

#### 4. GAMING MACHINE FUNDING

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The purpose of this report is to inform the Board of the current application criteria for, and recent changes in the operation of, the allocation of funding from gaming machines. The report will be considered by the Community and Leisure Committee on 7 April 2003.

##### **BACKGROUND**

At the February meeting of the Community and Leisure Committee a request was made for information on the requirements of funding from gaming machines and the accessibility of this funding for the purposes of sport and recreation. This report intends to provide an overview of the main funding areas available, the statistical information on the distribution of this funding and the status of the current review of the Gaming and Lotteries Act 1977.

##### **OVERVIEW OF GAMING OPPORTUNITIES IN NEW ZEALAND**

There are a wide range of gambling opportunities in New Zealand such as:

- Casinos
- Lotteries Commission (Lotto, Lotto Strike, Powerball, Telebingo, Daily Keno, etc)
- Race and sports betting
- Gaming machines
- Society-run lotteries (raffles)
- Housie.

This report will consider the details around the accessing of funding by sports organisations from gaming machine operators. All gaming machines outside of a casino area are run for an authorised purpose. That purpose is to raise funds and distribute these funds to community groups or support particular community groups or projects. Operators of gaming machines located in casinos are required to directly distribute the profits from these machines to the community in the same manner.

##### **Gaming Machine Operators**

The Department of Internal Affairs categorises gaming machine operators into two main licensing categories (from the report "A survey of the use of gaming machine proceeds for community and club purposes - where do gaming machine profits go?"):

- Clubs - societies that own and operate gaming machines on their own premises
- Hotel-based trusts - societies that operate gaming machines on premises other than their own.

There are three main sub-categories for each of the above groups.

- Clubs:
  - Chartered clubs/RSA's
  - Sports clubs
  - Other clubs (for example, schools, fire brigades)
- Hotel-based trusts:
  - Single site
  - Multi-site (2-20 sites)
  - National trusts (more than 20 sites. Includes the majority of commonly known trusts; for example, Pub Charities, Southern Trust, Lion Foundation)

As most clubs that own and operate gaming machines on their own premises also use the income from these machines for their own purposes, this report will concentrate on the hotel-based trusts and specifically those six national trusts that own the majority of gaming machines and hence distribute the majority of funds to sports clubs and other non-profit community organisations.

## Background Statistical Information

Table 1

Table 1 shows the number of sites and gaming machines by category as at 31 December 2002 (Source: Department of Internal Affairs, Gaming Machine Statistics). From the table it can be seen that the majority of machines (80.2%) are owned by hotel-based trusts and that the six national trusts within that group own 53.1% of all machines nationwide.

Table 1:

Category of Site	No. of Licensed Societies	No. of Sites	% of National Total	No. of Machines	% of National Total
Pub Charity	1	335	15.7	3,090	12.7
New Zealand Community Trust	1	213	10.0	3,041	12.5
Lion Foundation	1	199	9.3	3,012	12.4
The Southern Trust	1	162	7.6	1,635	6.7
Community Grants Foundation Inc	1	78	3.6	1,136	4.7
Scottwood Group	1	72	3.4	1,016	4.2
<b>Total (National Trusts)</b>	<b>6</b>	<b>1,059</b>	<b>49.6</b>	<b>12,930</b>	<b>53.1</b>
Hotel-Based Trusts (1-20 sites)	125	474	22.2	6,573	27
<b>Total Non-Club</b>	<b>131</b>	<b>1,533</b>	<b>71.7</b>	<b>19,503</b>	<b>80.2</b>
Sports Clubs	268	269	12.6	1,161	4.8
Chartered Clubs	207	212	9.9	2,329	9.6
RSA's	123	123	5.8	1,337	5.5
<b>Total Club</b>	<b>598</b>	<b>604</b>	<b>28.3</b>	<b>4,827</b>	<b>19.8</b>
<b>Total All</b>	<b>729</b>	<b>2,137</b>	<b>100</b>	<b>24,330</b>	<b>100</b>

Of the 24,330 gaming machines nationwide, there are 2,138 (8.79% of national total) spread over 180 sites located in the Christchurch City local authority area.

