

Stage 2 Cost Recovery Impact Statement

Problem Gambling Levy 2022/23 to 2024/25

Agency Disclosure Statement

1. This statement has been prepared by the Ministry of Health (the Ministry) and the Department of Internal Affairs (the Department) on the problem gambling levy and, specifically, the levy weighting options that affect how much of the levy each gambling sector will pay for the levy period between 1 July 2022 and 30 June 2025.
2. The Ministry is responsible for developing and implementing an integrated problem gambling strategy focused on public health. The Strategy to Prevent and Minimise Gambling Harm 2022/23 to 2024/25 is this integrated strategy (the Strategy). The Department is the primary regulator of the gambling sector, administers relevant legislation (including the problem gambling levy regulations) and is the Government's key policy advisor on gambling.
3. The Gambling Act 2003 (the Act) constrains the nature of the options analysed as it:
 - a. prescribes an integrated problem gambling strategy and details specific content as well as requirements for consultation on the strategy and levy [sections 317 and 318]
 - b. provides for a levy, set by regulation on gambling operators, to recover the cost of 'developing, managing and delivering' the Strategy [section 319] and specifies the formula 'to be used in estimating the proposed levy rates payable by gambling operators' [section 320]
 - c. limits the weightings used to player expenditure and presentations.
4. In developing the player expenditure forecasts used in this analysis, the Department considered information from a variety of sources including annual reports, payments to Inland Revenue, and expenditure trends over proceeding years.
5. Key limitations of the analysis are the difficulty in accurately assessing the extent to which harm is properly attributable to each levy-paying gambling sector and forecasting player expenditure given the variability and volatile nature of some forms of gambling, particularly three or more years into the future. The current policy settings for the levy formula limit the types of sectors levied, so not all sources of commercial gambling contribute to the levy. Similarly, the statutory formula limits how harm is assessed and attributed to each sector, through weighting player presentations and expenditure.

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Executive summary

1. This impact statement is for a problem gambling levy (the levy) to recover the cost of the Strategy for the period from 1 July 2022 to 30 June 2025. The regulatory change is to the potential weightings and consequential levy rates for each of the four levy-paying gambling sectors.
2. The Gambling Act 2003 (the Act) recognises gambling can be harmful and provides for an integrated strategy to prevent and minimise harm from gambling, which must include public health and treatment services, and independent research and evaluation.
3. The Act specifies a levy to recover the Ministry's costs of developing, managing, and implementing the strategy. Section 320(1) of the Act sets out a levy formula that includes a mechanism for allocating and collecting these costs from gambling operators. It uses player expenditure and help-seeking data as proxies for gambling harm that are weighted in the formula to determine each sector's levy liability. This means that a given sector's levy liability can change even if the overall amount of the levy does not change. Such changes in levy liability are typically relatively minor in the context of changes in sector profits.
4. Funding is appropriated to the Ministry through Vote Health to develop and implement the Strategy. The levy is collected by Inland Revenue and set to reimburse the Crown the amount the Ministry spends on the Strategy, so the Strategy is fiscally neutral over time.
5. The Act also details a two-stage consultation process to develop the Strategy and associated levy rates, based on 3-year cost estimates, which limits funding to three years. If new levy regulations are not put in place for 2022/23 onwards, Ministry-funded strategy activities would not be cost recovered. Without cost recovery provisions and ring-fenced funding, these activities may not receive the same level of funding or be provided at all.
6. The levy is set on operators of the four main types of gambling that contribute the most to gambling harm: non-casino gaming machines (NCGM), casinos, the TAB New Zealand (TAB NZ), and the New Zealand Lotteries Commission (NZLC).
7. The levy calculations are based on the following:
 - The Strategy cost of \$76.123 million for 2022/23 to 2024/25.
 - A levy over-recovery of \$5.327 million forecast to 30 June 2022.
 - Crediting the levy over recovery amount leaves a balance of \$70.796 million to be collected in levy payments for the next levy period.
8. The cost of the Strategy represents a \$15.784 million increase on the current strategy. This extra funding is required to strengthen the public health approach and improve service access and choice by refocusing services and supports to address persistent gambling harm, health inequities, and service gaps. These issues were identified in submissions and the independent gambling harm needs assessment prepared to inform the Strategy.
9. Four levy weighting options were considered to determine the proportion of the total levy each sector should pay, based on their share of harm factors. The levy amounts for each gambling sector being levied under each option will be higher than those for the current period, to better target services to address health inequities associated with gambling harm.
10. The levy calculations adjust for any levy overpayment or underpayment by each sector to identify the amount to be recovered, and levy rate, for that sector over the new levy period.
11. The Ministry consulted on four options for levy weightings (expenditure/presentations), 5/95, 10/90, 20/80 and 30/70. Each levy option meets the policy guidelines and statutory requirements. The Ministry's view is on balance the current 30/70 weighting is still its preferred option as it better accounts for low to moderate levels of gambling harm and public health activities that are not covered by high levels of harm.

Status quo

The Gambling Act and gambling harm

12. Research shows about 70 percent of New Zealanders over the age of 16 have participated in some form of gambling at least once in the past year. Some 5 percent of New Zealand adults gamble to the extent it causes harm to themselves and often to the people around them. One in five (22%) of New Zealanders will be affected by their own or someone else's gambling at some time in their lives. NZLC lottery products are the most popular forms of gambling.
13. The Act provides the regulatory framework for gambling and aims to control the growth of gambling and ensure that money from gambling benefits the community. It also seeks to prevent and minimise gambling harm (including problem gambling) and limit opportunities for crimes associated with gambling (section 3 refers).¹ The regulatory framework, with the exception of casinos², is based on the principle that community groups should benefit from gambling profits (via grants funding), while industry bears the cost of mitigating gambling harm (via the problem gambling levy).
14. The Ministry is the department responsible for an integrated strategy to prevent and minimise gambling harm (the Strategy). Section 317 states the Strategy must include:
 - a. measures to promote public health by preventing and minimising the harm from gambling
 - b. services to treat and assist problem gamblers and their families/whānau
 - c. independent scientific research associated with gambling, including (for example) longitudinal research on the social and economic impacts of gambling, particularly the impacts of gambling on different cultural groups; and
 - d. evaluation.
15. The Act defines harm from gambling broadly³ and includes harm caused as a result of another person's gambling. Importantly, the burden of harm attributable to low-risk⁴ gambling is significant, at nearly 50 percent of all gambling harm.⁵ Typically, people affected by harmful gambling are more likely to be Māori, Pacific, or Asian, on a low income and/or living in an isolated area.
16. In addition, the Act specifies:
 - a. a levy to recover the costs of developing and implementing the strategy (section 319).
 - b. a formula to allocate and collect that cost amongst gambling operators (section 320).
 - c. a detailed two-stage consultation process to develop the Strategy and levy rates, and limits the strategy to three years (section 318).

¹ The Racing Industry Act 2020 also has similar objectives, to prevent and minimise gambling harm, and establishes TAB NZ.

² Current casino licence conditions require casinos to return some amount of money to communities, but this amount varies between casino licences and is a very small percentage of expenditure compared to that returned by the other gambling sectors.

