Arms Safety & Control

Detailed Business Case

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Arms Safety and Control – Detailed Business Case

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Document Review

The following stakeholders have participated throughout the development and review of this Detailed Business Case.

Role	Name	Review Status
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Director – Business Services	Martin Smit	
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Additional subject matter experts were engaged throughout the Detailed Business Case process.

Document Sign-off

Role	Name	Sign-off Date
Executive Director Firearms	Angela Brazie	
Deputy Commissioner Strategy and Service	Jevon McSkimming	

Contents

Glossary of Terms

Term	Definition
Arms Act 1983	The purpose of the Arms Act 1983 is to promote the safe possession and use of firearms and impose controls that reflect the principles that the possession and use of arms is a privilege and that persons who manufacture, supply, sell, possess, or use arms have a responsibility to act in the interests of public safety.
Arms Legislation Act 2020	The Arms Legislation Act 2020 set out the newly stated purpose of the Arms Act 1983 (which is to promote the safe possession and use of firearms and impose controls that reflect that the possession and use of arms is a privilege and that persons who manufacture, supply, sell, possess, or use arms have a responsibility to act in the ntere ts of public safety). The amendments in the Act aimed to provide greater oversight o and strengthen, the critical control points in the Arms Act.
Arms regulatory regime	Provides a control structure for the lawful possession and use o arms, through the exercise of powers outlined in the Arms Act 1983.
Arms system	Refers to the overall system through which firearms are imported, controlled and used – both lawfully and unlawfully.
Compliance	The Arms Act 1983 outlines the obligations of regula ed parties and the regulator. Compliance refers to the ongoing meeting of tho e obligations, and the activities to confirm this by the regulator.
Constabulary	Refers to members of the Police undertaking day o-day police activity (excluding arms regulation).
Demand	Refers to the demand for regu atory services arising from applications for new/renewed licences or endorsement, pe mits etc, and the downstream compliance obligations of the regulator to ensure that regulated parties are meeting their obligations under the Arms Act 1983 and the conditions of licen es.
Firearm	Means anything fr m which any shot, bullet, missile or other projectile can be discharged by force of explosive, as defined in the Arms Act 1983.
Firearms Community Advisory Forum	An adv sory gr up established by Police to provide a formal mechanism for representati s of the firearms community to input to the Police on policy relating to the Arms Act 1983 and the Arms Regulations 1992; and review and make recommendations f r consideration by Police on firearms-related matters. The membership of the Forum comprises both Police employees and representatives from firearms community organisations.
Licenc	A firearms licence issued under section 24 of the Arms Act 1983, subject to a member of Police being satisfied that the applicant is fit and proper and meets the requirements of the Act.
Ministers Arms Advisory Group	A Minister's arms advisory group that must be established by the Minister of Police under section 88 of the Arms Act 1983 to provide advice to Government on firearms, that is independent of Police. The group has a wide mandate for advice including legislative proposals, policy and promotion of arms safety.
Prohibited firearm	Defined in section 2A of the Arms Act 1983. It includes a wide range of semi-automatic firearms (excluding pistols used for target shooting and low-calibre rimfire rifles) and pump-action shotguns above a specified magazine capacity.
Registry	The registry kept and operated under section 93 of the Arms Act 1983.

Term	Definition
Regulated party	A person who holds a firearms licence or undertakes an activity that is within the scope of the regulations under the Arms Act 1983.
Regulator	The entity responsible for the operational delivery of the Arms Act 1983 and associated regulations.
Renewal	The process of an existing licence holder applying for a new licence once the term of their current licence expires.
Restricted weapons	Items in the Schedule to the Arms (Restricted Weapons and Specially Dangerous Airguns) Order 1984. They are items such as anti-tank projectors, grenade launchers, grenades, machine guns, fully automatic firearms, mines, mortars and rocket launchers and d vices such as tasers and those that release mace or pepper spray.
Risk	In the context of this Detailed Business Case, risk primarily refers o harm arising from non-compliance with the Arms Act 1983 and associated regulations, or the unsafe, illicit or criminal use of firearms.
Royal Commission of Inquiry	The Royal Commission of Inquiry into the Christchurch Mosque ttack on 15 March 2019.
Thorp Report	The independent Review of Firearms Control un ertaken in 1997 by Sir Thomas M Thorp.

1. Foreword

The Arms Act 1983 provides a regulatory framework which confirms that owning a firearm is a privilege. It allows fit and proper people to possess firearms for legal purposes (such as for business, food gathering, recreational and sporting purposes) while mitigating the risk of misuse by placing limitations at critical control points in the system. Everyone expects this regulation to perform to the highest standards in order to protect the public from the harm that may be caused by the misuse of firearms, whilst enabling licensed use.

The Christchurch Mosque attacks on 15 March 2019 brought into stark relief weaknesses in both the legislation and the operationalisation of the arms regulatory system. In past decades there has been underinvestment in people and systems, leading to a lack of licensing, prevention, education and compliance capabilities.

I am committed to investing using a whole-of-system approach, recognising the requirement for a longitudinal lifecycle view of regulation, taking a proactive stanc in addressing the challenges and opportunities, working collaboratively with key stakeholders within and around the system, and monitoring and developing the regulatory system.

To maintain the trust and confidence of the public and our staff, we need to invest in keeping people and our communities safe through appropriate interventions that manage risk whilst enabling the safe use of firearms.

This investment will deliver a step-change i benefits to New Zealanders through providing more management controls, changing the operating model to improve quality and the timely delivery of legislated responsibilities, and increasing our ab ity to measure and improve the effectiveness of Arms Act delivery due to improved visib ity and ransparency within the arms system.

Investing in this new capability is essential to providing an appropriate arms regulatory regime that enables safer firearms use in New Zealand.

Jevon McSkimming
Deputy Commissioner
Strategy and Serv ce
New Zealand Police
(On behalf of the Commissioner of Police)

2. Executive Summary

Outlined below is a summary of the Detailed Business Case.

Purpose

This Detailed Business Case (DBC) intends to:

1. Revisit the strategic and economic cases from the Indicative Business Case (IBC) and confirm a preferred option following a detailed analysis.
2. Revisit and refine the estimated costs in the IBC and the level of investment necessary for delivering the public safety objectives outlined in the Arms Act 1983, to ensure public safety objectives are being met through the effective administration of the arms regulatory regime.
3. Outline the approach and overall plan to deliver this investment in th arms regime and provide confidence in the robustness of the approach.

Background

The 'arms system' in New Zealand refers to the system th ough which firearms are imported, controlled and used – both lawfully and unlawfu ly. Several government agencies interact with different parts of the system, but the New Z aland Police (Police) is the overall system owner and the administrator of the Arms Act on behalf of the government.

Within this system, New Zealand has an arms egime that provides a control structure for the lawful possession and use of arms. Firearms ar used in New Zealand for lawful purposes such as hunting, food/kai gathering, pest/animal management and sport/recreation. The regime regulates the dome tic manufacture and sale of firearms to fit and proper arms holders through the Arms Act 1983. Arms regulation has a critical role in achieving the outcomes sought for the overall arms system. The Arms Regulator is responsible for delivering on the four arms control strategies that direct the approach to arms control in New Zealand:

1. Control access to h gh-risk arms through importation controls and restrictions.
2. Enable legit mate se by fit and proper people, while reducing availability to high-risk use s through a licensing system.
3. Control high-risk use through a range of controls and statutory decisions.
4. Promote responsible use of arms.

Since it was established in 1983, the arms regime has remained fundamentally unchanged, although through this time the arms environment has changed considerably. The changes contained in the Arms Legislation Act 2020 (the Amendment Act) following the events of th C ristchurch Mosque attacks on 15 March 2019, provide a strengthened set of controls tha address weaknesses in the legislation. The changes seek to protect the public from harm that could be caused by firearms and allow fit and proper people to possess firearms for legal purposes – recognising that the safe use of firearms has benefits to New Zealand society.