Table 2

Table 2 shows the total number of licensed gaming machines in New Zealand for the period June 1994 to 31 December 2002 at three monthly intervals. It can be seen that the number of machines has been increasing steadily since 1994.

Table 2:

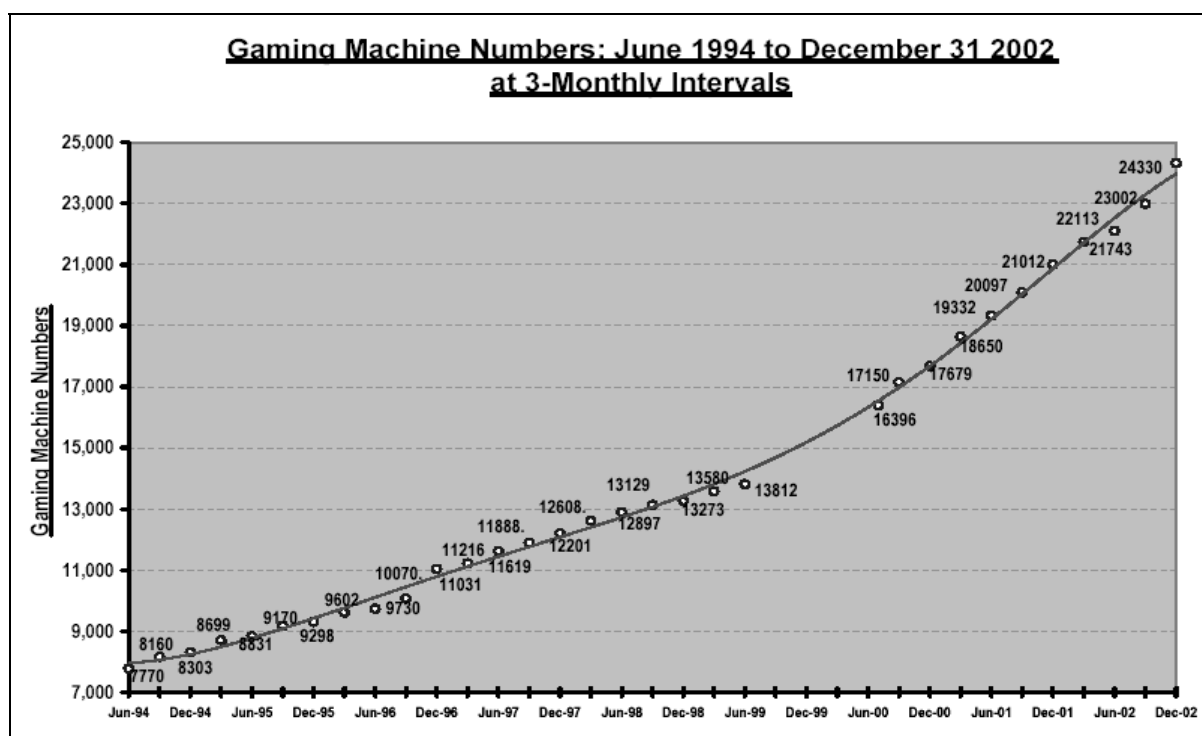
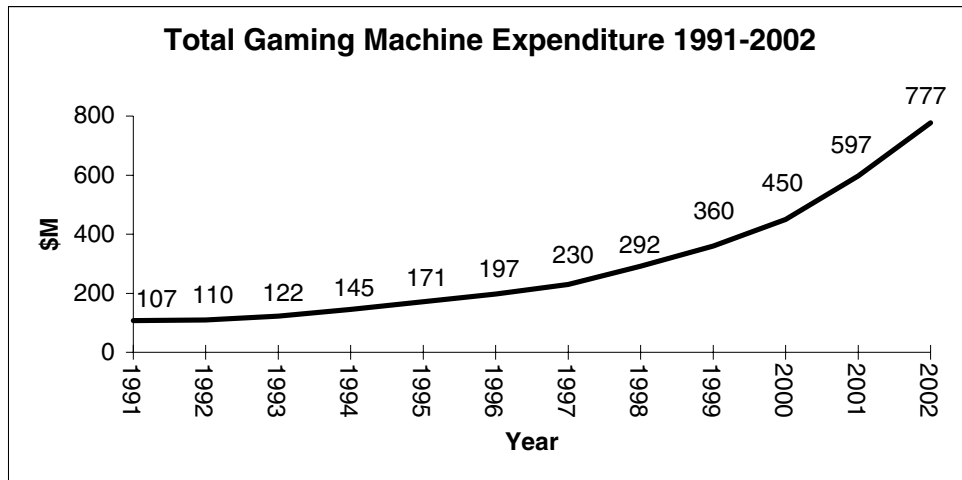


