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Safer Communities Team
Policy Group
Department of Internal Affairs
PO Box 805
WELLINGTON 6140

By email: gamblingreview@dia.govt.nz

**Submission from the Fundraising Institute of New Zealand
Discussion Document: Review of Class 4 Gambling, DIA June 2016**

This submission is prepared by the Fundraising Institute of New Zealand (FINZ) with input from many of our members.

FINZ is the membership organisation of fundraisers and leaders, trustees and managers in the community and charity sector. FINZ advances professional development and qualifications in the sector, maintains fundraising ethical best practice and standards and advocates on behalf of the sector. A peer network operates where members and supporters discuss and formulate solutions to fundraising, management, governance and sector challenges.

This submission does not represent the opinions of all charities who are members of FINZ. Some are ardently against any form of gambling and will likely submit in their own right. The FINZ submission is based on an agnostic position that gambling is a reality and the funds from gambling in general and Class 3 and 4 benefit Charities in New Zealand.

Part II Questions

- 1. Given the changes in the sector since 2003, are the purposes of the Gambling Act still fit-for-purpose?**

From the perspective of funding recipients, implementation of the Act has been deleterious.

Implementation of the Act has led to significant reductions in funds available for distribution for authorised purposes, as shown in Figure 1, Gambling Expenditure 1980 – 2015, page 4.

- 2. What would the impact of any changes be on the responsibility to prevent and minimise harm from gambling?**

No changes should increase risks of harm.

There should be no changes that reduce responsibility to prevent and minimise harm from gambling. It is impossible to determine the impact of the Gambling Act on harm prevention or minimisation from the Discussion Document.

What is known is that distributed funds to Charitable and community organisations, many of which contribute to addressing the flow-on impacts from gambling harm, has reduced by 33% between 2004 and 2015 (Page 4). The time-series graph (Page 25) indicates some ups and downs in funding for Charities between 2005 and 2015. However, the graph is based on proportions of funds distributed, so in real terms, actual funding received is unquestionably down for all Charities in general and Community Services Charities (those dealing with poverty, violence, budgetary support, and health and welfare needs, most associated with the flow-on consequences of gambling harm) in particular.

If change to Class 4 gambling sends the issue of harm from gambling underground rather than reduce either the problem itself or the inherent flow-on consequences, the pressures on relevant Charities may well not diminish, despite very real cuts in available funds to deliver their services.

3. Do the provisions in the Act go far enough in ensuring funds to communities are maximised?

Funds to communities are not currently maximised. Gaming Duty should be reduced to increase funds made available to communities

There is no evidence as to whether the costs regime for Class 4 societies, venues, problem gambling levy or fees to DIA are excessive from the data supplied in the Discussion Document. The fact that the numbers of Class 4 societies appears to have dropped since enactment of the Act but otherwise remained stable in numbers suggests that a reasonable equilibrium has been reached, which makes it difficult to have an opinion on what might be sensible change.

The proportion of funds diverted to Gaming Duty (23%) does however, provide an option for change to assist with maximising the benefit to communities from Class 4 activity. It is strongly advocated that Gaming Duty be reduced to the equivalent of GST (if GST is included in the duty) or to zero if GST is separately applied.

4. Is requiring councils to review their venue policies every three years a good policy?

Council reviews are too frequent

Requiring Councils to review their policy every three years constitutes an issue for Community and Voluntary sector organisations reliant on funding from Class 4 distribution. The distraction created from contributing to a review submission process effectively becomes a compliance cost on organisations, many of whom simply cannot contribute, either because of lack of resource to be diverted to the process, or lack of understanding of the issues beyond the financial impact on their organisation. A reduction in the frequency of review by Local Authorities would be supported. The ideal would be every ten years from a Community Organisation perspective. However, the reality is that any extension beyond 3 years will reduce the frequency required to address these reviews. We recommend 7 years.

5. What influence do the Department's regulatory functions and operational policies have on the sustainability of funding to communities?

