

Stage 2 Cost Recovery Impact Statement

Problem Gambling Levy 2025/26 to 2027/28

Agency Disclosure Statement

1. This cost recovery impact statement (CRIS) has been prepared by the Ministry of Health (the Ministry) and the Department of Internal Affairs (DIA). It analyses the proposed amount of the problem gambling levy (the levy) and, specifically, the weighting options that affect how much of the levy each gambling sector will pay for the levy period between 1 July 2025 and 30 June 2028.
2. The Ministry is responsible for developing an integrated problem gambling strategy focused on public health and is jointly responsible with Health New Zealand for implementing this strategy. The Strategy to Prevent and Minimise Gambling Harm 2025/26 to 2027/28 is this integrated strategy (the Strategy). The DIA is the primary regulator of the gambling sector. The DIA 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 parameters 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 and variables '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 to services as proxies for harm.
4. Key limitations of the analysis are the ongoing 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 looking two or more years into the future. Similarly, 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. For example, currently providers of offshore online casinos are not levied (although the DIA has work in hand to change this). Similarly, the statutory formula limits how harm is assessed and attributed to each sector, through weighting player presentations and expenditure.
5. These constraints limit the assessment of effectiveness of the Strategy, so the Ministry has relied on best practice models of care, service evaluations and some dated reports prepared by KPMG and the Australian Productivity Commission. The Ministry has proposed in the latest draft Strategy an independent impact evaluation of the overall Strategy, which should address some of these limitations and constraints, by identifying what has worked well and been cost effective in preventing and minimising gambling harm and can inform future research and evaluation.
6. In developing player expenditure forecasts used in this analysis, DIA considered information from several sources including electronic monitoring of gaming machines, annual reports, statements of intent, payments to Inland Revenue, and expenditure trends over proceeding years.
7. This CRIS is based on a cost of \$91.805 million to implement the Strategy. Since completing this CRIS on 4 March 2025, responsible Ministers have decided to recommend a funding amount of \$81.358 million and early reconsideration of the levy likely in 2026/27.



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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 from 1 July 2025 to 30 June 2028. The regulatory change it informs 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 presentations to services as proxies for gambling harm. These 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 and Health New Zealand spend, so it is fiscally neutral over time.
5. The Act details a two-stage consultation process to develop the Strategy and associated levy rates, based on 3-year cost estimates. This approach limits funding to three years. If new levy regulations are not put in place for 2025/26 onwards, the 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 (Lotto NZ).
7. The levy calculations are based on a total of \$93.921million to be collected in levy payments for the period 2025/26 to 2027/28. This sum is made up of:
 - a. the Strategy cost of \$91.805 million for the period 2025/26 to 2027/28.
 - b. recovering a \$2.116 million net shortfall in levy cost recovery payments to 30 June 2025.
8. The recommended cost of the Strategy represents a \$15.682 million (20.6%) increase on the current Strategy to Prevent and Minimise Gambling Harm 2022/23 to 2024/25. Extra funding is required to address cost pressures and for extra treatment support, public health promotion, workforce development, and systems supports, in response to changes in the gambling environment. For comparison the annual Consumer Price Index for calendar 2022–2024 was 14.1% and health sector expenditure is expected to increase 19% from 2022/33 to 2024/25.
9. This extra investment will help address persistent gambling harm, health inequities, and service gaps. Such issues were identified in submissions and the independent gambling harm needs assessment prepared to inform the Strategy.
10. Four levy weighting options were considered to determine the proportion of the total levy each sector should pay, based on their share of player expenditure and presentations to services. 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 gambling harm health inequities.
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 that, 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 64% of New Zealanders over the age of 15 have participated in some form of gambling at least once in the past year, and 8.3% of New Zealand adults gamble to the extent it causes harm to themselves and often to the people around them with 2.4% reporting moderate to severe levels of gambling harm¹. One in five (22%) of New Zealanders will be affected by their own or someone else's gambling at some time in their lives². Lotto NZ products are the most popular forms of gambling.
13. The Act provides the regulatory framework for gambling. It 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).³ The regulatory framework, except for casinos, 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). 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.
14. The Ministry is the department responsible for the Strategy (referred to in paragraph 2 in the Agency Disclosure Statement above). Section 317 of the Act 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 evaluation.
15. The Ministry manages the overall Strategy development and the research component while Health New Zealand (Health NZ) delivers treatment, public health and evaluation services, including those previously commissioned by Te Aka Whai Ora.
16. The Act defines harm from gambling broadly⁴ and includes harm caused due to another person's gambling. Importantly, the burden of harm attributable to low-risk⁵ gambling is significant, at nearly 50% of all gambling harm⁶. Data shows that people affected by harmful gambling are more likely to be Māori, Pacific, or Asian, on a low income, and/or living in an isolated or high

¹ 2023/24 New Zealand Gambling Survey. This succeeds the Health and Lifestyle survey series.

² Thimasarn-Anwar T, Squire H, Trowland H, et al. 2017. Gambling Report: Results from the 2016 Health and Lifestyles Survey. Wellington: Te Hīringa Hauora. URL: www.hpa.org.nz/research-library/research-publications/new-zealanders-participation-in-gambling-results-from-the-2016-health-and-lifestyles-survey (accessed 31 July 2024).

³ The Racing Industry Act 2020 also has similar objectives, to prevent and minimise gambling harm, and establishes TAB NZ.

⁴ 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.

⁵ 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.

⁶ 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.

deprivation index area. There are also comorbidities with mental health issues such as substance abuse and depression.

17. 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 needs assessment to inform strategy development (section 318)
- d. a detailed two-stage consultation process to develop the Strategy and levy rates and limits the Strategy to three years (section 318).

18. 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 and Health New Zealand of the Strategy, so it is fiscally neutral over time. The levy-paying sectors understand the levy and its compliance obligations well.

Levy rates

19. 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 2022⁷ and expire on 30 June 2025. 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	TAB NZ*	Lotto NZ
Levy rate (% of player net expenditure)	1.08	0.87	0.76	0.4
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)

20. 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, the activities funded by the Strategy would continue for at least some time, due to contractual requirements, but 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

21. The levy regulations enable the responsible Ministers to specify the gambling sectors required to pay the levy. On 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, which currently operates 13,985 NCGMs in 977 licensed venues (pubs, clubs, and TAB venues)⁸. This reflects a trend of decline in numbers since 2003.
- b. New Zealand Lotteries Commission (Lotto NZ), which provides a range of lottery products through a network of over 1400 retail outlets and online.
- c. TAB NZ, which provides racing and sports betting at racetracks, through 461 TAB agencies and online accounts. TAB NZ also operates NCGMs (and pays NCGM levy) at 40 of these

⁷ <https://www.legislation.govt.nz/regulation/public/2022/0155/latest/whole.html>

⁸ Correspondence with DIA, 18 February 2025

venues.

