

<b>Meeting</b>	Class 4 Gambling Venues Policy Hearing Panel
<b>Date</b>	Wednesday 28 November 2018
<b>Time</b>	1.30pm
<b>Venue</b>	Northern Wairoa War Memorial Hall – 37 Hokianga Road, Dargaville

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## **Agenda**

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**Hearing Panel:**

Chair: Mayor Jason Smith

Members: Deputy Mayor Peter Wethey  
Councillor Anna Curnow

**Class 4 Gambling Venues Policy Deliberations  
Wednesday 28 November 2018 in Dargaville**

**1 Opening**

**1.1 Karakia**

**1.2 Present**

**1.3 Apologies**

**1.4 Confirmation of Agenda**

The Committee to confirm the Agenda.

**1.5 Conflict of Interest Declaration**

Elected members are reminded of the need to be vigilant to stand aside from decision-making when a conflict arises between their role as Councillors and any private or other external interest they might have. It is also considered best practice for those members to the Executive Team attending the meeting to also signal any conflicts that they may have with an item before Council.

**File number:** 3201.05 **Approved for Hearing** ☒  
**Report to:** Class 4 Gambling Venues Policy Hearings Panel  
**Meeting date:** 28 November 2018 Extraordinary Meeting  
**Subject:** Class 4 Gambling Venues Policy – Deliberations  
**Date of report:** 21 November 2018  
**From:** Kathie Fletcher, Policy Manager  
**Report purpose** ☒ **Decision** ☐ **Recommendation**  
**Assessment of significance** ☐ **Significant** ☒ **Non-significant**

### Summary

Council's Class 4 Gambling Venues Policy (the Draft Policy) is required to be reviewed every three years. As part of the 2018 review, Council adopted a Statement of Proposal, and an accompanying Draft Policy, for public consultation. In response, 33 submissions and one late submission were received.

This report gives a summary of the points raised in these submissions. The Class 4 Gambling Venues Policy Hearings Panel (the Hearings Panel) will need to consider these points when deliberating on how the Draft Policy should be amended. The Hearings Panel can then direct Council staff to amend the Draft Policy accordingly. The amended Draft Policy will then be presented to Council for adoption at its 20 December 2018 meeting.

It should be noted that; while this report contains a summary and analysis of the submission points received and provides officer recommendations for how these points could be addressed, its purpose is only to advise the Hearings Panel and does not undermine their need to do their own analysis of submissions and reach their own conclusions.

Overall, the submissions were polarised, with some supporting Council continuing to take a restrictive approach (i.e. sinking lid) to controlling non-casino gambling machines (pokies) and the others calling for more lenient controls (e.g. a cap). Briefly, reasons for supporting a sinking lid approach appear to stem from concerns over the harm problem gambling does to our most vulnerable whanau. Reasons for requesting a cap were largely based on the value of the funding raised from pokies. This funding, it was argued, is essential to keeping many clubs and civic services operating and to developing new community facilities. It was also argued that if problem gamblers cannot access pokies they will likely resort to internet gambling which is potentially more harmful and returns no money to the community.

### Recommendation

*That the Class 4 Gambling Venues Policy Hearings Panel:*

- 1 *Receives the Policy Manager's report "Class 4 Gambling Venues Policy– Deliberations' dated 21 November 2018; and*
- 2 *Believes it has complied with the decision-making provisions of the Local Government Act 2002 to the extent necessary in relation to this decision; and in accordance with the provision of section 79 of the Act determines that it does not require further information prior to making a decision on this matter; and*

3 *Recommends that the Kaipara District Council adopts the Draft Class 4 Gambling Venues Policy as notified, with the following amendments:*

- *[Amendments to be agreed at the Deliberations meeting]*

**Reason for the recommendation**

The recommended amendments to this Policy stem from the points raised by submitters.

**Reason for the report**

This report is to provide a summary of the key points raised in submissions to the Statement of Proposal for the Draft Class 4 Gambling Venues Policy (Draft Policy). This report aims to assist the Hearings Panel in getting an overview of the submission points made and the key arguments presented. Suggestions for how the Draft Policy can be amended to give effect to these points are also included. Naturally, some of these suggestions will conflict, reflecting the conflicting views of submitters. The Hearings Panel will therefore need to deliberate and decide what amendments to make to the Draft Policy to recommend to the Council.

**Background**

Council's Class 4 Gambling Venues Policy (the Policy) sets out if and where venues hosting non-casino gaming machines ('pokies') can locate in the district, and provides restrictions on the number of machines at those venues. The Policy is a requirement under s101 of the Gambling Act 2003 (GA 2003) and is required to be reviewed every three years as per s102 of GA 2003. Prior to the 2018 review, this Policy was last reviewed in 2015.

As part of the 2018 review, Council adopted a Statement of Proposal, and an accompanying draft Class 4 Gambling Venues Policy (the Draft Policy) to consult on. The key question put to the public was whether if to continue with the current sinking lid approach or if to consider a cap. These two approaches were compared in the Statement of Proposal.

The Policy:

- (a) must specify whether or not class 4 venues may be established in the territorial authority district and, if so, where they may be located; and
- (b) may specify any restrictions on the maximum number of gaming machines that may be operated at a class 4 venue; and
- (c) may include a relocation policy.

Through the review process, Council *must* have regard to the social impacts of gambling within the district, (both positive and negative impacts), **Attachment 1**. Council *may* have regard to the following:

- (a) The characteristics of the district and parts of the district.
- (b) The location of kindergartens, early childhood centres, schools, places of worship, and other community facilities.
- (c) The number of gaming machines that should be permitted to operate at any venue or class of venue.
- (d) The cumulative effects of additional opportunities for gambling in the district.

- (e) How close any venue should be permitted to be to any other venue.
- (f) What the primary activity at any venue should be.

### Issues

The Council's existing Policy takes a 'sinking lid' approach. This means that Council will not permit new Class 4 venues to open in the Kaipara district, and will not permit venues to operate more pokies than they were licensed for at 18 September 2003. Venues are allowed to relocate in certain circumstances.

Council's current Policy has seen a gradual reduction of Class 4 Gambling Venues and pokie machines within the district since 2003. There has been a decrease of one venue and seven pokies since the Policy was last reviewed in 2015. As of July 2018, there were seven venues in the Kaipara, operating 60 pokies.

Sinking lid could be considered to be the more restrictive approach as it reduces the amount of machines and the perceived reduced harm and reduced funding benefits with it. It should be noted that with reduced machines in the district since 2015 there has also been an increase in spending within the district. There is no clear evidence that shows the reduction of available machines will result in reduced harm.

A number of other districts in New Zealand take a cap approach on the total number of venues or machines. This is often based on existing venue and machine numbers at the time of the Policy being adopted. It had been suggested, prior to public notification of the Draft Policy, that Council could cap the numbers as they are currently i.e. seven venues and 60 machines. Other councils prefer to impose a ratio (i.e. one machine per 220 adults). The current ratio of gambling machines to the adult population in the Kaipara is approximately 1:276, which is slightly above the New Zealand figure of 1:271. The capped approach is seen as being less restrictive as it allows the current number to be maintained even if a business decides to close down.

As part of the 2018 review, Council publicly notified its intention to roll over its current sinking lid approach. Consultation opened on 02 October 2018 and ended at 5pm 05 November 2018. 33 submissions were received over this time, together with one late submission.

A full list of the points raised by all submitters is included in this report together with an explanation of how these points could be addressed through possible amendments to the Draft Policy.

Put simply, the submissions are polarised with some supporting a sinking lid approach on pokies and others calling for a cap.

Submitters supporting tighter controls through a sinking lid approach were predominantly public health organisations, particularly those focused on helping problem gamblers. They highlighted concerns over the harm problem gambling does to Kaipara's most vulnerable whanau. They noted that the amount of funds taken from the Kaipara community (\$2.9million per year) is significantly more than the amount returned to the community via grants (e.g. about \$441,193.99 for the 18 months from 01 January 2017 – 30 June 2018). They also noted that the money lost by the Kaipara community (\$2.9million per annum or \$201.85 per adult per annum) was not shared equally among all residents as not all residents play pokies. With only between 2.2% and 3.1% of the adult population regularly playing pokies, that means that the regular users each have to lose \$6,536.24 - \$9,204 per annum to reach the annual loss of about \$2.9million.

Those calling for more lenient controls on pokies through a cap were mostly those who regularly received funds from pokie machine gambling, either directly from their own machines or indirectly through grants. Grant funding amounts in Kaipara quoted by the Gaming Machine Association differ to the Problem Gambling Foundation. The Association claims the total amount is \$1.17million in contrast to the \$441,193.99. The purported reason for the difference is incomplete data gathering by the Foundation who has articulated the amount based only on published website data whereas the Association has access to more information from sources other than just published websites. Revenue break down provided by the Association and New Zealand Community Trust states that on average 78% to 92% (approximately 91.1c) of every \$1.00 spent is returned as winnings to players; problem gambling levy is 1.31% (GST inclusive) of every \$1.00, donations are 36.82% (GST inclusive) (approximately 3.3c) of every \$1 spent and the rest is typically distributed to government duty, GST, repairs and maintenance, venue costs, society costs, gaming machine depreciation and Department of Internal Affairs permit costs.

These submitters highlighted the importance of these funds to the community. They argued that the funding raised from pokies is essential to keep many clubs and civic services operating and to develop new community facilities. Gambling is seen as a common way for clubs and schools to raise funds e.g. through raffles, lotteries and proceeds from pokies. They also argued that pokies are a safer form of gambling than some alternatives such as internet gambling. This is because pokies are located in clubs and pubs where gamblers can be seen and watched by staff who can identify if players have a problem. They suggested that if problem gamblers could not access pokies they will likely resort to internet gambling which returns no money to the community. However, those supporting tighter restrictions through a sinking lid approach argued that the cumulative impact of one person with a gambling problem had far-reaching effects potentially harming six others from within that person's family and other associated persons.

One notable exception to the above trend was the Parihaka Sports Club who, despite being eligible for and having been awarded funding from pokies in the past, chose to submit in support of tighter controls on pokies through the sinking lid approach. The Parihaka Sports Club has made the decision to no longer receive funding from pokies as it conflicts with their hauora values.

The following tables set out the key points raised by submitters both in support and in opposition to Council's current sinking-lid approach. Also included are officer recommendations for how the submission points could be viewed.

Table 1: What Submitters said in relation to the Draft Class 4 Gambling Venues Policy.

