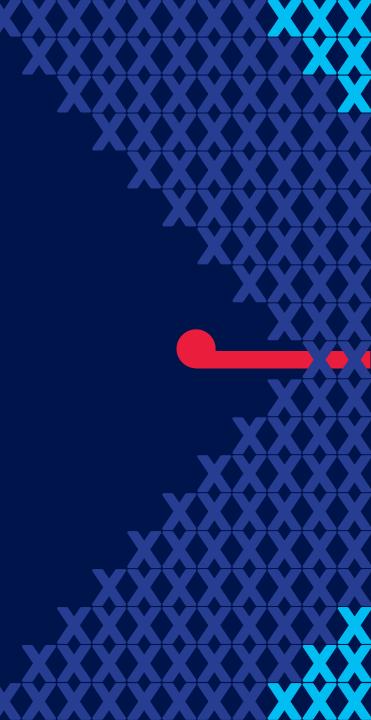
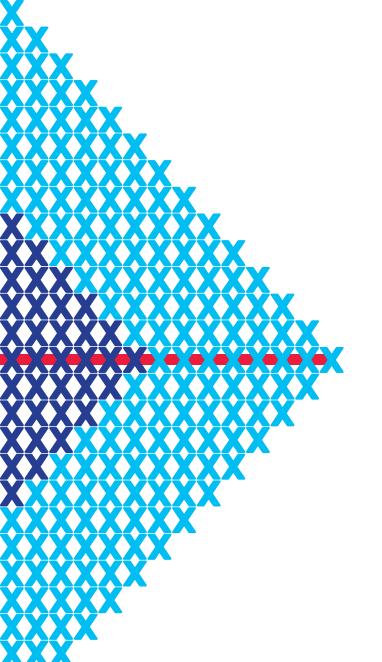
# Arms Regulations

Review of fees 2022 – Consultation (Theatrical)

January 2023







## INTRODUCTIONS

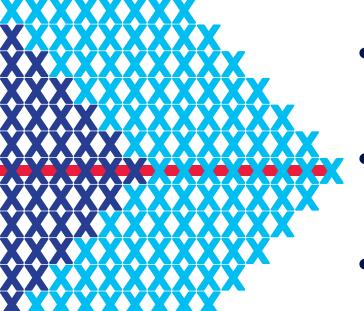


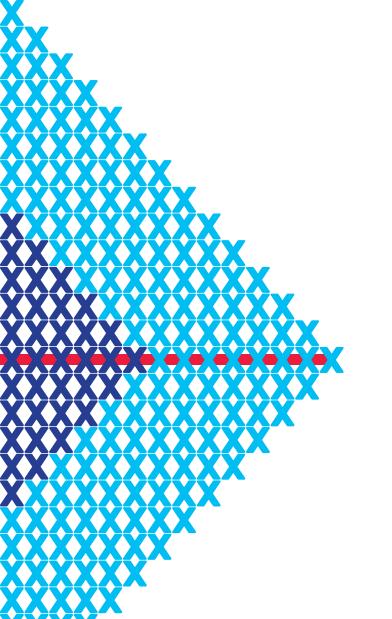




- Feedback should be provided through the submission process
- Questions of clarification may be put during the presentation
- General questions and discussion at the end of presentation

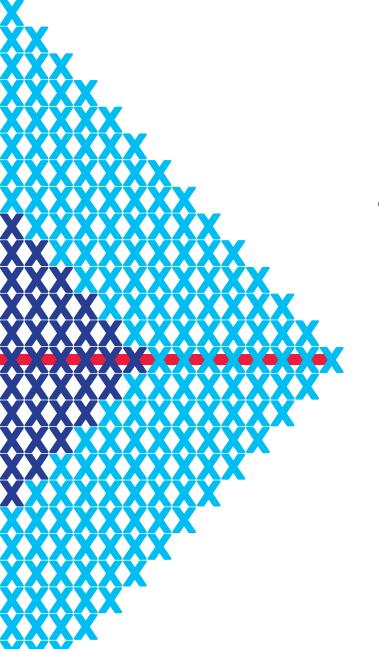






# CONTEXT & OVERVIEW





## Roadmap

## Context and overview

- Operating environment and regulatory settings
- Scope of cost recovery
- Overview of costing methodology
- Fees related to use of firearms for theatrical performance