- d. casino sector, comprising of five casinos, located in Auckland, Hamilton, Christchurch, Dunedin, and Queenstown, which together are approved to operate 2982 gaming machines, 233 table games, and 240 fully automated gambling machines (the latter are all in Auckland).

- 22. In 2024, the Government announced plans to regulate online casino gambling by licensing offshore providers, which is expected to come into effect in 2026. Some aspects of the regulatory design have been proactively released⁹ including that all licensed online casino gambling operators will be required to pay the problem gambling levy. The Government is in the process of making decisions about the details of the regime. It is possible a consequential amendment to the levy rates during the period of the next Strategy may be required as part of the implementation of the licensing regime. The Act provides for early reconsideration of the levy should there be a change in the gambling environment. Similarly, the levy formula allows for retrospective adjustment of a sector's levy liability to account for changes between forecast and actual expenditure/payments in relation to their share of the levy payment.
- 23. The Ministry, Health New Zealand, and DIA are working together to consider the implications of this as that work progresses.

Review of cost recovery (levy) charges

- 24. 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 and will lapse on 30 June 2025.
- 25. The Act specifies the matters that must be provided for in the Strategy and a two-step consultation process to develop the levy that includes:
 - a. requiring the Ministry to undertake a needs assessment to inform development of the strategy, and to consult widely on a draft strategy, estimated three-year costs and the corresponding levy rates; and
 - b. 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.
- 26. Changes to the Strategy (and hence the associated costs and levy rates) are based on analysis informed by a Gambling Harm Needs Assessment 2024 (needs assessment)¹⁰, submissions on the draft Strategy consultation document (August–September 2024), insights from longitudinal surveys, and research and evaluations including the Health and Lifestyles Survey 2020 and the 2023/24 NZ Gambling Survey. The Ministry also considered independent advice prepared for the Gambling Commission, submissions made at its consultation meeting, and its 2025 report and recommendations to the responsible Ministers.
- 27. Changes to the levy rates, and amounts payable by each sector, are also based on data about client presentations to clinical services, levy under-recovery or over-recovery by each sector, player expenditure, forecasts of future player expenditure by sector, and Crown expenditure.

⁹ [https://www.dia.govt.nz/diawebsite.nsf/Files/Proactive-releases-2024/\\$file/Cabinet-Material-on-design-of-the-online-casino-gambling.pdf](https://www.dia.govt.nz/diawebsite.nsf/Files/Proactive-releases-2024/$file/Cabinet-Material-on-design-of-the-online-casino-gambling.pdf) This system is expected to come into effect in mid-2026 and will be designed to minimise harm, support tax collection (including contributing to the problem gambling levy) and provide consumer protections to New Zealanders.

¹⁰ Malatest International Gambling Harm Needs Assessment 2024

Cost Recovery Principles and Objectives

28. 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 strategic health documents outlined in the Pae Ora (Healthy Futures) Act 2023 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 (Gambling Act, section 3(b) refers).
29. The key 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.
30. The integrated Strategy incorporates a strategic framework that sets out the overall goal, objectives, and priority action areas, which provides the rationale for the Service Plan, which sets out the range of activities to prevent and minimise gambling harm. The current Strategy 2022/23 to 2024/25 contains a new strategic framework, the first since 2010. While wholesale change is not considered necessary, as it is based on strong research and evidence, there have been updates in the draft Strategy to reflect government priorities for the mental health and addiction system, which listed below, are adapted for minimising and preventing gambling harm:
 - a. increasing access to gambling harm support
 - b. growing the gambling harm workforce
 - c. strengthening the focus on the prevention of and early intervention in gambling harm
 - d. improving the effectiveness of gambling harm support.
31. These priorities are aligned to and supported by the framework's outcomes:
 - a. There is a spectrum of effective services and support to prevent and minimise gambling harm from prevention to early intervention to specialist support.
 - b. Social and cultural norms prevent and minimise harm from gambling.
 - c. Strong leadership and accountability of the gambling harm prevention system supports decision making as close to communities as possible.
 - d. The system focuses on those who are most at risk of harm from gambling.
32. Together these priorities and outcomes contribute to the overall goal '*New Zealanders' quality of life and life expectancy are not affected by gambling harm*'.
33. These outcomes and related priority actions align strongly with those set out in the current Strategy and are ultimately focused on delivering on the purpose in section 3(b) of the Act "to prevent and minimise harm from gambling".
34. This Strategy does not work in isolation to prevent and minimisation harm from gambling. It forms part of a network of strategies and other directional documents that all work towards Pae Ora – healthy futures. The key documents that the Strategy is linked to are the New Zealand Health Strategy, Pae Tū: Hauora Māori Strategy, and the Oranga Hinengaro Systems and Service Framework.
35. In addition, any levy recommendation must be consistent with the cost recovery principles set out in the Auditor-General and Treasury guidelines on setting charges in the public sector. These are described in the assessment of cost recovery proposals at Appendix 1 that shows the Strategy and levy proposals comply with the guidelines. This includes 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?

36. The Act provides for full cost recovery by a levy on the profits from gambling operators required to pay the levy (expressed as a levy on player expenditure (losses)). This reflects the fact that the need for gambling harm minimisation and prevention services is directly attributable to the availability of licensed gambling operations and the nature of the gambling products they provide.
37. 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 [in paragraph 21] 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.
38. Private gambling and forms such as bingo and raffles (which are also regulated) are not charged a levy, as research and service data shows these forms are not associated with significant harmful gambling. Submissions to the public consultation phase of the process 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. As noted at paragraph 22, the Government is developing a licensing regime to regulate this activity.

The level of the proposed levy and its cost components

Proposed charge levels – the costs of the Strategy

39. Table 2 compares the cost of the proposed Strategy with the cost of the current Strategy. This is in the same format as used for previous iterations of the Strategy. This allows comparison of the funding allocated for the activity in current levy period where comparable services are being provided.

Table 2: Breakdown of Crown spending by comparison with current Strategy to Prevent and Minimise Gambling Harm 2022/23 to 2024/25

Strategy funding (GST exclusive) current and proposed	Current 2022-2025 \$m	Proposed Strategy 2025-2028 \$m	Change %
Public health services (harm prevention and minimisation)	24.840	29.319	+18.03
Clinical intervention and support services	34.213	46.385	+35.58
Research and evaluation	5.658	5.044	-10.85
New services and innovation	7.941	4.099	-48.38
Ministry and Health NZ operating costs	3.471	6.958	+100.46
3-year total	76.123	91.805	+20.60

Note sums may not total due to rounding

40. Table 3 shows the same Crown spending by outputs in the new Strategy.

Table 3: Breakdown of Crown spending by Strategy output

Output area	Total (m)	Summary of service plan commitments
Increase access to gambling harm support	39.028	<ul style="list-style-type: none"> Invest in ongoing delivery and improvement of treatment services including filling regional gaps.
Grow the gambling harm workforce	4.576	<ul style="list-style-type: none"> Expand the peer workforce. Develop gambling-harm content for NZQA Level 7 qualification. Invest in clinical scholarships and internships to support an increase in registrations Professional development for the workforce.
Strengthen the focus on the prevention of and early intervention in gambling harm	30.735	<ul style="list-style-type: none"> Refresh national public health promotion and de-stigmatisation initiatives. Scope and develop a system to allow individuals to block themselves from regulated online/mobile gambling outlets. Continue public health approach in schools. More support in primary health care. Enhanced work to support self-exclusion.
Improve the effectiveness of gambling harm support	10.509	<ul style="list-style-type: none"> Investment in a lived experience advisory group. Modernise the client data management system. Fund research and evaluation including a review of the Strategy and development of a monitoring framework Conference support
Agency costs	6.958	
Total	91.805	

Note sums may not total due to rounding.

