



Minister for Mental Health

Preventing and Minimising Gambling Harm: Release of Draft Strategy for Public Consultation

24 September 2024

These documents have been proactively released by the Ministry of Health on behalf of the Minister for Mental Health, Hon Matt Doocey.

Title of Cabinet paper:

- Release of draft Strategy to Prevent and Minimise Gambling Harm 2025/26 - 2027/28 for public consultation.

Title of Cabinet minute:

- Preventing and Minimising Gambling Harm: Release of Draft Strategy for Public Consultation (CBC-24-MIN-0081)

Title of briefing:

- Briefing: Strategy to Prevent and Minimise Gambling Harm 2025/26-2027/28: Consultation Document and Cabinet Paper (H2024045230)

Some parts of this information release would not be appropriate to release and, if requested, would be withheld under the Official Information Act 1982 (the Act). Where this is the case, the relevant sections of the Act that would apply have been identified. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Key to redaction code/s:

- S 9(2)(a) to protect the privacy of natural persons.



Cabinet Business Committee

Minute of Decision

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Preventing and Minimising Gambling Harm: Release of Draft Strategy for Public Consultation

Portfolio Mental Health

On 12 August 2024, the Cabinet Business Committee:

- 1 **noted** that the Gambling Act 2003 requires an integrated problem gambling strategy focused on public health to set problem gambling levy rates, developed by the Ministry of Health;
- 2 **noted** that the current Strategy to Prevent and Minimise Gambling Harm 2022/23 – 2024/25 and the Problem Gambling Levy Regulations will expire on 30 June 2025;
- 3 **noted** that the Gambling Act 2003 prescribes the consultation process to develop the problem gambling strategy and problem gambling levy rates;
- 4 **agreed** that the Ministry of Health's *Strategy to Prevent and Minimise Gambling Harm 2025/26 – 2027/28: Consultation Document* (the consultation document) be released for public consultation, subject to any minor editing and formatting changes;
- 5 **invited** the Ministry for Ethnic Communities, and other agencies as appropriate, to assist with the translation and preparation of culturally appropriate resources to support consultation;
- 6 **noted** that the proposed three-year service plan funded by the gambling levy included in the draft Strategy to Prevent and Minimise Gambling Harm 2025/26 – 2027/28 (the draft Strategy) is costed at \$88.118 million, which is an increase of \$11.995 million, or 16 percent, on the 2022/23 – 2024/25 service plan budget;
- 7 **noted** that the proposed service plan budget includes a transfer of \$3.412 million forecast underspend from the 2022/23 – 2024/25 appropriation, meaning net new funding of \$84.706 million will be required to deliver the Strategy and service plan;
- 8 **noted** that the draft Strategy has been developed in the context of continued wide-reaching gambling harm in New Zealand with services under pressure to respond to a changing gambling environment, most notably with continued growth in online gambling, and growing concern regarding online gaming as a pathway to gambling for children and young people;
- 9 **noted** that the draft Strategy also has a strong focus on ensuring that people with lived experience of gambling harm are actively involved in harm prevention and minimisation efforts;

- 10 **invited** the Minister for Mental Health and Minister of Internal Affairs to report back to the Cabinet Social Outcomes Committee by the end of March 2025, following the required consultation processes, seeking approval for the Strategy, the problem gambling levy appropriations, and the levy rates for the period from 1 July 2025 to 30 June 2028.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Christopher Luxon (Chair)
Hon David Seymour
Hon Nicola Willis
Hon Brooke van Velden
Hon Chris Bishop
Hon Dr Shane Reti
Hon Simeon Brown
Hon Erica Stanford
Hon Matt Doocey
Hon Simon Watts

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet

PROACTIVELY RELEASED

Budget Sensitive

Office of the Minister for Mental Health

Chair, Cabinet Business Committee

Release of draft *Strategy to Prevent and Minimise Gambling Harm 2025/26 – 2027/28* for public consultation

Proposal

- 1 This paper seeks agreement to release the Ministry of Health's (the Ministry) draft *Strategy to Prevent and Minimise Gambling Harm 2025/26 – 2027/28: Consultation Document* for public consultation, as required by the Gambling Act 2003 (the Act).

Relation to Government Priorities

- 2 The proposals in this paper contribute to the Government priority of delivering better health outcomes, in particular, mental health and addiction outcomes.

Executive Summary

- 3 The Act provides the regulatory framework for gambling in New Zealand and requires the Ministry to develop an integrated problem gambling strategy focused on public health¹. The Ministry is also required to set the problem gambling levy (the levy) every three years, which fully recovers the costs of strategy activity from the gambling industry. The required costings in the draft strategy and estimated annual funding requirements for the three-year levy period² are incorporated in a service plan, developed in collaboration with Health New Zealand.
- 4 The current service plan and levy expire on 30 June 2025. A *Strategy to Prevent and Minimise Gambling Harm 2025/26 – 2027/28: Consultation Document* (the draft Strategy) has been developed by the Ministry, informed by my priorities for the mental health and addiction system [SOU-24-MIN-0054 refers]. These are increasing access to support, growing the workforce, strengthening the focus on prevention and early intervention, and improving effectiveness of support.
- 5 The draft Strategy has been developed in the context of continued wide-reaching gambling harm in New Zealand with services under pressure to respond to a changing gambling environment, most notably with continued growth in online gambling and growing concern regarding online gaming as a pathway to gambling for children and young people. The draft Strategy also has a strong focus on ensuring people with lived experience of gambling harm are actively involved in harm prevention and minimisation efforts.

