

# *Arms Regulations*

## *Review of fees 2022 – Consultation (Firearms Licence)*

February 2023





# ***INTRODUCTIONS BY PARTICIPANTS***



# ***PURPOSE OF PRESENTATION***

- Information sharing on the cost model
- Questions of clarification during the presentation
- Discussion after the presentation
- This is not a substitute for the submission process and additional submissions are invited as a result of this session



# OVERVIEW

## *Context and overview*

- Operating environment and regulatory settings
- Scope of cost recovery
- Overview of costing methodology
- Fees related to firearms licences

# ***THE OPERATING ENVIRONMENT AND THE IMPACT ON COST TO REGULATE***

- ✦ The global economic environment and future service demand and costs are uncertain. Recent trends indicate the costs to Police are likely to increase.
- ✦ Identifying the cost of delivering the Regulatory system were those available as at March 2022. Expected costs for FY 2023-FY 2032 were used to identify the total cost to deliver the Arms Act requirements through the ten year period and those eligible for offset through recovery of fees.
- ✦ For service that delivers on all regulatory requirements – it is what is required (staffing and other resources) and used in the business case for funding granted by the Government for Budget 2022
- ✦ The firearms regulator is investing in systems to increase efficiency and effectiveness through process optimisation and digitisation of service.
- ✦ More regular fee reviews would allow for fee adjustments both increases and decreases to adjust for inflation and efficiencies.

# 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:
  - ✦ applications for licences, (firearms, dealer's, visitor)
  - ✦ training/ testing
  - ✦ endorsements on licences and permits to possess endorsed items
  - ✦ import permits
  - ✦ certificates and approvals including clubs or ranges
  - ✦ Inspection/ assessment compliance with licence and endorsement conditions
  - ✦ approvals to manufacture
  - ✦ sample testing
- ✦ Costs associated with the transformation have not been included
- ✦ Cost recovery does not extend to:
  - ✦ Calls relating to potential offending
  - ✦ Criminal investigations
  - ✦ Prosecutions

# ACTIVITIES CARRIED OUT FOR FIREARMS LICENCES

*Section 80 would include those listed below and other activities not listed below:*

- ▶ Provide Firearms Safety Course and Arms Code
- ▶ Consideration to Refuse Documentation
- ▶ Serve Suspension/Revocation Notice
- ▶ Contact Applicant, Referees (including unrelated referee) complete Vetting Interviews
- ▶ Prepare Notice to Refuse Documentation
- ▶ On going desk-top vetting checks
- ▶ Respond to Information Requests from applicants
- ▶ Card Management (issue, replacement)
- ▶ Update records following victim reports and reports of theft and burglary.
- ▶ Vetting Checks
- ▶ Compliance activity through licence period (change of address, security check visits/audit after licence issued)
- ▶ Prepare Vetting Packages
- ▶ Issue Improvement Notices to licence holder where required
- ▶ Compliance Activities (site visit/security check)
- ▶ Review and Document Findings
- ▶ Seize Firearms/Firearms Licence

# 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

The authority to set fees is not new but the method has not been explicit.

These provisions provide greater assurance to fee payers because a clear relationship between costs and fees is required.

Fees cannot be changed without consultation.



# FEE STRUCTURES

*Following Section 83 the fee structures proposed follow a consistent approach:*

- ▶ **Fixed fees** (average cost) based on time to complete an application by:
  - Arms officers
  - Arms Administrators
  - Veters
  - National service Centre staffSuits a large number of applicants
- ▶ **Fees 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** lower than first time applications to avoid charging for work not required
- ▶ **Compliance activities** are costs incurred over the duration of licences, permits, consents

# 1. RECOVERABLE COSTS

The core elements of recoverable costs are:

## *Direct Personnel Cost*

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

## *Indirect Costs*

- ✦ Necessary corporate functions (ie. Finance, HR, Strategy, Comms and Engagement) and overheads (ie. property, vehicles, ICT systems and support) provide services
- ✦ ICT is a major component – leases hardware, software, and support
- ✦ The indirect costs have been apportioned to each service ie. If a service involves 50% of the direct costs to Police that service is allocated ~50% of indirect

## 2. RECOVERABLE COSTS (CONTD.)

### *Travel Costs are high*

- ✦ For some services travel is a significant part of costs especially for:
  - ✦ vetting of applicants,
  - ✦ site assessments (reconciliation of items held, audits, determining/confirming 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