Primary cost driver – the Strategy

41. Public health and clinical treatment service costs are the primary driver of the Strategy's cost. The proposed \$91.805 million cost over three years represents a 20.6% increase since 2022, when the current Strategy was approved. This increase is line with significant growth in health sector expenditure since 2019/20. The main drivers for this increase include annual volume and price pressures for frontline health services, wage increases, and increases to improve or extend the reach of primary and community mental health and addiction services. Applied to Vote Health, these pressure increases are expected to total 19 % over the past three years' (6.4% in 2022/23 and 2023/24, 6.2% in 2024/25) and are estimated to be similar at 5.6% in each year for 2025/26 and 2026/27¹¹. For comparison the annual CPI for the calendar years 2022–2024 was 14.1%¹².
42. Importantly, 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 Appendix 2. Within the context of health sector cost pressures, the drivers of expenditure for 2025/26 to 2027/28 are:
- Improving access to gambling harm support services** (42.5% of the levy budget), by providing expanded clinical services, both in terms of type of service/population served (for example additional high-intensity support) and of location (filling in some areas without face-face service currently eg, rural and isolated. This covers clinical treatment and related supports such as counselling and helpline support, and also includes more intensive support for complex cases.
 - Growing the gambling harm workforce** (5.0%), by providing support and improved training content, internships and scholarships, and well as activities to retain existing workers, expand the peer workforce and develop gambling harm content for NZQA qualifications.
 - Strengthening health promotion, prevention, and early intervention** (33.5%). This

¹¹ For example, The Estimates of Appropriations 2024/25 - Health Sector B.5 Vol.5

¹² <https://www.stats.govt.nz/topics/consumers-price-index> accessed 3 March 2025.

includes a range of community focused activities targeting the whole population and at-risk communities, to raise awareness of the risks and signs of harmful gambling, to foster positive behaviours to prevent or minimise harmful gambling, and to reduce stigma.

d. System enablers to improve the effectiveness of gambling harm support (11.5%).

- i. About half of this (5.5%) is for independent research and evaluation to monitor health inequities and prevalence rates for Māori and Pacific families and vulnerable groups, as well as more action focused research and evaluations.
- ii. The balance (6%) provides for the development of a sector monitoring framework, data collection and management, digital services and supports, and knowledge improvement through the biannual gambling harm conference and Lived Experience Advisory Group.

e. Administrative costs (7.6%) for the Ministry and Health NZ to develop, implement, and monitor the Strategy. This amount is twice the corresponding cost in the current Strategy. It includes costs such as public health agency costs that were previously excluded as agency costs. The health sector reforms have made these costs more transparent. Prior to 2022 the administrative cost had been unchanged since 2008/09. The current costs relate primarily to developing new services, managing service contracts and procurement, providing advice about gambling harm, and policy support to develop and refresh the Strategy every three years.

43. New services account for 4.4% of the above funding and are incorporated into the above figures. Similarly, we recognise that technology and e-tools provide opportunities to improve service access and to prevent or manage exposure to gambling harm. Such technology is integral to many of the line items and activities described throughout the service plan.

Gambling harm inequities

44. As with previous strategies, we have identified that gambling harm is not evenly spread. We know from service data and research evidence that Māori, Pacific, Asian peoples, and young people/rangatahi experience the greatest risk of gambling harm. However, other groups are also vulnerable to gambling harm, such as older people, disabled people, and children and people living in high deprivation index areas.

45. A consistent theme from the needs assessment, submissions, and reports received on the Strategy consultation, was that a one size fits all approach is not effective. A nuanced approach is needed to meet the diverse needs of priority populations. The service commissioning process supports funding appropriate te ao Māori and other population service models that are known to be effective in delivering services. For example, the 2023 service commissioning process funded a range of Hauora Māori, Asian and Pasifika service providers. This process supports service models that are culturally appropriate and developed with affected communities to deliver services that are effective in meeting their needs.

46. This approach requires additional funding to develop and expand services to improve access to gambling harm services, strengthen workforce (both clinical and lived experience), focus on prevention and early intervention, and provide the necessary system supports to inform, monitor and strengthen service delivery, while maintaining continuity of service for those cohorts who need help and support now.

47. Most of the increased in estimated costs for the next levy period can be attributed to a combination of these factors, 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 and other groups that research and evidence shows are vulnerable to gambling harm.
- b. to enable Health New Zealand to maintain current levels of service while investing in improving access, prevention and early intervention activities, as well as initiating workforce development and more effective system supports (such as data collection).

- c. a commitment to evaluate the strategy's impact and activities to determine what is working well and 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.

Research and evaluation

- 48. The research and evaluation budget for 2025/25 to 2027/28 was reduced by \$0.614 million due to the timing of the proposed impact evaluation. We expect this evaluation to occur in the first year of the next levy period, so that research and evaluation initiatives and the monitoring framework can be commissioned in subsequent years informed by the evaluation findings. This will provide a more effective knowledge base to inform future service and research investment decisions. This budget is set at a level that will both avoid underspends and not require significant additional staffing.
- 49. Although consultation submissions called for more research into preventing and minimising harm, we consider the priority should be to undertake the independent impact evaluation of the Strategy. This priority was endorsed in the Gambling Commission's 2025 report and will inform work to develop a sector wide monitoring framework (with performance targets, impact, and outcome measures specific to gambling harm) and to update the data collection and management system.

Further cost considerations

- 50. Ministry and Health New Zealand analysis shows there is no room to fund the \$15.682 million increase in service costs from productivity improvements. To date these increases have been absorbed by the Ministry and Health NZ. In the current environment without an increase in the Strategy budget for the next period, funding for some services would be reduced and likely eliminated once any underspend was used. The proposed 20% increase is not only for maintaining the status quo but also new services and supports. Comparing this to the past and present increase in expenditure (of about 18%–19% to maintain current provisions) indicates that it is a reasonable budget that will provide value for money. The increases are for new services and to extend interventions in response to changes in the gambling environment (by expanding priority area services such as service promotion, workforce development and an online gambling exclusion system) and to address a range of service cost and volume pressures noted above.¹³
- 51. The Ministry and Health New Zealand recognise that the Strategy's \$91.805 million cost is a substantial increase in funding. However, as noted above the increase is in line with the sustained health expenditure increases since 2019, averaging at 5–6% per annum. We consider the proposed budget is a more realistic reflection of the actual costs of services to address the drivers of gambling harm and the associated distribution of gambling harms amongst the population. The Ministry's advice is that this is necessary to strengthen and target our public health approach, services, and supports to address longstanding inequities in gambling harm.
- 52. The proposed increase is also in line with comments provided by Synergia in its 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".¹⁴

¹³ Since July 2023 Health New Zealand has managed the Strategy's clinical and public health activities. The Ministry and Health NZ do not compile a breakdown of procurement costs. However, we note 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. Health NZ policy is to address these funding disparities, which affect workforce recruitment and retention.