¹ Section 317, Gambling Act 2003

² Section 318, Gambling Act 2003

- 6 The draft Strategy has three main parts: a strategic framework, a three-year service plan including forecast budget, and options for setting the levy.
- 7 The current Strategy has funding of \$76.123 million for 2022/23 -2024/25, provided by the levy. The proposed package of investment required to deliver on the draft Strategy has been costed at \$88.118 million over the three years from 2025/26–2027/28, an increase of \$11.995 million (16%) on the 2022/23–2024/25 budget. The increase includes a proposed transfer of \$3.412 million forecast cumulative underspend from the levy period ending on 30 June 2025, so the proposed net additional funding is \$8.583 million.
- 8 The Act requires public consultation on a new Strategy. Subject to Cabinet’s approval, the Ministry will begin a six-week public consultation on the draft Strategy as soon as practicable.
- 9 Following independent analysis of submissions, the Ministry will submit revised proposals to me and the Minister of Internal Affairs as the responsible Ministers under the Act, and subsequently to the Gambling Commission. The Act requires the Gambling Commission, which sits under the responsibility of the Minister of Internal Affairs, to form a view on the revised proposals (contained in the updated draft Strategy).
- 10 The Gambling Commission will report to me and the Minister of Internal Affairs in time for us to report back to Cabinet Social Outcomes Committee by March 2025 so that Cabinet can make final policy decisions on the Strategy, the problem gambling appropriation, the amount of the levy and the levy rates for the period from 1 July 2025 to 30 June 2028.

Background

- 11 Most New Zealanders gamble at least occasionally. The most recent data (the Health and Lifestyle Survey 2020) shows that almost 70% of people aged 15 and older had participated in some form of gambling in the past 12 months. In 2022/23, New Zealanders lost \$2.76 billion gambling with Lotto NZ, TAB NZ, casinos, and electronic gaming machines (‘pokies’).
- 12 Gambling participation has dropped since 2006/07, when around 83% of respondents reported some involvement in gambling in the past 12 months. However, though *rates* of gambling harm are now relatively static, the *number* of people experiencing gambling harm has increased each year in line with population growth.
- 13 About one in five people in New Zealand experience harm, at some point in their life, as a result of their gambling or someone else’s gambling. Some forms of gambling are more harmful than others: in particular, ‘pokies’ and online casino gambling.
- 14 A large amount of the money spent on gambling comes from the relatively small number of people (around 11% of adults in 2020) who play pokies. For the first time in 2022/23, New Zealanders lost over \$1 billion on these machines, the majority of which are located in higher deprivation areas.

- 15 In addition, newer forms of potentially harmful gambling, predominantly online gambling, are expanding. The unregulated offshore online gambling market has grown significantly in recent years, with higher participation, higher spend, and greater harm being reported by New Zealanders.
- 16 Under the current Strategy activities to address gambling harm have included:
- 16.1 contracting 18 clinical service providers in 2023 to deliver gambling harm minimisation services;
 - 16.2 delivering public health information about gambling harm in schools;
 - 16.3 delivering a successful multi-media harm minimisation campaign, “Nan’s Song”, delivering information about recognising the warning signs of gambling harm; and
 - 16.4 commissioning a broad range of research and evaluation, including a new national gambling harm prevalence survey which will provide up-to-date information about gambling activities, risks and impacts of gambling, and help seeking for gambling harm.

The Gambling Act 2003 Requirements

- 17 While the Strategy is funded through a Vote Health appropriation, the Crown recovers the full cost of this appropriation through the problem gambling levy. The levy is set by regulation at different rates on the profits of each of the four main gambling sectors and is cost-neutral to the Crown over time.
- 18 The process for setting levy rates is set out in the Act and this must be done at least every three years. The next levy period is from 1 July 2025 to 30 June 2028 which aligns with the next Strategy.
- 19 The formula to determine the levy is prescribed in the Act and includes:
- 19.1 the estimated current player expenditure for the levy paying sectors;
 - 19.2 the number of customer presentations to problem gambling services that can be attributed to gambling in a sector;
 - 19.3 the funding requirement (ie, the costs of the proposed services) for the period for which the levy is payable;
 - 19.4 the forecast player expenditure in a sector for the period for which the levy is payable; and
 - 19.5 the estimated under-recovery or over-recovery of levy from a sector in the previous levy periods.
- 20 The Act requires the Ministry to apply an appropriate weighting between current player expenditure and customer presentations to harm minimisation services to help determine each sector’s share of the levy.