# OUR OPERATING ENVIRONMENT AND THE IMPACT ON COST TO REGULATE

- The firearms regulator is undergoing transformation to increase efficiency and effectiveness through process optimisation and digitisation of service.
- The global economic environment and future service demand and costs are uncertain. Recent trends indicate Police's costs are likely to increase.
- Detailed analysis of current and expected costs have been used to calculate fees from information available at March 2022 and expected for FY 2023-FY 2032
- More regular fee reviews are anticipated to baseline costs and assess the contributions from firearms licence holders and the Crown



## EXAMPLE: ACTIVITIES CARRIED OUT FOR FIREARMS LICENCES

The activities eligible for cost recovery a listed in the Act. Those specific to each regulatory service are listed in discussion document. For example the activities required to assess fit and proper status of firearms licence applicants and to achieve ongoing compliance are listed in the discussion document:

- Provide Firearms Safety Course and Arms Code
- Contact Applicant, Referees (including unrelated referee) complete Vetting Interviews
- Respond to Information Requests from applicants
- Vetting Checks
- Prepare Vetting Packages
- Compliance Activities (site visit/security check)

- Review and Document Findings
- Consideration to Refuse Documentation
- Prepare Notice to Refuse Documentation
- Card Management (issue, replacement)
- Compliance activity through licence period (change of address, security check visits/audit after licence issued)

- Issue Improvement Notices to licence holder where required
- Seize Firearms/Firearms Licence
- Serve of Suspension/Revocation Notice
- On going desk-top vetting checks
- Update records following victim reports and reports of theft and burglary.



## WHAT COSTS MAY BE RECOVERED?

Section 80 of the Arms Act sets out the activities eligible for cost recovery:

- Police may impose fees or charges to cover the costs of processing:
  - Processing/issuing any application for licences, (firearms, dealer's, visitor)
  - Providing training and testing
  - Processing and issuing endorsements on licences and permits to possess endorsed items
  - Processing and issuing import permits

- Processing and issuing certificates and approvals including clubs or ranges
- Inspections and assessing compliance with licence and endorsement conditions
- Issuing approvals to manufacture for sale
- Sample Testing
- Cost recovery does not extend to:
  - Calls relating to potential offending
  - Criminal investigations
  - Prosecutions



## HOW WE CAN RECOVER COSTS?

## The Arms Act set out how fees may be set

- Under section 83 of the Arms Act, the fees can be:
  - A fixed fee
  - A fee that allows for variations in the amount of work required
  - ▶ To recover payments to third parties
  - Based on an average
  - Set to recover indirect costs

- Under section 81 of the Arms Act, fees must:
  - Be no more than actual and reasonable costs
  - Obtain the fee from the users/beneficiaries
  - Not build in inefficiencies
  - Show a clear relationship between the costs and fees



## FEE STRUCTURES

## All the fee structures proposed follow a consistent approach

- Fixed fees (average cost) based on time to complete an application by:
  - Arms officers
  - Arms Administrators
  - Vetters
  - National service Centre staff

Suits a large number of applicants

- Fees with a fixed and variable component costs reflect the amount of work. Applies to smaller numbers of applicants and the cost to Police varies significantly
- Second and subsequent fees are lower than first time applications, if some work is not required for second and subsequent applications
- Compliance activities mean some costs are incurred over the duration of licences, permits, consents

- All fees incorporate an overhead component which includes property, vehicles, ICT, and other indirect costs incurred to support the provision of services
- Overheads are allocated according to the effort applied to each service



## 1. OVERVIEW OF COSTING METHOD

The following provides a breakdown of the core elements the costing methodology is based on:

## **Direct Personnel Cost**

- Each service requires input from operational staff and costs are different for each service
- We have used the midpoint of salary bands plus superannuation and allowances

## **Indirect Cost**

- Indirect costs include required corporate functions (ie. Finance, HR, Strategy, Comms and Engagement) and overheads (ie. property, vehicles, ICT systems and support) provide services
- The indirect costs have been apportioned to each service



## 2. OVERVIEW OF COSTING METHOD

The following provides a breakdown of the core elements the costing methodology is based on:

## **Travel Cost**

- For some services travel is a significant part of costs especially for:
  - vetting of applicants,
  - site assessments (reconciliation of items held, audits, determining any conditions required for security, processes, and others
  - compliance visits (for example, storage and security checks)

## Anticipated Efficiency Gains and Cost reductions for second and subsequent applications

- Efficiency gains have been factored in as a result of the implementation of the Arms Information System and the digitisation of the service offering.
- In some case second and subsequent fees are reduced because some work does not need to be repeated.