¹⁴ 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*.

Levy methodology and components (cost recovery model)

53. 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.

54. The formula is:

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

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 expenditure¹⁵ 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

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

55. The top line of the formula determines the approximate dollar amount each sector will be expected to pay towards the total levy requirement, taking account of any under-recovery or over-recovery of levy from that sector in previous levy periods.

56. Most of the levy formula values (A, B, C, D, and R) are based on actual presentations to gambling harm services and expenditure data or forecast expenditure. These values are summarised in Tables 4 to 6 below and further detail is provided at Appendix 3.

Table 4 Levy calculations key figures

Key figures	\$m (GST exclusive)
Funding Required C (2025/26-2027/28)	91.805
Net over- or under-recovery R (2004/05-2024/25)	2.116
Levy amount still to be collected (C+R)	93.921

57. R is an adjustment for any over or under-recovery of levy payments compared with Crown expenditure at the end of the current levy period. This is combined with the cost of implementing the strategy, C, for the next three years to determine the total levy required to maintain full cost recovery. The total amount forecast to be raised by the levy for the three years to 30 June 2028 is \$93.921 million. This sum is higher than the cost of the Strategy (**C**) due to a forecast under recovery of levy payments (**R**) relative to Crown expenditure forecast to 30 June 2025. The levy calculations require any sector overpayment amounts to be deducted from (credited to) the next levy period amounts required from each sector, while any sector underpayments are added to those amounts.

58. Table 5 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

¹⁵ Section 320 of the Act defines player expenditure for each sector, which is equivalent to player losses (money spent minus winnings).

player expenditure for a sector over the course of the levy period (**D**), the lower that sector's levy rate.

Table 5: Forecast expenditure by sector (GST inclusive) 2025/26–2027/28

Forecast expenditure	NCGMs	Casinos	TAB NZ	NZLC
2025/26(\$m)	1051.51	601.95	376.25	733.00
2026/27 (\$m)	1076.44	611.50	383.77	779.00
2027/28 (\$m)	1105.91	621.04	391.28	805.00

59. Table 6 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 2025/26–2027/28. These shares are based on 2023/24 total player expenditure of \$2.79 billion and calendar 2023 total presentations of 3897.

Table 6: Percent share of expenditure (A) and presentations (B) by levy-paying sector

	NCGM		Casinos		TAB NZ		Lotto NZ	
	Exp.	Pres.	Exp.	Pres.	Exp.	Pres.	Exp.	Pres.
2023/24	37.1%	54.3%	21.2%	20.4%	13.3%	10.2%	28.4%	15.0%

60. 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

61. The amount of the proposed levy to be cost-recovered to maintain cost neutrality and offset the cost to the Crown is a combination of the cost of the Strategy (C) for 2025/26 to 2027/28 plus an adjustment for any over or under recovery of the levy by a sector expected as at 30 June 2025 (refer Table 4 above).
62. The key impacts are in providing targeted public health services to raise awareness and educate about the signs and risks of harmful gambling, to effect positive behavioural change amongst populations most affected by gambling harm. 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. About half of presentations are for brief interventions and screening.
63. While the Strategy has not been evaluated recently, it comprises evidence based services, supports, and approaches to reduce gambling harm. Many elements have been evaluated, including individual services and aspects of public health, to show those services have been effective. Gambling harm prevalence rates have remained fairly static between 2014 and 2020. This is despite significant increases in player expenditure (player losses), the increasing availability of harmful forms of gambling such as online, and increasing pressures on individuals and families. The Ministry has made progress on a proposed new evaluation by undertaking a new gambling harm survey and beginning policy work on a monitoring framework.

64. Earlier reviews include 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 concluded that the social costs 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 generally¹⁶. The Ministry is relying on this analysis and notes these matters will be informed by the impact evaluation proposed for the next levy period.
65. The Ministry purchases gambling harm research and Health NZ purchases treatment, public health, and evaluation services to address gambling harm using their respective procurement models, and where possible they endeavour to ensure consistency with costs provided for comparable services for other forms of addiction. The Strategy budget includes funding to address service pressures and any significant disparities between gambling harm services' funding rates and those of the broader mental health and addiction sector. The Ministry and Health NZ will monitor these costs as we evaluate current activities and procure services in the next levy period.
66. The levy rates and amounts paid by each sector have minimal impact on operators in each of the four levy-paying gambling sectors compared with the forecast player expenditure (losses). 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 2028. Based on these forecasts, the impact of the levy amounts to be recovered will be about \$31 million per year in levy payments to Inland Revenue. This is an increase on the \$23.6 million in annual levy payments expected for the current levy period but represents only 1.04% of the sector's total forecast player losses (annual expenditure) estimated for the same period. Similarly, the \$15.682 million increase to implement the Strategy for the next three years represents only 0.18% of player expenditure forecast for the same period.
67. The Strategy budget represents value as it remained relatively constant between 2004 and 2019 and has only increased since 2019 in line with health sector expenditure generally, on average 5–6% each year over the past five years.

Impact of weightings

68. 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.
69. 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 presentation data 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.
70. 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 operators and Lotto NZ have available to allocate for authorised purposes¹⁷, the amount TAB NZ may distribute to the racing industry, and the five casinos' net profits.

¹⁶ <https://www.pc.gov.au/inquiries/completed/gambling-2010/report>

¹⁷ 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.

Limitations on weightings

71. 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.
72. 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 severe problem gambling (high levels of gambling harm). Presentations do not reflect the harm from low to moderate levels of gambling or other Strategy components such as public health and research. In addition, too high a presentation weighting may discourage rather than reward diligent host responsibility to detect problem gambling and encourage help seeking behaviour.
73. 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.
74. 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.
75. 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.

Weighting Combination Options

76. Each weighting option is stated as a combination of percent expenditure/percent presentations. For example, 30/70 means 30% based on the sector share of total expenditure and 70% based on the sector share of total presentations.
77. The Ministry consulted on four weighting combinations for the Strategy: 5/95; 10/90; 20/80; and 30/70. Up to 2019 Ministers chose the 10/90 weighting option, since then they have chosen 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 50/50.
78. 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.
79. Table 6 above shows sector shares of expenditure **A** for 2023/24 and presentations **B** for 2023.
80. Table 7 below 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 at the bottom of the table for comparison.