- 21 Consultation must be undertaken to approve the Strategy and levy rates. Pending Cabinet's approval, the Ministry proposes a six-week public consultation period on the attached consultation document (the draft Strategy) starting as soon as practicable.
- 22 Following independent analysis of submissions, a revised Strategy will be submitted to the Minister of Internal Affairs and me as the responsible Ministers under the Act, and then the Gambling Commission in late 2024. The Minister of Internal Affairs and I will then seek Cabinet agreement to the final Strategy and levy rates no later than April 2025, so that the levy rates can come into force on 1 July 2025.

Development of the Draft Strategy

- 23 The Act requires a needs assessment be undertaken to inform each iteration of the Strategy. This has been completed independently, informed by a literature review; focus groups and interviews with government agencies, research institutions and gambling harm services, the gambling industry, and people with lived experience of gambling; and surveys of the gambling prevention and harm minimisation workforce and gamblers. Its main findings are that:
- 23.1 Gambling activity has remained relatively constant in New Zealand, with data indicating that most adults engage in gambling at some stage in their lives.
- 23.2 While there has been a reduction in the number of pokies, they remain disproportionately more common in high-deprivation areas. Expenditure on pokies has continued to increase.
- 24 Online gambling, particularly with unregulated providers based overseas, continues to grow. This is revealing inconsistencies with the current levy funding regime and service provisions given offshore providers do not contribute to the gambling levy.
- 24.1 The gambling harm minimisation sector is under pressure and has found the health reforms challenging. It seeks stronger government leadership and coordination, and more sustainability.
- 24.2 There is a need to grow and support the gambling harm workforce – both clinical and peer.
- 25 In addition to the needs assessment, officials reviewed changes in the service and strategic environment since the 2022/23–2024/25 Strategy was developed and this has informed the draft Strategy. For example, the draft Strategy has a focus on young people, acknowledging specific harms from some kinds of gambling and parallels between problem gaming and problem gambling behaviour. The Strategy also acknowledges the growth in online gambling and the Government's recent decision to regulate online offshore casino gambling through a licensing system, expected to take effect in early 2026 [CAB-24-MIN-0277 refers].

- 26 The consultation document required by the Act consists of the draft Strategy which is made up of three main parts:
- 26.1 a Strategic Framework
 - 26.2 a three-year service plan including forecast budget
 - 26.3 options for setting the problem gambling levy.

Strategic Framework

- 27 The strategic framework has been updated to better reflect my priorities for the mental health and addiction system, which adapted for minimising and preventing gambling harm are:
- 27.1 increasing access to gambling harm support
 - 27.2 growing the gambling harm workforce
 - 27.3 strengthening the focus on the prevention of and early intervention in gambling harm
 - 27.4 improving the effectiveness of gambling harm support.
- 28 These priorities are aligned to and supported by the framework's updated outcomes:
- 28.1 there is a spectrum of effective services and support to prevent and minimise gambling harm: from prevention to early intervention to specialist support
 - 28.2 social and cultural norms prevent and minimise harm from gambling
 - 28.3 strong leadership and accountability of the gambling harm prevention system supports decision making as close to communities as possible
 - 28.4 the system focuses on those who are most at risk of harm from gambling.

New Service Plan

- 29 A new three-year draft service plan has been developed to cover off the requirements for the Strategy in the Act³, including proposals to:
- 29.1 expand clinical service provision, both in terms of type of service/population served (for example additional high-intensity support) and of location (filling some areas without face-face service currently)

³ Section 317, Gambling Act 2003

BUDGET SENSITIVE

- 29.2 support new entrants to the workforce and retain existing workers (for both the peer and clinical workforces)
- 29.3 deliver a range of community-focused health promotion activity to prevent gambling harm
- 29.4 commission research and evaluation projects, including evaluation of all clinical services and an impact evaluation of the Strategy itself.

Indicative Budget

- 30 The draft service plan outlines a proposed package of investment costed at \$88.118 million over three years for feedback through the consultation process, this represents an increase of \$11.995 million (16%) on the 2022/23 to 2024/25 service plan budget.
- 31 There is a forecast cumulative underspend of \$3.412 million for this levy period ending June 2025. This forecast underspend is a consequence of a COVID-19 related \$6.7 million underspend being transferred from 2021/22 (the previous levy period) to 2022/23 (the current levy period) and not fully spent, along with some delays in spending resulting from the health reforms.
- 32 I will be seeking a transfer of this underspend into the new levy period. Net additional funding for the period, proposed to be sought from the gambling industry, is therefore \$8.583 million.
- 33 Of the new funding sought, approximately half is for new services and interventions required in response to changes in the gambling environment (such as service promotion, workforce development and an online gambling exclusion system) and half to address a range of cost and volume pressures. Table 1 shows the proposed budget for 2025/26–2027/28, with the budget allocation for the 2022/23-2024/25 also included for context.

