
Minister of Internal Affairs

Hon Jenny Salesa
Associate Minister of Health