Table 3

Table 3 shows the annual expenditure on gaming machines over the period from 1991 - December 2002. This is the actual (non-inflation adjusted) amount spent (lost) over the time period.

Table 3:



Accurate historical information on the distribution of funds by type (for example, sports, arts, community, etc) is not currently available due to the historical lack of collation of this data. However, Table 4 below shows the amount and percentage of funding for sports and physical activity related organisations through gaming machines (all sites) for 1996 and 1999/2000. This data is the most recent information available through the Department of Internal Affairs but must be read with caution as not all sites have been accounted for in each case and the classification of recipient and purpose has not been consistent. However, it can be seen that a large percentage of funding through gaming machines went to sport and physical activity organisations in both cases. Information gathered by telephone from national trusts indicates similar percentages for grants in the 2002 year.

Table 4

Amount and percentage of funding granted to sport and physical activity organisations through gaming machines.

1996 Grant Total: \$17,122,280		1999/2000 Grant Total: \$151,384,716	
Total Amount 1996	% of Total 1996	Total Amount 1999/2000	% of Total 1999/2000
\$7,876,248	46%	\$70,910,595	47%

**CURRENT APPLICATION CRITERIA FOR SIX NATIONAL TRUSTS**

Below is a summary of the current application criteria and funding limitations for each of the six major national trusts and a major local trust, the Canterbury Foundation.

**Pub Charity**

Any charitable, philanthropic, cultural or party political purpose, or any other purpose that is beneficial to the community or any section of it. This shall include, but not be limited to:

- The provision, or the assistance in the provision of facilities, equipment, or playing or training uniforms for sporting clubs and amateur sporting teams playing in recognised, published leagues or competitions.
- Grants for charitable purposes including the relief of poverty or welfare assistance through donations to recognised social service or welfare agencies.
- Grants to educational or training organisations through the provision of scholarships or equipment which is administered by the recipient educational organisation.
- Grants for recognised cultural or philanthropic activities or groups within the local community.

With the exception of any funds retained for distribution to national societies or agencies, funds must be distributed in the general community area in which they were raised.

### *General*

- Applications from Territorial Local Authorities may be considered for projects and programmes which fulfil the above criteria and which have a community component.
- Applications for physical activity and recreation-based programmes may be considered as long as the applicant group complies with the eligibility criteria and is an incorporated society or is affiliated to a national body or has some other legal status.
- There is no maximum number of applications a group may submit in any year but a maximum of 20% only is permitted to be granted from any gaming machine to any one organisation in a year.
- There is no closing date - applications will be considered when received.

### **New Zealand Community Trust**

Any charitable, philanthropic, amateur sport, cultural or any other purpose that is beneficial to the community or any section of it. This shall include, but not be limited to:

- The provision, or the assistance in the provision, of facilities, equipment, and/or playing/training uniforms for sporting clubs and amateur sporting teams playing in recognised, published leagues or competitions, and/or
- Grants for charitable purposes including the relief of poverty or welfare assistance through donations to recognised social service or welfare agencies, and/or
- Grants to educational or training organisations through the provision of scholarships or equipment which is administered by the recipient educational organisation, and/or
- Grants for recognised cultural or philanthropic activities or groups within the local community.

Please note: With the exception of any funds retained for distribution to national societies or agencies, funds must be distributed within the general community area in which they were raised.