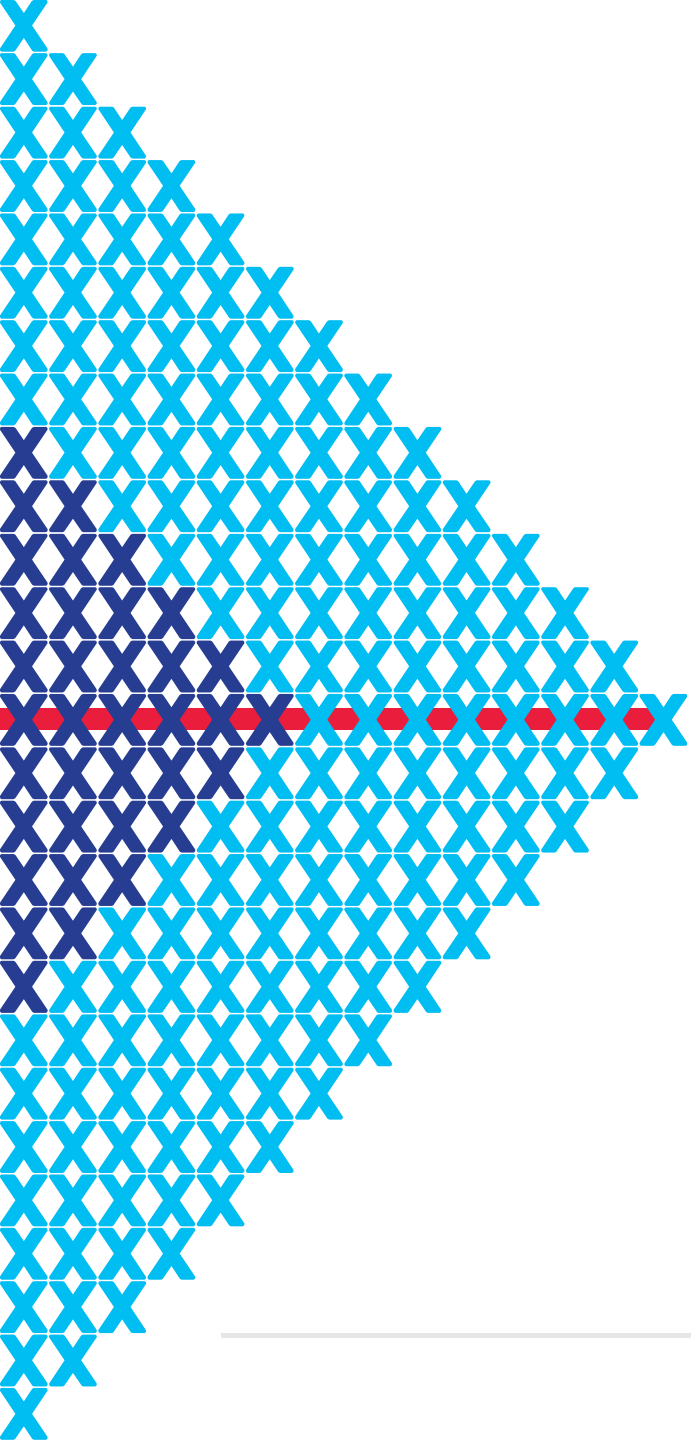
# ***INPUTS INTO THE FEE CALCULATIONS***

- ✦ Developed over several years identifying the individual tasks for each service and their duration
- ✦ Detailed process maps and step-by-step time estimation for each service
- ✦ Validation of overall effort with SMEs
- ✦ Stakeholders in the firearms community have provided considerable input over the process
- ✦ 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 identified and resultant proposed fees and charges