Submission Point	Officer's responses – How the Draft Policy could be amended
<p>Sinking lid will contribute to a loss in fundraising capacity for community organisations reliant on this funding for either operations or subscriptions or both. (All submitters who chose Option B a cap and not Option A sinking lid policy)</p>	<p>Council recognises the support gambling funds provide community groups and sports facilities in the Kaipara district.</p> <p>This argument needs to consider the impact of harm versus the benefits received.</p> <p>It is estimated each pokie machine in Kaipara made over \$48,000 from July 2017 to June 2018. This is money that would otherwise be spent in the local economy on consumer goods, recreation and social activity. Over \$2.9million lost on pokies in Kaipara over 12 months, \$7,969 per day. (Submission 23)</p> <p>Are there funds these groups have not tapped into?</p> <p>Should there be a policy strategy from central government that makes more community funds available from a more equitable source?</p> <p>Council also tries to help fund these groups with its own community grants schemes. Council could address the need to increase these funds at the next Annual Plan and/or Long Term Plan (LTP) deliberations.</p> <p>Consider maintaining the sinking lid policy and provide greater support for community groups through funding application support forums.</p>
<p>Sinking lid does not realise the risk this will have on viability of community groups and the provision of affordable sports, recreational, health activities and services. This may lead to less people involved in sports or closure of some community facilities. (All submitters who chose Option B a cap and not Option A sinking lid policy)</p>	<p>Council recognises the support gambling funds provide community groups, education and sports facilities in the Kaipara district. Council also tries to help fund these groups with its own community grants schemes. Council could address the need to increase these funds at the next Annual Plan and/or LTP deliberations.</p> <p>Consider maintaining the sinking lid policy and provide greater support for community groups through funding application support forums.</p>

Submission Point	Officer's responses – How the Draft Policy could be amended
<p>Sinking lid will encourage greater internet gambling seeing the money go offshore rather than back into the community (all submitters who chose Option B a cap and not Option A sinking lid policy).</p>	<p>No causal link has been shown, more research would be required. Submitters presenting this argument are making an assumption that the reduction in gaming machines will lead to greater internet and offshore gambling. Council has no control over people's access to internet, this may be a problem that compounds existing gambling problems associated with pokies.</p> <p>Consider maintaining the sinking lid policy.</p>
<p>Sinking lid policy undermines the entertainment and enjoyment gambling provides many people. Gambling is popular in New Zealand with a low problem gambling rate compared to international standards. (Submitter 6)</p>	<p>Entertainment is still available.</p> <p>Kaipara district, however, is more vulnerable to gambling problems than other parts of the country.</p> <p>2007 research by I. Dyal found two in five regular pokie players already have a gambling problem or are at risk of developing one.</p> <p>Gambling harm disproportionately affects Māori and Pacific communities and people from low socio-economic communities. Problem gambling compounds other health problems these communities are suffering and increases disparities between Māori/Pacific communities and non-Māori and Pacific communities.</p> <p>2014 Ministry of Health report estimates that the total burden of harms is greater than common health condition such as diabetes or arthritis (Submission 8). Burden of harm is primarily due to damage to relationships, emotional/psychological distress, disruptions to work/study and financial impacts. 2017 research found each person with a gambling problem affects six other persons. (Submission 23)</p> <p>Gambling will still be available in Kaipara under the sinking lid policy for potentially the next 5-10 years, unless unforeseen events occur to close all seven venues.</p> <p>Consider maintaining the sinking lid policy and amend relocation provisions to not permit relocation in a high deprivation area.</p>



Submission Point	Officer's responses – How the Draft Policy could be amended
	<p>Could permit if the move to another building or venue is necessary for public works acquisition, site redevelopment, community safety because of health and safety reasons or earthquake-prone, flooding or natural hazard risks or will improve economic viability of business and district if relocation is not an area of high deprivation.</p> <p>Research in 2012 has shown that allowing gambling venues to relocate out of areas of high deprivation is effective in reducing problem gambling (Submission 15). Sections 97A and 102(5A) of the Gambling Act recognise this.</p>
<p>Gambling problems need professional help and removing pokies and gambling machines is not a cure for gambling problems. (All submitters who chose Option B a cap and not Option A sinking lid policy)</p>	<p>This is true, problem gamblers need professional help.</p> <p>Additionally, a person with a gambling problem can easily access the internet gambling sites. In spite of the professional help available and all the controls implemented by the gambling industry, gambling problems remain in the district. The Ministry of Health has received new referrals for gambling problems in Kaipara for 2016-2017 (Submission 6).</p> <p>2007 research by I. Dyal found two in five regular pokie players already have a gambling problem or are at risk of developing one.</p> <p>Auckland University of Technology research in 2012 shows that gambling behaviour is influenced more by the distance to the nearest gambling venue, rather than the number of venues within walking distance (Submission 15), supporting the need to move gambling venues out of high deprivation areas.</p> <p>Consider maintaining the sinking lid policy.</p>
<p>KDC's social impact arguments not supported by robust data. (Submitters 4 and 5)</p>	<p>The data relied on by Council Officers was the best available at the time.</p>

Submission Point	Officer's responses – How the Draft Policy could be amended
Significant measures are already in place to minimise harm from gaming machines. (All submitters who chose Option B a cap and not Option A sinking lid policy)	<p>Council acknowledges the responsible approach taken by the gaming industry to minimise harm. These controls are supported and commended.</p> <p>However 2007 research by I. Dyal found two in five regular pokie players already have a gambling problem or are at risk of developing one.</p>
A cap at 60 machines is reasonable, given the current environment of high regulation and naturally reducing machine numbers.	A cap will allow for an increase of naturally reducing numbers. An increase is not supported by health sector working with problem gamblers and does not address location of venues in high deprivation areas.
There is no direct correlation between gambling machine numbers and problem gaming rates.	<p>More contemporary research is needed to qualify this statement. Submission 6 relies on studies in 2006 and 2012 to support a cap option. The 2012 National Gambling Survey concluded that the prevalence of problematic gambling reduced significantly as machine numbers reduced in 1990s but not so in 2000s, where it has remained relatively the same. (Submission 6).</p> <p>There are likely to be complex and multi-faceted reasons including specific socio-economic aspects e.g. gender, age, culture, poverty, influencing a gambling problem.</p> <p>Consider maintaining the sinking lid policy.</p>
Pokie machines are a regressive tax, taking money from the poor and redistributes to the rich. (All submitters who chose Option A sinking lid policy and not Option B a cap)	<p>Yes, many gamblers are from a low socio-economic background, many of the returned funds (\$441,193.99 or \$1.17m) support children and youth in education, sports and recreation activities they would not normally be able to afford. This is the ethical dilemma.</p> <p>Gambling Harm Reduction Needs Assessment prepared for MOH in 2018 commented on gambling trends - more prevalent in lower income households and concentration of venues in high deprivation areas. Gambling taxation and redistribution to community purposes placing a higher burden on those less well off. If gamblers alone are making a special and very substantial contribution to funding community benefits is this a fair and equitable policy? Do gamblers have a particular high ability to pay for these community benefits?</p>

Submission Point	Officer's responses – How the Draft Policy could be amended
	<p>Gambling venues are located in high deprivation areas, which potentially increases social impact. Despite the decrease in gambling machines in Kaipara the money spent on these machines is increasing.</p> <p>2007 research by I. Dyllal found two in five regular pokie players already have a gambling problem or are at risk of developing one.</p> <p>It is estimated each pokie machine in Kaipara made over \$48,000 from July 2017 to June 2018 (60 pokies x \$48,000 = \$2,880,000). This is money that would otherwise be spent in the local economy on consumer goods, recreation and social activity. Over \$2.9million lost on pokies in Kaipara over 12 months, \$7,969 per day. (Submission 23)</p> <p>Consider maintaining the sinking lid policy.</p>
<p>A strong sinking lid policy signals Kaipara District Council is serious about lifting community well-being.</p> <p>(All submitters who chose Option A sinking lid policy and not Option B a cap)</p>	<p>Council must balance the sinking lid policy against the reduction of funds for community groups who work with and provide services and facilities at an affordable cost or for free for community members (young and old) from low socio-economic communities. This policy is one measure which illustrates the Council's commitment to community well-being. Council also tries to help fund these groups with its own community grants schemes. Council could address the need to increase these funds at the next Annual Plan and/or LTP deliberations and provide greater support by facilitating funding application forums more regularly.</p>
<p>Benefits of gaming venue funding exaggerated. (All submitters who chose Option A sinking lid policy and not Option B a cap)</p>	<p>Social impact assessment conducted in 2006 for Whangarei District Council illustrated there was a net economic loss to Whangarei community of \$4.7million even after taking into account gambling funds returned to the community. (Submission 8)</p>
<p>Pokies are considered to be the most harmful form of gambling (All submitters who chose Option A sinking lid policy and not Option B a cap)</p>	<p>MOH found 2007-2009 that 77% -85% of problem gamblers use pokies as their primary mode of gambling (submission 14). 2007 research by I. Dyllal found two in five regular pokie players already have a gambling problem or are at risk of developing one.</p>

Submission Point	Officer's responses – How the Draft Policy could be amended
Council needs to reconsider the relationship between spend and harm (All submitters who chose Option A sinking lid policy and not Option B a cap)	Kaipara district's five out of seven venues are in high deprivation areas with 44 of the 60 pokie machines clustered there (73%). A high Māori population in these areas. Nowhere safe to relocate venues as Kaipara is a high deprivation range from 7 to 10.

Table 2: What the late submitters said in relation to the Draft Class 4 Gambling Venues Policy

Submission Point	Officer's responses – How the Draft Policy could be amended
Council should not restrict relocation for any reasons. (Hospitality NZ)	<p>This is not preferred option by most councils. It does not take into account the impacts of venues in high deprivation areas nor research that shows an effective measure to reduce harm is to relocate out of high deprivation areas.</p> <p>Kaipara district's five out of seven venues are in high deprivation areas with 44 of the 60 pokie machines clustered there (73%). A high Māori population in these areas. Nowhere safe to relocate venues as Kaipara is a high deprivation range from 7 to 10.</p> <p>Consider maintaining the sinking lid policy.</p>

The GA 2003 requires Council to consider the social impacts of gambling within the Kaipara district when preparing a Class 4 Gambling Venues Policy. Prior to consultation, the Council considered these social impacts and concluded that, overall the Kaipara still had high deprivation levels, which poses higher socio-economic risks. Kaipara district also has slightly more pokies per head of population than the national average. While it is acknowledged that pokies provides a positive social impact by providing funding for local not for profit organisations, there are also negative social impacts that are experienced. A balance between the positive impacts from allowing not for profit organisation to continue their activities needs to be balanced against the negative social impacts of gambling on individuals, families and the wider community. The funding gained is only a fraction of what is spent in pokies, therefore it could be viewed that the negative impacts are more likely to be felt than the positive.

Balancing the wider community impacts, Council must ask itself - if one community group disappears due to lack of funding what would the impact be in comparison to if one gambler becoming addicted and the cumulative effects on their self, their family, their workplace and the wider community potentially if that person has to resort to crime to keep up with their addiction.

Given this information, the Council considered that the current sinking lid approach was still appropriate and that no amendment was necessary based on the social impacts of gambling throughout the Kaipara district. The Hearings Panel will now need to reconsider if this is its final conclusion given the additional information received in submissions and at the Hearing. The Hearings Panel can then recommend a revised Draft Policy to Council for adoption.