Table 1: Budget to prevent and minimise gambling harm 2025/26–2027/28

Service area	2025/26 (\$m)	2026/27 (\$m)	2027/28 (\$m)	Total (\$m)	Total (\$m) over 2022/23-2024/25 period
Public health services (harm prevention and minimisation)	9.602	9.660	10.229	29.491	24.840
Clinical intervention and support services	13.408	14.365	14.798	42.571	34.213
Research and evaluation	2.075	1.951	0.973	4.999	5.658
New services, pilots, investment and innovations	1.198	1.405	1.497	4.099	7.941
Ministry/Health New Zealand operating costs	2.181	2.475	2.302	6.958	3.471
Total (\$m)	28.464	29.856	29.798	88.118	76.123

- 34 This three-year budget sought represents around 1% of the amount New Zealanders are forecast to lose gambling on the four main regulated gambling sectors over the same period. This proportion has held for some time.

Problem Gambling Levy Options

- 35 The consultation document includes options for the levy weightings described in paragraph 20 above, as these affect the relative proportion of levy paid by each sector to account for gambling harm. The proposed levy rates and expected levy payments for each sector would be higher than they are for the previous period under all weighting options except TAB NZ. This is primarily because levy payments for the current period are forecast to be lower than the 2022 estimates and the Ministry proposes an increase in its appropriation for 2025/26-2027/28.
- 36 The levy formula takes into account any historic under- or over-recovery and adjusts for these in generating new levy rates. Details on these figures and the levy calculation are also included in the consultation document.

Likely Points of Discussion in Consultation Period

- 37 The consultation process usually elicits a range of views from a broad range of participants including the gambling industry, gambling harm service providers and other interested parties.
- 38 The Ministry's past experience has been that the levy components, weightings, and sector payments often spark considerable discussion with the gambling industry and anticipates that will be the case again this year.
- 39 The service plan may be welcomed by the gambling harm sector, which is largely non-government organisations, as it responds to a number of their repeated requests (eg, for funding for service promotion, for a new client data management system, and additional funding for workforce cost pressures). These same elements may however cause concern for members of the gambling industry as they have added cost.

Consultation Process

- 40 Subject to Cabinet approval the Ministry intends to undertake a six-week public consultation period starting as soon as practicable. The proposed process is that the Ministry will:
- 40.1 publish the Consultation Document (ie, the draft Strategy) on its website and invite written submissions via the Consultation Hub on the Ministry of Health's website and other networks; this will include key messages and consultation questions in translated and accessible versions
 - 40.2 publish the *Gambling Harm Needs Assessment 2024*
 - 40.3 hold up to 10 public consultation meetings (likely a mix of in-person and online)

40.4 engage with representatives of the gambling sector.

- 41 Following independent analysis of submissions, the Ministry will submit revised proposals as required under the Act to me, the Minister of Internal Affairs, and subsequently the Gambling Commission in November 2024.
- 42 The Gambling Commission is required to convene a meeting to consult on the Strategy and the rates with officials, industry and service providers ahead of forming a view on the proposals. The Gambling Commission is required to report to the Minister of Internal Affairs and me with their recommendations within 10 working days of its consultation meeting.
- 43 The Ministry and the Department of Internal Affairs will provide advice on the Gambling Commission's report to me and the Minister of Internal Affairs, so that we can form a view of indicative appropriations in December to inform Budget 2025 processes. While the costs of the Strategy are fully cost-recovered by the levy, the necessary appropriation changes for Vote Health need to be actioned through the Budget 2025 process.
- 44 The Minister of Internal Affairs and I intend to report back to Cabinet Social Outcomes Committee no later than March 2025 so that Cabinet can make final policy decisions on the Strategy, the problem gambling appropriation, the amount of the levy and the levy rates for the period from 1 July 2025 to 30 June 2028. The report-back date will be timed before the close-off date for changes to appropriations in Budget 2025.

Cost-of-living Implications

- 45 The proposals in this paper do not have any direct cost-of-living implications.

Financial Implications

- 46 The proposal to release the consultation document has no direct financial implications. Financial implications of the Strategy will be contained in the Cabinet Paper seeking agreement to the final Strategy.

Legislative Implications

- 47 The proposals in this paper do not have any legislative implications.

Impact Analysis

- 48 The Ministry for Regulation's Regulatory Quality Team has determined that the regulatory decisions sought in this paper are exempt from the requirement to provide an impact assessment as the relevant issues have been addressed in the consultation draft.

Climate Implications of Policy Assessment

- 49 A Climate Implications of Policy Assessment is not required.

Population Implications

50 Gambling harm is inequitably distributed and Māori, Pacific, some Asian communities, and young people are more likely to be affected. These groups are priority populations for the Strategy. These and other population considerations are shown in the table below.