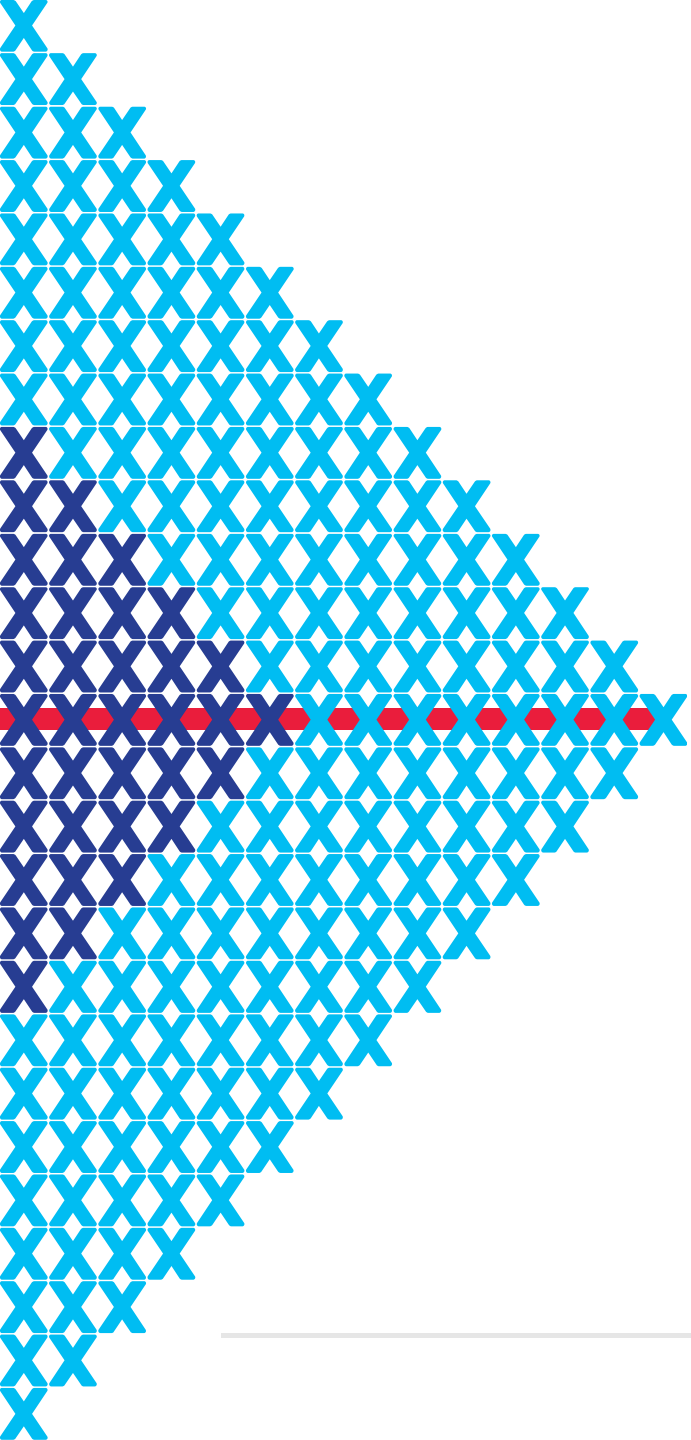
- ✦ An independent external audit will be completed to ensure our methods are sound
- ✦ If the audit finds that adjustments are required then these changes will be carried out
- ✦ The audit report will be released to the firearms community



# ***FEES RELATED TO THE FIREARMS LICENCE***

# Firearms licence: General

Issues	Elaboration	Fees – for the Firearms Licence
<b>Recognition of Crown investment</b>	Providing these services does not generate a surplus There is no option to generate a surplus	Fees that are not set at full cost are, in effect, a form of Crown contribution to public safety
<b>Non-compliance</b>	High levels of fees will increase the risk of avoidance Reapplication rates may fall but possession of firearms may not significantly decline	Partial cost recovery has been proposed. The primary reason for this is to address the risks of non-compliance and support the establishment of the registry
<b>Timeliness of applications</b>	Reapplication very close to expiry date is likely to result in a situation where a licence holder finds themselves unable to buy firearms or ammunition  New legislation is helping to alleviate this by allowing a licence to remain valid for duration of the process to complete the application  Encouraging earlier applications could help avoid licence expiring before licence is processed.	A discount for early applications at 10% is an option. The appropriate amount of discount is uncertain. This would be useful feed back in submissions. It is unlikely 100% discount would be supported.
<b>Averaging</b>	The costs of the licence fee have been averaged across all licence holders – it is not practical or cost effective to charge different fees according to the length of time or distance travelled before being able to decide on application	Some applications will be less expensive to process Setting different fees is inefficient
<b>Training costs</b>	Second and subsequent applications don't usually require a training course to be completed  To provide a more equitable outcome licence fee proposals do not include this cost	A fee of \$88 is estimated to cover the cost of a third party provider of safety course