### *General*

- Applications from Territorial Local Authorities may be considered for projects and programmes which fulfil the above criteria and which have a community component.
- Applications for physical activity and recreation-based programmes may be considered as long as the applicant group complies with the eligibility criteria and is an incorporated society or is affiliated to a national body or has some other legal status.
- There is no maximum number of applications a group may submit in any year but a maximum of 20% is permitted to be granted from any gaming machine to any one organisation in a year.
- There is no closing date - applications will be considered when received.

### **Lion Foundation**

Funds available for distribution will be applied to any charitable, philanthropic or cultural purpose, or any other purpose that is beneficial to the community or any section of it. This includes but is not limited to:

- The provision, or the assistance in the provision of facilities, equipment or playing/training uniforms for sporting clubs and amateur sporting teams affiliated to the appropriate regional or national body, playing in recognised, published leagues or competitions, and/or
- Grants for charitable purposes including the relief of poverty or welfare assistance through donations to recognised social service or welfare agencies, and/or
- Grants to educational or training organisations for scholarships or equipment which is administered by the recipient educational organisation, and/or
- Grants to recognised cultural or philanthropic activities or groups.

With the exception of grants to national societies or agencies, funds are mainly distributed within the local community in which they are raised.

### *General*

- Applications from Territorial Local Authorities may be considered for projects and programmes which fulfil the above criteria and which have a community component.
- Applications for physical activity and recreation-based programmes may be considered as long as the applicant group complies with the eligibility criteria and is an incorporated society or is affiliated to a national body or has some other legal status.

- There is no maximum number of applications a group may submit in any year but applicants are encouraged to submit fewer significant applications rather than many smaller applications.
- There is no closing date for applications but applications for amounts of \$30,000 and over will only be considered on a monthly basis.

### **Southern Trust**

Any charitable, philanthropic, amateur sport, cultural or any other purpose that is beneficial to the community or any section of it. This shall include, but not be limited to:

- Grants for the provision, or towards the provision, of facilities, equipment, and/or playing/training uniforms for sporting clubs and amateur sporting teams playing in recognised, published leagues or competitions, and/or
- Grants for charitable purposes, including the relief of poverty or welfare assistance through donations to recognised social service or welfare agencies, and/or
- Grants to educational or training organisations through the provision of equipment or scholarships that are administered by the recipient educational organisation, and/or
- Grants for recognised cultural or philanthropic activities or groups within the local community.

#### *General*

- Applications from Territorial Local Authorities may be considered for projects and programmes which fulfil the above criteria and which have a community component.
- Applications for physical activity and recreation-based programmes may be considered as long as the applicant group complies with the eligibility criteria.
- Any group may only submit a maximum of two applications per year.
- Applications close on the 20th of each month.

### **Community Grants Foundation Inc.**

Any charitable, philanthropic, cultural or party political purpose, or any other purpose that is beneficial to the community or any section of it. This shall include, but not be limited to:

- The provision, or the assistance in the provision of facilities, equipment, or playing or training uniforms for sporting clubs and amateur sporting teams playing in recognised, published leagues or competitions.
- Grants for charitable purposes including the relief of poverty or welfare assistance through donations to recognised social service or welfare agencies.
- Grants to educational or training organisations through the provision of scholarships or equipment which is administered by the recipient educational organisation.
- Grants for recognised cultural or philanthropic activities or groups within the local community.

With the exception of any funds retained for distribution to national societies or agencies, funds must be distributed in the general community area in which they were raised.

#### *General*

- Applications from Territorial Local Authorities may be considered for projects and programmes which fulfil the above criteria and which have a community component.
- Applications for physical activity and recreation-based programmes may be considered as long as the applicant group complies with the eligibility criteria and is an incorporated society or is affiliated to a national body or has some other legal status.
- There is no maximum number of applications a group may submit in any year but a maximum of 20% only is permitted to be granted from any gaming machine to any one organisation in a year.
- There is no closing date - applications will be considered when received.

### **Scottwood Group**

Any charitable, philanthropic, cultural or party political purpose, or any other purpose that is beneficial to the community or any section of it. This shall include, but not be limited to:

- The provision, or the assistance in the provision of facilities, equipment, or playing or training uniforms for sporting clubs and amateur sporting teams playing in recognised, published leagues or competitions.