³ Gambling Act 2003 (4). Interpretation: Harm means harm or distress of any kind arising from, or caused or exacerbated by, a person's gambling; and includes personal, social, or economic harm suffered by the person; or by the person's spouse, civil union partner, de facto partner, family, whānau, or wider community; or in the workplace; or by society at large.

⁴ The Ministry uses the Problem Gambling Severity Index to screen and categorise gambling. High risk (problem gamblers) score 8 and above, low risk score 1- 2. Ferris JA, Wynne HJ. 2001. *The Canadian Problem Gambling Index*. Ottawa, ON: Canadian Centre on Substance Abuse, pp. 1–59.

⁵ The 2017 study *Measuring the Burden of Gambling Harm in New Zealand* used measures such as Quality Adjusted Life Years (QALYs) and Disability Adjusted Life Years (DALYs) to estimate the years of life lost due to incapacity as a result of harms from gambling. These totalled 161,928 in 2012. Of this number, 67,928 were lost to gamblers themselves and 94,729 were lost to people affected by someone else's gambling.

17. Funding is appropriated to the Ministry through Vote Health. The levy is collected by Inland Revenue and set to reimburse the Crown the cost to the Ministry of the Strategy so it is fiscally neutral over time. The levy-paying sectors understand well the levy and its compliance.

Levy rates

18. The levy is set on the four main types of gambling to recover the costs of the Strategy from those gambling operators whose activities contribute the most to gambling harm. Table 1 shows the current levy rates, which are set out in the Gambling (Problem Gambling Levy) Regulations 2019⁶ and expire on 30 June 2022. The table also shows the expected levy amounts and expected share of the total levy, by sector for the 30/70 weighting.

Table 1: Levy rates for 2022/23-2024/25 (30/70 weighting)

	NCGMs	Casinos	TABNZ*	NZLC
Levy rate (% of player net expenditure)	1.08	0.87	0.76	0.44
Expected levy amount (\$m)	34.926	15.960	8.750	11.016
Share of total expected levy amount (%)	49.43	22.59	12.38	15.59
Share of budget (%)	50.91	20.73	11.54	16.82

*formerly the New Zealand Racing Board (NZRB)

19. Allowing the Strategy and levy to expire without replacing them would not be consistent with the purpose of the Act and is not recommended. If new levy regulations are not put in place, Ministry-funded Strategy activities would not be cost recovered. Without these cost recovery provisions and ring-fenced funding, and despite the significant level of harm from gambling, funding constraints mean it is unlikely these Strategy activities would receive the same level of funding out of Vote Health.

Levy-paying gambling sectors

20. The levy regulations enable the responsible Ministers to specify the gambling sectors required to pay the levy. In all previous occasions, the regulations have specified the same four forms of gambling that research shows contribute the most harm (based on player expenditure and presentations to gambling harm services):

- a. non-casino gaming machines (NCGM) sector currently operates more than 14,704 NCGMs in about 1,059 licensed venues in pubs, clubs, and TAB venues.
- b. New Zealand Lotteries Commission (NZLC), which provides a range of lottery products through a network of retail outlets and online.
- c. TAB NZ, which provides racing and sports betting at racetracks, through TAB agencies and online accounts. TAB NZ also operates NCGMs at 44 TAB operated venues.
- d. casino sector, comprising of six casinos, located in Auckland, Hamilton, Christchurch, Dunedin, and Queenstown (two), which together are approved to operate 3,056 gaming machines, 239 table games and 240 fully automated gambling machines.

Cost recovery (levy) charges

21. The Act limits the cost estimates on which the levy is based to a maximum of three years. The levy is the only source of funding for the Strategy.

22. The Act specifies a two-step consultation process to develop the levy that includes:

- a. requiring an assessment of gambling harm needs and specifying the matters that

⁶ <https://www.legislation.govt.nz/regulation/public/2019/0134/10.0/whole.html>

- must be provided for in the Strategy
- b. requiring the Ministry to consult widely on a draft strategy, estimated three-year costs and the corresponding levy rates; and
 - c. requiring the Gambling Commission to consult on a revised set of strategy proposals (prepared by the Ministry following submissions on the above draft) and making its own recommendations on the levy rates to responsible Ministers.
23. Changes to the Strategy (and hence the associated costs and levy rates) are based on a Gambling Harm Needs Assessment 2021 (needs assessment)⁷, submissions on the draft Strategy consultation document, insights from longitudinal surveys, and research and evaluations including the Health and Lifestyles Survey 2020. The Ministry also considered independent advice prepared for the Gambling Commission, submissions made at its consultation meeting and its report and recommendations to the responsible Ministers.
24. Changes to the levy rates, and amounts payable by each sector, are also based on data about client presentations to clinical levy under-recovery or over-recovery by sector, player expenditure and forecasts of future player expenditure, by sector.

Cost Recovery Principles and Objectives

25. If the costs of the Strategy are to be recovered by the levy, it must include all the elements that the Act requires. The Act, the Strategy, and the Ministry's strategic health documents⁸ establish a policy framework within which the levy is set to recover the estimated costs to the Ministry of developing and implementing the Strategy over the next three years. The levy is the funding mechanism to deliver the Strategy, which contributes to preventing and minimising gambling harm, including problem gambling (Section 3(b) refers).
26. The policy principle in the gambling regulatory framework is that the costs of preventing and minimising gambling harm should be borne by gambling operators levied in proportion to the harm attributable to that sector.
27. The Strategy incorporates a strategic framework that sets out the overall goal, objectives and priority action areas, which provides the rationale for the Service Plan. The overall goal of the Strategy is: *'To promote equity and wellbeing by preventing and reducing gambling-related harm'*. The population outcome is *pae ora - healthy futures for Māori and all New Zealanders*, drawn from the Government's high-level plan, *Kia Manawanui Aotearoa – long-term pathway to mental wellbeing* (Kia Manawanui).⁹
28. The objectives of the Strategy are:
- to create a full spectrum of services and supports
 - to shift social and cultural norms
 - to strengthen leadership and accountability to achieve equity
 - to strengthen the health and health equity of Māori, Pacific peoples, Asian peoples and young people/rangatahi
29. These objectives and related priority actions align strongly with those set out in the current strategy (refer to Appendix 3 of the Strategy) and are ultimately focused on delivering on the purpose in section 3(b) of the Act to prevent and minimise harm from gambling.

⁷ Malatest international Gambling Harm Needs Assessment 2021

⁸ The Strategy aligns with Whakamaua: Māori Health Action Plan 2020–2025, Oia Manuia: Pacific Health and Wellbeing Action Plan 2020–2025, Pacific Aotearoa Lalanga Fou, & the DIA Gambling Group Strategic Direction 2020–23

⁹ Kia Manawanui Aotearoa – Long term pathway to mental well-being, is a whole of government action plan to transform the mental health sector.

30. In addition, any levy recommendation must be consistent with the cost recovery principles set out in the Auditor-General and Treasury guidelines on public sector charging. These are described in the assessment of cost recovery proposals at Appendix 1 that shows the Strategy and levy proposals strongly comply with the guidelines. For example, on measures such as legal authority, effectiveness, efficiency, transparency, and consultation.