Impacts of the weighting options (% expenditure/% presentations)

81. Table 7 below shows the impacts of each weighting factor and combination as follows:

- A higher weighting on expenditure (eg, 30/70) means that Lotto NZ, 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).

82. Table 7 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.
- 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.
- Shares of the total levy amounts are greater for NCGM under any option except 30/70, lower for Lotto NZ except for the 30/70 and 20/80 options, lower for TAB NZ, and about the same for casinos.

83. 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, and costs to the Crown.

Table 7: Weighting options

		2025/26-2027/28 share of budget, levy rate and expected levy amount, under four alternative weightings				Estimated total
option		NCGMs	Casinos	TAB NZ	Lotto NZ	
05/95	Share of funding required	53.58%	20.78%	9.85%	15.80%	100%
	Levy rate (%)	1.51	0.99	0.77	0.64	
	Expected amount (\$m)	50.297	19.502	9.243	14.829	93.871
10/90	Share of funding required	52.55%	20.79%	10.11%	16.55%	100%
	Levy rate (%)	1.48	0.99	0.79	0.67	
	Expected amount (\$m)	49.298	19.502	9.483	15.524	93.807
20/80	Share of funding required	50.99%	20.94%	10.34%	17.73%	100%
	Levy rate (%)	1.44	1.00	0.81	0.72	
	Expected amount (\$m)	47.966	19.699	9.723	16.682	94.070
30/70	Share of funding required	49.36%	21.00%	10.62%	19.02%	100%
	Levy rate (%)	1.39	1.00	0.83	0.77	
	Expected amount (\$m)	46.300	19.699	9.963	17.841	93.803
For 2022/23-2024/25						
	Share of current budget (%) (C)	50.91%	20.73%	11.54%	16.82%	
	Current levy rate (%)	1.08	0.87	0.76	0.44	
Current expected amount (\$m)(C+/-R)		34.926	15.96	8.75	11.016	70.652

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.

Gambling Commission's independent advice

84. 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 enabled by the Act. The Commission's consultation meeting on 31 January 2025 was attended by officials from the Ministry, Health New Zealand and DIA, gambling industry representatives, and other interested parties. 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.
85. The Commission subsequently provided its report to responsible Ministers and recommended that the level of funding should remain at \$76.123 million and the weighting be changed to 35/65 (expenditure/presentations). It also recommended the Ministry undertake its planned impact evaluation with independent oversight to ensure it is rigorous and occurs in a timely manner.
86. The Commission did not support increasing the Strategy budget on the grounds it was not provided with evidence the Strategy had been effective. The Ministry has outlined the evidence base for the Strategy at paragraphs 63 and 64, relying on established models of care, evaluations of services and research.
87. In addition, the Commission mentions declining presentations for treatment as evidence no increase is required. This metric alone is not a useful proxy for Strategy effectiveness as it refers mostly to those seeking help for serious harm. It does not capture public health measures, nor does it record brief interventions, screening and other help seeking that Health New Zealand data show account for about half of all service presentations. Research shows these lesser levels of gambling harm account for half of the harm experienced by the whole population. It is difficult to assess the effectiveness of prevention, which is a key component of the Strategy, but our gambling harm prevalence rates are not out of step with those of other countries where gambling is legal.
88. The Commission also proposed a weighting of 35/65. This would have little material impact on the levy amounts compared with the 30/70 option. The main beneficiary would be the NCGM sector, with an estimated \$0.660 million reduction in levy liability over three years, compared with the 30/70 weighting. This is difficult to justify given that while only 11.9% of New Zealand adults had gambled on NCGM in the past year, this sector has the largest share of both proxies for harm (38% of total player expenditure (losses) and 54% of total presentations for treatment) and has had record player expenditure (losses) in 2022/23 and 2023/24. A 35/65 weighting would also increase Lotto NZ liability by \$0.7 million and TABNZ by \$0.12 million. There would be no change for casinos.
89. The Commission states its proposed 35/65 weighting would better account for online harm and declining presentations and better aligns with the public health approach. We do not agree and in any case the scale is too small to be material.
90. The Commission also raised several related issues to support its view, including the budget underspend, the reduction in research budget and lack of a monitoring and reporting framework. The underspend largely reflects the impact of the Covid 19 and some delays in commissioning as a result. The underspend is carried over to be used in the next Strategy period. The reduction in research is discussed at paragraphs 48 and 49 above. Importantly we propose to undertake the Strategy impact evaluation, the monitoring framework, and data system upgrade as priorities in the new Strategy. These activities require additional funding so that current levels of service can be maintained (refer paragraph 118). Currently all services are subject to standard monitoring and reporting but the framework will provide greater clarity, direction, and transparency.
91. The Commission's recommendations if adopted would have significant implications for those

experiencing gambling harm and service providers, representing a real cut in services by not accounting for sector cost pressures (discussed at paragraphs 41, and 50-52 above).

Ministry's preferred weighting option 30/70

92. The Ministry considers there is no compelling evidence to reduce the weighting on expenditure from its current 30% (the 30/70 option). About half of the 64 submissions on the Strategy commented on the weighting options during the Ministry's public consultation process. Most who commented on the levy were from the gambling industry, and most of those were from NCGM, with each sector supporting an option that would minimise their levy payment. Relatively few service providers commented or indicated a preferred levy weighting, and this preference was spread across the four options. Submissions are discussed further in the consultation section below.
93. Each 'presentation' represents a person who is seeking help because of harm caused by their own or someone else's gambling. However, as noted at paragraph 70, too high a weighting on presentations may discourage rather than reward diligent host responsibility in detecting problem gambling and encouraging help seeking.
94. 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. It is clear the NCGM has the largest share of expenditure and harm presentations, although only 12% of the population gambles on them.
95. 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 in their proposing the 35/65 weighting). 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 is 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, which research indicates accounts for half of all gambling harm experienced.

Consultation

96. During 2024, 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 13 public meetings and two information sessions. Meetings included one each for Māori, Pacific, Asian, and young people/rangatahi viewpoints, one each for the gambling industry and service providers, and four for people with 'lived experience' of gambling harm.
97. The Ministry received 64 written submissions from a broad cross-section of stakeholder groups (the same as in 2022). Most 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.
98. About half of the submissions commented on the weighting options, with the majority coming from the gambling industry and each gambling sector supported an option that would minimise

their levy payment. Few service providers commented or indicated a preferred levy weighting, and this preference was spread across the four options.

- a. Five submissions supported retaining the 30/70 option, reasoning it 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 is more consistent with the Strategy's public health objectives than the higher weightings on presentations.
- b. Eight submissions from health and service sectors, Lotto NZ, TABNZ and casinos, supported reducing the weighting on expenditure to either 20% (two casinos), 10% or 5%. These submissions argued that the associated increase in the presentations weighting would mean NCGM providers paying a larger share of the levy, in line with the share of gambling harm attributed to them.
- c. The NCGM sector submissions rejected the options presented and proposed a 50/50 weighting, reducing the weighting on presentations from 70% to 50%, reasoning this was a fairer balance accounting for all the various causes of harm.