- Grants for charitable purposes including the relief of poverty or welfare assistance through donations to recognised social service or welfare agencies.
- Grants to educational or sporting organisations through the provision of scholarships, equipment and other purposes as set out above, which are administered by a recipient trust, educational or sporting organisation.
- Grants for recognised cultural or philanthropic activities or groups within the local community.
- The provision of coaching, training or development programmes in schools, community groups or to junior or intermediate amateur sporting teams through the conduct of coaching clinics, sporting or cultural demonstrations or motivational sessions. Actual and reasonable reimbursement of expenses and fees associated with the conduct of these clinics or sessions.

#### *General*

- Applications from Territorial Local Authorities may be considered for projects and programmes which fulfil the above criteria.
- Applications for physical activity and recreation-based programmes may be considered as long as the applicant group complies with the eligibility criteria.
- Only one application per year from any group will be considered.
- Applications must be received by the 1st of each month to be considered for that month's round.

#### **Canterbury Foundation Ltd (Local)**

1. Promotion of any amateur sport where that sport is conducted for the recreation of the general public. This shall include, but not be limited to, the provision of facilities, or the assistance in the provision of facilities, equipment, coaching or playing uniforms for sporting clubs and amateur sporting teams playing in recognised, published leagues or competitions. No donations and/or payments to professional sports people.
2. Grants that assist any charitable purpose including the relief of poverty or the provision of welfare assistance through donations to recognised social services or welfare agencies.
3. Grants that assist any cultural, philanthropic or party political purpose or any other purpose that is beneficial to the community or any section of it.
4. Grants to educational or training organisations through the provision of scholarships (provided that the recipients of such scholarships are selected in a fair and open manner after public advertising) or equipment or the development of better student amenities that are administered by the recipient organisation.

No payment, commission or any other kind of financial reward can be attached or demanded as a pre-condition for either the issuing of any authorised purpose grant application forms, or the payment of any authorised purpose grants.

#### **RECENT CHANGES TO THE OPERATION OF GAMING MACHINE FUNDING**

A criticism of the previous process of applying for grants was that the site operator (often a private establishment such as a tavern or pub) had too much influence on the application process. In order to address this situation the Department of Internal Affairs recently put the following conditions on the process for applying for grants through Gaming Machine Societies:

“From 1 January 2003, sites must have application forms openly available near gaming machines without you having to ask staff or managers for a copy. The site must not put any restrictions or conditions on your access to the application forms.

You must send your application directly to the society and not through a site. Also, the society must deal with you directly and not communicate with you through the site.”

Consequently the application criteria from all the above societies clearly stipulates the following in all cases:

“No payment, commission or any other kind of reward, financial or otherwise, can be attached or demanded as a condition for either; the issuing of a grant application form, or the payment of a grant.”

## **CURRENT GAMING REVIEW**

In June 2000 the Government announced that a comprehensive review of gaming was to be undertaken by the Department of Internal Affairs. The Department produced a discussion document and sought input from the public and interested parties. Submissions closed on 30 April 2001.

The following key themes of high-level decisions indicates the direction of the Gaming Review and what the Government wants to achieve.

- Gambling will be primarily used to raise funds for the community
- The harm caused by gambling will be minimised
- There will be local involvement in decisions about the availability in communities of the more risky forms of gambling
- There will be controls on the growth of gambling.

## **Responsible Gambling Bill**

The ensuing Responsible Gambling Bill was introduced to Parliament on 19 February 2002, and was referred to the Government Administration Select Committee. Public submissions on the Bill closed on 2 April 2002. The Select Committee presented its report to Parliament on 19 November 2002.

The Bill will reflect the principle that gamblers, gambling operators and the Government should all act responsibly and with integrity.

The following is a summary of the major implications from the Bill around the use of Gaming machines:

1. There will be limits on the number of gaming machines on any site. In general:

- New sites will be restricted to nine gaming machines
- Existing sites will retain the current 18-machine limit.

(Note: This provision is retrospective to 18 October 2001).

