

MEMORANDUM

CORPORATE LEADERSHIP TEAM

Meeting date:	9 August 2021
Director:	Matt Boggs Director Strategy & Engagement
Paper author:	Wendy Moore Head of Strategy and Planning
Subject:	CLASS 4 GAMING VENUE AND BOARD VENUE POLICY 2015 – REVIEW

Purpose

- Provide a summary of the 2020/21 review of Council's Class 4 Gaming Venue and Board Venue Policy 2015, options and proposed policy direction;
- seek agreement on the proposed policy direction; and
- seek agreement to discuss the review, policy options and proposed direction, with Council at a briefing on 18 August 2021.

Summary of Review

1. Council's vision is a city where everyone thrives. The review of the Class 4 Gaming Venue and Board Venue Policy 2015 is required by the Gambling Act 2003 (the Act) and was undertaken using Council's vision as a guiding principle. The review included a social impact assessment (SIA) and a report by New Zealand Institute of Economic Research (NZIER) on the impact of class 4 gambling in the city.
2. Under the Act, Council's powers are limited to regulating and administering class 4 gambling. The Act requires Hutt City Council to set a Class 4 gambling venue policy to influence the extent of and minimise the impacts of Class 4 gambling in the city. In particular, it enables Council to control where venues can be established and the permitted number of gaming machines at each venue.
3. Council's policy can cap the number of gaming machines, set limits on the number of venues, take a position on merging locations and on relocating machines and venues, and proactively regulate venues with gaming machines. It cannot close class 4 gaming venues. Additionally, the policy position can include a focus on Council getting its own house in order in relation to class 4 gaming i.e. considering action on using Council owned venues for class 4 gaming and/or deciding not to seek funding from gambling proceeds to support Council activities.
4. The SIA found that the current policy has been largely unsuccessful in achieving the stated objectives of controlling the growth of class 4 gaming machine numbers in Lower Hutt, and putting in place measures to reduce the harm caused by problem gambling. In contrast, Council's policy has had the effect of prioritising the availability of Class 4 gaming proceeds

for community and council projects above the harms caused to individuals, whānau, and the community.

5. In 2019 the 425 electronic non-casino gaming machines located across 28 venues in Te Awa Kairangi ki Tai Lower Hutt collected over \$29 million. The Problem Gambling Foundation has calculated that approximately \$4 million of this total was returned to the local community in the form of grants from non-club¹ Gaming Trusts. This equates to only 16 percent of gaming machine proceeds (GMP), significantly below the 40 percent return the Act requires.
6. The NZIER report, *Harmless fun for all – class 4 gambling in Lower Hutt*, was commissioned to support the SIA. The analysis identified the following situation in the city:
 - a greater exposure to Class 4 gambling, with 4 electronic gaming machines (EGMs) per 1000 population, compared with 2.9 EGMs per 1000 population nationally. Lower Hutt also has more venues per 1000 population than nationally;
 - total gaming machine profits in the city amounted to over \$26 million in 2020, representing a 45 percent increase since 2015, despite GMP decreasing in 2020 due to the COVID-19 level 4 lockdown;
 - GMP per adult was \$100 higher than the national GMP per adult in 2019. The rapid increase in GMP in Lower Hutt cannot be explained by increasing incomes or local economic growth. Personal incomes in the city increased by only 8 percent between the 2013 and 2018 Census, and the economy grew at a slower rate than the national economy from 2015 to 2020;
 - GMP per machine increased 66 percent between 2015 and 2020 and GMP per adult is over 50 percent higher than national GMP per adult;
 - Lower Hutt has the highest GMP per capita and per adult compared to territorial authorities with similar sized populations (Palmerston North, Hastings, Tauranga, and Whangarei) or neighbouring territorial authorities (Porirua, Upper Hutt, and Wellington);
 - EGMs are disproportionately located in higher deprivation areas, including 93 of the 425 EGMs located in the most deprived areas (NZDep 10), with no EGMs located in the least deprived areas (NZDep 1).
7. In summary, Te Awa Kairangi ki Tai Lower Hutt has a higher than average number of Class 4 Gaming Machines and higher gambling expenditure per capita than the national average. A substantial proportion of the gaming machines are in parts of the community that have a higher risk of developing problems from gambling.