Policy Rationale: Why a user charge? And what type is most appropriate?

31. The Act provides for full cost recovery by a levy on the profits from gambling operators required to pay the levy. This reflects the fact that the need for gambling harm minimisation and prevention services are directly attributable to the availability of licensed gambling operations and the nature of the gambling products they provide.
32. The Strategy outputs (levy funded activities) are public goods. Excluding people from the benefits would be undesirable and costly and use by one person does not detract their use by another.
33. Research shows that gambling harm is far more likely to be associated with continuous forms of gambling (in which a gambler can immediately ‘reinvest’ winnings in further gambling, such as gaming machines and casino table games) than with other forms of gambling. It also shows the levy-paying gambling sectors noted above contribute the most harm in terms of player expenditure and presentations to services. NCGMs contribute the most on both measures, as has been the case for many years. Accordingly, these four sectors are levied to recover the costs of the services to address gambling harm.
34. Private gambling and forms such as bingo and raffles with limited prize value (which are also regulated) are not charged a levy, as research shows these forms are not associated with significant harmful gambling. Submissions expressed concerns about the harms from online gambling on offshore sites, which are currently unregulated so are not levied to contribute to the cost of our gambling harm services. The online gambling review, led by DIA, is ongoing. This has a particular focus on preventing and reducing harm. Kia Manawanui also proposes a review of the Gambling Act, with particular reference to preventing and minimising harm from online gambling and electronic gaming machines.

The level of the proposed levy and its cost components

Proposed charge levels – the costs of the Strategy

35. Table 2 compares the cost of the Strategy with the cost for the current levy period.

Table 2: Breakdown of Ministry spending by Strategy output

Strategy funding (GST exclusive) current and proposed	Current 2019-2022 \$m	Levy 2022-2025 \$m	Change \$m
Public health services (harm prevention and minimisation)	20.530	24.840	+4.310
Clinical intervention and support services	25.243	34.213	+8.970
Research and Evaluation	6.629	5.658	-0.971
Ministry operating costs	2.937	3.471	+0.534
New services and innovation	5.000	7.941	+2.941
3-year total	60.339	76.123	+15.784

Primary cost driver – the Strategy

36. The Act specifies the types of activities the Strategy's service plan must provide to meet the statutory requirements. A breakdown of each activity is provided in Annex 2. The drivers of expenditure for 2022/23 to 2024/25 are:
- a. intervention and support services, such as counselling and helpline support (45% of the levy budget)
 - b. public health measures (33%), such as those intended to raise awareness of the risks and signs of harmful gambling to foster positive behaviours to prevent or minimise harmful gambling and reduce stigma
 - c. independent scientific research and evaluation (7%) to monitor health inequities and prevalence rates for Māori and Pacific families and vulnerable groups, as well as more action focused research and evaluations.
 - d. development of new services and innovation (10%), This comprises service development (to address equity, intensive care, and use of technology) that has been delayed due to the COVID-19 response plus new activities to enable a diverse, skilled and responsive workforce).
 - e. Ministry administration costs (5%) to develop, implement, and monitor the Strategy. This is an increase of \$0.534 million to provide capacity to deliver on an expanded work programme. The administrative cost has been unchanged since 2008/09 and relate primarily to developing services, managing service contracts and procurement, providing advice about gambling harm, and policy support to refresh the strategy every three years.

Investment to address health inequities

37. A consistent theme from the needs assessment, submissions, and reports received on the strategy consultation was that a one size fits all approach to services would be ineffective and a more nuanced approach is necessary to address health inequities and meet the diverse needs of priority populations (ie Māori, Pacific, Asian peoples, and young people/ rangatahi). These four groups experience the greatest risk of harm of health inequity, based on service data and research. However, other groups are also vulnerable to gambling harm, such as older people or children.
38. This requires additional funding to develop and expand services and engage with priority populations and people with lived experience, while maintaining continuity of service for those cohorts who need help and support now.
39. Most of the increased costs in the next levy period can be attributed to strengthening the focus on health equity issues, for example:
- a. to improve the accessibility and range of services available to people affected by harmful gambling and better meet the needs of priority populations vulnerable to gambling harm.
 - b. to enable the Ministry to maintain current levels of service while investing in new ways of working, including new intervention and service models. The Ministry will also evaluate and review services to identify where resources should be targeted in the long term to better address areas of systemic, persistent gambling harm, and related health inequities experienced by vulnerable communities.
40. Ministry's analysis shows there is no room to fund this \$15.784 million increase in services from productivity improvements, as the Strategy funding has remained largely unchanged since 2008/09. About 40% of this increase (\$6.470 million) is to align clinical FTE rates

between gambling harm services and the wider mental health and addiction sector.¹⁰

41. The research and evaluation budget has been slightly reduced. The Ministry's assessment is that the proposed funding level will enable the development of an effective knowledge base to inform future service investment decisions, which is particularly important given the addition of a new priority population in this Strategy (young people/rangatahi). This budget recognises that several consultation submissions called for more research into preventing and minimising harm for this group. We do not recommend any further reduction.
42. The Ministry recognises that funding this expanded programme moves the strategy outside its historical funding envelope but considers this a more realistic reflection of the actual costs of services to address the drivers of gambling harm and the associated health inequity. The Ministry's advice is that this is necessary to strengthen and target our public health approach, services, and support to address longstanding inequities in gambling harm. The proposed increase is in line with comments provided by Synergia in their 2019 report to the Gambling Commission, that "there is evidence to suggest that the levy should be increased to reflect population growth and increased costs to providers" and "the Ministry should assess what the (gambling harm) needs are and develop a comprehensive strategy based on those needs".¹¹

Levy methodology

43. The levy formula in section 320 of the Act sets out how to calculate the approximate amount each levy-paying gambling sector is expected to pay towards the total levy requirement. From this we can identify the levy rate necessary for each sector to make its expected contribution.
44. The formula is:

$$\text{Levy rate} = \frac{((A \times W_1) + (B \times W_2)) \times C}{D} \text{ plus or minus } R$$

where:

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

B = the number of customer presentations to problem gambling services that can be attributed to gambling in a sector, divided by the total number of customer presentations to problem gambling services in which a sector that is subject to the levy can be identified

C = the funding requirement for the period for which the levy is payable

D = forecast player expenditure¹² in a sector for the period during which the levy is payable

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

¹⁰ The Ministry does not compile a breakdown of its procurement costs. However, it notes the main cost components of these contracts are salaries, which are benchmarked to comparable costs in other service areas, and for some projects, technology related costs. The gap in FTE rates between clinical gambling harm and comparable services provided by other mental health and addiction service providers is significant. The Ministry policy is to address these funding disparities, which affect workforce recruitment and retention.

¹¹ Rees, D, Rodd, D & Walker, R (2019) *Report of Synergia to the Gambling Commission: Review of Ministry of Health Strategy to Prevent and Minimise Gambling Harm, Service Plan, and Formula for Levy Calculation.*

¹² Section 320 of the Act defines player expenditure for each sector, which is equivalent to player losses (money spent minus winnings).