Group	Relevant considerations
Māori	The 2020 HLS found that Māori were 3.13 times more likely to be moderate-risk or problem gamblers than non-Māori and non-Pacific peoples. Additionally, after adjusting for deprivation level, Māori were over 3.39 times more likely to report either gambling-related arguments or money problems related to gambling compared with non-Māori and non-Pacific peoples.
Pacific	The same survey found that Pacific adults were 2.56 times more likely to be moderate-risk or problem gamblers than non-Māori and non-Pacific. Pacific peoples were 2.67 times more likely to report either gambling-related arguments or money problems related to gambling compared with non-Māori and non-Pacific people.
Asian people	Past HLS results show the proportion of Asian peoples who gamble is relatively low when compared with Māori, Pacific peoples and European/Other; however, those who do gamble have until recently been likely to experience harm compared with European/Other.
Young people	According to the HLS about 45.7% of youth aged 16–24 had gambled in the past year. While this is lower than the total population average, young people account for 14% (9,000 people) of moderate- and high-risk gamblers (1.6% of all adults or 65,000 people).
Women	Women, who are commonly the primary caregivers within their family or whānau, are particularly vulnerable to the economic strain caused by problem gambling. Gambling venues in local communities appear to offer women respite, distraction, comfort, time-out and/or connection – while placing them at heightened risk of experiencing harm.
Seniors	Older people (aged 65 and over) are at risk of disproportionate harm as they are more likely to gamble, be on fixed incomes or experience social isolation. However older people are less likely to report moderate or problem gambling.
Disabled people	Almost one in four New Zealanders identify as disabled. We know that Māori and Pacific people and people with low incomes (groups that experience higher levels of gambling harm) also experience high rates of disability. Research into gambling and disabled people is limited and findings are mixed, with some data suggesting subgroups within the disability community experience disproportionately higher levels of gambling harm and others showing no differences. Expansion of unregulated online gambling presents potential risk to disabled people by making it easier to access gambling activities.

51 The proposals in the attached draft Strategy have been developed with the intent to address the issues facing these populations. The proposed public consultation has also been designed to ensure that voices of affected groups and communities, such as those identified above and those with lived experience of gambling harm, are heard and inform the final Strategy.

Human Rights

52 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

53 External resources were used to undertake the Needs Assessment required under the Act. External resources will also be used to manage the public

consultation, including analysis of submissions. In both instances, this is required to ensure independence.

Consultation

- 54 The Ministry of Health prepared this paper in consultation with the Health New Zealand, the Ministries of Disabled People – Whaikaha, Education, Ethnic Communities, Justice, Social Development, Pacific Peoples, Youth Development and Women; the Department of Corrections, Inland Revenue, the New Zealand Police, Oranga Tamariki – Ministry for Children, Te Puni Kōkiri, the Department of Internal Affairs, Sport New Zealand, Office for Senior Citizens, Te Puna Aonui, the Treasury, and the Department of the Prime Minister and Cabinet.

Communications

- 55 Subject to Cabinet agreement, the consultation document will be placed on the Ministry of Health's website and interested parties invited to engage. I will issue a press release to this effect.

Proactive Release

- 56 This paper will be proactively released as soon as possible following public release of the draft consultation document, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Mental Health recommends that the Committee:

- 1 **note** that the Gambling Act 2003 requires an integrated problem gambling strategy focused on public health to set problem gambling levy rates, developed by the Ministry of Health
- 2 **note** the current *Strategy to Prevent and Minimise Gambling Harm 2022/23 – 2024/25* and the Problem Gambling Levy Regulations will expire on 30 June 2025
- 3 **note** the Gambling Act 2003 prescribes the consultation process to develop the problem gambling strategy and problem gambling levy rates
- 4 **agree** that the Ministry of Health's *Strategy to Prevent and Minimise Gambling Harm 2025/26 – 2027/28: Consultation Document* be released for public consultation, subject to any minor editing and formatting changes
- 5 **note** the proposed three-year service plan funded by the gambling levy included in the Strategy for feedback is costed at \$88.118 million, an increase of \$11.995 million, or 16%, on the 2022/23 – 2024/25 service plan budget.
- 6 **note** that the proposed service plan budget includes a proposed transfer of \$3.412 million forecast underspend from the 2022/23 – 2024/25 appropriation,

meaning net new funding of \$84.706 million will be required to deliver the Strategy and service plan

- 7 **note** that the draft strategy has been developed in the context of continued wide-reaching gambling harm in New Zealand with services under pressure to respond to a changing gambling environment, most notably with continued growth in online gambling and growing concern regarding online gaming as a pathway to gambling for children and young people
- 8 **note** the draft Strategy also has a strong focus on ensuring people with lived experience of gambling harm are actively involved in harm prevention and minimisation efforts.
- 9 **invite** the Minister for Mental Health and Minister of Internal Affairs to report back to the Cabinet Social Outcomes Committee by the end of March 2025, following the required consultation processes, seeking approval for the Strategy, the problem gambling levy appropriations and the levy rates for the period from 1 July 2025 to 30 June 2028.

Authorised for lodgement

Hon Matt Dooney

Minister for Mental Health

Briefing

Strategy to Prevent and Minimise Gambling Harm 2025/26-2027/28: Consultation Document and Cabinet Paper

Date due to MO:	15 July 2024	Action required by:	17 July 2024
Security level:	BUDGET SENSITIVE	Health Report number:	H2024045230
To:	Hon Matt Doocey, Minister for Mental Health		
Consulted:	Health New Zealand: <input checked="" type="checkbox"/>		

Contact for telephone discussion

Name	Position	Telephone
Robyn Shearer	Deputy Director-General, Clinical, Community and Mental Health Te Pou Whakakaha	s 9(2)(a)
Kiri Richards	Associate Deputy Director-General, Clinical, Community and Mental Health Te Pou Whakakaha	s 9(2)(a)