Recommended policy direction

8. The recommended policy seeks to address and influence some of the harms caused by class 4 gambling in the city. It has two main elements – taking a public health approach to minimising the regressive and inequitable social and economic harms of class 4 gambling and particularly in high deprivation communities, and ensuring that Council can take a leadership role and demonstrate leadership through its operational work and management of its own estate.
9. This proposal takes a more proactive approach to gambling and gambling harm, for individuals, their whānau, and communities, than the current policy. The proposal includes

¹ Under the Gambling Act 2003, Clubs are allowed to retain gaming machine proceeds to promote the purposes of the club.

four new objectives and sets a per-capita reduction target for gaming machines and venues in the city. Venues will be regularly monitored by council officers. In addition, Council will explore providing support to problem gambling service providers to prevent and minimise the harms caused and contributed to by gambling and gaming venues.

10. The goal is to reduce the number of EGMs and Class 4 gaming venues in the city to align with the national average. The city currently has 425 gaming machines and the policy would set a cap of 325, meaning no new machines could be added, and a limit of 25 venues. Venues would not be able to relocate and no new licences would be issued. If a class 4 venue closed for over 6 months it could not be re-opened by another operator. Over time, this sinking-lid approach means that the number of gaming venues may decrease.
11. In addition, the recommended option includes a focus on Council's own business.
 - Council owned venues would no longer be used for Class 4 gaming. Existing gaming machines operated from Council owned venues would be removed over a period of time.
 - Council would no longer seek funding from gaming machine societies.
12. These elements could be progressed whichever policy option is selected but they fit well with the recommended option of influencing the gaming environment in the city and demonstrating that Council is reinforcing this through its own operational practices.
13. There are a number of operational considerations associated with the proposed policy. The most significant of these would be the use of council enforcement officers to assess gambling venues as part of their routine work. Oversight of gambling venues in relation to their overall compliance with the requirements of the policy and regulatory obligations places shared onus on venue operators and Council. This moves the Councils policy from a current 'one off' assessment to an ongoing and holistic approach, integrated with liquor licensing enforcement. It is likely that additional operational resources will be required for this work. Implementing these aspects requires further discussions with the Regulatory Services Division.
14. Consideration of options to support intervention services is likely to result in a requirement for resources from Council.
15. As a consequence of not using Gaming Machine grants, we may have to investigate alternative sources of funding for community projects. The SIA shows that in the past three years the proportion of funds allocated from gaming machine proceeds collected in Te Awa Kairangi ki Tai Lower Hutt has varied from almost 30 percent in 2017 to a low of 16 percent in 2019 (excluding clubs).
16. A further breakdown of the distribution of the 2019 grants shows that sports groups received approximately half of the funding available, with community groups and services receiving 17 percent and 33 percent respectively. Grants identified as being directly for Council activities amounted to 1.2 percent or \$52,000, slightly less than grants made to netball.
17. One of the key points raised during the 2015 policy process was that grants from gaming societies were integral to the viability of some council projects and activities. While this point may have been valid then, the latest figures from 2019 indicate this is no longer the case.
18. Council can lower the cap on the number of gaming machines in the city and be more proactive in regulating venues that include machines but, other than the influence it has over machines on its property, it cannot close venues.

19. The proposed approach will therefore not decrease the funds available to sport and community organisations from the proceeds of gambling in the medium term. For example, although there are now 60 fewer machines in the city than in 2015 spending has increased and the amount of funding available, excluding 2020 because of Covid-19, is greater than it was in 2015.

20. As the funding available from the proceeds of gambling will not decrease in the medium term, this enables Council to consider ways to provide alternative assistance or support e.g. reducing the costs to access facilities and for ground hire etc., to organisations if it wishes to do so.

Policy Options

21. The three options developed as a result of the review are shown below.

1. Wellbeing approach and per-capita reduction target (Recommended)	2. Status quo	3. Status quo plus
Prevent new gaming machine venues from opening and reduce the number of gaming machines over time. A sinking-lid approach.	Retain the current policy without amendment.	Prohibit the location of class 4 gaming venues in suburban areas and encourage a limited number of venues to relocate to the two commercial areas. Place some additional obligations on venue owners.
Objectives - to reduce Class 4 gaming machine numbers and venues in Te Awa Kairangi ki Tai Lower Hutt; - to adopt public health approaches to prevent and minimise harm from gambling, to support community problem gambling service providers, and monitor Class 4 Gaming venues; - to provide community access to information about the funds produced and distributed from Class 4 gambling within the city; and - to facilitate community involvement in decisions about the provision of Class 4 Gaming in Te Awa Kairangi ki Tai Lower Hutt.	Current - to control the growth of class 4 gaming machine numbers in Lower Hutt - put in place measures to reduce the harm caused by problem gambling	Objectives - to reduce Class 4 gaming machine numbers and venues in Te Awa Kairangi ki Tai Lower Hutt; - to adopt public health approaches to prevent and minimise harm from gambling, to support community problem gambling service providers, and monitor Class 4 Gaming venues; - to provide community access to information about the funds produced and distributed from Class 4 gambling within the city; and - to facilitate community involvement in decisions about the provision of Class 4 Gaming in Te Awa Kairangi ki Tai Lower Hutt.
Reduce cap to the national average per capita – 325 machines and 25 venues.	Leave cap as it is.	Reduce cap to current number of venues and machines – 425 machines and 29 venues
Establish council policy on gaming machines in council owned buildings – remove machines when policy approved	No policy or restriction on EGMs in council owned buildings	Establish council policy on EGMs in council owned buildings – no new venues but no effect on current venues