2. Communities will be able to veto:

- New gaming machine sites (retrospective to 18 October 2001).
- Proposals to add machines to existing sites.

To facilitate this, the Bill stipulates that each Territorial Local Authority must, within six months after the commencement of the Bill, adopt a policy on class 4 venues (effectively those venues with gaming machines).

The 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.

Territorial Local Authorities would then consider applications for consent in accordance with these policies.

3. Subject to the community veto, there will be a Ministerial discretion to vary gaming machine numbers upwards. This will apply only for clubs on non-commercial premises (not, for example, pub sites). The Ministerial discretion will allow upward variation of machine numbers to a maximum of:

- 30 machines at any existing site where two or more genuine clubs want to merge
- 18 machines on new club sites.

4. There will be a series of accountability enhancements to ensure that gaming machines are operated with integrity, including:
  - Minimum standards for community grants
  - A prohibition of site operator involvement in the making of grants
  - Auditing of grant recipients
  - Powers for the regulator to specify legitimate site expenses and suitability criteria for sites and operators.
5. Gaming machines will be monitored electronically. This will:
  - Simplify the management and auditing of gaming machine operations and the tracking of funds
  - Help to minimise theft and dishonesty.
6. After an appropriate transition period, pubs and clubs will not be allowed to call themselves "casinos".

#### **FILLING GAP LEFT BY COMMUNITY SPORT FUND**

In 2002 Sport and Recreation New Zealand (SPARC) decided to cease operating the Community Sport Fund throughout New Zealand. At the time this solicited a strong response from the sporting community worried about the loss of a source of funding used to assist in the provision of sport and active recreation across the country.

Although the fund was always oversubscribed and supported many club projects throughout Christchurch, the withdrawal of the Community Sport Funding should be put in perspective and compared to the relative distribution of funds via the gaming machines.

In 1999/2000 (the latest year for which we have accurate data from gaming machine operators) sport and physical activities received almost \$71 million nationally from gaming machines. This does not include funding from machines owned by sports organisations themselves and used for the clubs' own purposes. This compares to \$5,744,668 available nationally from the Community Sport Fund in 2000.

Assuming similar percentages, the total amount of funding allocated to sports organisations for the 2002 year would have been approximately \$153 million. This is 26 times as much as the Community Sport Fund available nationally in 2002 (\$5,744,668). Given the dramatic increase in the number and usage of machines throughout the country and hence the increase in funding available, it is considered that sports organisations applying to one or many of the available national gaming trusts should not have trouble filling the funding gap left by the Community Sport Fund.

#### **SUMMARY**

The number of gaming machines and the income distributed from these machines has risen dramatically in the last ten years. A small percentage of gaming machines are owned by a particular sport or society with all funds used specifically for that society's purposes but the majority of contestable funding from gaming machines throughout New Zealand is distributed by six national trusts to a variety of sporting, cultural, welfare and arts groups.

Sport and recreation is a large recipient of this funding, receiving almost half of all grants made on average. The funding from gambling machines is now such a significant component of income for sports and recreation clubs that it is essential for the survival of many of these organisations in Christchurch and throughout New Zealand.

Recent licensing restrictions imposed by the Department of Internal Affairs have made the application and granting process more transparent and less influenced by the site operator.

The Responsible Gambling Bill is due to go to a second reading in the first half of 2003. The Bill proposes to:

- (a) Limit the maximum number of gaming machines per site.
- (b) Give the local community the authority to veto new gaming machine sites and any increases in the number of machines per site.
- (c) Increase the accountability and monitoring of gaming machine operators.
- (d) Oblige all Territorial Local Authorities to develop a gaming machine venue policy with which to consider any applications for consents as above.



The amount distributed to sport and recreation organisations via gaming machine trusts is significantly larger than the funding through SPARC's Community Sport Fund. Therefore, the loss of funding from the Community Sport Fund should not necessarily have a significant long term effect on sports club funding and should be able to be accommodated through the redirection of applications to the various gaming machine trusts in New Zealand.

**Staff**

**Recommendation:** That the information be received.

**Chairperson's**

**Recommendation:** That the information be received.