Regime changes	Prior to 2019, the delivery of the firearms regime was embedded within Police service delivery and funded from within Police baselines. From 2020/2021 Police began a programme of uplift and transition. This saw additional funding being injected to support immediate service performance improvements, as well as the commencement of the identification of longer-term funding requirements to support the implementation of the Amendment Act. A review of the operation of the Amendment Act must commence when all provisions (except sections 106 and 108) have been in effect for three years. This will occur in 2026, to be completed within 18 months. This review must include: • The operation of the register • Offences and penalties • The impacts of the Amendment Act. While the Amendment Act came into effect from 2020, it is important to note that the overall context for arms regulation will continue to shift for several years to come.

Current status	The current administration is unable to deliver the objectives of the amended Arms Act due to the following challenges: • **Insufficient delivery capability and capacity –** The current administration performance does not fully meet government expectations of licence holders being fit and proper and will not meet the new legislative requirements. • **Organisational delivery structure and funding model –** The organisational delivery structure and funding of arms regulation do not facilitate the singular focus on the design, operation, evaluation and evolution of an effective regulatory regime. The extent and mix of regulatory activities are subject to the priorities of other organisational and policing demands. This lack of a singular focus has led to the reprioritisation of effort across a range of immediate priorities at an operational level. There is no overall visibility or accountability across this model, resulting in inconsistent performance. These challenges, along with a lack of clear governance of assurance frameworks, have contributed to insufficient oversight and assurance that the system has adequate leadership and monitoring. • **Inability to meet current and future demand sustainably –** The distribution of licence renewals in the community has a 10-year cyclical profile that creates a demand in peak years (the next peak will be in 2026) that is challenging to resource in a sustainable manner. • **Limited public understanding –** Limited public education on, and awareness of, the arms regulatory regime has contributed to the difficulties in justifying improvements in the regime. • **Ever-changing environmental risks –** The current administration is extremely limited in its ability to monitor and adapt the regulatory regime to mitigate emerging environmental risks across the arms system. • **Inadequate cost recovery –** The current cost-recovery settings were set in 1999 and have not been reviewed since. In parallel to this DBC, a cost-recovery review is underway. This will establish a new cost-recovery position that will lead to a revised set of fees and charges. The extent of and timeline for changes will be decided by Cabinet in 2022. This will affect the revenue received by the Arms Regulator.

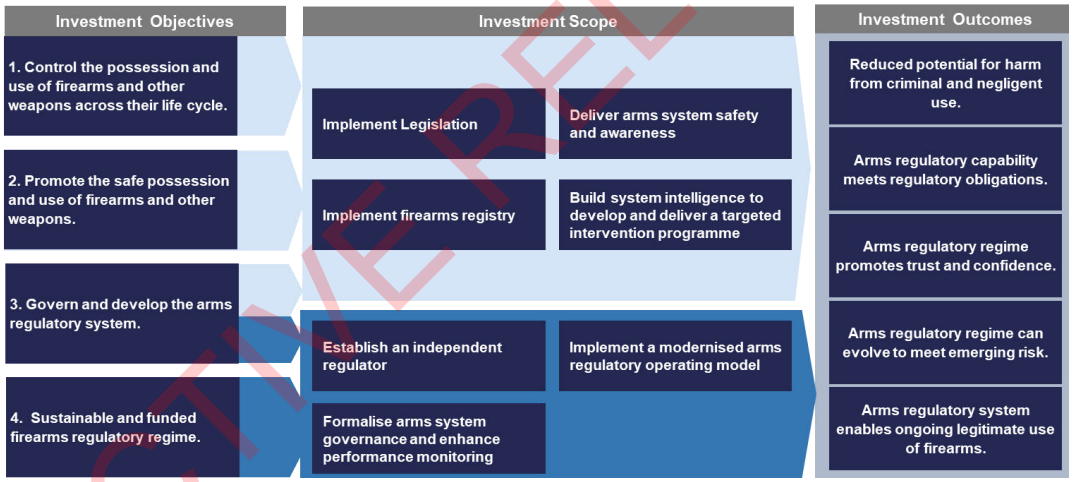
Investment outcomes

Addressing these challenges and transitioning from being an administrator to being a regulator that fulfils government expectations for good regulatory practice[1] will require increased investment.

The outcomes sought from this investment are described below and in the following diagram:

1. Reduced potential for public harm from the criminal and negligent use of firearms by reducing the availability of arms to enter criminal hands and ensuring that users are fit and proper and aware of their obligations and firearms safety requirements.
2. The arms regulatory capability meets its regulatory obligations.
3. The arms regulatory system promotes public and stakeholder trust a d confidence through the safe possession and use of firearms.
4. The arms regulatory regime evolves to meet emerging isks.
5. The arms regulatory system enables an ongoing and legitimate use of firearms.

This investment seeks to maintain the balance of keeping communities safe while enabling the safe use of firearms in communities for legitimate purposes.



[1] https://www.treasury.govt.nz/sites/default/files/2015-09/good-reg-practice.pdf

Benefits sought

The benefits sought from this investment are:

- Improved public and Police safety
- The firearms regulatory regime promotes public trust and confidence through the safer possession and use of firearms
- Improved quality in, and the timely delivery of, arms regulatory interventions, measured through delivery against agreed requirements
- An increased ability to measure the effectiveness of Arms Act delivery due to improved reporting within the system.

These benefits are described against the Treasury Living Standards Framework[2] below.

Direct benefits – That can be attributed wholly or in part to changes made through the investment.

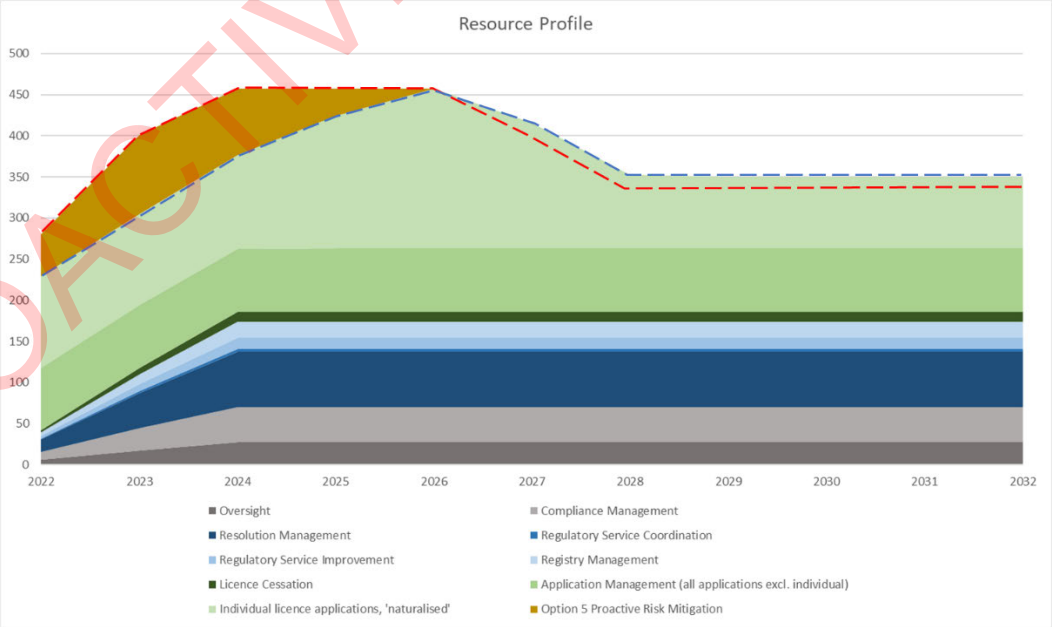
Domain	Benefit description
Safety	The investment will deliver enhanceme ts to th safety and security of New Zealanders. Specifical y, these will be: • A reduced potential for harm from cr minal and negligent use of firearms • A firearms regulatory regime/system that promotes public trust and confidence through the safe possession and use of firearms.
Institutions & Governance – Central & Local Government	The investment will deliver n enhanced governance and regulatory capabi ty, which will provide a robust regulatory framework, hrough • A quality, timely delivery of arms regulatory interventions, measured through delivery against agreed requirements An increased ability to measure the effectiveness of Arms Act de ivery (in terms of administrative efficiency and outcomes' effectiveness) due to improved reporting within the system.