## **Factors to consider**

### ***Community views***

The views of the community have been sought through the special consultative procedure under s83 of the LGA 2002. A total of 33 submissions and one late submission was received raising the key points listed above. No further consultation is required.

### ***Policy implications***

Council is required to review its Class 4 Gambling Venues Policy under the GA 2003. If there was no review undertaken, Council would not be complying with the legislation.

Under s102(6) of the GA 2003 'a policy does not cease to have effect because it is due for review or is being reviewed'.

### ***Financial implications***

There are no financial implications for Council.

### ***Legal/delegation implications***

The GA 2003 requirements have been considered and the special consultative procedure under s83 of the Local Government Act 2002 has been undertaken as required.

## **Options**

*Option A:* Recommend that Council adopts the Draft Class 4 Gambling Venues Policy as notified and consulted on, without any changes.

*Option B:* Recommend that Council adopts the Draft Class 4 Gambling Venues Policy with changes in response to the points raised by submitters but in keeping with the sinking-lid approach.

*Option C:* Recommend that Council adopts the Draft Class 4 Gambling Venues Policy with changes in response to the points raised by submitters and taking a cap approach rather than the sinking-lid approach.

*Option D:* Advise staff to consider a different Policy approach, not previously considered in the Statement of Proposal.

### **Assessment of options**

Option A, recommending the adoption of the Draft Policy without changes, is unlikely to be satisfactory given the number of submissions received and the points raised. This option would only be appropriate if the Hearings Panel considered that the Draft Policy, as notified, is the best approach to striking a balance between the different views of submitters and meeting the needs of the district.

Option B, recommending the adoption of the Draft Policy with changes but still in keeping with the sinking lid approach, would be a good approach to take if the Hearings Panel considers that:

- The sinking lid approach provides for sufficient class 4 gambling venues to operate in the district while protecting vulnerable members of the community from gambling harm;
- In having regard to the social impact of gambling within the district and an analysis of the submission points made in support of the sinking lid approach, the advantages of the sinking lid approach outweigh the disadvantages identified by those who submitted against it;
- The amendments made to the Draft Policy are able to address the concerns of those who submitted against the sinking lid approach to the extent appropriate given the need to have regard to the social impact of gambling within the district.

Option C, recommending the adoption of the Draft Policy with amendment, including moving to taking a cap approach, would be a good option if the Hearings Panel considers that:

- The majority of submissions received supported more lenient controls on class 4 gambling venues and these submissions are representative of a significant proportion of the Kaipara community;
- The funds distributed to the community from pokies are an essential funding source for community clubs and services and the community would suffer if pokie revenue was to decrease;
- The Hearings Panel is of the view that the social impact of gambling within the district will not be significantly worsened by moving to a cap approach;
- The concerns of those who submitted in favour of the sinking lid approach are able to be suitably addressed under the cap approach.

Option D, directing Council staff to prepare a new Draft Policy which takes an approach not considered in the Statement of Proposal, would be a good option if the Hearings Panel was of the view that the issues and information identified in submissions required a significant change in direction. The new Draft Policy would need to be re-notified for public consultation if this approach were taken.

### **Assessment of significance**

This decision does not trigger Council's Significance and Engagement Policy.

**Recommended option**

The recommended option is **Option B**.

**Next step**

Council staff will amend the Draft Policy to incorporate the changes recommended by Hearings Panel. The Draft Policy will then be put to Council for adoption.

**Attachments:**

1. Gambling Policies review – contains social impacts of Class 4 Gambling







**Kaipara District Council**

**Gambling Policies Review**

**Class 4 Gambling Venues Policy and  
Totalisator Agency Board (TAB) Venue Policy**



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## 1 Introduction

### 1.1 Purpose

The Gambling Act 2003 and the Racing Act 2003 were passed into law in 2003. The Acts require every territorial authority to adopt a Class 4 Gambling Venues Policy (s101 Gambling Act 2003) and a New Zealand Racing Board Policy (s65D Racing Act 2003).

These policies are required to be reviewed every three years (s102 Gambling Act 2003; s65E Racing Act 2003), and if the decision is made to amend them, they are required to use the special consultative procedure in s83 of the Local Government Act 2002.

Kaipara District Council (KDC) last reviewed and amended these policies in 2015, which saw the subsequent amendment in June 2015 of the:

- Class 4 Gambling Venues Policy; and
- Totalisator Agency Board (TAB) Venue Policy.

Council, when reviewing the policies, must have regard to the **social impacts of gambling** within the district. This report assesses the social impacts of Class 4 gambling and TAB venue gambling. There are various social impacts seen in our community from gambling, which includes:

- The Kaipara district spent nearly \$3 million on gaming machines in the year ending December 2017 (Department of Internal Affairs, 2018). Nearly half these profits leave the district, by way of central government taxes and corporate society administration costs;
- The Kaipara district received over \$750,000 funding towards community organisations between January 2016 and December 2017 (Problem Gambling Foundation, 2018);
- Gambling can provide entertainment opportunities, allowing for social interaction with others and a release from stress and day-to-day living for people;
- The gaming machine expenditure, measured through gaming machine loss per head, has been slowly increasing, from \$167.59 to \$176.10 per head over the last three years (Department of Internal Affairs, 2018); and
- An estimated 1-3% of New Zealand adults are problem gamblers, and every person with a gambling problem is estimated to affect another 5-10 people (Allen & Clarke, 2015).

This report does not assess social impacts of other types of gambling (i.e. casinos, lotteries or internet gambling). These fall within the scope of regulation of the Department of Internal Affairs (DIA).

This report will present the findings of the three-year statutory review, and is intended to inform Council's decision on whether to retain these policies in their current form, or consult with the public on possible amendments to one or both of the policies. This report is intended to be received by Council in preparation for a decision to be made at the Ordinary Council meeting in July 2018.

## 1.2 Definitions

- **Class 4 gambling/gaming:** All gambling using gaming machines (pokies) outside of casinos.
- **Class 4 venue:** A place used to conduct Class 4 gambling, not including a casino, which contains gaming machines.
- **Corporate society:** Non-profit organisations that own and operate gaming machines and distribute part of their profit to community groups in the form of authorised purpose grants. They are also commonly called 'pokie trusts'.
- **Expenditure, proceeds, Gaming Machine Proceeds (GMP):** Interchangeable terms that mean the gross amount wagered by gamblers, less the amount paid out or credited as prizes or dividends. In other words 'expenditure' is the amount lost or spent by players, as well as the gross profit of the gambling operator.
- **Gaming machines:** Electronic gaming machines that operate outside of a casino location (i.e. a club, bar, pub or hotel). They may also be called 'non-casino gaming machines' or more commonly 'pokies'.
- **TAB Venues:** Premises that are owned or leased by the New Zealand Racing Board (NZRB) and where the main businesses carried out at the premises is providing race betting or sports betting services under the Racing Act 2003.

## 1.3 Gambling regulation in New Zealand

The Gambling Act 2003 and the Racing Act 2003 regulate gambling activity in New Zealand. This is mostly done at the national level, through the DIA and the New Zealand Racing Board (NZRB). However, the Acts do allow for local authorities to play a small role. The Acts allow communities, through territorial authorities, to place permissive or tighter controls on Class 4 and TAB related gambling.

According to s101(3) of the Gambling Act 2003, a territorial authority's Gambling Venue Policy:

- Must specify whether or not Class 4 venues may be established in the territorial authority district, and if so, where they may be located; and*
- May specify any restrictions on the maximum number of gaming machines that may be operated at a Class 4 venue; and*
- May include a relocation policy.*

In determining the contents of its policy, s101(4) of the Gambling Act allows territorial authorities to have regard to relevant matters, including:

- a) *The characteristics of the district and parts of the district;*
- b) *The location of kindergartens, early childhood centres, schools, places of worship, and other community facilities;*
- c) *The number of gaming machines that should be permitted to operate at any venue or class of venue;*
- d) *The cumulative effects of additional opportunities for gambling in the district;*
- e) *How close any venue should be permitted to be to any other venue;*
- f) *What the primary activity of any venue should be.*

Class 4 venue policies that were reviewed after 2013 were required to consider a relocation policy, and the 2015 KDC Policy allows for relocation in specific circumstances (and subject to proximity exclusions).

Section 65D(3) of the Racing Act 2003 states a territorial authority's TAB venue policy must specify whether or not new TAB venues may be established in the territorial authority's district and, if so, where they may be located. Similarly to s101(3) of the Gambling Act, s65D(4) of the Racing Act allows territorial authorities to consider relevant matters, including:

- a) *The characteristics of the district and parts of the district;*
- b) *The location of kindergartens, early childhood centres, schools, places of worship and other community facilities;*
- c) *The cumulative effects of additional opportunities for gambling in the District*

#### 1.4 Class 4 gambling venues

Class 4 gambling venues are generally run by clubs (including chartered, sports clubs and Returned Service Associations) and corporate societies. There are differences in how they operate, and what they are required to do with the proceeds generated from gaming machines.

- **Corporate societies** (i.e. the Lion Foundation; Pub Charity Limited) pay venues a fee to host gaming machines, and are issued licenses by the DIA. They must be non-profit, and explicitly established to raise funds for community purposes.
- **Clubs** provide pokies for their members and guests only, and use the profits to provide services for the club and its membership.

As at 20 May 2018, there are currently **seven** Class 4 venues operating in the Kaipara, with **60** machines between them (DIA, 2018). These venues are:

- One Returned Service Association (RSA) venue;
- Two sports and social club venues; and
- Four corporate society venues (i.e. pubs)

The ratio of gambling machines to the adult population in the Kaipara district is approximately **1: 276**, which is slightly above the New Zealand figure of **1: 271** (DIA, 2018). There are 1,156 venues across New Zealand, operating 15,632 gaming machines (Problem Gambling Foundation, 2018).

### 1.5 TAB venues

In 1951, the Totalisator Agency Board (TAB) was established as the only betting operator in New Zealand (NZRB, 2018). In 2003, the NZRB was established under the Racing Act 2003 to administer all racing and sports wagering in New Zealand. The TAB provides sports betting for domestic and international sports events, and is only permitted to allow bets on sports approved by Sports NZ. The NZRB uses the proceeds to support its business operations, and the remainder is distributed to sports codes.

The TAB offers a number of different types of venues (TAB, 2018):

- **TAB Store:** This is an official TAB location. They may be located within another business but they will be in a totally separate area from the host business;
- **Pub TAB:** These outlets are always located within another business, and form part of the services operated by the host. They have all the facilities of a TAB, while offering customers the benefits of being in licensed establishment;
- **TAB outlet:** These offer TAB facilities similar to those found in a pub, but in another business, i.e. working men's clubs or video stores;
- **Pub with TAB self-service terminal:** The terminals offer most of the TAB products, and the business (i.e. the pub) usually does not have any other TAB facilities available;
- **TAB online:** The TAB also offers patrons with the option to have an online gambling account to place bets.