W1 and **W2** are weights, the sum of which is 1.

45. The top line of the formula determines the approximate dollar amount each sector will be expected to pay towards the total levy requirement, taking into account any under-recovery or over-recovery of levy from that sector in previous levy periods.
46. Most of the levy formula values (A, B, C, D, and R) are based on actual presentations and expenditure data or forecast expenditure. These values are summarised in Tables 3 to 5 below and further detail is provided at Appendix 3.

Table 3 Levy calculations key figures

Key figures	\$m (GST exclusive)
Funding Required C (2022/23-2024/25)	76.123
Net Over-recovery R (2004/05-2021/22)	5.327
Levy amount still to be collected (C-R)	70.796

47. The total amount forecast to be raised by the levy for the next three years is about \$70.796 million. This sum is lower than the cost of the Strategy (**C**) due to an expected over recovery of levy (**R**) forecast. Overpayment amounts are deducted from (credited to) the next levy period amounts required from each sector, while any underpayments are added to those amounts.
48. Table 4 shows forecast player expenditure (**D**) over the next three years. The levy rate to apply for each sector is determined by dividing the sector's required levy payment (top line) by the forecast player expenditure for that sector. All other things being equal, the higher the forecast player expenditure for a sector over the course of the levy period (**D**), the lower that sector's levy rate.

Table 4: Forecast expenditure by sector (GST inclusive) 2022/23–2024/25

Forecast expenditure	NCGMs	Casinos	TAB NZ	NZLC
2022/23 (\$m)	1051.51	601.95	376.25	784.14
2023/24 (\$m)	1076.44	611.50	383.77	833.51
2024/25 (\$m)	1105.91	621.04	391.28	885.98

49. Table 5 sets out each sector's share of total player expenditure (**A**) and each sector's share of total presentations (**B**) attributed to the levy-paying sectors to apply for 2022/23-2024/25. These shares are based on 2020/21 total player expenditure of \$2.624 billion and 2020/21 total presentations of 4,110.

Table 5: Percent share of expenditure (A) and presentations (B) by levy-paying sector

	NCGM		Casinos		TAB NZ		NZLC	
	Exp.	Pres.	Exp.	Pres.	Exp.	Pres.	Exp.	Pres.
2020/21	37.6%	56.7%	21.3%	20.6%	14.7%	10.3%	26.5%	12.5%

50. The levy formula uses two weightings as a proxy for harm attributed to each sector: **W1** is for expenditure (player spending minus winnings) and **W2** represents presentations (people seeking help). The weightings are represented in the $(A \times W1) + (B \times W2)$ component in the top line of the formula, which determines the share of the funding requirement (**C**) that each sector must pay. When a sector's share of player expenditure (**A**) is substantially different from its share of presentations (**B**), the weighting between expenditure **W1** and presentations **W2** is critical to determining the share of the budget that sector will be expected to pay. The impact of the levy weightings is discussed in the next section.

Impact analysis

Impact of levy amounts

51. The level of funding raised by the levy is set to offset the cost of the Strategy. The key impacts are in providing targeted public health services to raise awareness and educate about the signs and risks of harmful gambling, in order to effect positive behavioural change amongst priority populations who commented that a one size fits all approach did not work. In addition, the levy is also set to recover the costs of clinical intervention and support services that will help 10,000 to 12,000 people annually who are affected by their own or someone else's harmful gambling.
52. Strategy expenditure represents value for money as the budget has remained relatively constant since 2004, while health sector costs have increased. The 2011 KPMG review of the costs of Ministry-funded Strategy outputs showed they provided value for money across six of the seven criteria used to assess value. The Australian Productivity Commission has concluded that the social cost of gambling harm means that even harm minimisation measures with modest efficacy rates could generate net benefits, provided they did not generate excessive costs for gamblers or the industry generally.¹³
53. The Ministry purchases services to address gambling harm using a procurement model, and where possible endeavours to ensure consistency with costs provided for comparable services for other forms of addiction. The strategy budget includes funding to increase clinical FTE rates for gambling harm to align with those for the mental health and addiction sector. The Ministry will monitor these costs as it implements the evaluation of current activities and procurement for services in the next levy period.
54. The levy rates and amounts paid by each sector have minimal impact on operators in each of the four levy-paying gambling sectors. These sectors have a combined annual player expenditure forecast in the order of \$2.8-3.0 billion for each of the next three financial years to 30 June 2025. Based on these forecasts, the impact of the levy will be about \$23.6 million per year in levy payments to Inland Revenue. This is an increase on the \$16.0 million in annual levy payments expected for the current levy period and translates to 0.8% of the sector's total forecast annual expenditure.

Impact of weightings

55. The weighting options in the levy formula do not affect the total levy requirement, only the portion of the total levy amount that each levy-paying sector is expected to pay, which in turn determines the levy rate to apply to that sector.
56. The weightings allow responsible Ministers to apportion the costs of the Strategy to the levy-paying sectors in a way that they consider to be fairer than if they had to rely on either expenditure or presentations alone. The weighting selected is a matter of judgment; there is no scientifically 'correct' answer. The levy formula does not require the inclusion of a combined weighting. Each sector's share of the budget could simply be the same as its share of either all expenditure attributed to the levy-paying sectors or, alternatively, its share of all presentations.
57. The weighting combination chosen is not expected to have a significant impact on gambling consumers. However, it may slightly affect the amount of money that NCGM

¹³ <https://www.pc.gov.au/inquiries/completed/gambling-2010/report>

operators and NZLC have available to allocate for authorised purposes¹⁴, the amount TAB NZ may distribute to the racing industry, and the six casinos' net profits.

Limitations on weightings

58. There are some limitations in using weightings and the options analysis. For example, there may be no single weighting that will result in every levy-paying sector paying the amount that responsible Ministers consider to be their fairest share of the Strategy's costs. Similarly, there may be no weighting that will result in a particular sector paying what responsible Ministers consider to be its fairest share of the Strategy's costs.
59. Potential disadvantages with a very high weighting on presentations are due to the broad definition of gambling harm in the Act and the fact that presentations tend to reflect high levels of harm at the acute end of the harm continuum, such as associated with problem gambling. Presentations do not reflect the harm from low to moderate gambling or other strategy components such as public health and research. In addition, too high a presentation weighting may disadvantage diligent host responsibility to detect problem gambling and encourage help seeking behaviour.
60. Accordingly, each sector's share of presentations may not necessarily be a fair share for that sector to bear of low to moderate levels of harm, or of the public health, research and evaluation activities also required by the Strategy to address gambling harm. Similarly gambling sectors may not be associated with all forms of harm in the same proportions as they are associated with presentations to intervention services.
61. The player expenditure weighting has the advantage of being able to attribute to each sector their share of public health, research, and other non-intervention activities covered by the Strategy. But too high a weighting on expenditure may disadvantage gambling operators of relatively benign forms of gambling that have high expenditure but relatively low numbers of presentations compared with others.
62. Conversely, an advantage of the presentation weighting is that it minimises the impact of fluctuations in expenditure that some sectors experience. However, the purpose of the Strategy is to prevent and minimise gambling harm not player expenditure per se.