Indirect benefits – That accrue to firearms users through the legitimate use of arms.

Doma n	Benefit description
Leisure & Play, Cultural Capability & Belonging	Arms use is often connected with food gathering for families and whānau, and recreational activities that promote social connection through clubs, groups and other social touchpoints.
Subjective Wellbeing	Arms use has a substantive role in the identities and ways of life of a proportion of users. It is expected that some users' subjective wellbeing will be enhanced through the possession and use of arms.
Jobs & Earnings	The sale and supply of arms, and the use of arms as tools in a business context, generate employment and incomes for both the businesses involved and those employed by them.
Environmental Amenity	Arms are used for pest control and the protection of biodiversity through pest-eradication and recreational hunting activities.
Health	Arms are often used in conjunction with outdoor recreation. It is expected that some users will experience benefits in overall health and wellbeing from using arms in this context.

[2] https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework

Investment options	The shortlisted options explored in this DBC represent the major investment strategies available to the Government to build the required regulator capability and capacity. Evaluations of these options answer the key investment question "What is the most effective level, mix and timing of funding in arms regulatory capability?". There are two dimensions to this investment question that need to be understood: **a) Effective and efficient administration –** The optimal level of capacity and capability required to execute effectively the responsibilities of the Arms Regulator as legislated. **b) Proactive and early investment to mitigate system risks –** The optimal investment made over and above efficient and effective administration to reduce existing system risks and build compliance knowledge.
Effective and efficient administration	Uplifts in capability and capacity are required in key areas to achieve efficient and effective administration: • A new registry system and associated process redesign. • An increase in staff numbers to address the demand for administration services. • An increase in capability to build and maintain insights into arms compliance and to continually evolving regulation to address emerging risks. To understand the required level of resourcing it is important to understand the underlying demand for administrative services. While most of the compliance activity demand is uniform, the current renewals of firearms licences every 10 years create significant cyclical peaks in demand for approximately 15,000 to 45,000 licence renewals/applications per year, which in turn creates significant fluctuations in demand for administration staff. This structural demand issue can only be fully resolved by altering the licence terms so that a more linear distribution of expiries is achieved. This will require a legislative amendment. The main reason for the next peak in 2026 being unavoidable is that even with a legislative change made, licences expiring between now and 2026 cannot be extended without introducing risk. The DBC assumes the structure of renewals will change for cycles post 2026 and the work volumes will become more uniform.
Proactive risk mitigation	Efficient and effective administration is largely reactive in responding to demand for administrative services. Over and above this, there is a significant opportunity to invest in early and proactive activities to mitigate arms system risks. These range from awareness and education to targeted reconciliations. One of the most significant and beneficial initiatives is the early reconciliation of the arms register. The amended Arms Act 1983 legislates the establishment of an arms register as a critical component of arms control in New Zealand. As the gun registry was abolished in 1983, we are currently not able to determine who holds what arms. Unless investment is made to proactively reconcile arms with licensed holders, the Arms Regulator will be playing 'catch-up' – incrementally building this knowledge as licences are renewed – and will not have a full understanding until 2028 when all arms are required to be registered. These initiatives have the effect of setting up a more stable operation, and are expected to reduce the longer-term, ongoing operational costs.

Economic assessment	Five options were evaluated against the investment objectives and critical success factors. The evaluation discounted three of the five options and two were progressed for further analysis – Options 4 and 5 as described below. These two options represent the available investment outcomes for the Government; Option 5 was evaluated to be the superior option. **Option 4 – Increase people capacity and procure a new registry solution.** This option focuses on developing an efficient administrative function and seeks to achieve the investment outcomes through: 1. Addressing the cyclical demand curve post the 2026 peak through legislative change 2. Procuring a new registry system that comes into effect for 2023 3. An uplift in people capability that largely follows the licensing dema d curve 4. A continuation of the 'historical files' (backlog processing) nitiative as part of the transition programme. **Option 5 – Proactively intervene to reduce risk.** This opti n includes all aspects of Option 4 but includes an additional staff uplift as part of the transition programme, to undertake proactive risk-mitigation activities such a re onciliations and education and awareness programmes.
Economic options' comparison	The diagram below represents the for cast workload/effort associated with the different administrative activities over time (shaded areas). The key difference between the economic options is the level and timing of FTE capacity applied to this workload (represented in the dotted ines)  • Option 4 assumes that the resourcing level follows the total demand for administrative services to peak in 2026 (the blue dotted line). • Option 5 assumes a higher level of resourcing up front (it includes the orange shaded area and the overall red dotted line) to undertake proactive risk-mitigation activities – in particular the reconciliation of arms and licence holders to complete the register. Post the 2026 peak, a lower full-time-equivalent (FTE) staffing requirement is expected (vs. Option 4) due to efficiency gains.

Preferred option	Option 5 is preferred due to the associated benefits of:
	• An increased ability to achieve legislative intent within investment timeframes
	• Enabling the Arms Regulator to be in the best position at the time of the Arms Act review commencing in 2026. The Arms Regulator will benefit from:
	  ○ An earlier known position of licence holders' firearms holdings as they are entered into the Register, therefore superior knowledge of arms holdings on which to improve regulation
	  ○ A comparatively more stable operational capability that has a greater potential to reduce costs in outyears
	  ○ An increased ability to address licensing curve demand (reduced risk)
	  ○ A greater ability to address existing service performance issues
	  ○ Improved information and capabilities to drive efficiency in compliance regimes without increasing risk, which will benefit fit and proper users.

Proposed cost and FTE summary

The total cost of the preferred option over the investment lifespan is presented below, split between operational and transitional costs. The FTE implications are also included in the table, split between operational and transition roles.

COSTS ($m)	2022	2023	2024	2025	s. 9(2)(f)(iv) OIA			
Operational costs (OPEX)	24.2	36.6	43.9	47.6				
Operational costs (CAPEX)	0.8	0.8	-	-	-	-	-	1.5
Transition costs (OPEX)	7.2	17.0	4.6	0.2	s. 9(2)(f)(iv) OIA			
Transition costs (CAPEX)	5.5	13.3	1.3	-	-	-	-	20.1
Other costs	2.6	6.2	11.7	11.5	s. 9(2)(f)(iv) OIA			
Agency contingency (Opex)	2.8	3.7	6.4	4.5				
Agency contingency (Capex)	1.0	2.4	1.5	-	-	-	-	4.9
Tagged contingency (Opex)	4.5	6.1	7.1	7.8	s. 9(2)(f)(iv) OIA			
Tagged contingency (Capex)	-	-	-	-	-	-	-	-
Total cost	48.5	86	76.5	71.6	s. 9(2)(f)(iv) OIA			711.5

Notes: Other costs include General Wage Increase (GWI), Competency Service Increment (CSI), overheads, salary loading (annual leave), and capital charge and depreciation.

FTE	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Operational FTE	248	344	422	470	501	461	397	396	394	396	394
Transition FTE	57	134	29	-	-	-	-	-	-	-	-
Total	305	478	451	470	501	461	397	396	394	396	394

Comparison of DBC to IBC

A greater understanding of the scope and complexity of the operational and transition requirements of the Regulator entity has been developed to inform the DBC. It has resulted in the estimated transition and business-as-usual costs increasing over those presented in the IBC. The major similarities and differences are outlined below.