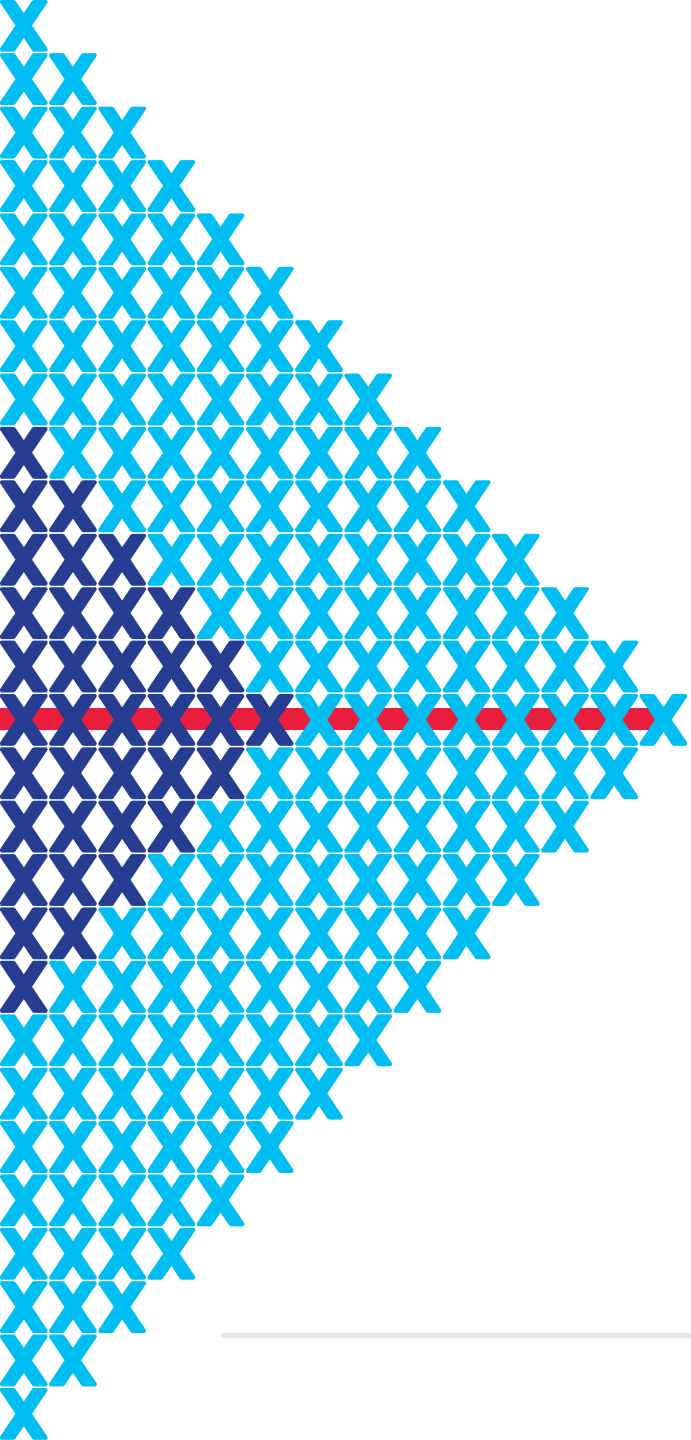


# Firearms Licence Fee Proposals

	Option A (25% of mid-point of full cost)	Option B (50% of mid-point of full cost)	Option C (75% of mid-point of full cost)
First-time/5-year firearms licence	\$208.50	\$417.10	\$625.60
New subsequent application for a 10- year firearms licence	\$242.50	\$485.00	\$727.50

These fees exclude the safety training courses provided by third-party providers but an option is to retain this in the licence fee





Reduced fee for early subsequent applications

Option	Fee inclusive of GST
Reduced full cost fee for early application (application 6 months but no more than 12 months before the current licence expires)	\$655 (if set at 75% of cost)
	\$436.50 (if set at 50% of cost)

A 10% discount has been applied

New legislation may significantly reduce the advantage of this fee structure

# Cost of ten year licence

## Firearm Licence Application Cost Model Jun-23 Jun-24 Jun-25 Jun-26 Jun-27 Jun-28 Jun-29 Jun-30 Jun-31 Jun-32

### Time Taken by Resource Type per Application (Hours)

EMP: Arms Officer	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70	0.70
EMP: Arms Administrator	1.90	1.40	1.40	0.90	0.90	0.90	0.90	0.90	0.90	0.90
EMP: Vetter	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80	3.80
EMP: National Service Centre	0.90	0.34	0.34	0.23	0.23	0.23	0.23	0.23	0.23	0.23
Total Time Taken by Resource Type per Application (Hours)	7.30	6.24	6.24	5.63	5.63	5.63	5.63	5.63	5.63	5.63