Establish council policy on gaming machine funds – do not apply for these funds	No policy on council use of gaming machine funds	No policy on council use of gaming machine funds – reduce then exclude over 3 year period of Policy
No new gaming machine licences granted	Retain relocation policy	Remove relocation policy – treat as new application
No merger of venues	Retain merger policy	Remove merger policy – treat as new application
Venue licences cannot be transferred to a new location	Not a current requirement	Social impact assessment completed by venue owner
Kaitiaki (operational) approach • Location assessed as appropriate • All applications incur a licensing fee • Best practice guidelines • Gaming venues assessed as part of routine enforcement work • Self-excluded patrons supported • Non-club Class 4 to provide additional evidence of primary business sustainability.	Status quo operations	Kaitiaki (operational) approach • Location assessed as appropriate • All applications incur a licensing fee • Best practice guidelines • Gaming venues assessed as part of routine enforcement work • Self-excluded patrons supported • Non-club Class 4 to provide additional evidence of primary business sustainability.

CLT Recommendations

22. That CLT:

- a. **approves** the following for discussion with Council:
 - i. the three options for Council’s class 4 gaming venue and board venue policy;
 - ii. the recommended option and objectives.
- b. **discusses** the proposal that Hutt City Council owned venues will no longer be used for Class 4 gaming. Existing gaming machines operated from Council owned venues will be removed by December 2022.
- c. **discusses** the proposal that Hutt City Council will no longer seek funding from gaming machine trusts.
- d. **notes** the review of the current policy incorporating the accompanying Social Impact Assessment and NZIER report (Appendix 1 and 2) indicate that the current policy is ineffective in delivering Council’s vision of a city where everyone thrives.
- e. **agrees** that further work is completed to better understand the policy and operational implications of adopting a holistic stewardship approach across all social wellbeing policy areas (Alcohol, Smoke Free, Gaming, etc.) and co-ordinating policy

and operational decision-making across these areas as part of the City Strategy development.

Consultation

23. Under the Gambling Act, where the policy is going to be changed or replaced, Council must use the special consultative procedure under section 83 of the Local Government Act 2002. There are statutory requirement under the Gambling Act to consult with gambling societies (the Class 4 sector) and organisations representing Māori. Engagement with Māori is also mandated by the Local Government Act to:

- provide opportunities for Māori to contribute to the decision-making processes of councils,
- maintain processes to contribute to decision-making,
- foster the development of Māori capacity to contribute to decision-making processes, and
- provide relevant information to Māori.

24. The engagement and consultation process is informed by Council's Significance and Engagement Policy and Community Engagement Strategy.

Risks

RISKS	LIKELIHOOD	IMPACT	MITIGATION
Consultation considered insufficient, too narrow	Med	Med	Ensure stakeholder map is extensive – ensure we adhere to Legislation and Council's Significance and Engagement Policy.
Legal challenge from gaming sector	Med	High	Consult with legal team and DIA
Internal resistance to policy proposals	Low	High	Work with CLT and teams to ensure support for policy. Internal messaging – Website FAQ etc.
Negative Media coverage	High	Med/High	Proactive media messages, FAQs and partner agency comments.
Flaws in the policy	Med	Med	Send to the DIA to check

People implications

25. Dependent on decisions.

Financial implications

26. Dependent on decisions.

Legal implications

27. None.

Climate change implications

28. None.

Health, Safety and Security implications

29. None.

Communication and Engagement

30. Ongoing as part of consultation plan.

Next steps

31. Council briefing that includes NZIER presentation.

32. Committee paper and consultation material.

Attachments

1. There are attachments to this paper:

- Class 4 Gambling Social Impact Assessment
- Harmless fun for all? Class 4 gambling in Lower Hutt (NZIER, June 2021)