Minister's office to complete:

- | | | |
|---|------------------------------------|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Decline | <input type="checkbox"/> Noted |
| <input type="checkbox"/> Needs change | <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn | |

Comment:

Strategy to Prevent and Minimise Gambling Harm 2025/26-2027/28: Consultation Document and Cabinet Paper

Security level: BUDGET SENSITIVE **Date:** 15 July 2024

To: Hon Matt Doocoy, Minister for Mental Health

Purpose of report

1. This briefing follows our advice provided to you on 23 May 2024 on the *Approach to the development of the Strategy to Prevent and Minimise Gambling Harm 2025/26 to 2027/28* [H2024041445 refers].
2. We seek your agreement to circulate a draft Cabinet Paper, which seeks permission to release the Ministry of Health's (the Ministry's) draft Strategy to Prevent and Minimise Gambling Harm 2025/26 to 2027/28 (the Strategy) for public consultation, to your ministerial colleagues in time for it to be considered at Cabinet Business Committee on 12 August 2024.

Summary

3. Under section 317 of the Gambling Act 2003 (the Act), the Government may allocate responsibility for an 'integrated problem gambling strategy' to a department, and this is the Ministry. Section 318 of the Act sets out detailed requirements for the Strategy, including specific content, the frequency of costings, who must be consulted, a two-step consultation process and levy formula.
4. The problem gambling levy (the levy) is required to be set every three years to recover the costs of the Strategy activity from the gambling industry. The Strategy contains a service plan delivered by Health New Zealand. The current service plan and levy expire on 30 June 2025. Cabinet must first approve the draft strategy for public consultation and then later the final strategy and new levy rates by March 2025.
5. The Act further prescribes detailed consultation requirements for developing the Strategy and a prescriptive formula for setting the levy rates (Sections 318-321 of the Act refer). In line with this, and to maintain compliance with the required processes in the Act prior to the current levy expiring, the Ministry recommends conducting public consultation over six weeks beginning as soon as practicable after Cabinet consideration on 12 August 2024.
6. Following independent analysis of public submissions, the Ministry will make any necessary changes and submit a revised draft Strategy and levy proposals to you and the Minister of Internal Affairs, and subsequently the Gambling Commission. The Gambling Commission is required by the Act to form a view on the revised proposals. It will report to you and the Minister of Internal Affairs within 10 days of the consultation meeting, in time for Ministers to make a final decision about the levy and feed into Budget 2025

processes. This is required because gambling harm services are funded by Vote Health and recovered via the levy.

7. A draft Cabinet paper, seeking Cabinet's approval for public consultation, is attached to this briefing, along with the draft Strategy that forms the Ministry's consultation document as per our responsibilities under the Act. The draft Strategy contains:
 - a. an updated strategic framework
 - b. a three-year service plan including forecast budget
 - c. options for setting the problem gambling levy.
8. The extended length and format of the consultation document is dictated in part by the prescriptive legislative requirements in the Act referenced above, but also as part of the Ministry's strategy to mitigate the risk of judicial review by external parties alleging we have not followed the prescriptive features of the Act or due process in setting the problem gambling levy. There have been instances of judicial review in the past.
9. Your priorities for the mental health and addiction system have been built into the updated strategic framework and are a focus of the activities outlined in the draft strategy.
10. The draft service plan outlines a proposed package of investment costing at \$88.188 million over three years, which is a proposed increase of \$11.995 million (16%) from the current levy period. This includes a proposed transfer of \$3.412 million forecast cumulative underspend from the current levy period ending on 30 June 2025. The proposed net additional funding is therefore \$8.776 million. There was also an underspend in the previous levy period and so in 2022, \$6.7 million was transferred into the current levy period. Underspends are often the result of predicting spend in advance and then service delivery levels or the environment changing (eg, due to COVID-19).
11. Approximately half of this additional funding is for new services and interventions required in response to changes in the gambling environment such as service promotion, workforce development and an online gambling exclusion system. The remaining half is to address a range of cost and volume pressures such as service expansion and responses to wage pressures, including at the Ministry and Health New Zealand.
12. The Strategy is required to present options for setting the Problem Gambling Levy. This is for the weightings between components of the levy formula, which then determine how the levy rates are allocated across each gambling sector (Class 4, Casinos, TAB NZ, Lotto NZ) to generate the total funding amount.
13. The levy rates proposed in the consultation document are an increase on the current rates, which will likely attract attention from the gambling industry during the consultation period. However, the total cost of the package of services proposed represents around 1% of the net gambling losses of New Zealanders, and we are confident our proposals represent value for money.
14. Following Cabinet agreement to public consultation, the Ministry will publish the consultation document on our website, alongside the Gambling Harm Needs Assessment 2024. You will then report back to Cabinet no later than March 2025, with the Minister of Internal Affairs, Cabinet can make final policy decisions on the Strategy, the problem gambling appropriation, the amount of the levy and the levy rates for the period from 1 July 2025 to 30 June 2028.