The Racing Act 2003 requires Council to have a TAB venue policy, however this only applies to stand-alone TAB venues (Racing Act, 2003). Self-service TAB machines (i.e. in pubs or bars) and franchised outlets (pub TABs, TAB outlets) therefore fall outside the scope of the Policy, and Council's control.

As of May 2018, Kaipara has **no stand-alone TAB venues**, however the current policy provides for a maximum of **two** to establish in the district. There are two self-service venues, and one manned terminal in the Kaipara District (New Zealand Racing Board, 2018). These are located in pubs and clubs in the Kaipara. There are 602

outlets located across the country (NZRB, 2018).

## 1.6 Council's current gambling venues policies

In June 2015, Council adopted the:

- Class 4 Gambling Venues Policy; and the
- Totalisator Agency Board (TAB) Venue Policy

Table 1 provides an overview of the existing policies. Both policies seek to control the growth of gambling in the Kaipara, and minimise the harm caused by gambling.

Table 1: Current KDC policy approach

TAB Venue Policy		
Approach		Description
Whether new venues may establish	Cap	<ul style="list-style-type: none"><li>• The maximum number of venues is <b>two</b>.</li></ul>
Where new venues may establish	Proximity rule	<ul style="list-style-type: none"><li>• TAB venues can move within the district, provided specific circumstances and conditions are met;</li><li>• A TAB venue can be established (including relocation) but it must be a permitted activity in the District Plan, or have obtained a resource consent;</li><li>• A TAB venue cannot be established (including relocation) within 100 metres of a kindergarten, early childhood centre, school, place of worship or other community facility.</li></ul>
How many machines a venue can have	TABs with gaming machines are regulated under the Class 4 Gambling Venues Policy.	
Class 4 Gambling Venues Policy		
Approach		Description
Whether new venues may establish	Sinking lid	<ul style="list-style-type: none"><li>• No new Class 4 venues can be established in the district;</li><li>• This will lead to a decrease in the number of venues and machines.</li></ul>

<b>Where new venues may establish</b>	Relocations and mergers	<ul style="list-style-type: none"> <li>Class 4 venues can move within the district, provided specific circumstances and conditions are met;</li> <li>Class 4 venues that are clubs are allowed to merge;</li> <li>A Class 4 venue relocation must be a permitted activity in the District Plan, or have obtained a resource consent;</li> <li>A Class 4 venue cannot be relocated within 100 metres of any kindergarten, early childhood centre, school, place of worship or other community facility.</li> </ul>
<b>How many machines a venue can have</b>	Sinking lid	<ul style="list-style-type: none"> <li>Venues total number of pokies is restricted to the number that was licensed on 18 September 2003;</li> <li>Where clubs merge, the total number of machines they can operate is the lesser of 30 gaming machines, or the sum of the machines previously operated by each club individually;</li> <li>This will potentially lead to a decrease in the number of venues and machines within the district.</li> </ul>

### 1.7 Reviewing the policies

The respective legislation requires both policies to be reviewed every three years. This report presents the findings of this review, undertaken by staff, drawing on a number of sources. This included:

- Conducting literature-based research;
- Assessing quantitative data from a number of sources, including the DIA, the Ministry of Health, and the NZRB; and
- Seeking insight from key stakeholders (industry representatives and public health organisations).



## 2 Context

The legislation requires Council to have regard to the social impacts of gambling when developing and reviewing its gambling venue policies. This section provides some context for the review of these policies, with a focus on gaming machines in Class 4 venues, and TAB venues. Kaipara data has been used where available.

### 2.1 National expenditure on gambling

Figure 1 shows New Zealand's annual expenditure on the four most significant forms of gambling for the period 2009/2010 to 2016/2017.

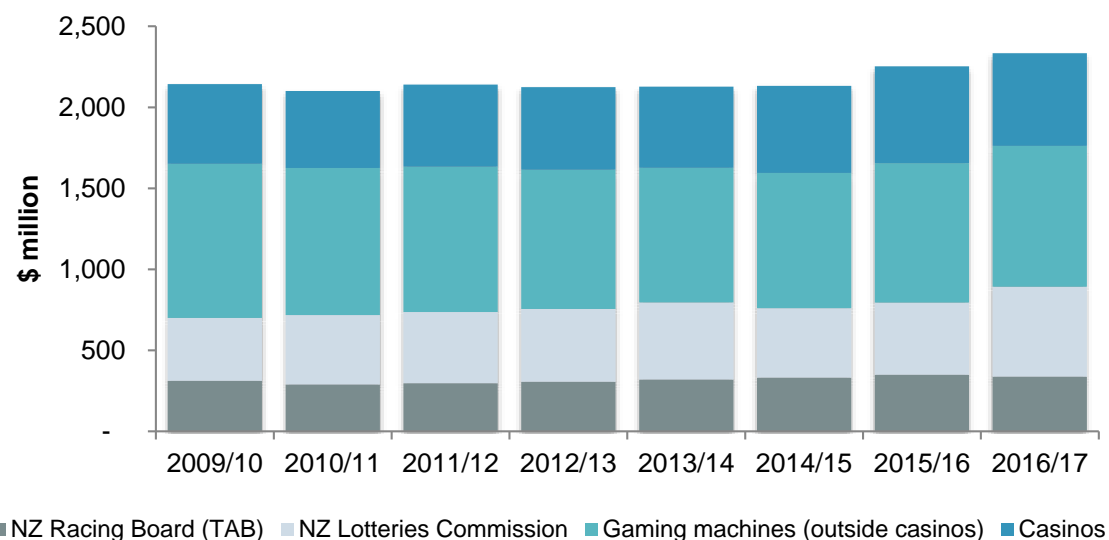


Figure 1: Total inflation adjusted gambling expenditure 2009 – 2017 (DIA, 2018)

Figure 2 compares New Zealand's annual expenditure across the four main forms of gambling for the period 2009/2010 to 2016/2017. It shows that across all years, the most money was spent on gaming machines, and the least at TAB venues. Figure 2 also shows a downward trend in gaming machine expenditure, until a gradual increase in 2014.

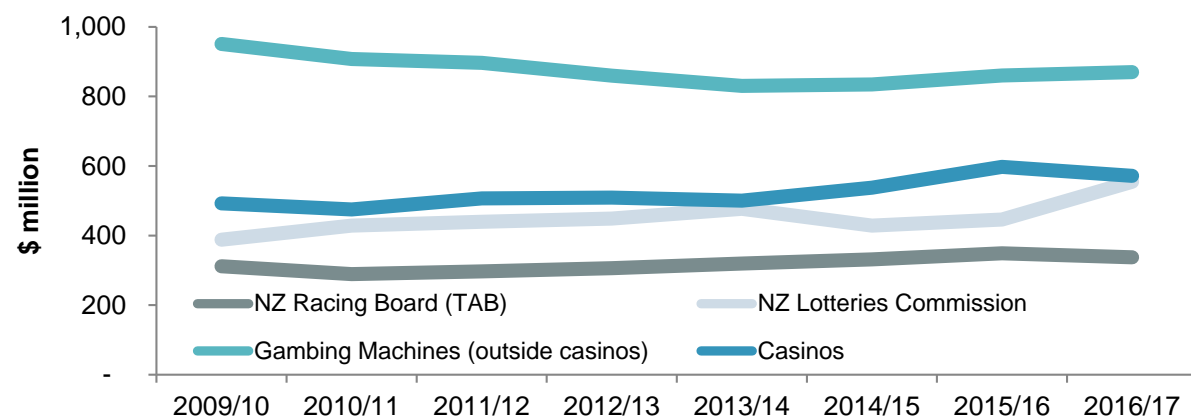


Figure 2: Inflation adjusted gambling expenditure by type (2009 - 2017) (DIA, 2018)

TAB, gaming machine and casinos have seen an increase in spend since 2013/2014, whereas money spent on lottery products marginally declined between 2013/2014 and 2014/2015, before rising again in 2015/2016.

## 2.2 Expenditure on gambling at Class 4 venues

Gaming machines must return a certain percentage back to the player over time. This is known as theoretical return to player (RTP) and is measured against turnover. There is an upper limit here of 92%, although some games are set to return slightly lower. This is highly variable in the short term, but represents an average across the life of the gaming machine. On average, for every dollar gambled, the patron can expect to win back \$0.92 if the RTP is set to 92% (Problem Gambling Foundation, 2018).

Figure 3 shows the contribution by different Class 4 venue types, using national averages formulated by venue type and number of machines at each venue, extrapolated using Kaipara venue and machine numbers (DIA, 2018). As Figure 3 shows, the vast majority of gaming machine proceeds in the Kaipara are generated in non-club spaces i.e. pubs and taverns.

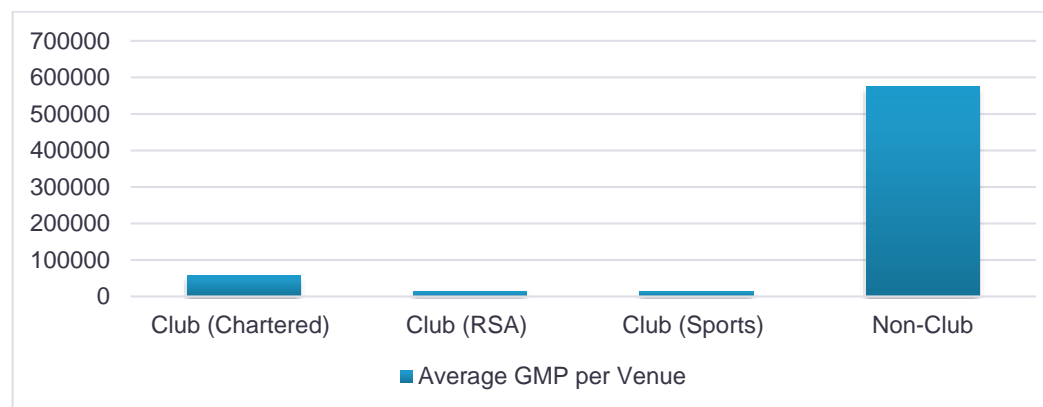


Figure 3: Average GMP per venue (quarter ending 31 December 2017) (DIA, 2018)

Table 2 below presents the total amount of GMP from Class 4 gaming machines in the Kaipara district, in comparison to all of New Zealand, for the years 2014 to 2017, and the percentage of the New Zealand total the Kaipara district's spend contributes.

Table 2: GMP in Kaipara vs New Zealand 2014 – 2017 (DIA, 2018)




Year	Kaipara	New Zealand	Kaipara % of New Zealand total
2014	\$2,499,495.80	\$808,023,775.45	0.31%
2015	\$2,626,073.20	\$653,113,672.78	0.40%
2016	\$2,845,875.70	\$857,013,483.58	0.33%
2017	\$2,975,498	\$882,718,941.42	0.34%

Table 3 shows a number of indicators, and how they have changed since 2015, when the last Class 4 Gambling Venues Policy was adopted. This includes:

- Decreases in venues and gaming machines in the Kaipara;
- Increases in total Gaming Machine Proceeds (GMP) generated in the Kaipara;
- Percentage changes in GMP from the previous year, showing small year-on-year increases;
- An average spend per machine, showing more is spent on each machine as the machines decrease; and
- An average spend per head showing an increase over the life of the Policy of \$8.51 per adults in the Kaipara.