Weighting Combination Options

63. Each weighting option is stated as a combination of percent expenditure/percent presentations. For example, 30/70 means 30 percent based on the sector share of total expenditure and 70 percent based on the sector share of total presentations.
64. The Ministry consulted on four weighting combinations for the Strategy: 5/95; 10/90; 20/80; and 30/70. Historically, Ministers have chosen the 10/90 weighting option except for 2019 when they chose the 30/70 option. As previously noted, there is no 'correct' weighting option as each is a subjective judgment about how to best apportion payments to each sector. Some submissions proposed different weightings, such as 100/0 or 50/50.
65. The Ministry considers that presentations, as one indicator of harm, albeit harm at the acute end of the continuum, should be allocated a substantially heavier weighting than expenditure. This also tends to support a weighting of at least 70 percent on presentations and no more than 30 percent on expenditure.
66. Table 5 above shows sector shares of expenditure **A** and presentations **B** for 2020/21.

¹⁴ The Act defines an authorised purpose as one that is a charitable purpose, a non-commercial purpose beneficial to the whole or part of the community, promoting controlling or conducting a race meeting, and (except for class 4) an electioneering purpose.

Table 6 shows the effect of the different weighting options on each sector's share of the budget cost, their associated levy amount, and the corresponding levy rate based on this amount. The corresponding values for the 30/70 weighting used in the current period are shown for comparison.

Table 6: Weighting options

Weighting Option		2022/23-2024/25 Share of funding, levy rate and expected levy amount, under four alternative weightings				Total
		NCGMs	Casinos	TAB NZ	NZLC	
5/95	Share of funding required (%)	54.68%	22.49%	11.19%	11.64%	100%
	Levy rate (%)	1.20	0.87	0.69	0.33	
	Expected amount (\$m)	38.806	15.960	7.944	8.262	
10/90	Share of funding required (%)	53.49%	22.56%	11.56%	12.39%	100%
	Levy rate (%)	1.17	0.87	0.71	0.35	
	Expected amount (\$m)	37.836	15.960	8.174	8.763	
20/80	Share of funding required (%)	51.62%	22.55%	12.04%	13.79%	100%
	Levy rate (%)	1.13	0.87	0.74	0.39	
	Expected amount (\$m)	36.543	15.960	8.520	9.764	
30/70	Share of funding required (%)	49.43%	22.59%	12.38%	15.59%	100%
	Levy rate (%)	1.08	0.87	0.76	0.44	
	Expected amount (\$m)	34.926	15.960	8.750	11.016	
For 2019/20 to 2021/22						
Share of current funding required (%)		47.59%	23.23%	12.79%	16.38%	
Current levy rate (%)		0.78	0.56	0.52	0.43	
Current expected amount (\$m)		22.967	11.213	6.174	7.906	

Note the levy rate is the amount per dollar of expenditure (player losses) over the course of a levy period that a sector must pay. For example, a rate of 1.3% means a sector must pay 1.3 cents in levy out of every dollar of player expenditure in that sector over the three-year levy period.

Impacts of the weighting options

67. Table 6 shows the impacts of each weighting factor and combination as follows:
- A higher weighting on expenditure (eg 30/70) means that NZLC, and to a lesser extent TAB NZ, pay a higher share of the budget (as their percentages of expenditure are higher than their percentages of presentations).
 - A higher weighting on presentations (eg 5/95) means that NCGMs pay a higher share of the budget (as their presentations share is much greater than their expenditure share). NCGM pay the most in levy under any option.
 - The weightings make a relatively limited difference to the casino share (because that sector's share of expenditure is close to its share of presentations).
68. Table 6 also shows that compared with the current levy period (shown at bottom of table):
- Proposed levy rates for the next period are higher across all sectors under any option (except the NZLC levy rates for 5/95, 10/90, and 20/80 options).
 - Expected levy payment amounts are higher for all sectors under any option, with NCGM

and casinos still paying the most in levy under any option.

- c. Shares of the budget amounts are lower for NZLC and greater for NCGM under any option, but there is little change for casinos or TAB NZ.

69. These changes relative to the current levy period reflect the combined effects of changes in sector shares of expenditure and presentations, forecast player expenditure and levy under or over-recovery.

Gambling Commission's independent advice

70. As required under the Act, the Gambling Commission undertook its own consultation on the proposed Strategy with invited stakeholders. It also commissioned independent advice on the Strategy and levy proposals, as the Act envisages it may do.

71. The Commission's consultation meeting on 27 January 2022 was attended by officials from the Ministry and the Department, gambling industry representatives, and service providers. Most of those attending were NCGM operators or related gambling industry providers. All invitees had an opportunity to make a submission or to speak at the meeting.

72. The Commission subsequently provided its report to responsible Ministers and recommended the 30/70 option, as on balance it is seen to represent a fairer allocation based on all components of the strategy.

73. The Commission's reasoning was presented as follows. 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 and might be addressed by public health measures. A high weighting on presentations therefore only accounts for this acute harm. Player expenditure is more likely to attribute to a sector their share of this low to moderate harm and of the non-intervention service components of the Strategy - research, evaluation, and public health. There is also a risk that too high a weighting on presentations would financially penalise diligent gambling host operators from identifying and referring problem gamblers. The Commission concluded those options with a greater weighting on presentations would not provide as fair an allocation of the levy as the 30/70 weighting.

Preferred weighting option 30/70

74. The Ministry notes there is no compelling evidence to reduce the weighting on expenditure from its current 30% (the 30/70 option). Over half of the submissions commenting on weighting options, from a broad range of stakeholders, including NCGM operators, research and service providers, supported retaining the 30/70 weighting. They argued this option is a more current indicator of exposure to all levels of harm than presentations, which tend to reflect harm that manifests as a crisis and that the 30/70 option is more consistent with the Strategy's public health objectives. About one third of those who commented supported the 10/90 or 5/95 option, including NZLC, casinos and TAB NZ.

75. Each 'presentation' represents a person who is seeking help because of harm caused by their own or someone else's gambling. However, as the Commission noted in its 2009 report on the proposed problem gambling levy, a very high weighting on presentations might mean that "diligent host responsibility in detecting problem gambling and encouraging the seeking of assistance is punished not rewarded". This was raised as a concern in some industry submissions and at the Commission consultation meeting.

76. The policy principle noted in the description of the gambling regulatory framework above is that the costs of preventing and minimising gambling harm should be borne by gambling

operators levied in proportion to the harm attributable to that sector. The levy weightings provide a means to apportion harm, using presentations and expenditure as proxies for harm.

77. On balance, the Ministry considers the 30/70 weighting best apportions harm to each levy paying sector, for the reasons identified above (and by the Commission). The other weighting combinations (20/80, 10/90, 5/95) would also meet the statutory requirements and policy guidelines but the relatively higher weighting on presentations in these options considered to be progressively less likely to reflect the public health objectives of the Strategy and so less likely to attribute low to moderate gambling harms.