1. **Administrative services effort modelling** – The IBC estimated the FTE requirement for administrative services based on high-level work estimates. The DBC has undertaken a detailed activity-based costing of all administrative services. The resource estimates are also validated against the Target Operating Model design.
2. **Backlog and cyclical demand for licensing renewals –** The DBC acknowledges and addresses the current backlog in licence renewals and models the significant variations in demand in the 10-year licence renewals.
3. **Wider regulatory functions –** The IBC focused on administrative services and the implementation of a registry solution only. It has b en recognised that a broader scope of capability is required to give effect to he legislation. Hence the DBC is informed by a Target Operating Model design that highlights the full functional scope and depth required of the regula or.
4. **Enabling functions –** The IBC assumed (nder ts Option 5 Branded Business Unit) that the enabling and suppo fun tions would be provided by Police and absorbed into its baseline. The DBC:
    a. Scopes the full set of enabli g functions required by the Regulator entity and establishes a high-level split of these functions between Police and the Regulato entity
    b. Acknowledges the need for some aspects of the enabling functions to be resourced within nd by the Regulator entity
    c. Ack owledges and identifies the Regulator entity's need for a major uplift in costs such as fleet and property costs
    d. Identifies the cost to Police of providing the enabling functions to the Regulator entity.
5. **Transition programme scope** – When scoping the transition programme, the IBC focused on the implementation of the registry solution. The DBC is informed by a broader and more detailed plan that addresses:
    a. the wider activity required to establish the Regulator entity, recognising the need for a single focus
    b. the current administrative service delivery performance, recognising the need to resolve existing performance issues and mitigate the impacts of a backlog of service delivery.
6. **Arms registry solution** – The IBC estimated the costs of procuring and implementing a registry system. The cost estimates included in the DBC have been informed by a full market evaluation and the selection of a preferred solution and vendor.
7. **Focus of economic options –** In its economic case the IBC focused on evaluating the entity's structural options (i.e. Branded Business Unit or Crown Entity). The entity structure has since been determined outside the DBC by Cabinet as a Branded Business Unit. Therefore the economic options in the DBC have evaluated the most effective level, mix and timing of regulatory capability and capacity to reduce/mitigate risk as soon as practicable.

Comparison to IBC

TOTAL COSTS ($m)	IBC Option 5	DBC Preferred
Transition costs	$29.3m	Total: $50.8m ($46.9m for transition + $3.9m for proactive risk mitigation)

Strategic and enabling costs	$66.9m	$138.8m
Operational costs	$269.5m	$324.5m
Other costs	$86.1m	$99.2m
Agency contingency	-	$40.3m
Tagged contingency		$58.0m
Total cost	$45 .8m	$711.5m

The table below provides an explanation of the k y variations in cost between the DBC preferred option and IBC Option 5.

Functional group	IBC ($m)	DBC ($m)	Variatio n ($m	Explanation
Operational functions *(includes service delivery)*	269.5	324.5	5 0	The DBC resource estimates are based on a fully scoped Target Operating Model design and a detailed activity-based costing model. The costs allow for upfront capacity for proactive risk mitigation and addressing the increasing existing application backlog.
Strategic functions *(including Executive and Partnerships Directorates)*	10 6	68.8	58.2	The IBC focused on the increase in capacity and capability required to improve the administrative services -- and largely ignored the wider regulatory functions. The DBC allows for the wider functions required of an effective, sustainable regulator – in particular partnerships and strategic functions.
S pport fun tion	56.3	70.1	13.8	The IBC assumed that the majority of the corporate services would be absorbed within existing Police capability and did not allow for any increase in capacity. The DBC acknowledges and allows for the uplift in support services required to support the wider Regulator entity effectively.
Transition	29.3	50.8	21.5	The IBC focused on the costs associated with the establishment of the firearms registry solution only and did not consider the establishment of the wider functions required of the regulator. The DBC includes the updated costings from the registry solution RFP evaluation. It also includes resources to resolve existing performance issues and undertake proactive risk-mitigation activities.
Overheads, GWI, CSI and annual leave	45.6	50.3	4.7	Overheads – the DBC takes a detailed approach to calculating overheads relating to the constabulary and employee workforce. Separate costs are applied to all FTEs and uplifted FTEs. Annual leave – Whereas in the IBC annual leave was set at a constant level (8%) for all Police staff for the duration of the initiative, and was included in the loaded salaries, the DBC

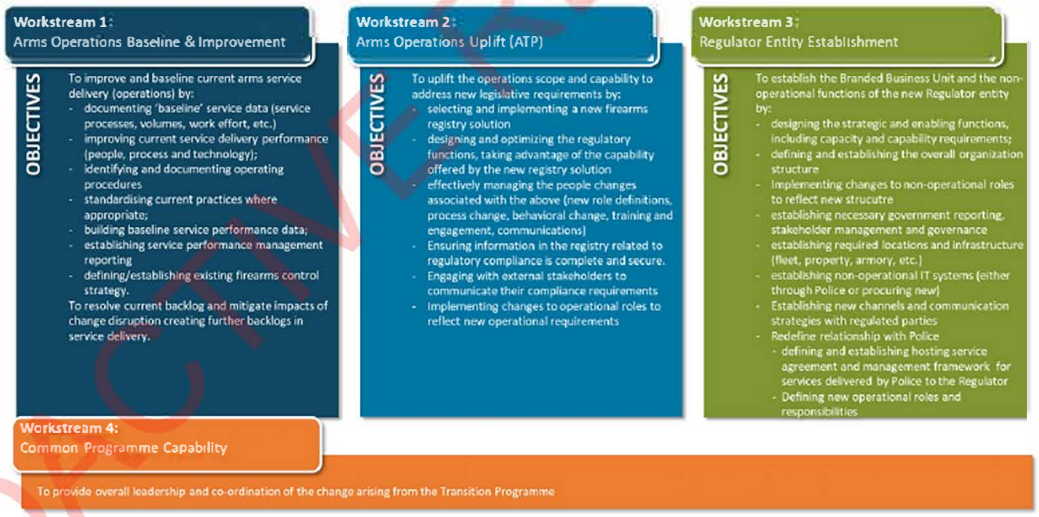
				calculates annual leave only for the first year of the uplifted FTEs. GWI and CSI – The IBC did not take into account GWI and CSI, but they are included in the DBC calculations.
	Capital charge and depreciation	40.5	48.9	8.2	This increase is due to capital charge and depreciation arising from increased capital investment.
	Agency contingency	-	40.3	40.3	Quantitative Risk assessment undertaken to inform contingency requirements held by Commissioner of Police.
	Tagged contingency	-	58.0	58.0	
	Total	**451.8**	**711.5**	**259.7**	

Delivery approach

A complex transition programme is required to:

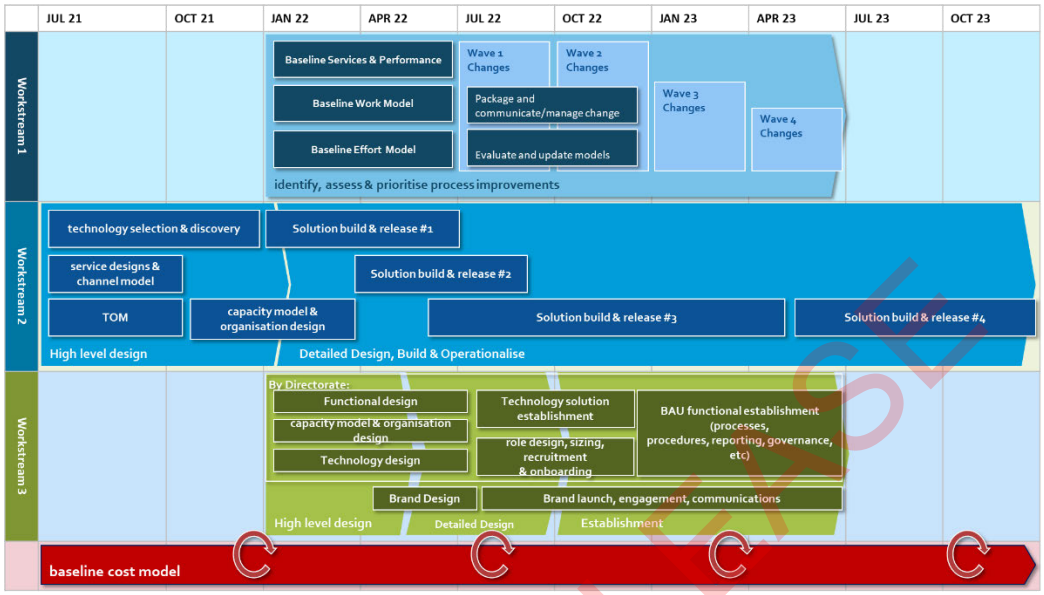
1. Address the service performance and backlog issues in the current s rvice delivery
2. Establish the new Branded Business Unit and new functions required of the regulator
3. Establish the new firearms registry and ma age both internal and external stakeholders on the new ways of working.