### Average direct and indirect cost (fee excl GST)

EMP: Arms Officer	100	100	100	100	100	100	100	100	100	100
EMP: Arms Administrator	245	180	180	116	116	116	116	116	116	116
EMP: Vetter	551	551	551	551	551	551	551	551	551	551
EMP: National Service Centre	129	48	48	33	33	33	33	33	33	33
Average direct and indirect cost (fee excl GST)	1,025	879	879	800	800	800	800	800	800	800

Average direct and indirect cost (fee excl GST) over 10 Years \$842.52

Average direct and indirect cost (incl GST) over 10 Years \$970.00

## Deduction for first time (5 year) licence

There are tasks that are required not directly related to processing applications. Examples:

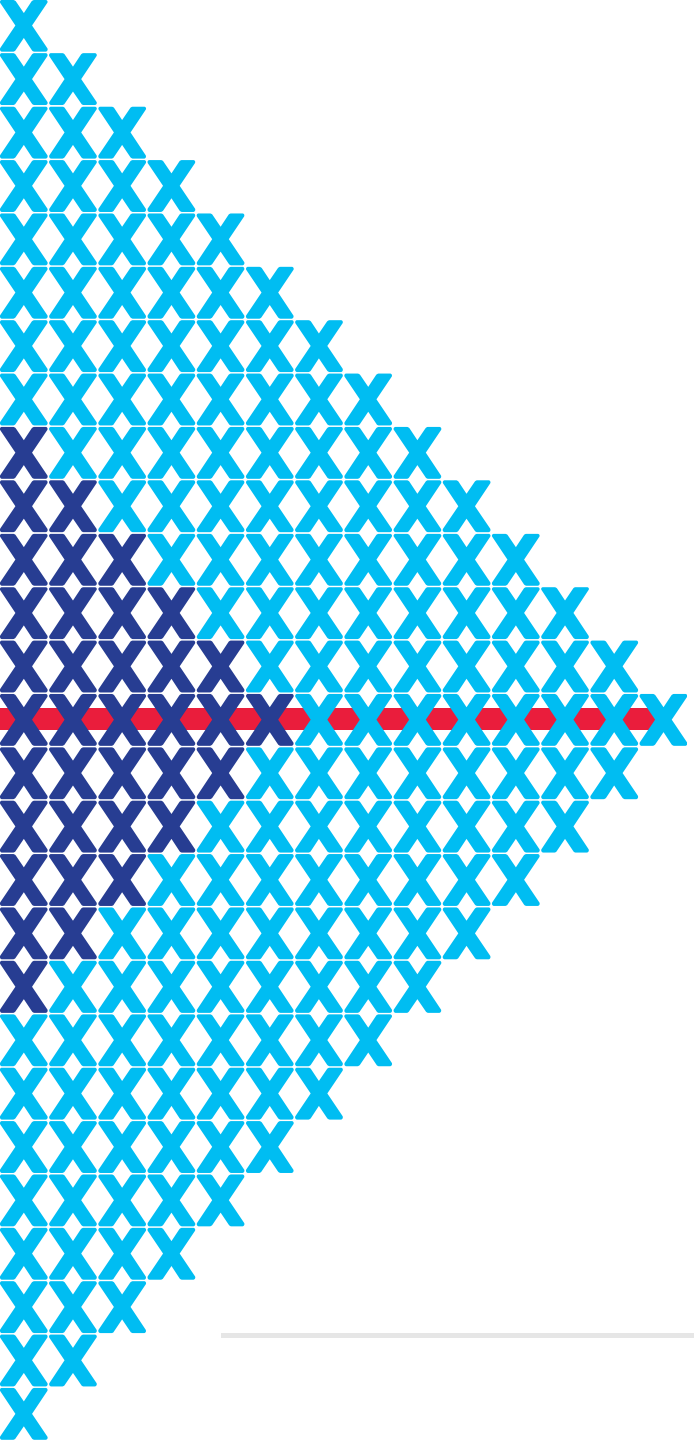
- Changes of address
- Suspensions/ surrender
- Revocations
- Deaths
- Compliance
- Lost/stolen
- Improvement notices
- Expired licences

These costs do not apply after year 5 so a discount has been applied

Cost of five year licence				
% Recovery	100%	25%	50%	75%
Full cost	970			
Processing cost (approx.)	72% 698			
Compliance (10yrs)	28% 272			
Adj. for 5yrs	14% 136			
Five year compliance reduction	834	209	417	626
Training	88	88	88	88
Fee	922	297	505	714

# 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 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***