Consultation

78. The Ministry undertook extensive consultation on the Strategy, its strategic direction, the service plan, related costs, the levy, and weighting options. The Ministry consulted government agencies, the gambling industry and gambling operators, health and gambling harm service providers, researchers, and local government. It published the consultation document publicly on the Ministry's website and emailed the link to a wide range of interested parties. The Ministry held 10 online public meetings via Zoom to accommodate the August 2021 COVID-19 Delta outbreak. Meetings included one each for Māori, Pacific, Asian, and young people/rangatahi viewpoints, one for the gambling industry, and one for people with 'lived experience' of gambling harm.
79. The Ministry received 64 written submissions from a broad cross-section of stakeholder groups (compared with 82 submissions in 2018). Three out of five submissions indicated support or qualified support for the general approach and direction of the Strategy. Stakeholders expressed contrasting views on matters such as the level of funding or the need for new services. NCGM and some other gambling operators generally opposed any spending to provide 'more of the same' but were open to spending that would make the strategy more effective. In comparison, other stakeholders were generally in favour of bolder changes and further spending to address the underlying health inequalities associated with gambling harm and cost pressures.
80. In terms of the weighting options, during the Ministry's public consultation process there was no support for the 20/80 option and little support for the 5/95 and 10/90 options. Gambling sector organisations generally preferred the combination that limited their own levy liabilities. Half of those who commented supported the status quo (the 30/70 option), mostly from the NCGM sector and some service providers.¹⁵
81. Three submissions proposed increasing the expenditure weighting to 50 percent or more. The Ministry considers that any weighting of more than 30 percent on expenditure may not be appropriate as it could unfairly penalise operators of relatively benign forms of gambling with high expenditure.
82. Several submissions called for changes to online gambling and electronic gaming machines. The Strategy notes that this will be addressed by Kia Manawanui which includes an action to review the Gambling Act 2003, with specific reference to preventing and minimising harm from online gambling and electronic gaming machines.
83. More generally, in response to submissions, the Ministry has provided for an increase in funding and amended proposals to:

¹⁵ Research such as from burden of harm noted earlier would support increasing the weighting on expenditure as it better reflects all the components of the Strategy, not just harm leading to acute treatment.

- strengthen proposals to address health inequities, public health and education services (including to address stigma) to include young people/rangatahi, and expand digital services and supports
- highlight the value and need for new ways of developing and delivering services, action research and evaluation, service co-design, and using people with lived experience and peer support to inform new services to prevent and minimise gambling harm for priority populations
- strengthen the gambling harm workforce capability and capacity
- expand and develop digital/online services and supports

84. In addition, as required under the Act, the Gambling Commission consulted with invited stakeholders on 27 January 2022 on the Ministry's revised proposals and reported to responsible Ministers on 11 February 2022 with its recommendations.

85. The Ministry subsequently prepared a final decisions paper for Cabinet on the Strategy, the problem gambling appropriation, and levy rates for each sector.

Conclusions and recommendations

Ministry funding for 2022/23 to 2024/25

86. The Ministry proposed spending on the Strategy is \$76.123 million over three years. This represents a \$15.784 million increase over the budget for the current levy period to enable the Ministry to address health inequities, include young people/ rangatahi as a priority groups, improve access and develop more effective services for communities at most risk of gambling harm.

87. To maintain fiscal neutrality, the \$76.123 million cost of the Strategy will be offset by:

- a \$5.327 million levy overpayment forecast to be collected by Inland Revenue by 30 June 2022
- a \$6.700 million transfer from the forecast underspend of the 2021/22 appropriation
- \$70.796 million collected by the proposed levy rates and forecast payments to Inland Revenue for 2022/23 to 2024/25 (assuming actual expenditure matches the forecasts). Note this amount represents less than one percent of gambling expenditure forecast for the levy period.

The levy-paying gambling sectors

88. The Ministry recommends no change to the four sectors required to pay the problem gambling levy, ie the levy paying sectors should be:

- non-casino gaming machine (NCGM) operators, including pubs, clubs and TAB NZ in respect of their NCGMs;
- casinos;
- TAB NZ's racing betting and sports betting products; and
- the New Zealand Lotteries Commission.

Levy weightings and levy rates

89. The Ministry recommends a 30/70 weighting. This option is seen as better reflecting all the required components of the Strategy, not just harm that results in treatment at the acute end of the harm continuum. The levy rates that would result are set out in Table 8.

Table 8: Recommended levy rate for each gambling sector 2022/23-2024/25

Expenditure to presentation ratio	Levy rate payable as a percent (GST exclusive)			
	Non-casino gaming machines	Casinos	TAB NZ	New Zealand Lotteries Commission
30/70	1.08	0.87	0.76	0.44

Implementation plan

90. Assuming that the Government agrees to refresh the Strategy and put in place a new levy, the Department will incorporate these decisions into new problem gambling levy regulations, to take effect on 1 July 2022 and remain in force until 30 June 2025. These regulations must be gazetted by 2 June 2022 to comply with the 28-day rule.
91. There are minimal risks to implementing the levy changes. The levy and its payment are well understood by levy administrators and gambling operators and the only change will be to the value of the levy rate payable by each sector. Implementing this change should result in minimal compliance costs for gambling operators who must pay the levy.
92. After the regulations are notified in the Gazette, Inland Revenue will conclude system changes to implement any changes to the levy rates, the Department will advise gambling operators of the new levy rates. The Ministry will tender intervention and public health services as new services are developed and existing contracts expire. This will provide service stability during the transition to the new levy period.
93. Any risks to Ministry spending are contained. The Ministry monitors its spending on the Strategy and can adjust contracts as required to remain within allocated funding, for example by realigning or exiting contracts.
94. There are some risks to service design and delivery. For example, the needs assessment and submissions identify falling utilisation rates, cultural and language barriers, gaps in relevant information for decision-making and in workforce capability and capacity. The Ministry will develop action plans for each priority population group to ensure the strategy implementation will meet their needs, in addition to developing and expanding services as described above.
95. While service provider submissions expressed concern about cost pressures and their risk to service sustainability, this should be at least partly addressed by the additional FTE funding included in the Strategy. The Ministry will continue to monitor cost pressures and as required can provide cost adjustments. Other delivery risks should also be mitigated by the changes proposed to the Strategy. For example, the enhanced focus on working with Māori, communities and people with lived experience will inform both service design and research to better address client needs and identify how to overcome barriers to access.

Monitoring and evaluation

96. The Strategy's monitoring and evaluation provisions are integral to assess its efficacy and are complemented by the Ministry's standard contract management provisions and results-based accountability model. The new services, action research and evaluation activities are also subject to these provisions and will contribute to our learning model of service improvement. The Ministry recognises there is work underway by the Mental Health and Wellbeing Commission to develop indicators across the mental health and addiction sector. The Ministry has indicated it will develop long-term indicators for

gambling harm that will align with this work, and that we intend to consult with interested stakeholders as we develop these indicators.