The data provided by the Problem Gambling Foundation (2018) shows that the Kaipara has the 55<sup>th</sup> highest loss per head of population out of 67 territorial authorities.

Table 3: Gambling indicators in the Kaipara 2015 – 2017 (DIA, 2018)

	Venues	Gaming machines	Gaming machine proceeds		\$ spend per machine	\$ loss per head
			Total	% change from previous year		
Year ending 31 December 2017	7	60	\$2,975,498.00	 4.5%	\$49,591	\$176.70
Year ending 31 December 2016	8	65	\$2,845,875.70	 8.4%	\$43,782	\$175.35
Year ending 31 December 2015	9	67	\$2,626,073.20	 5.1%	\$39,195	\$167.59

### 2.3 Expenditure on gambling at TAB venues

In relation to racing's contribution to the New Zealand economy, in 2017 the NZRB:

- Made an underlying operating profit of \$148.0 million, up \$3.3 million (2.3%) from 2016 (NZRB, 2018)
- Distributed \$137.6 million to the three racing codes (thoroughbred racing, harness racing and greyhound racing) (NZRB, 2018);
- Distributed \$9.3 million to 34 national sporting organisations (an increase of 16.1% on the previous year) (NZRB, 2018); and
- Distributed \$3.2 million in gaming grants to community sporting organisations (up 6.2% on the previous year) (NZRB, 2018)

### 2.4 Deprivation and Class 4 venues and gaming machines

The geographical location and density of Class 4 venues and gaming machines is important to this report, because research shows that being a problem gambler is significantly associated with living closer to gambling venues. In terms of density, the more gaming venues within a close driving distance of a person's neighbourhood, the greater the likelihood that the person will gamble at a gaming venue (Young, Markham & Doran, 2012). Table 4 shows that the Kaipara's gaming venues are all located in areas of high deprivation (7 – 10) (NZDepIndex, 2013). The deprivation scores of areas are also considered when assessing the Kaipara district's risk profile.

Table 4: Deprivation index scores of venues in Kaipara

Venue	Deprivation index score	Number of machines
Mangawhai Club	7	9
Mangawhai Tavern	7	8
Three Furlongs Hotel	9	9
Ruawai Bowling Club	10	3
Northern Wairoa Returned Services Association	9	5
Dargaville Central Hotel	9	9
Northern Wairoa Hotel	9	18

## 2.5 Problem gambling

A problem gambler is defined in the Gambling Act 2003 as ‘a person whose gambling causes harm, or may cause harm’. The Act then further defines harm as:

- a) *Harm or distress of any kind arising from or caused or exacerbated by, a person’s gambling; and*
- b) *includes personal, social or economic harm suffered –*
  - a. *by the person; or*
  - b. *the person’s spouse, civil union partner, de facto partner, family whanau, or wider community; or*
  - c. *in the workplace; or*
  - d. *by society at large.*

There are various national surveys that report around 80% of the population engage in some form of gambling activity (Ministry of Health, 2012, 2014, 2015). This figure has remained largely unchanged since 2005 (Ministry of Health, 2012). However, for the minority that do develop a problem, the impacts can be far-reaching, and can impact health, finances, employment, relationships, violence, substance abuse and suicide.

The prevalence of moderate-risk gambling and problem gambling has also remained relatively stable over the last decade, with researching showing the combined percentage appears to be about 1 – 3% of the adult population (Allen & Clarke, 2015). In 2014, 0.3% of the adult population were identified as problem gamblers (about 7,000 – 17,000 people), 1.5% were moderate risk gamblers (about 49,500 people), 5.0% were low-risk gamblers (about 165,000 people) and 70% were non-problem gamblers (Browne, Bellringer, Greer, Kolandai-Matchett, Rawat, Langham & Abbott, 2017).

When these figures are extrapolated to Kaipara's population, it translates to:

- 50 people could be problem gamblers;
- 253 people could be moderate risk gamblers;
- 842 people could be low-risk gamblers; and
- 11,788 could be non-problem gamblers.

Problem gambling is often associated with gaming machines. In 2012, nearly 70% of problem gambler clients in New Zealand cited gaming machines as their primary mode of gambling (Allen & Clarke, 2015). The harm may result from just one gambling session, or may be the result of regular gambling sessions over a period of time, and involving substantial amounts of money. The 'problem gambler' is difficult to identify for a number of reasons, including:

- The amount of money gambled, won or lost is not relative to the amount of time spent at gaming machine venues;
- Venue operators and staff cannot determine the frequency that gamblers attend other venues to play other gaming machines;
- Class 4 gamblers do not generally exhibit any anti-social or revealing behaviours at the venue;
- The impact and consequences of gambling addictions are felt within the home and family environment; and
- Gambling addictions are not obvious when a problem gambler is in a single-person situation.

The New Zealand 2012 National Gambling Study (2014) found that Pasifika communities, followed by Maori, are more likely than other ethnicities to be engaged in high risk gambling (Abbott, Bellringer, Garrett & Mundy-McPherson, 2014). These communities often bear extra, culturally specific costs as a result of problem gambling, for instance an erosion of whanau values, negligence of caregiving responsibilities, and the loss of cultural capital (Ministry of Health, 2009).

### **2.5.1 Problem gambling intervention services**

To address the potential 'harms' of gambling, there is a range of problem gambling service providers across New Zealand, some of which specifically target ethnic groups most at risk from harm (Maori, Pacific Island and Asian). The development and implementation of problem gambling intervention services in New Zealand are funded by the Problem Gambling Levy, which is collected from gambling proceeds by the Inland Revenue Department. The Ministry of Health is charged with funding and co-ordinating the intervention services, which are then delivered by a range of service providers by contractual agreement.

Figure 4 shows the total number of clients for intervention services from 2007 to 2015 for gaming machines and TAB betting. This figure includes the gamblers themselves, and family members/affected others. It shows that there was a significant peak in clients for gaming machines in 2009/2010, before the number started decreasing (with a small rise in 2013/2014), and that the total number of clients for TAB betting has been slowly increasing, but at a much smaller overall volume than clients seeking help for gaming machine problem gambling.

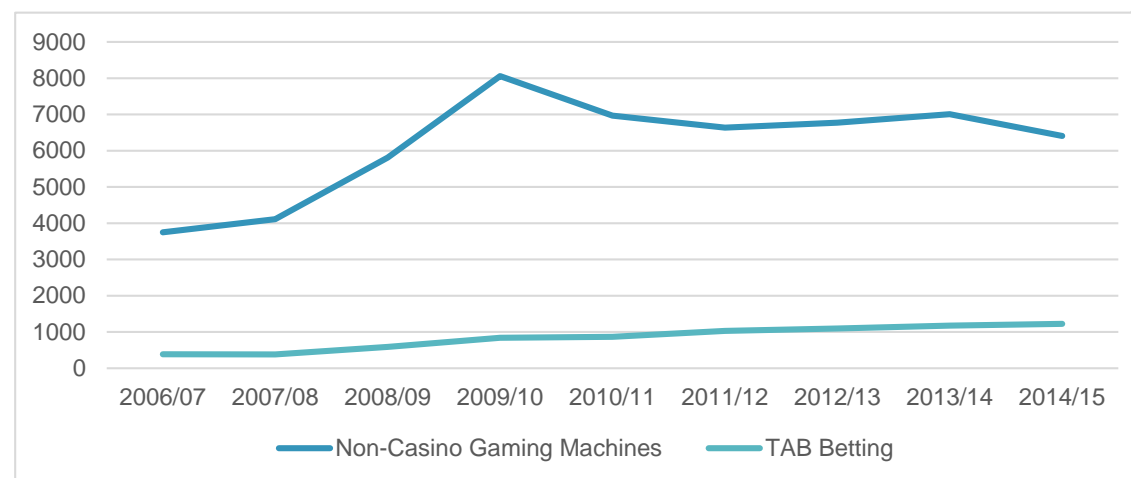


Figure 4: Total number of client for intervention services, 2006 – 2015 (Ministry of Health, 2016)

## 2.6 Impacts of gambling

There are many positive and negative impacts as a result of gambling. The most pronounced negative effects are financial losses, crime, family violence and addiction to alcohol and tobacco (DIA, 2018). The Ministry of Health considers that in New Zealand, gaming machines are strongly associated with a high risk of developing gambling-related harm (Ministry of Health, 2016).

TYPE	IMPACTS
Health	<ul style="list-style-type: none"> <li>94% of problem gamblers report having smoked 100 or more cigarettes in a given year, compared to 67% for non-problem gamblers (Ministry of Health, 2015);</li> <li>59.6% of problem gamblers are hazardous drinkers (compared to 41.4% for non-problem gamblers (Abbott et al., 2014);</li> <li>28% of problem gamblers report going without fresh fruit and vegetables, compared to 6% of general adults (Abbott &amp; Volberg, 1991);</li> </ul>

TYPE	IMPACTS
	<ul style="list-style-type: none"> <li>• 41.5% of problem gamblers reported using cannabis compared to 12.3% of non-problem gamblers (Abbott et al., 2014);</li> <li>• 1 in 5 problem gamblers are affected by increased risks of mental disorder (i.e. depression), anxiety attacks and stress (Levy, 2015);</li> <li>• 1 in 33 adults reported an argument about gambling in their household during the past 12 months (Ministry of Health, 2012);</li> <li>• 1 in 36 adults reported their family or household had gone without something they needed or that bills were not paid because of gambling (Ministry of Health, 2012).</li> </ul>
<b>Financial</b>	<ul style="list-style-type: none"> <li>• Problem gambling can lead to higher debts, fewer resources to spend on accommodation, food, clothing and education (Levy, 2015);</li> <li>• Family and household finances in Maori communities are often interconnected, exacerbating risks that the whole household can be affected (Levy, 2015);</li> <li>• Problem gamblers are more likely to experience higher levels of deprivation, with close to three-quarters reporting they were forced to purchase cheaper food during the past 12 months, compared to a quarter of adults generally (Ministry of Health, 2015);</li> <li>• Gaming machines can have a positive social impact, in that it often provides base funding for clubs that own Class 4 gaming machines;</li> <li>• The money generated can also improve facilities and services through funding.</li> </ul>
<b>Interpersonal relationships</b>	<ul style="list-style-type: none"> <li>• Relationships and access to social networks are negatively impacted by problem gambling. It may lead to housing evictions, child neglect and health problems (Levy, 2015);</li> <li>• It is estimated that one person's gambling typically affects 5 – 10 people (Allen &amp; Clarke, 2015);</li> <li>• 1 in 12 participants in the New Zealand 2012 National Gambling Study were of the view that they had been affected personally by another person's gambling (Abbott et al., 2014).</li> </ul>
<b>Family violence</b>	<ul style="list-style-type: none"> <li>• In a recent New Zealand study (AUT, 2017), 370 gamblers and 84 affected others accessing national problem gambling treatment services took part in a survey on gambling and family/whanau violence and abuse (454 total participants). The main findings were that: <ul style="list-style-type: none"> <li>○ The most common abuse was verbal (37% 'screamed or cursed at' another person)</li> <li>○ Physical abuse was less common: <ul style="list-style-type: none"> <li>▪ 7% caused physical harm</li> <li>▪ 9% threatened physical harm;</li> </ul> </li> </ul> </li> <li>• More affected others reported committing and being victims of violence and abuse than gamblers.</li> </ul>