A transition programme has been established to manage these discrete areas of activity in an integrated manner. Outlined below a e the scope and objectives of each major workstream in the programme.



Delivery timelines

Presented below is a high-level transition programme plan by workstream (Workstream 4 is not represented as it provides co-ordination and leadership across workstreams).



3. Introduction

This Detailed Business Case (DBC) proposes investing in improving the arms regulatory regime, which seeks to protect the public from the harm that may be caused by the misuse of firearms.

It confirms that owning a firearm is a privilege and allows fit and proper people to possess firearms for legal purposes while mitigating the risk of misuse by placing limitations at critical control points in the arms system.

The events of the Christchurch Mosque attacks on 15 March 2019 brought into stark re ief weaknesses in both the legislation and the operationalisation of the arms regulatory system. This investment will deliver important benefits to New Zealanders: increased public safety; a quality and timely delivery of all legislated responsibilities; minimised risks in the firearm environment; and an increased ability to measure the effectiveness of Arms Act delivery due to mproved visibility and transparency within the system.

Investment context

New Zealand Police (Police) has developed this DBC using the T easu y's Better Business Case process. The DBC builds on the Indicative Business Case (IBC) that was noted by Cabinet in April 2021 (CAB-21-MIN-0115). In November 2021 Cabinet agr ed on the preferred entity structure (Branded Business Unit, hosted by Police) for the delivery of the regulatory outcomes.

Purpose

The purpose of this DBC is to establish an investment case for improving the regulatory regime through the deployment of a national arms register, improvements in licensing and compliance, and sustained public safety and prevent on education.

The DBC outlines the case f r investment in five cases:

1. The **strategic case** provides an overview of the arms regime, the compelling case for change and the potential benefits of the investment.
2. The **economic case** describes the requirements for arms regulatory capability, analyses value f r mo ey and proposes a preferred investment option.
3. The **commerc al case** outlines the products and services required, analyses commercial viab lity and outlines the procurement and contractual arrangements required.
4. The **financial case** outlines the funding requirements, analyses affordability and proposes the approach to funding.
5. The **management case** describes the governance and management arrangements for implementation, proposes an achievable delivery approach, and outlines the change impacts, benefits' management and change-management approach.

Consultation

The following agencies have supported the development of the DBC: the Ministry of Justice, Te Kawa Mataaho Public Service Commission, the Treasury, the Department of the Prime Minister and Cabinet, the Department of Corrections, the New Zealand Customs Service, Te Puni Kōkiri, the Ministry of Foreign Affairs and Trade, the Department of Conservation, the Ministry for Primary Industries, the New Zealand Defence Force, the Ministry for Culture and Heritage and the Office for Māori Crown Relations – Te Arawhiti.

Background and context

This section provides a summary of significant events in firearms control in New Zealand, and the background to this DBC.

New Zealand's firearms control began with the Arms Ordinance of 1845, which evolved into legislation in the form of the Arms Act 1860.

The first significant firearms legislation was introduced in 1908, followed by more in 1920 and then 1958. Key events relating to arms are summarised below, including the major upcoming events out to 2028:

1958	Arms Act 1958 enacted, requiring people to have permits for possessing f earms and ammunition.
1983	Arms Act 1983 enacted. This introduced firearms licences for 'fit and p oper people, but only pistols and restricted weapons had to be registered. This 'licensing but no registration' system did not restrict the number f firearms a licence holder could acquire or own. The Act covered: • Licensing firearms dealers • Importing firearms • Restricting the possession of specific firearms • Issuing lifetime firearms licences to individuals • Procuring pistols and restricted weapons. The Act's focus on controlling firearms users rather than firearms marked a new era in firearms control in New Zealand. It reinforced the concept that firearms users, not firearms, posed a potential danger, and hinged on the assumption that a preliminary vetting of firearms licence applicants would eliminate or minimise the prospect of unsuitable or possibly high-risk people using or owning firearms.
1984	Deregulation of the New Zealand economy. The Arms Act 1983 was designed at a time when New Zealand strictly controlled firearms imports, exports, dealers and money flows. This meant that the importation and sale of arms were tightly controlled. In this nvironment effective import controls, together with controls over dealers, meant that less emphasis was needed on risk-management approaches at key points in the arms system, such as licensing, storage and compliance. Shortly after the 1984 devaluation of the New Zealand dollar, policies were enacted that removed export incentives and import licensing, and enabled goods to be freely imported into New Zealand.
1990	Critical event: A mass shooting occurred on 13 November 1990 in the small township of Aramoana, northeast of Dunedin.
1992	Arms Amendment Act 1992 enacted. This revoked lifetime firearms licences; instead, holders of these licences had a four-year period to apply for new 10-year licences, and military-style semi-automatics (MSSAs) were added to the list of weapons that required licence endorsements.

1992-2014	Reviews, reports and reactive measures. In this period, several reports were prepared and efforts made to improve the arms system in New Zealand and address emerging risks. They included: • The Thorp Review of Firearms Control in New Zealand in 1997 • The enactment of the Arms (Military Style Semi-Automatic Firearms and Import Controls) Amendment Act 2012. This changed the definition of MSSAs and extended regulation-making powers so Police could declare a firearm to be an MSSA.
2015	Modernisation. Following a review of operational processes, Police began a programme of reform to the Arms Act service delivery that included: • Making Arms Act administration across districts more consistent • Commencing the modernisation process, with the eventual introduction of s me digital channels such as web portals and pdf forms, and processing via the Police National Intelligence Application (NIA) from 2019 • Centralising administrative tasks in a central Service Centr , commencing in 2018 and progressively expanding through 2019 and 2020
2019	Critical event: Christchurch Mosque attacks on 15 March 2019 Reforms to the arms regulatory system followed, with immediate changes to the Arms Act 1983 (banning high-risk firearms and providing for their buyback) pass d into law on 12 April 2019. Further amendments designed to increase public safety through a more comprehensive arms regulatory framework were passed on 24 June 2020.
	The report of the Royal Commissio o Inquiry into the Christchurch Mosque attacks on 15 March 2019 was critical of the Police administration of the Arms Act. It made specific recommendations[3] for change with the aim of reducing risks and creating a more efficient and effective risk-based fire rms licensing system.
2020	Arms Legislation Act 2020. The Arms Legislation Bill was introduced to Parliament on 13 September 2019 proposing the creation of a firearms register, a strengthened and expanded licensing system, and an ability for health practitioners to notify Police of concerns about firearms owners' health conditions. The Arms Act had not been amended to take account of the many and extensive changes that had occurred in the domestic and international marketplace in the previous d cades. The Arms Legislation Act further amended the Arms Act and addressed wider gaps and weaknesses in the existing legislation.
2021-2023	Legislation progressively coming into effect. Initial changes were implemented by December 2020 (related to licences, permits to possess, and the introduction of improvement notices and the ability to suspend licences) and in June 2021 (predominantly related to dealers). Further changes will come into effect from June 2022 (related to shooting clubs and shooting ranges) and June 2023 (including a register for all firearms in New Zealand).
2028	All firearms are to be registered. From 2023 a five-year phase-in period will require all firearms holders to have registered their arms holdings by 2028.