97. The Ministry's current contract management process includes monthly data collection, six-monthly reporting, routine audits and verification visits. For example, intervention services are monitored as data is reported monthly, typically covering the number and type of interventions, client details such as ethnicity, location and outcome. Similar monitoring occurs for public health activities, although some are population level, such as for health education activities seeking positive behavioural change. Specific monitoring and evaluation details are finalised as work is commissioned.

Review

98. The Act requires the Ministry to estimate annual funding requirements for the Strategy for a 3-year period. The statutory process includes an assessment of gambling harm needs to inform the Strategy, the types of activities the Strategy must include and a detailed two-stage consultation. It also includes reviewing and updating technical data about gambling research, service outcomes, service demand, forecast player expenditure, levy payments received and actual Ministry spending to determine future levy rates.

99. In 2024, the Ministry would expect to consult again with proposals to refresh the Strategy and levy rates, with the next strategy and levy regulations being developed to come into effect on 1 July 2025.

100. As highlighted in *Kia Manawanui*, there is an action to review the Gambling Act 2003, with specific reference to preventing and minimising harm from online gambling and electronic gaming machines.

Appendix 1 Cost recovery proposals assessment

1. Table 1 below provides an assessment showing how the cost recovery proposals (including weighting options) align positively with the cost recovery principles¹⁶.

Table 1: Assessment of cost recovery proposals

Principles to apply to cost recovery	Application to cost recovery proposals (yes/no)	
Authority. Is there legal authority to charge a fee (levy) and does it operate within the scope of the empowering provision?	Yes	The Act specifies the requirements for developing the Strategy and provides the legal authority for the levy. The levy proposals developed comply with these requirements and the empowering provisions.
Effectiveness: Are resources allocated in a way that contributes to the outcomes sought. Is the level of funding fit for purpose?	Yes	The Strategy provides for sufficient activities to meet the purpose and requirements of the Act, to prevent and minimise harm from gambling, to give effect to the areas specified in the Strategy. The Strategy allocates sufficient activities and resources that the Ministry considers are necessary, based on available evidence, to give effect to the Strategy.
Efficiency: Is the user charge no higher than necessary to produce a good or service to the desired level of quality. Does the design of the charge incentivise efficiency ie, keeping costs down and the quality of the service high?	Yes	The Strategy allocates sufficient resources and provides the minimum funding the Ministry considers is necessary to maintain an acceptable level of service. The levy setting process allows robust discussion about the proposed funding/levy rates and Strategy activities. In real terms the levy rates recover amounts that represent less than one percent of each sector's reported annual profits, and the expected levy amount total is less than for the current levy period.
Justifiability. Do the costs proposed or recovered through the levy reasonably relate to the services the levy is being used to recover?	Yes.	The proposed Strategy and cost components are freely disclosed and subject to public reporting and robust debate through a two-step, open book consultation process. This allows for an opportunity to reflect on and revise proposals.
Transparency. Is information about the costs available in an accessible way to all stakeholders, including information about cost drivers and components that make up the levy charge. Has cost recovery been approached in an 'open book' manner?	Yes	The proposed Strategy and cost components are freely disclosed and subject to public reporting and robust debate through a two-step, open book consultation process. This allows for an opportunity to reflect on and revise proposals. Information relevant to the Strategy, its costs and levy calculations are published on the Ministry and Department's website. Research and evaluation reports and presentation data are also routinely published by the Ministry.
Consultation. Has there been meaningful engagement with all stakeholders and the opportunity for them to contribute to the cost recovery proposals.	Yes	The Strategy and levy proposals are subject to a detailed open two step consultation process and independent advice from the Gambling Commission.
Equity: Are stakeholders being treated fairly. Have impacts over time been identified?	Yes	The levy formula apportions the levy amount each sector should pay according to an estimate of harm attributable to that sector. This approach is considered fair as research shows some forms of gambling are likely to be more harmful than others, and the most harmful are continuous forms of gambling such as gaming machines and casino table games. Presentation weighting helps minimise the impact of fluctuations in player expenditure from time to time.
Simplicity: Is the cost recovery regime straight forward and understandable to relevant stakeholders?	Yes	The levy setting regime is well understood by the gambling operators required to pay the levy and clearly documented.
Accountability. What is the accountability to the public and Parliament?	Yes	The Ministry's appropriation and spending on the Strategy are reported as a separate item in the Estimates and the Ministry's annual report to Parliament. The consultation processes provides further transparency and accountability.

¹⁶ <https://oag.parliament.nz/2021/fees-and-levies>. This also references Treasury guidelines from 2017 <https://www.treasury.govt.nz/publications/guide/guidelines-setting-charges-public-sector-2017-html>

Appendix 2 Strategy operating costs

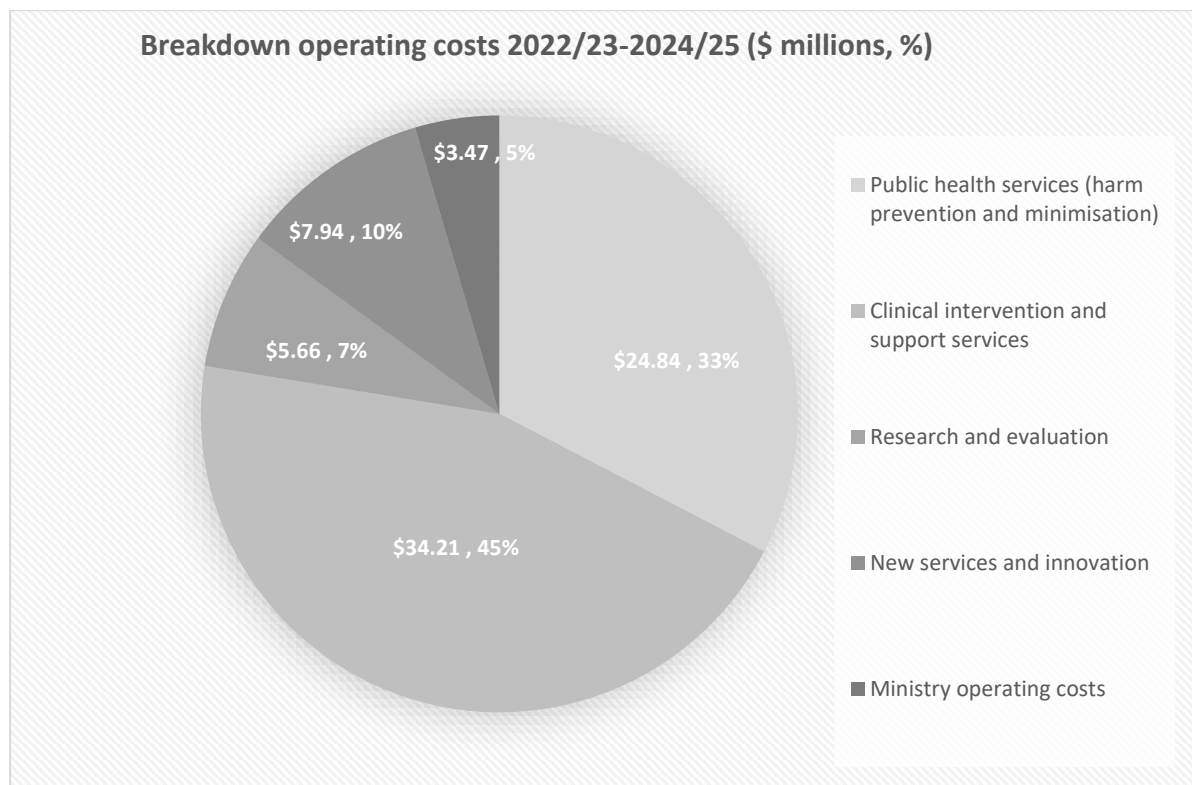
1. The main outputs of the Strategy which the levy cost-recovers are public health and intervention services, independent research and evaluation. These account for 95% of the proposed spending on the Strategy and are purchased through a contestable procurement process. The key spending areas and costs are shown in Table 1 and Figure 1.
2. Also included are the costs to the Ministry of developing, implementing and monitoring the Strategy. These account for 4.6% of the budgeted spending.