TYPE	IMPACTS
Entertainment	<ul style="list-style-type: none"> <li>Entertainment can be a positive impact of gambling, provided it is communal and safe (i.e. housie);</li> <li>Gaming machines do not provide the same social well-being gains;</li> <li>Gaming machines in clubs are often considered less harmful than in private bar/tavern venues, as staff and other club members are more likely to identify and address problem behaviours early.</li> </ul>
Employment	<ul style="list-style-type: none"> <li>57% of problem gamblers report having been out of work for more than one month, compared to 20% of non-problem gamblers (Abbott &amp; Volberg, 1991);</li> <li>32% of problem gamblers report receiving income from the benefit, compared to 13% of general adults (Abbott &amp; Volberg, 1991);</li> <li>Problem gambling can affect working performance. Absenteeism and theft of resources to support gambling activities are other manifestations of gambling-related problems;</li> <li>The Australian Productivity Commission (1999; 2010) notes that the retail sector is adversely affected by gambling venues;</li> <li>Other surveys establish a positive correlation between gambling and regional economic benefits, including increased consumption of goods, but also of alcohol and tobacco;</li> <li>The NZRB directly employs around 835 staff (NZRB, 2018)</li> <li>A 2010 report by the NZRB stated the racing industry employs more than 16,930 FTE positions (NZRB, 2010).</li> </ul>

## 2.7 Distributing the proceeds from gaming machines

An important distinction between profits obtained from Class 4 venues and other forms of gambling is that a portion of the net proceeds must be used for 'authorised purposes'. Under the Gambling Act 2003, authorised purposes means:

- Charitable purposes;
- Non-commercial purposes beneficial to the whole or a section of the community; and
- Promoting, controlling and conducting race meetings under the Racing Act 2003, including the payment of stakes.

Societies that operate gaming machines fall into two main categories:

- Clubs** that operate gaming machines in their own premises (chartered clubs, sports clubs or Returned Service Associations). The proceeds from clubs are often spent by the clubs for their own authorised purposes (i.e. the operating costs for the club). Therefore, the funds are returned to the community where they came from.

- **Corporate societies** that operate gaming machines in commercial venues (typically pubs, hotels or restaurants).

About a quarter of the proceeds are spent on fixed costs (i.e. Government duties, levies and licensing fees) and another portion of the proceeds are used by societies to meet their 'actual, reasonable and necessary' operating costs that they incur in running their operation. The remainder is 'net proceeds', and this must be allocated to authorised community purposes. At least 42% of the proceeds generated from gaming machines are required to be spent on authorised purposes, which is generally done by way of society grants. In this way, Class 4 gambling can provide dividends for the community.

If societies do not meet the 42% target, then the DIA can revoke or not renew their operating license. Corporate societies have an obligation to minimise their costs and maximise the amount distributed to the community.

There are negative impacts to how these gaming machine proceeds are distributed:

- The proceeds are collected and distributed as a 'regressive tax', as the collection of revenue comes from a higher proportion of persons who have lower incomes and experiencing higher deprivation than those who do not;
- The Kaipara district gaming machines generated almost \$3 million in proceeds in the year ending 31 December 2017 (DIA, 2018). This money could be better spent otherwise, and more beneficially to gamblers in terms of returns (social, cultural, economic capital etcetera) when taking into account persons who are more likely to partake in gambling activities are usually deprived;
- It can be argued that gaming proceeds distributed back to the communities via community grants are likely to provide marginal benefit to gamblers and their families, who are usually socio-economically worse off than others.

Council staff sought information from the Problem Gambling Foundation on the distribution of gaming proceeds in the Kaipara. Table 5 shows the top four pokie trusts contributing to the Kaipara, with the grants distributed from the period 01 January 2016 to 31 December 2017.

**Table 5: Top four pokie trust grants in Kaipara 2016 - 2017**

Trust	Pokie grants
Pub Charity Limited	\$681,992.16
Trillian Trust	\$60,005.80
Lion Foundation (2008)	\$11,583.00
NZ Community Trust	\$9,000.00
Total	\$762,580.96

Figure 5 and Table 6 show that total sum of grants distributed in the Kaipara from the period January 2016 to December 2017. A total of \$769,838.96 was distributed in that period by 'pokie trusts' or corporate societies (Problem Gambling Foundation, 2018).

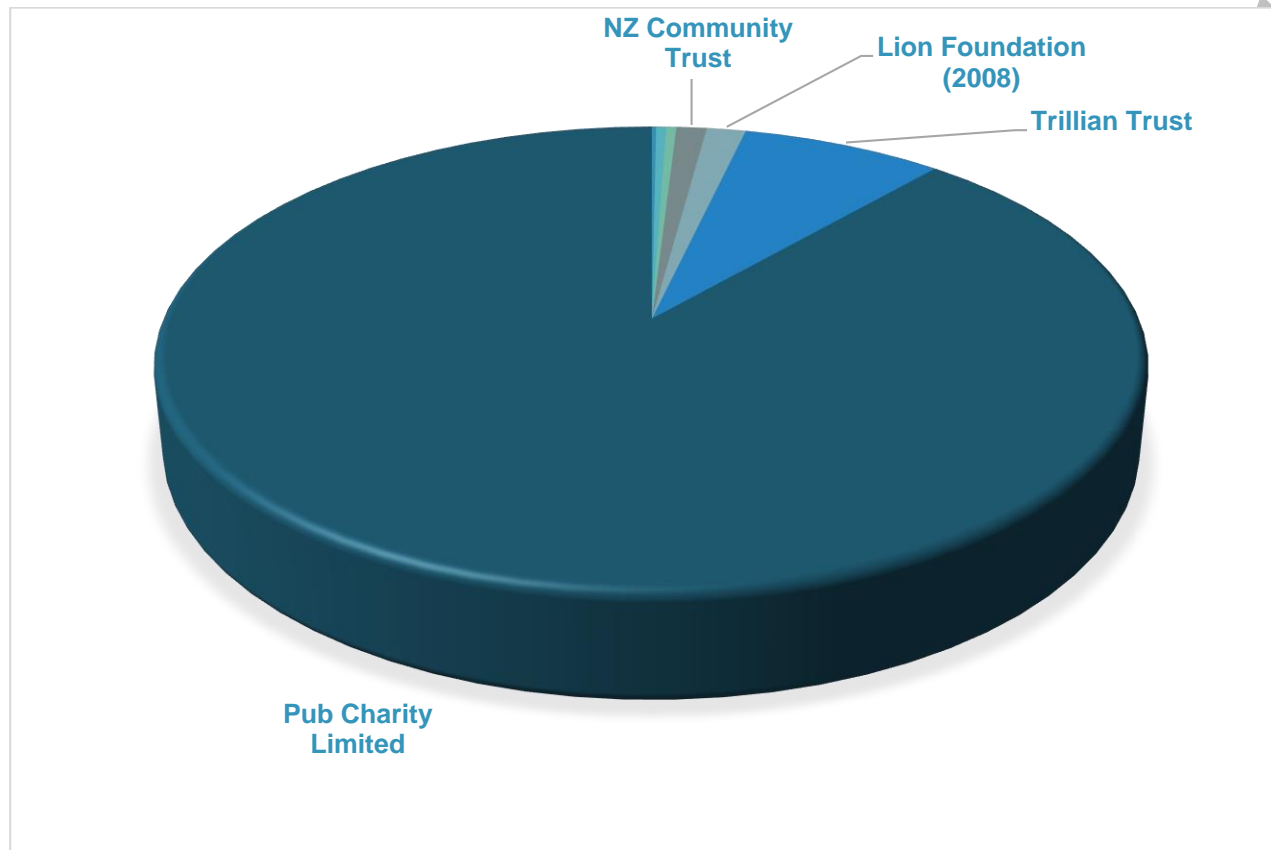


Figure 5: Total grants distributed in Kaipara (2016 – 2017)

Table 6: Total grants distributed In Kaipara (2016 - 2017) (Problem Gambling Foundation, 2018)

Trust	Sum of amount
North and South Trust	\$1,258.00
Blue Sky Community Trust	\$3,000.00
Four Winds Foundation Limited	\$3,000.00
NZ Community Trust	\$9,000.00
Lion Foundation (2008)	\$11,583.00
Trillian Trust	\$60,005.80
Pub Charity Limited	\$681,992.16
Total	\$769,838.96

Table 7 breaks these grants down into the purposes they were distributed for. This includes a number of sporting activities. 'Other sports' is made up sports that do not warrant their own category, and covers things such as golf, orienteering, volleyball, as well as sports clubs that cover a multitude of sports under one roof.

Table 7: Grants made by category (2016 - 2017) (Problem Gambling Foundation, 2018)

Type of grant	Sum of amount	Type of grant	Sum of amount
Community Group	\$309,103.91	Racquets	\$18,819.00
Education	\$102,736.17	Water Sports	\$14,428.00
Rugby	\$69,971.13	Netball	\$13,839.62
Community Services	\$66,211.91	League	\$13,839.62
Equestrian/Pony Clubs	\$45,545.00	Basketball	\$6,915.00
Arts	\$26,774.82	Scout Groups/Girls Brigade	\$4,000.00
Soccer	\$22,761.25	Cycling/BMX	\$2,434.55
Maori	\$22,442.10	Bowling	\$1,800.00
Other Sports	\$21,578.00	Kindergartens/Childcare/Plunket	\$1,800.00