[3] Recommendations 19-23: https://christchurchattack.royalcommission.nz/the-report/findings-and-recommendations/chapter-3-recommendations-to-improve-new-zealands-firearms-licensing-system

Current state

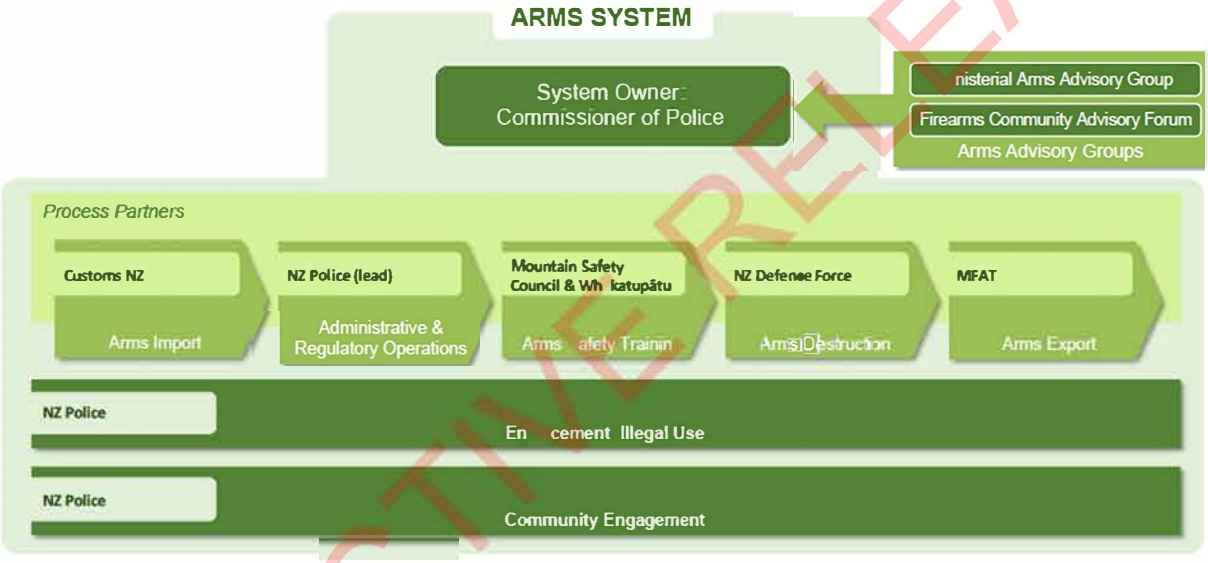
The arms system in New Zealand refers to the importation, control and use of firearms. It includes both lawfully held and unlawful firearms. Within this system, New Zealand's arms regime provides a control structure for the lawful possession and use of arms.

The effective delivery of the arms regime reduces harm from criminal and negligent use by:

- **Reducing the availability of high-risk firearms and arms items, and controlling their use**
- **Ensuring that users are fit and proper, and that users act in the interests of personal and public safety.**

The regime regulates the domestic manufacture and sale of firearms to fit and proper a ms holders through the Arms Act 1983.

Figure 3.0: The arms system in New Zealand



Legislative mandate

This regulatory regime is given mandate through the **Arms Act 1983**.

The Arms A t 1983 is structured around four primary strategies that seek to:

1. Prohibit or control access to firearms deemed to be high risk
2. Reduce the availability of firearms to potentially high-risk users so that only 'fit and proper' people can possess them
3. Prohibiting or controlling high-risk uses
4. Promoting the acceptance of responsibility for the safe use of firearms.

The effective delivery of the arms control regime seeks to reduce harm to New Zealanders from the criminal and negligent use of firearms.

The **Arms Legislation Act 2020** strengthens the legislative framework and improves the overall functioning of the Arms Act 1983 to ensure the safe possession and use of firearms and place controls on who can possess firearms.

Organisation

The Commissioner of Police is the arms system owner, on behalf of the Government. The responsibility for delivering the Arms Act is primarily assigned to Police, with some responsibilities assigned to the Ministry of Foreign Affairs and Trade and the New Zealand Customs Service.

The current operation within Police is centrally led, with decentralised service delivery, and support provided via an administrative service centre. The model's current core functions are:

- Policy advice and oversight
- Regulatory functions (including operational policy and service delivery)
- Policing (constabulary) functions.

District Police carry out certain regulatory functions during their day-to-day operations, amongst a number of other policing duties. The current operation is thought of in terms of the functions, service catalogues and organisation structure in lieu of a well understood operating mode P lice has sought to modernise this operation model.

Features of a regulator

The government guidelines expect that regulatory agencies will have r gard to and give effect to good regulation and regulatory stewardship principles within the bounds of their mandates.

The characteristics of a regulator are quite different from thos of an administrator and necessitate an enhanced relationship with the regulated party. The key elem nts of a regulatory function are:

- **Strategy –** The agency's plan and direction, including how it intends to implement and communicate that plan and direction
- **Structure –** The way the agency is st uctu ed including its reporting relationships
- **Systems and processes –** The systems and processes for carrying out the work of the agency
- **Skills and culture –** The employees and their roles, skills and competencies, and the agency's core values and beliefs.

Historically, the arms capabi ity has primarily been of an administrative nature; it has only recently become one of acting n the intended regulatory role.

Funding

Prior to 2019, the delivery of the firearms regime was embedded within Police service delivery and funded from within the Police baseline.

- The delivery of the Arms Act was funded from within Police's baseline funding as part of the general crime prevention output class. Police has a historical average annual direct operating expenditure of $8.1 million for firearms administration, covering both district and national headquarters activity (with an additional overhead component of around $5 million per annum).
- This operating expenditure is funded partially by cost recovery through licensing fees as well as Crown funding and is referred to as baseline funding.

From 2019/20 Police began a programme of uplift and transition. This saw additional funding being injected to support immediate service performance improvements as well as commencing the identification of longer-term funding requirements to support the implementation of the legislation.

- On 6 April 2020 Cabinet approved an operating tagged contingency of $60 million over a four-year period, with $5 million ongoing into the outyears. This recognised the increased

regulatory requirements arising from the recent legislative changes, including investment in the new Arms Registry.

- The drawdown of this tagged contingency was subject to Cabinet approval of a business case providing options for meeting the new legislative requirements.
- In 2020/21 Police drew down $15.4 million from the tagged contingency to recover the costs of meeting its obligations with regards to implementing recent legislative changes and the ongoing improvement programme designed to meet public safety objectives and be a more effective regulator. The drawdown was necessary to commence improvement and implementation, but it is not a sustainable funding arrangement.

4. Revisiting the Strategic Case – the Case for Change

The Arms Act provides a regulatory framework that seeks to protect the public from harm that could be caused by firearms and allows fit and proper people to possess firearms for legal purposes while mitigating the associated risks.

> *"Our aspiration is to be a world leader in firearms regulatory services, which means we need to maintain the balance of keeping our communities safe while still enabling the safe use of firearms in our communities for legitimate purposes. This requires us to move from b ing an administrator of the Arms Act to an effective regulator of the Arms Act."*

The changes to the Arms Act following the 15 March 2019 Mosque attacks provide a strengthened set of controls that address weaknesses in the relevant legislation. The Arms Act is currently administered by Police, which is responsible for delivering on these strategies and controls. The implementation of arms control strategies has numerous challenges.

Increased investment is required to fully and effectively administ r the risk management system provided for in the Act, while enabling the legitimate use of arms.

Through this investment, important public safety benefits will be delivered to New Zealanders, as well as enabling the privilege of the ongoing use of arms fo business food gathering, recreation and sporting purposes. The outcomes that this investment will a hi ve are:

- A reduced potential for harm from the criminal and negligent use of firearms
- The arms regulatory capability meets its regulatory obligations
- The arms regulatory system promote public and stakeholder trust and confidence through the safe possession and use f firearm
- The arms regulatory regime has th ability to evolve to meet emerging risks
- The arms regulatory system enables the ongoing and legitimate use of firearms.

These improvements will contribute to reduced harm from the criminal and negligent use of firearms, particularly by:

- Reducing the availability of arms to enter criminal hands
- Ensu ing tha users are fit and proper, and aware of their obligations and the firearms safety requirements.