99. The Ministry considers that any weighting of more than 30% on expenditure may not be appropriate as it could unfairly penalise operators of relatively benign forms of gambling with high expenditure.

100. Several submissions called for changes to online gambling and electronic gaming machines and expressed concern that traditional definitions of gambling were not fit for purpose particularly in the digital environment. The Strategy notes that the government is in the process of developing legislation to regulate online offshore casino providers (paragraph 22 refers).

101. More generally, in response to submissions, the Ministry has proposed an increase in funding and amended proposals (aligned with Government's priorities for mental health and addiction):

- a. to improve access to gambling harm support services, by expanding clinical services, both in terms of type of service/population served (for example additional high-intensity support) and of location (filling in some areas without face-face service currently, eg, rural and isolated).
- b. to grow the gambling harm workforce, by providing support and improved training content, internships and scholarships, and well as activities to retain existing workers.
- c. to strengthen health promotion and early intervention, through a range of community-focused activities target the whole population and specific at-risk communities
- d. to improve the effectiveness of gambling harm support, by developing a new data management system, commissioning a range of research and evaluation projects, evaluation of all clinical services, an impact evaluation of the Strategy and developing a monitoring framework.

102. In addition, as required under the Act, the Gambling Commission consulted with invited stakeholders on 31 January 2025 on the Ministry's revised proposals and reported to responsible Ministers on 13 February 2025 with its recommendations.

103. 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

Crown funding for 2025/26 to 2027/28

104. The Ministry recommends the levy amount to be recovered be set at \$93.921 million comprising the \$91.805 million estimated cost to the Crown to implement the Strategy over the next three years and the \$2.116 million net shortfall in levy payments forecast at the end of the current levy period on 30 June 2025.

105. The cost to implement the Strategy represents a 20.6% increase (\$15.682 million) over the budget for the current levy period, which is in line with health expenditure cost pressures of 18% for the same period, driven by service pressures and public health activities. This funding will help improve the availability and access to gambling harm support treatment, grow the gambling harm workforce, provide effective health promotion, harm prevention and early intervention targeted at both the general population and needs of specific communities and address health inequities. The Strategy also provides for investment in systems supports including an impact evaluation, the development of a monitoring framework and an improved data collection system, to better monitor expenditure and determine the impact of Strategy services for those most affected by gambling harm. The cost of implementing the Strategy represents 1.04% of estimated player expenditure (losses), and the increase represents only 0.18%. As a comparison, total player expenditure increased 24% over the past three years.

The levy-paying gambling sectors

106. 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 NZs racing betting and sports betting products
- Lotto NZ.

107. As noted earlier a consequential amendment to the levy rates may be required during the period of the next Strategy as part of the implementation of the licensing regime for offshore online casinos. The Ministry, Health New Zealand and DIA are working together to consider the implications of this as the work progresses from legislation to implementation¹⁸.

Levy weightings and levy rates

108. 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 2025/26–2027/28

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	1.39	1.00	0.83	0.77

Implementation plan

109. Assuming that the Government agrees to refresh the Strategy and put in place a new levy, DIA will incorporate these decisions into new problem gambling levy regulations, to take effect on 1 July 2025 and remain in force until 30 June 2028. These regulations must be gazetted by 2 June 2025 to comply with the 28-day notification requirement.

110. There are minimal risks to implementing the levy changes. The levy and its payment are well

¹⁸ The Act Section 322 provides for early reconsideration of the levy should there be a change in the gambling environment and the operation of R in the levy formula allows for retrospective adjustment of a sector's levy liability to account for changes between forecast and actual expenditure/payments in relation to their share of the levy payment.

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.

111. After the regulations are notified in the Gazette, Inland Revenue will make system changes to implement any changes to the levy rates and DIA 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.
112. Any risks to Ministry and Health New Zealand spending are contained. The Ministry and Health New Zealand monitor and report their spending on the Strategy and can adjust respective contracts as required to remain within allocated funding, for example by realigning or exiting contracts.
113. There are some risks to service design and delivery. For example, the Strategy notes there has been a drop-off in treatment presentations following service commissioning of six new providers early last year. The needs assessment and submissions identified falling utilisation rates, cultural and language barriers, gaps in relevant information for decision-making and in workforce capability and capacity. Health New Zealand is monitoring services and working with the newly commissioned treatment service providers to ensure they are meeting service and reporting expectations. Health New Zealand is also developing action plans to ensure the Strategy is implemented in a way that will meet the needs of those most at risk or affected by gambling harm, in line with service development and expansion noted above. The Ministry will monitor this activity in its role of steward of the health system.
114. 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 funding proposed in the Strategy. The Ministry and Health New Zealand will continue to monitor cost pressures and, as required, can enact cost adjustments. Other delivery risks should also be mitigated by the changes proposed to the Strategy. For example, the enhanced focus on working with people with lived experience will inform both service design and research to better address client and affected community needs and identify how to overcome barriers to improve access to effective services.

Monitoring and evaluation

115. The Strategy's monitoring and evaluation provisions are integral to assess its efficacy. These are complemented by the Ministry and Health New Zealand's own standard contract management provisions and results-based accountability model. The Strategy also includes provisions to revise the monitoring and evaluation foundation for the Strategy, beginning with an impact evaluation of the whole Strategy in the first year of the levy period, which will also help inform development of a sector wide monitoring framework and new data collection and management system.
116. The Strategy's proposed research and evaluation activities will also be informed by these provisions and contribute to our learning model of service improvement. Health New Zealand is developing an outcomes framework to help evaluate the services it provides. The Ministry will coordinate development of a sector wide framework to monitor gambling harm and the impact of services, including long-term indicators. This will be aligned with service priorities to provide a framework to track the impact of future services. The Ministry intends to develop this collaboratively with affected stakeholders as a priority in the first year of the next levy period.
117. The Ministry and Health New Zealand's current contract management processes include 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