Accountability reporting time-frames can be counter-productive

The biggest apparent impact that the Department's regulatory functions and operational policies arise where recipient organisations are required to submit accountability reports with a timeframe that is too short for actual expenditure of the funds received. This is particularly so

where funds are being sought for a project of a capital or developmental nature where some level of threshold funding is required to be secured before it is safe for the organisation to proceed. Allowance for these types of circumstances would significantly reduce stress levels on recipient organisations during the formative phase of such projects.

6. What is your experience of any changes in harmful gambling behaviour over time?

Further reduction in Class 4 activity may further restrict funds available to Charities, particularly those dealing with flow-on effects of gambling harm

Reduction in Class 4 activity to date does not appear to have produced an equivalent drop in levels of harm or risk – otherwise that would arguably have been reported in the Discussion Document. However, funds available for community use have decreased markedly.

Those charities that deal with the flow-on and ancillary effects of the gambling harm (eg, homelessness, poverty, violence) have therefore been left in a position of less funds to attend to the delivery of services required to counter the gambling harm done. The effect is not restricted to just those organisations however. It is affecting all organisations to some degree or another, including those with a funding gap between state contract revenue and the actual cost of delivering the service they are contracted to deliver.

7. What is your experience of the grants process? How efficient do you think the process is?

Current grant-seeking and administration processes work well for larger organisations but can prove problematic for smaller ones

Experience of the grants process across a broad range of Class 4 societies is of a well-oiled machine that is clear, efficient, transparent and responsive. The processes employed by Class 4 societies are generally as efficient or more efficient and user-friendly as those processes employed by other grant-making bodies.

The process can prove particularly problematic for smaller charities whose governors may be located throughout the country and whose regular meeting timeframes are only bi-monthly or quarterly. This can cause issues with seeking resolutions on one hand and signatures for applications on the other.

8. Should societies return funds to the communities where they are generated?

Distribution policies should encourage distribution back to communities from which funds are raised

Having a proportion of funds distributed back to the community from which it was generated makes eminent sense, particularly if and where those funds have been generated from communities with more pronounced needs requiring community and voluntary sector input to address. Equally however, allowing for proportions of funds to be made available for distribution to regional and national bodies with capacity to redistribute according to need, also makes eminent sense. The policies should also not restrict those Charities that are locally or regionally based whose services are nevertheless available to people normally living outside the organisation's stated territory.

9. Overall, do you think the distribution of funding is equitable?

A disproportionate 51.8% of all Class 4 distribution is to sporting organisations

While we acknowledge sport has health and other benefits, 51% to sport is not a fair representation of all community needs and interests.

It is nevertheless arguable that the distribution is not fair, as sports organisations tend to have a close working relationship with Class 4 venues, rendering them an advantage.

It is curious to observe from the "Class 4 Grants – time Series" graph (page 25) that the proportion of funds being distributed to Community Services type organisations has consistently dropped between 2005 and 2015. The number of Community Services organisations has not dropped; if anything, demand for their services has significantly increased. It is also likely that this particular group of Charities includes those most likely to be providing services addressing flow-on effects from gambling harm.

Part III Questions

10. Do you think other forms of gambling should be available online in New Zealand?

Broader provision for on-line gambling is not supported

Introduction of Class 4 gambling on-line is not supported because of the risks of increasing harm from Class 4 gambling.

Having said that, it is recognised that people can and already do gamble on-line in the international betting market. It is further recognised that proceeds from this not benefit 'New Zealand' in any way. The Institute therefore supports an intention to further explore how this might be regulated, particularly in ways that ensure that net proceeds can be captured for benefit here in New Zealand.

It is requested that opportunity be provided for input into the proposals should changes to on-line gambling be proposed.

11. Do you think that Class 3 gambling operators such as the Heart Foundation and Coastguard NZ should be able to offer online lotteries?