This strategic case provides the rationale for and objectives of the investment. The case begins with a summary of the strategic context that underpins the investment.

The case outlines the factors that are driving the need for an investment to be made. These are presented across the following categories:

- **Requirements** – Legislative- and governance-level factors that create a requirement for change. These are factors with which the arms regime must comply to meet stated commitments.
- **Challenges** – Factors affecting the current arrangements to which the investment must respond and which it must address. These are factors that must be addressed in order for the arms regime to be effective.

- **Opportunities –** Factors affecting the scope of available opportunities to proactively mitigate risk, that may be additional to the extent of risk addressed by meeting requirements and resolving existing challenges.

Secondly, the case outlines the required investment for delivering on the legislation and addressing the current challenges in the delivery of the Arms Act. The remainder of the section describes:

- **The objectives for and scope of** what is expected from the investment and the specific deliverables that the investment will fund
- **The outcomes and benefits** that the investment must deliver to be successful
- **The risks and dependencies** that are acting on this DBC.

The strategic case sets the parameters within which the solution options in the economic case must deliver.

Strategic context

Parliament has acknowledged that firearms have a place in New Zealand society and the privilege of their use is enshrined in the Arms Act. These benefits broadly relate to businesses, pest control, recreation, food gathering and sporting activities. It is important to note that th regulation of arms balances rights with privileges and interests:

- The right to life and security of all New Zealanders.
- The privilege of the possession and use of firearms, coupled with the interests of fit and proper people.

The Arms Act and its amendments set the regulatory framework for these rights to be protected and the privileges to be managed.

1. **Its purpose is to:**
    a. Promote the safe possession and use of firearms and other weapons
    b. Impose controls on th possession and use of firearms and other weapons.
2. **The regulatory regime established by the Act to achieve these purposes is based on two key principles**:
    a. That the possession and use of arms is a privilege.
    b. That persons authorised to import, manufacture, supply, sell, possess or use arms have responsibility to act in the interests of personal and public safety.

The remainder of this case discusses the requirements and challenges that the regulatory regime mu t address to deliver on the expectations set out by Parliament in the Arms Act. It outlines the current capability gaps that are limiting these requirements and expectations from being met, and the nec ssary investment to address these gaps and challenges.

Although the Arms Act 1983 and Arms Legislation Act 2020 are core drivers for this business case, the context of this business case has its origins in the Thorp Report produced in 1997, which made a series of recommendations that largely remain relevant today. Of note was the identified need for independence in regulatory functions, and improved information to drive a more risk-based approach to firearms control.

The arms modernisation programme that commenced in 2015 set the foundations for an uplift in regulator capability. In the months following the Christchurch Mosque attacks, significant work was undertaken to accelerate or immediately address issues in the arms regime, as well as implement the arms buyback scheme.

The Office of the Auditor-General reviewed the amnesty and buyback scheme, and made the following conclusions[4] that provide an immediate context for this business case:

- *We recommend that the New Zealand Police build on their engagement with firearms owners and licensed firearms dealers gained during the firearms buy-back and amnesty scheme to further strengthen relationships and build trust and confidence in how the current and future firearms regulatory framework is implemented.*
- *We recommend that the New Zealand Police improve the information they use to support their regulatory responsibilities for firearms and firearms owners, and their management of that information.*
- *We recommend that the New Zealand Police design and implement a framework to evaluate the extent to which changes to firearms regulation have made New Zealand safer, including taking steps to find out what level of compliance with the scheme has been achieved, and publicly report the findings of future evaluations to ensure that Parliament and the public have trust and confidence in their administration of firearms legislation.*

The impacts of this investment will be observed across the arms system and in the agencies that depend on the arms system to function effectively. Crime-prevention strategies depend on an effective regulator that is minimising the flow of firearms from legitimate to illicit sources. If the regulator is not able to fulfil these responsibilities effectively, it can be expected that other agencies will be negatively affected.

Requirements

The requirements below outline the legislative, statutory and other governance-level factors that are creating the need for investment in the arms regime.

Requirement 1: Arms Legislation Act 2020

In 2019 there was a comprehensive review of the Arms Act 1983. Its purpose was to remove semi-automatic weapons from circulation and use by the general population in New Zealand.

In 2020 the New Zealand Parliament passed the Arms Legislation Act. This second phase of the legislative reform programme was designed to strengthen the legislative framework and improve the overall functioning of the Arms Act 1983 – to deliver its purpose of ensuring the safe possession and use of firearms and placing controls on who could possess firearms. The new Arms Legislation Act made it clear that the possession and use of firearms is a privilege and that those who import, manufacture, supply, sell, possess or use firearms have a responsibility to act in the interests of personal and public safety. In addition, the licensing system was strengthened to make it harder for firearms to get into the wrong hands. The key changes were:

- Creating a firearms registry. This would store information about firearms and link it to licence holders so that every firearm legally held in New Zealand could be monitored
- Strengthening the licensing regime by tightening the rules for both individuals and dealers
- Shortening the licence period for first-time applicants or those that had allowed their licences to expire (or had licences revoked), and focusing more on filtering out high-risk people
- Extending licence requirements to cover parts, magazines and ammunition

[4] https://oag.parliament.nz/2020/firearms-buy-back/docs/firearms-buy-back.pdf

- Creating a licensing regime for shooting clubs and shooting ranges
- Strengthening the oversight of arms imports and sales
- Giving more regulatory tools to vet people and enforce the regime
- Enabling health practitioners to notify the regulator if they had concerns about a licensed firearm owner's physical condition, mental health or wellbeing
- Introducing some new offences and increasing existing penalties
- Allowing for regulations to be developed so the regulator could recover some costs.

These changes will come into effect progressively, with the arms registry being in place from 2023. The registry will be populated in the following five years (to 2028) when an existing licence h lder:

- Wants to buy or sell firearms or ammunition
- Wants to apply for a new licence or permit
- Has a change in circumstances for which the Arms Act requires them to notify Police.

Licence holders not involved in any of these transactions within those five years will be required to enter all unregistered firearms they hold into the registry in accordance with the regulations by no later than 24 June 2028.

Requirement 2: Treaty of Waitangi

There is a requirement for the arms regulatory capability to fulfil the responsibilities of an effective Treaty partner. This includes:

- Improving the capability to address Māori issues as a requirement of being an active and engaged Treaty partner
- Creating strong relationships with tangata whenua in order for the regulator and Māori to jointly reduce offending and victimisation within Mā ri communities.

Requirement 3: Royal Commission of Inquiry recommendations

The Royal Commission of Inquiry i to the terrorist attack was critical of Police's administration of the Arms Act and, in particular, its assessment of the terrorist as fit and proper to possess firearms. Police has accepted that its administration of the Arms Act has not always been at the level the public would reasonably expect, and the Commi sioner has apologised for this. Police had recognised that it needed to improve significantly its administration of the Act and an improvement programme had been underway prior to the errorist attack. There is a recognition that ultimately a new operating model will be required to achieve he public safety objectives of the arms regulatory system.

The Royal Commissio made specific recommendations[5] for changes to reduce risk that would result in a more efficient and effective, risk-based firearms licensing system. These included:

- Make poli ies and operational standards and guidance for the firearms licensing system clear and onsistent with legislation
- Introduce an electronic system for processing firearms licence applications
- Ensure firearms licensing staff have regular training and undertake periodic reviews of the quality of their work
- Introduce performance indicators that focus on the effective implementation of the firearms licensing system. Key indicators should include:
    - Regular performance monitoring of firearms licensing staff to ensure national standards are met

[5] Recommendations 19-23: https://christchurchattack.royalcommission.nz/the-report/findings-and-recommendations/chapter-3-recommendations-to-improve-new-zealands-firearms-licensing-system

- An increase in public confidence in the firearms licensing system (as measured by Police citizens' satisfaction survey reports or similar mechanism)

- Require two new processes in the case of applicants who have lived outside New Zealand for substantial periods of time in the 10 years preceding their applications:
  - Applicants should be required to produce police or criminal history checks from countries in which they have previously resided.
  - Firearms Vetting Officers should interview family members or other close connections in other countries, using technology if the applicant does not have near relatives or close associates living in New Zealand
- Introduce mandatory reporting of firearms injuries to Police by health professionals.