## INPUTS INTO THE FEE CALCULATIONS

- Subject matter experts some internal to Police and external stakeholders have had input into the fee proposals
- The work has been carried out over several years including identifying the individual tasks for each service and their duration
- Stakeholders in the firearms community have provided considerable input to evidence base
- Police databases, statistics and independent research have been used

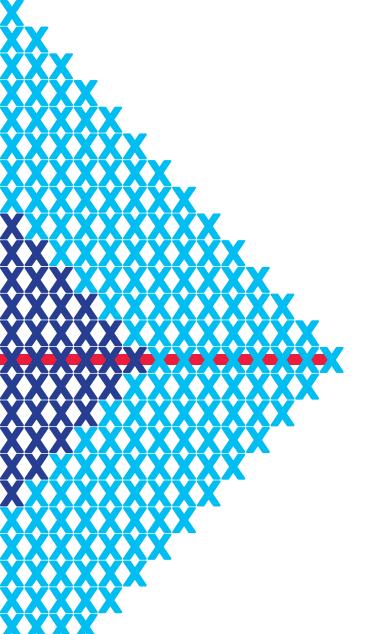


## INDEPENDENT ASSURANCE ON METHODOLOGY

We recognise that it is crucial that fee payers have confidence in how Police's costs are reflected in the fees and charges that they pay.

- An independent external audit will be completed to ensure our methods are sound
- If the audit finds that adjustments are required then these changes will be carried out
- The audit report will be released to the firearms community





# FEES RELATED TO USE OF FIREARMS FOR THEATRICAL PERFORMANCE



## Licensing for theatrical firearm use

Type of licence	Scenario	Fees		
A. Dealer  B. Dealer employed  Theatrical armourer	Dealer hires out theatrical services (onsite control and supervision) provided by a theatrical armourer with conditions applied to the dealer's licence.   Dealer employs an armourer to give onsite control and supervision.	Annual fee for dealer's licence and endorsement (s) applied to dealer's licence   Firearms licence, licence endorsement (5 or 10 year licence) i hiring out items requiring endorsement  Fee for change of place of business		
C. Firearms licence and theatrical endorsement (pistols, prohibited, restricted weapons)	Must apply to use endorsement items away from their property (Permission to carry)  Can only supervise one unlicensed person – can only be a theatrical armourer when items have been hired out by a dealer	5 or 10 year licence fees (not discussed today)  Endorsement fee attached to FL Fee for permission to carry endorsed item beyond curtilage		
		Permit to possess		



# A & B. Dealer change place of business (employment of a theatrical armourer (Section 6.1))

A dealers licence is restricted to one place of business

Consent is required specifying certain aspects of the site where the production will take place

The work requires assessment of a proposal with sufficient detail to assess security, risks to persons and property, and determine if any conditions are required

An onsite visit may be required

Consent additional site (theatrical armourer)	Consent additional site		
Cost per hour including business unit cost (\$hr)			
EMP: Arms Officer	143		
EMP: Arms Administrator	129		
Time Taken by Resource Type per Application (Hours)			
EMP: Arms Officer	7.2		
EMP: Arms Administrator	7.2		
Total Annual FTE cost based on predicted number of applications			
EMP: Arms Officer	1,030		
EMP: Arms Administrator	928		
Fee exclusive of GST	1,958.17		
Fee inclusive of GST	2,250.00		



## A. Dealer endorsements

Dealer and employee endorsements applications Cost Model

**Dealer Endorsements** 

Option B Dealer employee (i) First application for each employee (arms items requiring endorsement)

Option B Dealer employee (ii) Each employee second/subsequent endorsement

Cost per	hour	including	<b>business</b>	unit	cost
(\$hr)					

EMP: Arms Officer	143	143	
EMP: Administration Support			143
Time Taken by Resource Type per Application (Hours)	0.70	1.80	0.70
Fee exclusive of GST	100.00	260.00	100.00
Fee inclusive of GST	120.00	300.00	120.00



## THEATRICAL ENDORSEMENTS (FOR THE PURPOSES OF DISPLAY AND RE-ENACTMENTS)

The following regulatory activities are required for all endorsement types applied to a firearms licence:

- processing of applications vetting, interviewing applicant, referees
- site visit on application checking security, change of address and checking security following reported theft or burglary
- produce and issue endorsed licence card
- process fees

## **PLUS**

- For theatrical re-enactment enabling blank-firing of endorsed items held solely for re-enactment purpose
  - specify conditions and audit



## FIREARMS LICENCE -THEATRICAL ENDORSEMENTS (FOR THE PURPOSES OF DISPLAY AND RE-ENACTMENTS)

#### OPTION A – A SINGLE FIXED FEE ACROSS ALL ENDORSEMENT TYPES

based on the average cost of the required regulatory activities.