Recommendations

We recommend you:

- a) **Note** the current service plan and problem gambling levy rates contained in the Strategy to Prevent and Minimise Gambling Harm 2022/23 to 2024/25 will expire on 30 June 2025
- b) **Note** that as per the Gambling Act 2003 the Ministry of Health, in collaboration with Health New Zealand, has prepared a draft Strategy to Prevent and Minimise Gambling Harm 2025/26 to 2027/28, containing a proposed updated service plan and proposed problem gambling levy rates
- c) **Note** that the Gambling Act 2003 sets out a detailed consultation process the Ministry must follow to update the Strategy to Prevent and Minimise Gambling Harm and problem gambling levy rates
- d) **Agree** to seek agreement for public consultation on the Ministry's draft Strategy to Prevent and Minimise Gambling Harm 2025/26 to 2027/28 at Cabinet Business Committee on 12 August 2024 **Yes / No**
- e) **Circulate** the attached Cabinet Paper and consultation document to your Ministerial colleagues for feedback by 26 July 2024 **Yes / No**
- f) **Note** that following Ministerial consultation the Ministry will make any necessary adjustments to the Cabinet materials before lodging on 8 August 2024 for Cabinet Business Committee consideration on 12 August 2024
- g) **Note** that your office is arranging a deep dive with officials prior to Cabinet consideration
- h) **Note** with Cabinet agreement, the Ministry intends to release the consultation document (the draft Strategy) including the proposed new levy rates, for public consultation as soon as practicable following Cabinet consideration.



Dr Diana Sarfati
Director-General of Health
Te Tumu Whakarae mō te Hauora

Date: 15 July 2024

Hon Matt Doocey

Minister for Mental Health

Date:

Strategy to Prevent and Minimise Gambling Harm 2025/26-2027/28: Consultation Document and Cabinet Paper

Background

- 1 The Gambling Act (2003) (the Act) sets the regulatory framework for gambling in New Zealand. Section 317 of the Act requires an 'integrated problem gambling strategy focused on public health' and prescribes that this strategy include measures to promote public health; services to treat and assist problem gamblers and their families and whānau; and independent scientific research associated with gambling and evaluation.
- 2 While the Department of Internal Affairs (DIA) regulates gambling in New Zealand, the Ministry of Health is responsible for developing the gambling harm strategy (the Strategy) and associated levy, and Health New Zealand controls and distributes the funding to providers.
- 3 As the Minister for Mental Health you have been delegated authority by the Prime Minister to be the Minister responsible for the development of the Strategy and problem gambling levy, alongside the Minister of Internal Affairs (Hon Brooke Van Velden) who is the Minister responsible for the Act. The current *Strategy to Prevent and Minimise Gambling Harm 2022/23 to 2024/25* finishes on 30 June 2024 and needs replacing.
- 4 As required by the Act, in November 2023, the Ministry commissioned a needs assessment to help inform a refreshed Strategy. Based on interviews with key stakeholders, a service provider survey and literature review, the needs assessment found that:
 - a) Gambling activity has remained relatively constant in New Zealand, with data indicating that most adults engage in gambling at some stage in their lives.
 - b) While there has been a reduction in the number of electronic gaming machines ('pokies') they remain disproportionately more common in high-deprivation areas. Expenditure on pokies has continued to increase also.
 - c) Online gambling, particularly with unregulated providers based overseas, continues to grow. This is revealing inconsistencies with the current levy funding regime and service provisions given offshore online gambling providers are not contributing to the levy.
 - d) The gambling harm minimisation sector is under pressure and has found the health reforms challenging. It seeks stronger government leadership and coordination, and more sustainability.
 - e) There is a need to grow and support the gambling harm workforce – both clinical and peer.

The consultation document

- 5 A draft consultation document in the form of a draft Strategy is attached. This has been developed by the Ministry as per our role under sections 317 and 318 of the Act with input from Health New Zealand. The document contains:
 - a) a new strategic framework
 - b) a three-year service plan with forecast budgets, including proposed new investment
 - c) estimated levy rates and payments options for the gambling industry, through which the Crown recoups the cost of the Strategy.
- 6 It is important to note that this draft Strategy with associated costings and funding requirements for the three-year levy period is the first iteration, which is then updated post public consultation ahead of the requirement under the Act to submit the proposed strategy and proposed levy rates to the Gambling Commission and responsible Ministers (Mental Health and Internal Affairs).
- 7 In preparing the draft Strategy for the next three years, we have taken into account:
 - a) the Government's priorities for the mental health and addiction sector
 - b) the statutory requirement that the strategy have a public health focus and the relevance of the current strategic outcomes in the *Strategy to Prevent and Minimise Gambling Harm 2022/23 to 2024/25*
 - c) the findings of the needs assessment and the experiences of the past three years, and our assessment of pressures in the environment.
- 8 Gambling harm is inequitably distributed and Māori, Pacific, some Asian communities, and young people are more likely to be affected. These groups are priority populations for the current Strategy and we have proposed they remain so, as the risks and harms to them have not reduced to a point where additional attention is no longer required. The proposed public consultation has also been designed to ensure that voices of affected groups and communities, such as those identified, are heard.
- 9 The draft service plan outlines a package of investment costed at \$88.118 million, an increase of \$11.995 million (16%) on the 2022/23 to 2024/25 service plan budget.
- 10 There is a forecast cumulative underspend of \$3.412 million for this levy period ending June 2025. This forecast underspend is a consequence of a COVID-19 related \$6.7 million underspend being transferred from 2021/22 (the previous levy period) to 2022/23 (the current levy period), along with some delays in spending resulting from the health reforms.
- 11 A transfer of this underspend into the new levy period would facilitate greater outcomes in addressing growing concerns in the gambling harm space without increasing the levy further than already proposed.
- 12 The net additional funding for the three-year period, proposed to be sought from the gambling industry, is therefore \$8.776 million. Of this, approximately half is for new services and interventions required in response to changes in the gambling environment (such as service promotion, workforce development and an online gambling exclusion system) and half to address a range of cost and volume pressures.
- 13 The specific breakdown of the proposed three-year spend is detailed in the Cabinet paper.