118. The Act requires the Ministry to review and estimate annual funding requirements for the Strategy for up to 3 years, every three years. Since 2023 Health New Zealand has been advising on the costs of public health and treatment services it provides that address gambling harm. The statutory requirements include a gambling harm needs assessment to inform the next Strategy, the types of activities the Strategy must include, and a detailed two-stage consultation including nominate stakeholder groups. It also requires reviewing and updating technical data about gambling related research, service outcomes, service demand, forecast player expenditure, levy payments received and actual and forecast Ministry and Health New Zealand spending on Strategy activities to determine future levy rates.
119. The proposed Strategy for 2025/26 to 2027/28 contains a suite of actions that together will ensure there is a robust review of the current regime. The proposed impact evaluation and development of a framework to monitor gambling harm will help to inform the medium to long term direction for gambling harm services and clarify what we need to monitor and the types of information we need to collect, to assess progress towards preventing and minimising gambling harm. In doing so this will address many of the concerns expressed in the Gambling Commission's 2019 and 2022 reports.
120. The Ministry and Health New Zealand will also continue to work to mitigate a potential increase in gambling harm due to expanding online gambling opportunities. The Ministry, Health New Zealand and DIA will work together to develop, implement and monitor the online gambling regulations, with a particular focus on the harm minimisation standards.
121. Similarly, officials will work together to promote public health messaging to raise awareness about the risks of online gambling and how to access services and support, and to advocate for broader measures to address gambling harms in related digital mediums such as videogames containing gambling elements that are not currently regulated.
122. There is some uncertainty about the timing of the next levy review. There is a possibility of an early reconsideration of the levy, as provided in the Act when there are significant changes in the gambling environment. This would depend on findings from the impact evaluation and final decisions about implementing the regime to regulate offshore online casino providers, who will also be charged a levy. As noted at paragraph 22, details of the regime, including harm minimisation provisions, will become clearer over the next 18 months as relevant implementation details are finalised and their impact on current providers can be assessed.
123. In any case by December 2026, the Ministry would expect to have begun the review process 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 2028.

Postscript

124. Since the Ministry completed its CRIS recommending funding of \$91.805 million to implement the Strategy, responsible Ministers have considered the Gambling Commission's 2025 Report and decided on a funding amount of \$81.358 million, with an early reconsideration of the levy in 2026/27.

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 principles¹⁹.

Table A1: 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 DIA 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.

¹⁹ <https://oag.parliament.nz/2021/fees-and-levies> accessed 20 Jan 2025. This also references Treasury guidelines from 2017 <https://www.treasury.govt.nz/publications/guide/guidelines-setting-charges-public-sector-2017-html> (accessed 20 Jan 2025)

Appendix 2 Strategy operating costs

1. The Strategy which the levy cost-recovers is required to provide a range of public health and treatment services, independent research and evaluation. These account for 92.4% of the proposed spending on the Strategy and are purchased through contestable procurement processes. The key spending areas and costs are shown in Table 1 and Figures 1 and 2.
2. Also included are the costs of developing, implementing and monitoring the Strategy and commissioning services. These activities are spread across the Ministry and Health New Zealand and account for 7.6% of the budgeted spending.
3. The diagrams below show Strategy costs allocated over the next three years. The tables that follow provide a breakdown of costs and more detail in specific areas associated with the Strategy for 2025/26 to 2027/28

Figure A2.1: Breakdown of Strategy estimated operating costs 2025/26–2027/28

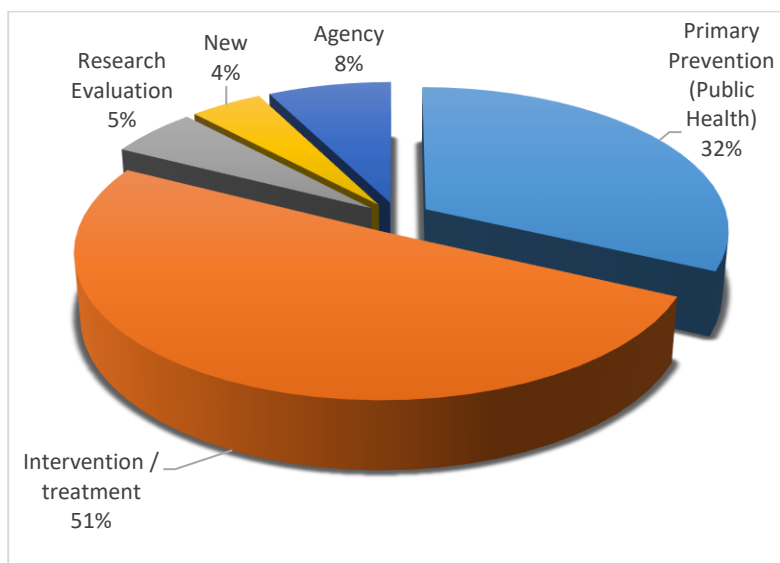


Figure A2.2: Breakdown of Strategy by output area and agency operating costs 2025/26-2027/28

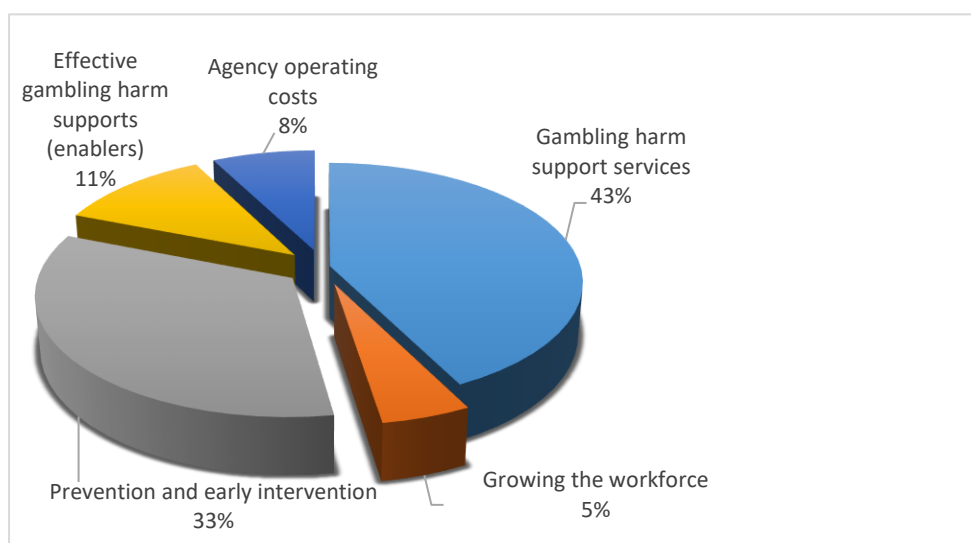


Table A2.1 Summary of budget and service plan to prevent and minimise gambling harm (in \$ millions – GST exclusive), 2025/26 to 2027/28