OR

#### OPTION B - A FEE FOR ENDORSEMENT TYPE

A fixed fee to recover the costs to complete the required regulatory activities. This fee required to recover costs is \$1,230 – \$1,360 (Incl. GST) plus \$10 per item displayed or used for re-enactment.

#### The personnel required are:

- National ServiceCentre processingresources
- Arms Administrators

- Vetting resources
- **Arms Officers**



C. Firearms licence and theatrical endorsement (pistols, prohibited, restricted weapons)

Endorsement applications Cost Model	Option A  Averaging the costs across all endorsements	Option B (v) Theatrical endorsements (for		
	(Weighted All)	display and re- enactments)		
Endorsement activity based application				
Processing and Travel time				
EMP: Administration Support				
EMP: National Service Centre		6.1		
EMP: Vetter		0.4		
Cost		4		
EMP: Administration Support				
Zim i i i i i i i i i i i i i i i i i i		873		
EMP: National Service Centre		0/3		
		57		
EMP: Vetter				
		580		
Additional Administrative, Vetting and Compliance activity		20%		
Endorsement activity based application Cost				
		1,812		
Application process cost				
FF F		540		
Travel costs (between applications)				
Compliance visits between applications		3		
Travel time per visit		2		
EMP: Arms Officer (\$/hr)		143.1		
Travel costs (between applications)		143.1		
		858.57		
On-site reconciliation (average) incl on application Cost				
EMP: Arms Officer (\$/hr)		143.1		
Reconciliation cost		143.1		
		7.15		
Compliance visits between applications		3		
Average holdings		10.42		
On-site reconciliation (average) incl on application Cost				
		298.13		
Total cost by Endorsement type		1,696.56		
		1,030.30		
For avaluative of CST				
Fee exclusive of GST	1,249.65	1,122.38		
Fee inclusive of GST				
	1,440.00	1,290.00		



## PERMIT TO POSSESS AN ITEM NEEDING ENDORSEMENT

- Full cost recovery are proposed for these permits, as these items are held for the direct benefit of the licence holder for commercial, sporting, display or recreational purposes. The following regulatory activities are required for this permit:
  - receive application for permit
  - consider if the item is appropriate to the endorsement on the applicant's licence
  - consider if the item is appropriate to the conditions on the holders endorsed licence
  - approve or decline
  - reconcile and update the Police database



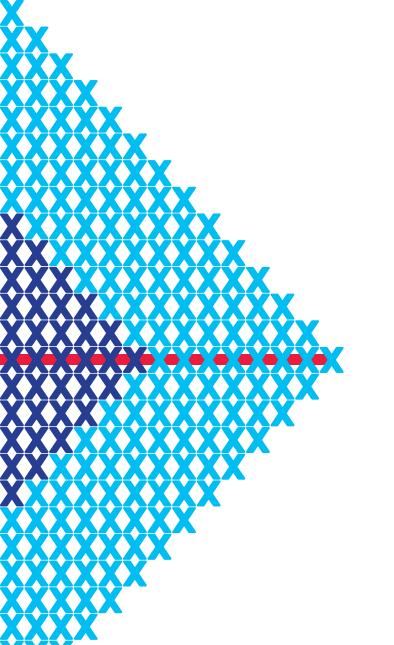
## **NEXT STEPS**

- Submissions close on 16 February 2023.
- An external consultant will read and analyse the submissions before recommendations are made to the Minister of Police.
- The recommendations will take into consideration the feedback received from consultation.
- Any new fees need to be approved by Cabinet for a variety of reasons, at this stage, we do not expect any decisions until mid-2023 at the earliest and any fees taking effect during the 2023/24 financial year.
- We will update the sector on progress once decisions have been made by Cabinet.