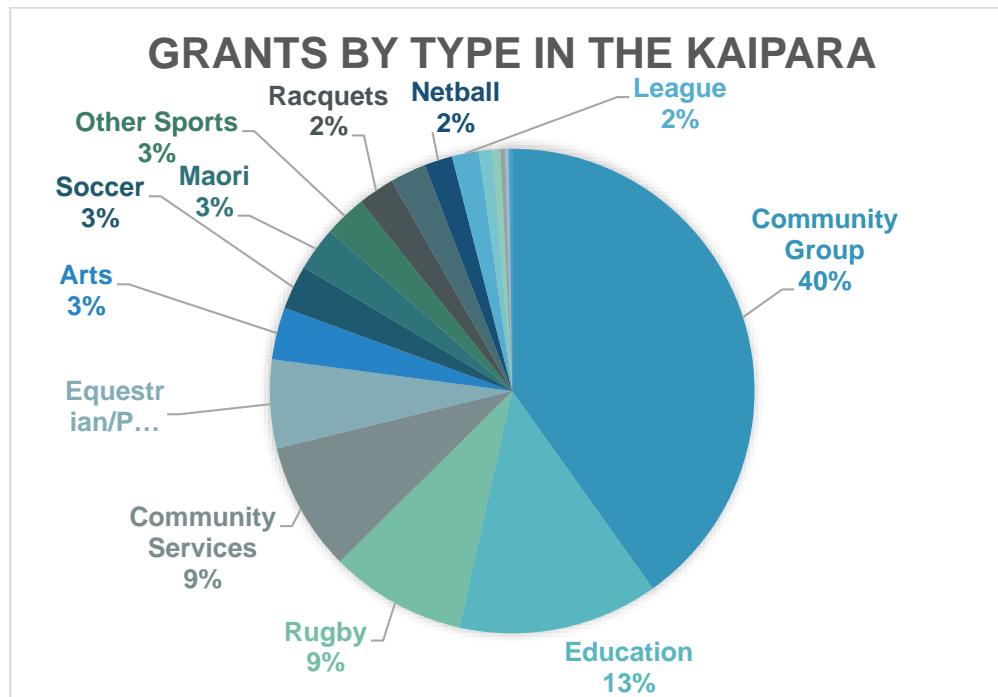


Figure 6: Grants by type in the Kaipara (2016 - 2017) (Problem Gambling Foundation, 2018)

There are important things to note when considering the distribution of proceeds in the Kaipara:

- Grants analysed are grants made **only** to organisations in the Kaipara i.e. they do not include wider organisations, such as Northland Emergency Services Trust or clubs such as the Northland Rugby Football Union Inc., which includes other territorial authorities;
- PGF had on its database **104 individual grants** in the Kaipara for the period from 01 January 2016 to 31 December 2017 (Problem Gambling Foundation, 2018);
- The main contributor to the Kaipara in pokie trust grants was **Pub Charity Limited**, who contributed 89% of the total grants in the period, totalling \$681,992.16 (Problem Gambling Foundation, 2018). This Trust has two venues housing 26 pokies, so this outcome is not surprising;
- The second highest contributor to the Kaipara was the Trillian Trust, who granted \$60,005.80 in the same period (Problem Gambling Foundation, 2018). This Trust has no venues in the Kaipara, which demonstrates that GMPs are likely to leave the district in which they were generated.

### 3 Effectiveness of Council policies

This section considers the effectiveness of each of the Kaipara District Council's Policies.

#### 3.1 Class 4 Gambling Venues Policy

The 2015 Policy put a sinking lid on the number of venues and gaming machines throughout the Kaipara. Council determined that a sinking lid was an appropriate method to manage the social impacts of gambling, by controlling the growth in gambling to reduce gambling harm. The Policy does not contain specific objectives, but instead repeats the purpose of the Gambling Act 2003. This is to:

- Control the growth of gambling;
- Prevent and minimise the harm caused by gambling, including problem gambling;
- Authorise some gambling and prohibit the rest;
- Facilitate responsible gambling;
- Ensure the integrity and fairness of games;
- Limit opportunities for crime or dishonesty associated with gambling;
- Ensure that money from gambling benefits the community; and
- Facilitate community involvement in decisions about the provision of gambling

The Policy also states, at 5.1:

***“Objectives of the Policy insofar as promoted by the Gambling Act 2003***

*Council believes that there are a sufficient number of gaming machines and Class 4 gambling venues to serve the demand in the Kaipara district therefore a restrictive policy in the form of a ‘sinking lid’ approach is considered appropriate.*

*The ‘sinking lid’ approach gives Council the opportunity to exercise greater control over the impact of gambling within the district.”*

This has meant that developing indicators to determine the effectiveness, or otherwise, of the policy has required a degree of interpretation. Council officers believe the effectiveness of the Policy should be measured against the objective, as stated in 5.1, to ‘exercise greater control over the impact of gambling within the district’. This can be interpreted to mean exercising control over the growth of gambling, and preventing and minimising the harm caused by gambling (i.e. the impact). As such, staff believe a number of indicators can be used to determine whether the 2015 Policy has been effective. This includes:

- Number of venues;
- Number of gaming machine numbers;
- Gaming machine proceeds in the district;
- Number of gamblers seeking help (i.e. from Problem Gambling Foundation); and
- Number of relocations since the Policy was adopted in 2015.

These indicators do not take into account broader economic variables, such as increases in disposable incomes, spill-over of gambling from one area into another as a result of the sinking lid, and gamblers changing their primary mode of gambling.

Since the Policy's adoption, there has been a reduction of three venues, and nine gaming machines, equating to a 30% decrease in venues, and a 13% decrease in machines in the Kaipara (DIA, 2018).

Despite the reduction in venues and machines, takings from Class 4 venues in Kaipara was \$2,975,498 for the year ending 31 December 2017 (DIA, 2018). This is an increase of 13% (which equates to \$349,424.80) from the total year ending 31 December 2015 (DIA, 2018). However, this mirrors the national trend, which has seen the gaming machine proceeds in New Zealand as a whole increase by 9%, and has increased from \$826,980,832.78 (2015) to \$882,718,941.42(2017) (DIA, 2018).

There are difficulties in measuring whether the Policy has been effective in preventing and minimising the harm caused by gambling. There are significant shortcomings in the quality of data available, particularly at a local level, with data in the period post-Policy adoption being hard to attain, and there are difficulties attributing causation with intervention.

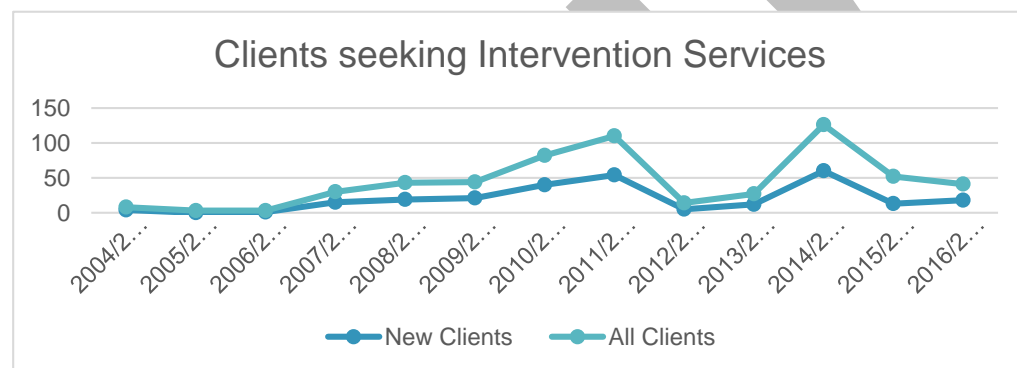


Figure 7: Clients seeking intervention services, 2004 – 2017 (Ministry of Health, 2018)

Figure 7 shows the comparison of new clients and total number of clients ('all clients assisted') who have accessed gambling harm intervention services determined to reside in the Kaipara district over each financial year from 2004/2005 to 2016/2017. As Figure 7 demonstrates, there are considerable peaks and dips in the number of clients seeking intervention services. This may be the result of increased promotion for these services at particular times. There is some growth in the number of people seeking support, however this could be explained by increasing awareness levels about problem gambling, and associated support services.

As clients accessing these intervention services are self-selective, the numbers presented are more than likely to under-represent the real number of persons experiencing gambling harm. This data does not discriminate on the form of gambling practiced by clients, and the data in Figure 7 does not differentiate between the different modes of gambling (i.e. online, Class 4, TAB).

The 2015 Policy also adopted a relocation policy for Class 4 venues. Since the Policy was adopted, there have been no relocations, and Council has not received any applications seeking a relocation. There are currently no restrictions on how close one venue is permitted to another in the Policy. The location of a venue is, however, restricted by clauses requiring compliance with the District Plan, and proximity restrictions for sensitive sites.

### 3.1.1 Risk profile for the Kaipara district

The guidance material developed by the Ministry of Health to assist territorial authorities when developing social impact assessments recommended that territorial authorities generate a 'gambling profile' of the district, based on certain key criteria (KPMG, 2013). A risk profile is a useful tool for Council to determine what type of policy to develop. The below table uses guidance material from the Ministry of Health to create a Kaipara district risk profile.

Table 8: Gambling Risk Profile for the Kaipara (KPMG, 2013)

Gambling risk category and method	Kaipara risk factor (low = 1; medium = 2; high = 3)	Risk score
<b>Risk 1: Gambling prevalence rate</b> Number of intervention clients versus national rate of help-seeking by district population	<ul style="list-style-type: none"> <li>Low risk = 1 x 2 (weighting)</li> </ul>	2
<b>Risk 2: Gambling density</b> Number of machines per 10,000 people and expenditure per person, per annum	<ul style="list-style-type: none"> <li>Number of machines per 10,000 people (Low risk = 1)</li> <li>Expenditure per person, per annum of machines per 10,000 people (Medium risk = 2)</li> </ul>	3



Gambling risk category and method	Kaipara risk factor (low = 1; medium = 2; high = 3)	Risk score
<b>Risk 3: Ethnicity</b> Percentage of district's population that are Maori and Pasifika	<ul style="list-style-type: none"> <li>% Maori population (High risk = 3)</li> <li>% Pasifika population (Low risk = 1)</li> </ul>	4
<b>Risk 4: Community Deprivation</b> District's overall deprivation	<ul style="list-style-type: none"> <li>High risk = 3</li> </ul>	3
<b>Risk 5: Service availability</b> Number of services per 10,000 people	<ul style="list-style-type: none"> <li>High risk = 3</li> </ul>	3
<b>Total risk points</b>		<b>15</b>
<b>Risk profile</b>		<b>Medium risk</b>




According to the toolkit, a medium risk means the policy option is one that restricts locations or restricts locations and number of machines (KPMG, 2013). The next profile up from this is high risk, and sets a gambling policy option for a venue sinking lid or venue and machine number sinking lid. This tool provides a position on gambling risk, however it is not considered an accurate picture of real gambling risk on the Kaipara.

### 3.1.2 Conclusion

As demonstrated, the Class 4 Gambling Venues Policy's sinking lid has been relatively effective in controlling the growth of gambling. There have been decreases in both the number of venues and machines. The risk profile toolkit assesses Kaipara as being a 'medium risk' district, however the Policy already in place is that which is recommended for high risk districts (i.e. a sinking lid policy).

However, the overall spend on gaming machines in the district has increased, meaning the gaming machine proceeds per machine has also increased. As discussed earlier in this report, this does not mean that the policy is ineffective, and this may be the result of increased disposable income, fluctuations based on visitor numbers, or 'spill-over' from other areas and modes of gambling and population increase, among other factors.