Provision for on-line participation in Class 3 gambling is supported

Class 3 gambling operators such as the Heart Foundation and Coastguard NZ should be able to offer tickets for sale on-line (including phone purchasing, email orders, on-line purchasing). It is advocated that Class 3 holders should be able to offer these purchasing channels to meet the expectation of their customers who can purchase Lotto on-line. The provision of phone, email and on-line ordering should not be subject to the rigours of electronic monitoring required of Class 4 operators. That would be entirely counter-productive to the principle of maximising distribution back to community benefit.

Part IV Questions

12. Are there other issues or questions not set out in this discussion paper that you think need to be considered in this review?

Changes in distribution of gambling generated funds has a direct impact on the Voluntary and Community Sector – don't change one without understanding impact on the other

There is anecdotal belief amongst member organisations that introduction of Class 4 gambling into New Zealand helped to encourage proliferation of the voluntary and community sector. Some data supports that belief.

- Ministry of Commerce data from 30 June 1996 indicates there were 22,584 Incorporate Societies and 9,265 Charitable Trusts - effectively, the sector comprised 31,849 organisations
- Companies Office data from 30 June 2015 indicates there were 23,009 Charitable Trusts and 23,572 Incorporated Societies as at 30 June 2015 (a total of 46,581 ... up 46% since 1996).

Like the relaxed rules over the establishment of Class 4 societies (page 8), so there are relaxed rules over the creation of Class 4 funding recipient organisations. Department of Statistics purport there to be 114,110 "Non-profit institutions in New Zealand" as at 2013. Of that number, more than 27,800 are Registered Charities¹.

This environment of unfettered growth is believed to have driven a significant explosion in new organisations in the period 1990 – 2005 simply because there was so much available money floating around.

It is contended that there is a causal correlation between the effects of Gaming legislation and Charities registration. Further changes to the Gaming Act or regulations should not be undertaken in isolation from an understanding of the impact on the broader sector.

13. Are there issues or questions not set out in this discussion paper that you think need to be considered in this review?

Allowance for continued unfettered growth is the issue

Every donor and funder, including Trustees of Class 4 societies likes to believe that provision of funds will make a difference. For much of the sector's activity, this is demonstrably true. However, continued unfettered growth of community organisations will have an undesirable impact that should be of concern (in the context of this review) to the Department of Internal Affairs, Charities Services, Class 4 societies, venues and trustees alike.

¹ Charities Services

Our research suggests the following:

	Population	Registered Charities	Charities per head of population
New Zealand	4,700,000	27,800	169
United Kingdom	64,100,000	160,000	401
Australia	23,100,000	53,500	432
USA	324,000,000	500,000	648
China	1,357,000,000	600,000	2,262

New Zealand is significantly over-serviced by Registered Charities by comparison to other jurisdictions. There is a point whereby the sector becomes moribund through sheer size. This is of particular significance when considering the availability of grants funding in general and Class 4 net proceeds in particular.

It may not be the place of this Discussion Document review to address this issue. But, it is an issue that the Department of Internal Affairs generally and the Policy Group in particular should be addressing by way of initiated discussions regarding the future of the Voluntary and Community Sector in New Zealand.

14. Are there issues or questions not set out in this discussion paper that you think need to be considered in this review?

There is an unhealthy fixation on funding "things" and "projects"

It is difficult for organisations to attract adequate funds to operate their 'organisation.' Funds are usually readily available to fund 'projects' and 'things.' A false economy applies.

Unless there is a strong under-pinning organisational base it is not possible to optimally deliver services, undertake projects or acquire working assets. Prevailing attitudes that shie away from funding "overheads" starve organisations from being able to operate either efficiently or effectively.

Educating Class 4 society Trustees on the importance of strong organisational infrastructure is predicted to have a positive effect in reducing unfettered growth of new organisations due to frustration or dissatisfaction with current organisations. It is likely to have a significant effect on building strong organisations capable of delivering successful programmes.

Regards



Sheridan Bruce
Acting CEO
Fundraising Institute of New Zealand
Sheridan@finz.org.nz