Consultation arrangements and likely areas of focus

- 14 With Cabinet agreement, and in order to ensure compliance with the consultation requirements in the Act, the Ministry will publish the Consultation Document on our website, hold up to 10 public meetings (likely both in-person and online), and engage with representatives of the gambling sector, service providers and persons affected by gambling harm. This engagement will include groups specifically identified in the Act.
- 15 The Ministry's past experience has been that the levy components, weightings, and sector payments often sparked considerable discussion with the gambling industry and anticipate that will be the case again this year. This is part of the reason why the Ministry has taken a consistent approach to the length and format of the consultation document, which is dictated in part by the prescriptive legislative requirements in the Act referenced above, but also as to mitigate the risk of judicial review.
- 16 The service plan may be welcomed by the gambling harm sector, which is largely non-government organisations, as it responds to a number of their repeated requests (eg for funding for service promotion, for a new client data management system, and additional funding for workforce cost pressures). These same elements may, however, cause concern for members of the gambling industry as they have added cost.
- 17 The effectiveness of the Strategy has been repeatedly raised in past consultation rounds, especially the most recent (in 2021/22). The Strategy contains a proposal for a substantial independent impact evaluation of the Strategy. This may be well received by some parts of the sector but will likely be considered overdue by others.
- 18 The lack of evaluation of the Strategy to date will almost certainly be raised in conjunction with discussion about the increased funding sought. The majority of this increase is in public health and clinical intervention services. The gambling harm sector is subject to the same pressures as the broader mental health and addiction sector, including substantial workforce issues and reported increasing complexity of cases. For the gambling harm sector particularly, the impact of online gambling is having significant effects.
- 19 Additional funding for departmental costs (for Health New Zealand and the Ministry) is also proposed to support the enhanced service delivery and research proposals. This responds to the Needs Assessment finding that stronger coordination and communication from government is required, so it may be welcomed by some, but as for other issues, the cost it generates will also likely be challenged by the industry. However, the total cost of the package of services proposed represents around 1% of the net gambling losses of New Zealanders, and we are confident our proposals represent value for money.

Levy weightings

- 20 As the responsible minister, along with the Minister for Internal Affairs, you are required to determine the appropriate weighting to apply to each gambling sector in the Act (Class 4, Casinos, TAB NZ, Lotto NZ) for the next levy period with final recommendations provided to Cabinet in early 2025.
- 21 Player expenditure (losses) and presentations are proxies for gambling harm. The levy formula in the Act requires an appropriate weighting to be applied between current player expenditure (W1) and customer presentations to harm minimisation services (W2) to help determine each sector's share of the levy. The sum of the weightings equals 1.

- 22 The weighting options change the proportions of the levy paid by each levy paying sector but do not change the total amount recovered by the levy, which is dictated by the costs of the proposed service plan.
- 23 The current levy weighting is 30/70, meaning 30% based on player expenditure and 70% based on player presentations. This means sectors such as non-casino gaming machines (pokies) pay a higher share of the levy as they have a higher proportion of harm presentations.
- 24 The consultation document includes four options or pairs of levy weightings (W1/W2) that have been consulted on in the past and are deemed to be a fair representation of weighting options. These are expressed as 5/95, 10/90, 20/80 and 30/70.

Next steps and indicative timeframes

- 25 The table below outlines next steps and timeframes. There is little room for slippage given the prescriptive requirements of the Act with the immediate focus on circulating the Cabinet paper and consultation document for Ministerial consultation.

Milestone	Indicative date
Minister's office circulate paper for Ministerial consultation (officials will circulate for agency consultation simultaneously)	18– 26 July 2024
Papers updated following consultation	30 July – 1 August 2024
Deep dive with officials prior to Cabinet Committee	Between 2 and 8 August 2024 (Timing TBC)
You approve paper for lodgement	By 7 August 2024
Paper lodged	By 10am 8 August 2024
Cabinet Business Committee	12 August 2024
Public consultation on Strategy	14 August – 24 September 2024

- 26 Officials are available to discuss this paper with you prior to Ministerial consultation commencing if that would be useful.

ENDS.

Minister's Notes

PROACTIVELY RELEASED