Table 1: Indicative budgets to prevent and minimise gambling harm (GST-exclusive), 2022/23–2024/25

Service area	2022/23 (\$m)	2023/24 (\$m)	2024/25 (\$m)	Total (\$m)
Public health services (harm prevention and minimisation)	8.050	8.800	7.990	24.840
Clinical intervention and support services	10.571	11.571	12.071	34.213
Research and evaluation	1.765	2.393	1.500	5.658
New services and innovation	2.831	2.769	2.341	7.941
Ministry operating costs	1.157	1.157	1.157	3.471
Total (\$m)	24.374	26.690	25.059	76.123

Note: The service areas are discussed in more detail later in this document. Budget totals may not sum due to rounding.

Figure 1: Breakdown of Strategy estimated operating costs 2022/23-2024/25



4. The following tables provide a breakdown of costs associated with each line item in Table 1 above.

Table 2: Public health budget (GST exclusive), by service area, 2022/23 to 2024/25

Service area	2022/23 (\$m)	2023/24 (\$m)	2024/25 (\$m)	Total (\$m)
Primary prevention (public health services)	4.700	4.700	4.700	14.100
Workforce development (public health)	0.130	0.130	0.130	0.390
Awareness and education programme	1.680	1.680	1.680	5.040
De-stigmatisation initiative	0.900	1.440	0.660	3.000
Public Health in Schools (young people/rangatahi)	0.200	0.200	0.250	0.650
National Coordination Service	0.130	0.130	0.130	0.390
Gambling Harm Lived Experience Advisory Group	0.130	0.130	0.130	0.390
MVE administration service and database	0.180	0.310	0.310	0.800
Conference support	0.000	0.080	0.000	0.080
Total (\$m)	8.050	8.800	7.990	24.840

Note: budget totals may not sum precisely due to rounding.

Table 3: Intervention services budget (GST exclusive), by service area, 2022/23 to 2024/25

Service area	2022/23 (\$m)	2023/24 (\$m)	2024/25 (\$m)	Total (\$m)
Clinical interventions	9.256	9.256	9.256	27.768
Helpline and web-based services	1.100	1.100	1.100	3.300
Digital services and support	-	1.000	1.500	2.500
Data collection and reporting	0.015	0.015	0.015	0.045
Workforce development (clinical)	0.200	0.200	0.200	0.600
Total (\$m)	10.571	11.571	12.071	34.213

Note: budget totals may not sum precisely due to rounding.

Table 4: Research and evaluation budget (GST exclusive), 2022/23 to 2024/25

Service area	2022/23 (\$m)	2023/24 (\$m)	2024/25 (\$m)	Total (\$m)
Research	1.340	2.048	1.300	4.688
Evaluation (including outcomes reporting)	0.425	0.345	0.200	0.970
Total (\$m)	1.765	2.393	1.500	5.658

Note: budget totals may not sum precisely due to rounding.

Table 5: Budget for new services and innovation (GST exclusive), 2022/23 to 2024/25

Service area	2022/23 (\$m)	2023/24 (\$m)	2024/25 (\$m)	Total (\$m)
New ways to address inequity (public health and intervention services)	1.138	1.138	1.138	3.414
Technology-related innovation	1.000	0.500	–	1.500
Intensive support	0.100	0.160	0.240	0.500
Peer workforce service model and expansion	0.350	0.688	0.800	1.838
Developing NZQA gambling harm content	0.080	0.120	–	0.200
Gambling harm scholarships	0.163	0.163	0.163	0.489
Total (\$m)	2.831	2.769	2.341	7.941

Note Budget totals may not sum due to rounding.

Appendix 3 Components of the levy formula

1. This section provides additional information about selected components of the levy formula.

$$\text{Levy rate} = \frac{((A \times W_1) + (B \times W_2)) \times C}{D} \text{ plus or minus } R$$

Expenditure (A) and presentations (B)

2. Table 1 sets out each sector's share of total player expenditure (A) and each sector's share of the presentations (B) attributed to the levy-paying sectors, for the previous two levy periods, and as set out in the proposals for 2022/23-2024/25. Table 1 shows that from 2014/15 to 2020/21:
- NCGM shares of expenditure decreased by 2.1 percentage points, but presentation shares have been consistent.
 - Casino shares of expenditure and presentations both decreased by 4.5 and 1.8 percentage points respectively;
 - TAB NZ shares of expenditure and presentations have been fairly constant with only a slight increase of 1 percentage point in each of expenditure and presentations.
 - NZLC shares of expenditure and presentations both increased by 7.6 and 2.9 percentage points respectively.

Table 1: Percent share of expenditure (A) and presentations (B) by levy-paying sector, current and previous strategies

Year	NCGM		Casinos		TAB NZ		NZLC	
	Exp.	Pres.	Exp.	Pres.	Exp.	Pres.	Exp.	Pres.
2014/15	39.7%	56.7%	25.8%	22.4%	15.7%	11.3%	18.9%	9.6%
2017/18	37.6%	53.3%	24.2%	23.0%	14.7%	10.4%	23.5%	13.3%
2020/21	37.6%	56.7%	21.3%	20.6%	14.7%	10.3%	26.5%	12.5%

Levy over or under recovery (R)

3. The levy formula provides for R to adjust each sector's levy amount to account for any estimated under-recovery or over-recovery of levy from a sector in previous levy periods. R accounts for the difference between estimated and actual levy payments made to Inland Revenue compared with the Ministry's forecast and reported spending, to determine the estimated under or over-recovery of levy payments. The calculation is made for each sector and the value is included in determining the levy rate and expected payment share for that sector for the new levy period.
4. Assuming player expenditure meets the forecast amounts, D, for each sector, the levy will generate approximately \$70.796 million over three years in levy payments to Inland Revenue. This is based on the cost, C, being \$76.123 million and R being \$5.327 million. R is the difference between the expected levy payments for each sector and the actual amount received in payments.
5. There are limitations in the current formula due to difficulty forecasting player expenditure in out-years, given the variability and volatile nature of some forms of gambling and how gambling harm is accounted for.