Priority	2025/26	2026/27	2027/28	Total	Summary of service plan commitments
Increase access to gambling harm support	11.978	13.224	13.825	39.028	<ul style="list-style-type: none"> Invest in ongoing delivery and improvement of treatment services including filling regional gaps. Services offerings include dedicated hauora Māori intervention services, as well as services based on Pacific and Asian world views and expertise, and expansion of the intensive support coordination service.
Grow the gambling harm workforce	1.394	1.594	1.589	4.576	<ul style="list-style-type: none"> Expand the peer workforce to improve access to broad spectrum of effective services. This investment will further embed lived experience into gambling harm service provision and planning. Develop gambling-harm content for a New Zealand Qualification Authority (NZQA) Level 7 qualification. Invest in clinical internships to support students to complete practicum requirements to become fully registered addiction practitioners. Ongoing professional development for the existing workforce.
Strengthen the focus on the prevention of and early intervention in gambling harm	10.128	10.050	10.557	30.735	<ul style="list-style-type: none"> Invest in refreshed national public health promotion and de-stigmatisation initiatives alongside local and regional public health services that empower communities, build awareness and resilience, and address stigma and barriers to help seeking. This work will be informed by lived experience. Subject to the new online gambling regulations, scope and develop a national system to allow individuals to block themselves from accessing regulated online/mobile gambling outlets. Continue to develop the public health approach in schools to address and prevent gambling harm amongst young people/rangatahi. Invest in service promotion and support in primary health care. Enhanced work to support self-exclusion.
Improve the effectiveness of gambling harm support	3.424	4.086	2.999	10.509	<ul style="list-style-type: none"> Ongoing investment in a lived experience advisory group. Develop and roll-out a modern client data management system. This will assist service with day-to-day client information management activities, continuous quality improvement, and reporting. It will also enable and enhance contract monitoring. This will reduce the amount of effort and resource required for data processing, allowing more resources for front line service delivery. Invest in research and evaluation to inform policies and service improvement. Ensure research and evaluation is informed by affected communities, service providers, and those with lived experience. This will include an impact evaluation of the Strategy itself, and all services commissioned under it, and development of a monitoring framework covering activities funded by the Strategy.
Agency costs	2.181	2.475	2.302	6.958	
Total	29.105	31.429	31.272	91.805	

Notes: Budget sums may not total due to rounding.

Further detail about operating costs is set out in the tables below and in the Strategy **Appendix Five**.

Table A2.2: Proposed budget to prevent and minimise gambling harm (NZ\$m, GST exclusive), 2025/26 to 2027/28 compared with 2022/23 to 2024/25 total budget

Activity area	2025/26	2026/27	2027/28	Total 2025/25- 2027/28	Current Budget 2022/23– 2024/25	Percent change
Primary prevention (public health)	9.838	9.461	10.020	29.319	24.840	+18.03%
Intervention services	14.313	15.791	16.280	46.385	34.213	+35.58%
Research and evaluation	1.575	2.296	1.173	5.044	5.658	-10.85%
New services	1.198	1.405	1.497	4.099	7.941	-48.38%
Ministry/Health New Zealand Agency operating	2.181	2.475	2.302	6.958	3.471	+100.46%
Total	29.105	31.429	31.272	91.805	76.123	+20.60%

Notes: Budget sums may not total due to rounding.

Table A2.3: Primary prevention (public health) services, NZ\$m

Service area	2025/26	2026/27	2027/28	Total
Primary prevention (public health services)	5.132	5.286	5.445	15.863
Youth focused service	0.248	0.248	0.248	0.744
MVE coordination	0.702	0.723	0.745	2.170
Workforce development (public health)	0.140	0.141	0.142	0.424
National health promotion	2.670	2.320	2.570	7.560
Public health in schools	0.200	0.200	0.200	0.600
Gambling Harm Lived Experience Advisory Panel	0.130	0.130	0.130	0.390
National MVE administration service	0.150	0.156	0.162	0.468
National venue exclusion database	0.296	0.237	0.208	0.741
Conference support	0.170	0.020	0.170	0.360
Total	9.838	9.461	10.020	29.319

Note: Budget sums may not total due to rounding.

Table A2.4 Treatment services, NZ\$m

Service area	2025/26	2026/27	2027/28	Total
Clinical intervention	10.435	11.668	12.255	34.358
Primary health care initiative	0.490	0.490	0.490	1.470
Helpline and web-based services	1.100	1.100	1.100	3.300
Digital services and supports	0.968	0.984	1.001	2.953
Data management solutions	0.581	0.605	0.425	1.611
Intensive support	0.443	0.456	0.470	1.369
Workforce development (clinical)	0.156	0.298	0.299	0.753
Gambling harm scholarships	0.140	0.140	0.140	0.420
Practitioner Guideline Refresh	0.000	0.050	0.100	0.150

Total	14.293	15.771	16.260	46.385
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Note: Budget sums may not total due to rounding.

Table A5: Budget for new services (NZ\$m, GST exclusive), 2025/26 to 2027/28

Service area	2025/26	2026/27	2027/28	Total
Expand peer workforce	0.578	0.595	0.607	1.779
Service promotion (clinical)	0.240	0.240	0.240	0.720
Develop NZQA gambling harm content	0.080	0.120	0.100	0.300
Clinical internships	0.300	0.300	0.300	0.900
Online gambling exclusion system	0.000	0.150	0.250	0.400
Total	1.198	1.405	1.497	4.099

Note: Budget sums may not total due to rounding.

Table A2.7: Research and evaluation budget in millions (GST-exclusive), 2025/26 to 2027/28

Service area	2025/26	2026/27	2027/28	Total
Research	1.200	1.670	0.900	3.770
Evaluation	0.375	0.626	0.273	1.274
Total	1.575	2.296	1.173	5.044

Note: Budget sums may not total due to rounding

Table A2.8 Agency operating costs budget in \$ millions (GST exclusive), 2025/26 to 2027/28

Agency	2025/26	2026/27	2027/28	Total
Health New Zealand Commissioning	0.815	0.815	0.815	2.445
Health New Zealand Health Promotion	0.747	0.747	0.747	2.241
Ministry of Health	0.619	0.913	0.741	2.273
Total	2.181	2.475	2.302	6.958

Note: Budget sums may not total due to rounding

Agencies' operating costs cover various responsibilities under the Act to be fulfilled, including the development, implementation and oversight of this Strategy and service activities, and monitoring evaluating and reporting on gambling harm prevention and minimisation activities.

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 2023/24:
 - a. NCGM shares of expenditure decreased by 2.6 percentage points, but presentation shares have been consistent in the 53.3-56.7% range.
 - b. Casino shares of expenditure and presentations both decreased by 4.6 and 2.0 percentage points respectively;
 - c. TAB NZ shares of expenditure and presentations have been fairly constant, with a slight decrease of 2.4 percentage points for expenditure and 1.1 percentage points for presentations.
 - d. Lotto NZ shares of expenditure and presentations both show the greatest percent change, increasing by 9.5 and 5.4 percentage points respectively.

Table A3.1: Percent share of expenditure (A) and presentations (B) by levy-paying sector, current proposed 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%
2023/24	37.1%	54.3%	21.2%	20.4%	13.3%	10.2%	28.4%	15.0%

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 similarly estimated expenditure compared with actual reported spending, to determine the estimated net under or over-recovery of levy payments. The calculation for R 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. The levy amount to be recovered is represented by C+R. Assuming player expenditure meets the forecast amounts, D, for each sector, the levy will generate approximately \$93.921million over three years in levy payments to Inland Revenue. This is based on the strategy cost over the next three years, C, being \$91.805 million and R being \$2.116 million. R is the difference between the expected levy payments for each sector and the actual amount received in payments and is calculated as at the end of the current levy period (30 June 2025). For this cycle, R is a net shortfall in total payments received so is added to C to determine the amount to be recovered from levy payers to maintain cost neutrality.
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, such as Lotto powerball, and how gambling harm is accounted for.