## Questions and discussion





# DETAILED OVERVIEW OF CALCULATIONS



# DEALER CONSENT FOR ADDITIONAL SITE (EMPLOYEE THEATRICAL ARMOURER)

#### Average direct and indirect cost relating to processing of applications

Below is a summary of the calculations underpinning this fee:

- Calculation 1 Processing time per consent
  - Arms Officer rate p/hr \$143 and Arms Administrator p/hr \$129
- Calculation 2 Hours required per Application
  - Arms Officer 7.2 hrs and Arms Administrator 7.2 hrs
- Calculation 3 Determine Total Personnel Cost
  - Arms Officer 7.2 hours x \$143 and Arms Administrator 7.2 hrs x \$129
- Calculation 4 Determine Total Cost
  - Arms Officer \$1,030 + Arms Administrator \$928 = \$1,958 (excl GST) or \$2,250 (inclusive GST)

Consent additional site (theatrical armourer)	Consent for Additional site		
Cost per hour including business unit cost (\$hr)			
EMP: Arms Officer	143		
EMP: Arms Administrator	129		
Time Taken by Resource Type per Application (Hours)			
EMP: Arms Officer	7.2		
EMP: Arms Administrator	7.2		
Total Annual FTE cost based on predicted number of applications			
EMP: Arms Officer	1,030		
EMP: Arms Administrator	928		
Fee exclusive of GST	1,958.17		
Fee inclusive of GST	2,250.00		

# PERMIT TO POSSESS AN ITEM NEEDING ENDORSEMENT

## Average direct and indirect cost relating to processing of applications

Below is a summary of the calculations underpinning this (on average per annum):

#### ▶ Calculation 1 – Determine total Processing time

- Number of predicted annual Application (~7282) x Time (hours) taken by resources to process (~0.3hrs) = Total processing time (Hours) required (~2,185hrs)
- Calculation 2 Determine Number of FTE's required per annum
  - Total Hours Required (~2,185hrs) / Productive Hours in a Year (1,635hrs) = Total FTE's Required (~1.34 FTE's)
- Calculation 3 Determine Total Personnel Cost
  - Total FTE's Required (~1.34 FTE's) x Mid-point of roles (~\$61,950) =
     Total Personnel Cost (~\$83k)
- Calculation 4 Determine Total Indirect Cost
  - Ratio of total Cost to Activity Based Cost (2.40) x Direct Personnel Cost (~\$83k) = Total Indirect Cost (~\$199k)
- Calculation 5 Determine the average cost per application
  - Total Cost( Direct personnel cost + Indirect Cost) (\$282k) / Annual Application Numbers (~7282) = Average Cost per application (~\$39 excl. GST)

Fee for each permit to Possess at cost - Cost Model	Jun-23	Jun-24	Jun-25	Jun-26	Jun-27	Jun-28	Jun-29	Jun-30	Jun-31	Jun-32	Total
Predicted Number of Permit to Possess applications	7,282	7,282	7,282	7,282	7,282	7,282	7,282	7,282	7,282	7,282	72,820
Time Taken by Resource Type per Application (Hours)	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	0.30	
Total Time required based on predicted number of applications (Hours)	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	2,185	21,846
Productive Hours / Year	1635	1635	1635	1635	1635	1635	1635	1635	1635	1635	
Total FTE's required based on predicted number of											
applications (Hours)	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	1.34	13
Total Annual FTE cost based on predicted number of applications	82,774	82,774	82,774	82,774	82,774	82,774	82,774	82,774	82,774	82,774	827,739
Indirect Cost											
Total Indirect Cost	100.763	100.763	100.763	100.763	100.763	100.763	100.763	100.763	100.763	100.763	4 007 646
Total Indirect Cost	198,762	198,762	198,762	198,762	198,762	198,762	198,762	198,762	198,762	198,762	1,987,616
Total Cost (Activity Base + Indirect Cost)	281,535	281,535	281,535	281,535	281,535	281,535	281,535	281,535	281,535	281,535	2,815,355
Average direct and indirect cost (fee excl GST)											
NSC: Visitor permit applications	38.66	38.66	38.66	38.66	38.66	38.66	38.66	38.66	38.66	38.66	
Average direct and indirect cost (fee excl GST)	38.66	38.66	38.66	38.66	38.66	38.66	38.66	38.66	38.66	38.66	
Average direct and indirect cost (fee excl GST) over 10 Years	39										
Average direct and indirect cost (Incl GST) over 10 Years	44										