Table 9: Effectiveness Indicators for Class 4 Gambling Venues Policy

% change in gaming machine numbers	% change gaming machine proceeds	% change problem gambling	Result
 13%	 13%	 35%	Reduced number of gaming machines and venues.  Higher than expected increase in profits.  Problem gambling is likely to have been worse, if the Policy was not constraining growth via the sinking lid approach.

Based on the data gathered through this review, it can be inferred that the Class 4 Gambling Venues Policy has been effective at reducing gambling harm. In some cases, there may be issues with under-reporting of gambling harm.

Staff consider that to improve future performance, and to assist with the next statutory review, there should be increased research into gambling harm in the Kaipara in the next three years. This may include engaging with the DIA to develop improved access to data, identifying risk factors that need to be managed to ensure further reduction in venues and gaming machines do not result in shifts to more harmful modes of gambling, and the development of potential conditions for venues, such as guidelines and self-service information.

### 3.2 Effectiveness of the TAB Venue Policy

The Kaipara District Council Totalisator Agency Board (TAB) Venue Policy repeats the purpose of the Racing Act, which is:

- To provide effective governance and arrangements for the racing industry;
- To facilitate betting on galloping, harness and greyhound races, and other sporting events; and
- To promote the long term viability of New Zealand racing.

The Policy does not state explicit objectives at 6.1, but does state:

*‘A restrictive policy is in line with the community’s priorities of health, safety and the promotion of well-being. Limiting the number of TAB venues that can be established gives Council the opportunity to exercise control over the impact of gambling within the district.’*

As such, staff believe the effectiveness of the TAB Venue Policy should be measured against the following indicators:

- The number of TAB venues;
- Gambling expenditure on TAB services; and the
- Number of gamblers seeking intervention

The TAB Venue Policy caps the number of venues to **two**. There are currently no stand-alone TAB venues in the district. There are three venues in pubs and clubs around the district. The absence of TAB venues in the Kaipara mean that assessing the effectiveness, or otherwise, of the Policy is not an easy task to accomplish, on the above indicators.

The most obvious indicator of effectiveness is that there have been no TAB venues opened within the Kaipara over the life of the period, which means the growth and impact of TAB gambling has been controlled as much as possible, given the Council's limited scope of regulation. This would determine that the Policy has been effective.

Figure 8 shows calls to the Problem Gambling Helpline (both gamblers and significant others) for Kaipara and Northland. This data should not be relied on solely when assessing the effectiveness of the Policy, as the figures do not differentiate between gambling mode (i.e. includes gambling modes that Council has no control over).

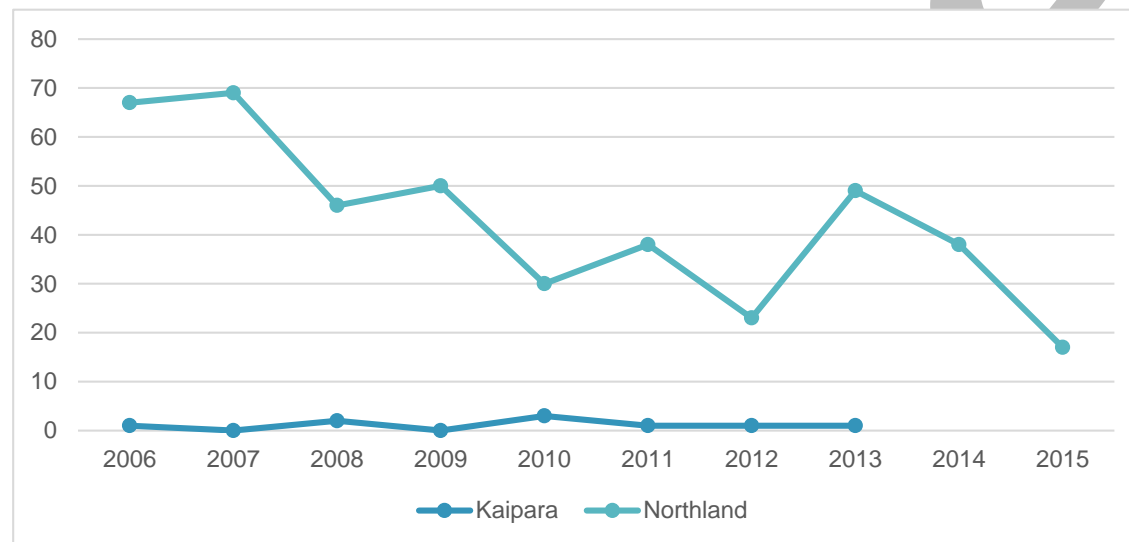


Figure 8: Calls to the Problem Gambling Helpline (gamblers and significant others) 2006 – 2015 (Ministry of Health, 2015)

Figure 9: NZRB Gross Betting Revenue (2015 – 2017)

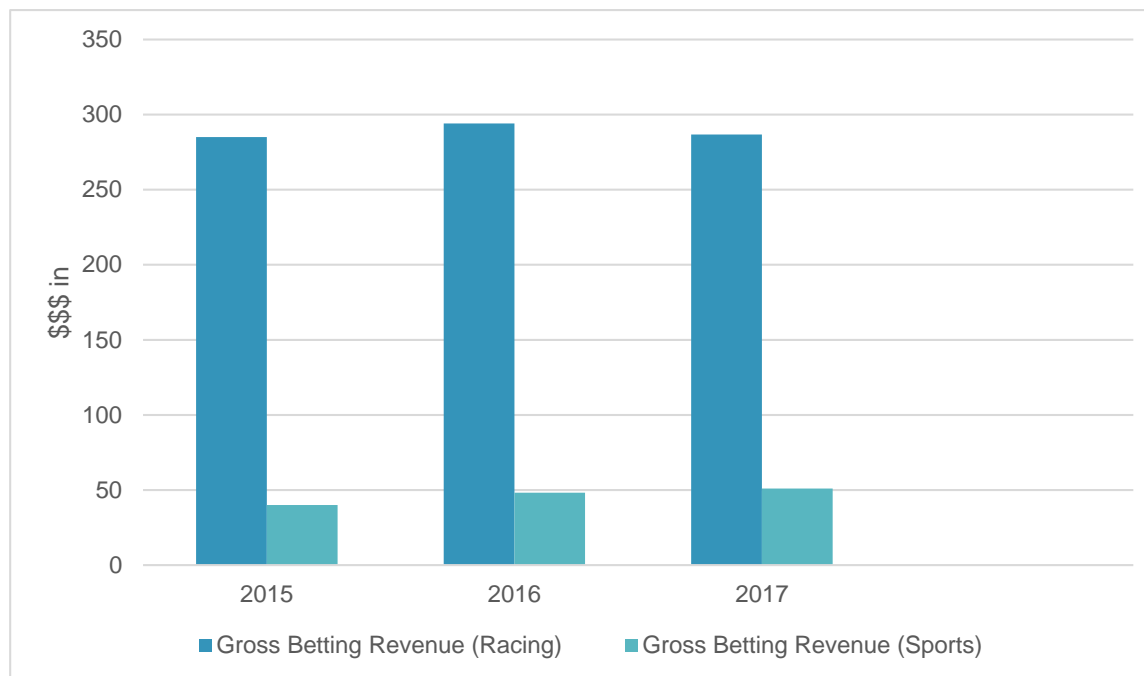




Figure 9 shows that gambling expenditure nationally on TAB gambling has risen from a combined total of \$325 million in 2015, to \$337.7m in the year ending 2017 (NZRB, 2015; NZRB, 2017). The 2017 gross betting revenue is a small decrease on the 2016 combined gross betting revenue, which was \$343.3 million (NZRB, 2016).

### 3.2.1 Conclusion

Table 10: Effectiveness Indicators for TAB Venue Policy

% change in TAB venues	% change TAB proceeds	% change problem gambling	Result
N/A	 3.8%	 35%	<p>The number of stand-alone TAB venues has stayed the same (as zero out of a possible two).</p> <p>There has also been a decrease in problem gambling (as indicated by intervention services) in the district.</p> <p>Changes in proceeds are not able to be regulated by Council (as they are generated from TAB outlets, self-service terminals and online betting, which central government regulates).</p>

Based on the above, it is considered that the current Policy's controls are working effectively, and no further regulation is considered necessary in relation to TABs beyond those already imposed in the Racing Act 2003, Council's 2015 TAB Venue Policy and other controls.

The TAB Venue Policy caps the number of permitted venues at **two**. There are currently zero TAB venues operating in the Kaipara district. Assessed on those numbers alone, the Policy is highly effective at exercising control over the impact of gambling within the district. However, there are many opportunities for Kaipara's residents to participate in TAB sports betting outside of Council's scope, and therefore the options available for Council when reviewing, or making possible amendments to, this Policy are limited.

The poor availability of relevant data to assess the contribution of TAB venues to gambling harm makes it difficult to assess effectiveness on a national scale, which could then be extrapolated to a district level, and aid in understanding how the Policy could be improved. Council staff consider that the relevance of a Council TAB Venue Policy is diminishing, and that in the next review cycle there should be work undertaken with the NZRB and DIA on ways to improve the management of gambling harm from the products outside of Council's regulatory framework for improved results.

There is an increasing focus on promoting online or telephony services for TAB, which is also outside the scope of regulation that can be undertaken by KDC. As at May 2018, there were 218,851 account customers nationwide, with 364 being based in the Kaipara (NZRB, 2018).

## 4 Conclusion

The findings of this report indicates that the Kaipara district has current and potential levels of gambling harm, that sufficiently warrant the continued adoption of a Policy on Class 4 and TAB gambling that is restrictive in nature.

Kaipara's population profile increases the likelihood for communities to experience or be subject to gambling harm. Profile factors, such as percentage of population that identify as Maori, and high levels of deprivation across the district make the Kaipara more prone to experience gambling harm. When applying national estimates to the Kaipara, as identified in Section 2.5:

- 50 people could be problem gamblers;
- 253 people could be moderate risk gamblers;
- 842 people could be low risk gamblers; and
- 11,788 could be non-problem gamblers.

The likelihood of actual gambling harm and the total number of problem gamblers could in fact be higher than what has been extrapolated from the aforementioned national study, as the identification of problem gamblers is often difficult.

The report also shows that the gambling has evident positive social impacts for the Kaipara district. This includes being a source of funding for clubs, job creation, provision of grants to community organisations, providing funding services for problem gamblers, and a source of entertainment. As discussed in the report, the range of differing local community organisations who received grants from gaming machine proceeds is inclusive, and as signalled by the snapshot provided in this report, demonstrates gaming machine proceeds support a range of local organisations and communities.

In conclusion, Council should consider 'rolling-over' its existing:

- Class 4 Gambling Venues Policy (2015); and
- Totalisator Agency Board (TAB) Venue Policy (2015).

Based on the findings of this report, Council's existing policies are determined to strike a sound balance between the negative and positive impacts of gambling, namely the need to promote the district's health by controlling the growth of gambling, minimising the harm to communities caused by gambling, and continuing to provide access to funds for community organisations.

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## **Closure**

**Kaipara District Council**  
**Dargaville**