Requirement 4: Independent delivery entity

During the Arms Act reform process, Cabinet agreed that the Minister of Police would repo t back to Cabinet on options for an independent regulatory entity[6].

The IBC was developed to outline the level of investment needed to improve the arms regulatory system. The case included an analysis of five organisational options, including two p eferred options for consideration by Cabinet, described as:

- A **Branded Business Unit**, hosted by Police
- A **New Crown Agent** outside Police.

Cabinet noted the preferred options and sought consultation w th th Ministers Arms Advisory Group[7]. The Ministers Arms Advisory Group met to discuss and d termine a direction for the Arms Entity structure. The Group identified a further series of c itical success factors, all of which they considered to be essential in the effective establishment and ope ation of a regulator. They included:

- Improving public and constabulary safety
- Optimising the exchange of inf rmation between entities
- The effective operation of dminist ative and delivery systems
- Ensuring accountability for compliance activities.

The Ministers Arms Advisory Group evaluated both the Branded Business Unit and the Crown Entity against each of the above fact rs and identified several key considerations that will need to be addressed through the new operating model. They are:

- Effective engagement with stakeholders (requiring sufficient and ring-fenced funding for efficient operation)
- Accountability, transparency and responsibility for administrative performance covering li ensing activities as well as overall outcomes (requiring external independent oversight/monitoring)
- Seamless and effective exchanges of information and intelligence between the regulator and the enforcer.

Taking the above considerations into account, the Group supported the establishment of a Branded Business Unit, hosted by Police, for an initial 'trial' with a subsequent review, on the proviso that:

- A review of the entity's performance is commenced in June 2026. This aligns with the section 96 statutory review of the Arms Act, which is to occur three years from the establishment of

[6] 16 June 2020, *Further firearms changes signalled,* Hon Stuart Nash. Retrieved from: https://www.beehive.govt.nz/release/further-firearms-changes-signalled

[7] CAB-21-MIN-0115

the registry in June 2023. As with the section 96 review of the Act, the Group's recommended review must also be completed within 18 months

- The above review covers the overall outcomes of the entity, including all outcomes sought by all system stakeholders
- The Ministers Arms Advisory Group should contribute to the establishment of KPIs (key performance indicators), the design/establishment of the external and/or independent monitoring, and the shape of the review
- Regular external independent monitoring of the entity, which would ideally start from 2023.

Following consultation with the independent Ministers Arms Advisory Group[8], the preferred option of a **Branded Business Unit** was selected. Under this option:

- Regulatory functions would be transitioned to a dedicated Branded Business Unit hosted by Police
- Regulatory functions would be separated from Police's operational enforcement functions
- Funding would be ring-fenced through the establishment of a dedicated appropriation
- A unique brand would be established
- Police would retain policy and system oversight functions and continue to deliver enforcement services (such as responding to high-risk events where firearms may be presented, responding to firearms-related events, seizing firearms and recovering stolen items).

Cabinet agreed with this recommendation in November 2021, and this DBC is positioned on this basis.

The case for change

The case for change summarises the key drivers for change (challenges/opportunities), investment objectives (where to) and investment outcomes (for what benefit) using an Investment Logic Mapping process. This process involved a series of workshops with key stakeholders from the Arms Safety and Control business unit to review and update the case for change.

The progression from challenges and opportunities to objectives and outcomes is set out below in Figure 4.0, and represented in the full Investment Logic Map in **Annex C**.

Figure 4.0: Illustration of the drivers for change, investment objectives and programme outcomes

[8] https://www.beehive.govt.nz/release/independent-group-announced-advise-firearms-matters

The case for change was developed by key operational, programme and executive stakeholders, and built on:

- The IBC developed in 2020
- The substantial deepening of understanding of the arms regime, developed through the current modernisation programme and the response to the events of 15 March 2019
- Insights from stakeholders and other parties
- Other independent reviews of the firearms regulatory capability, including those of the Office of the Auditor-General and the Royal Commission of Inquiry, and the Thorp Report.

Challenges

This section outlines the key challenges within the current arrangement that underpin t e need for investment. They are summarised as:

1. **Insufficient delivery capability**, that is unable to sustainably me t demand**–** The administration of the Arms Act does not fully meet the government expectations of licence holders being fit and proper and will not meet the new legislat ve requirements. The current model cannot sustainably meet the demand created by the distribution of 10-yearly licence renewals
2. **The organisational delivery structure and funding model do not enable a single focus –** The funding of, and the organisational delivery structure for, arms regulation does not facilitate a singular focus on the design, operation evaluation and evolution of an effective regulatory regime
3. **Limited public understanding that c eates an unstable environment –** There has been limited public education on and exposure to the arms regulatory regime. This has contributed to the difficulties in justifying impr vements or investments in the arms regime
4. **An ever-changing environment** that requires ongoing assessments of risk and an evolution of the regulatory regime.

Challenge 1: Insufficient delivery capability, that is unable to sustainably meet demand

This challenge relates to he capabilities and capacity of the current delivery arrangements, which do not meet expectations and are not capable of sustainably managing the demand for services. The challenge is roken down further below.

A: Insufficient delivery capability

The current administration of the Arms Act does not fully meet the Government's expectations of all licence holders being fit and proper, nor will it address new legislative requirements. Its current form presents risk through an absence of agreed standards, inconsistent service delivery, manual processes, poor information flows, and delivery being subject to district reprioritisation. While work is underway to remediate existing issues, additional funds are needed for implementing the new legislation sufficiently and improve delivery. The current key issues include:

- **Competing demands within districts –** Arms services in districts are competing for priority with other operational activities and demands. They have historically been given a relatively low priority because they are considered administrative. Similarly, this resourcing is often reprioritised to meet district priorities of the day, resulting in poor performance

- **Inconsistent practices –** Districts apply different approaches to, priorities for, and service levels in delivering arms responsibilities, with service levels driven by the legislation, Police instructions and specific policies. Collectively, these elements form a 'common way' of delivering arms services nationwide, but the 'common way' is not codified or subject to targets
- **Immature operating model –** While the central Service Centre in Kāpiti provides a single location for administrative duties, the operational value of this has yet to be fully realised. Due to the inconsistent practices outlined above, the operational responsibilities, hand-off points and respective accountabilities are not well understood across all parts of service delivery. While an overall framework to guide the delegation of responsibilities is in p ace, there has been limited progress toward fully implementing this model across all service delivery processes

- **Service levels for delivery have focused on licensing throughput –** Due to a large backlog of licensing applications, throughput service levels have been established to highlight and manage this issue. The use of this approach highlights a tension between throughput and quality. When throughput is prioritised, quality assurance steps may be compromised, or vice-versa. A balance between these objectives is required but is currently not achievable due to the taking of a one-size-suits-all approach to all activities.
- **No regime-level view of performance –** The operating model and performance measurement issues highlight the lack of an end-to-end understanding of performance, and create a lack of clarity on systemic issues backlogs or areas of heightening operational risks
- **Insufficient staffing results in service backlogs –** Under the current staffing model, arms officers and vetters are employed at a district level, with a range of roles used to fulfil similar tasks across districts. However, given the uneven distribution of licence holders nationwide, staffing levels do not orrelate well with demand in regions. These staffing limitations are compounded by administ ative processes that are heavily paper based and manual, causing inefficiencies and human error
- **Unable to leverage capacity –** Notwithstanding the issue of insufficient staffing, the other issue abo e l ad to a situation where, if additional staffing is added to the current model, that ddition l capacity is unable to deliver the expected capacity gains. This indicates that the existing arrangements have significant structural inefficiencies that require remediation if th gains of investment are to be realised

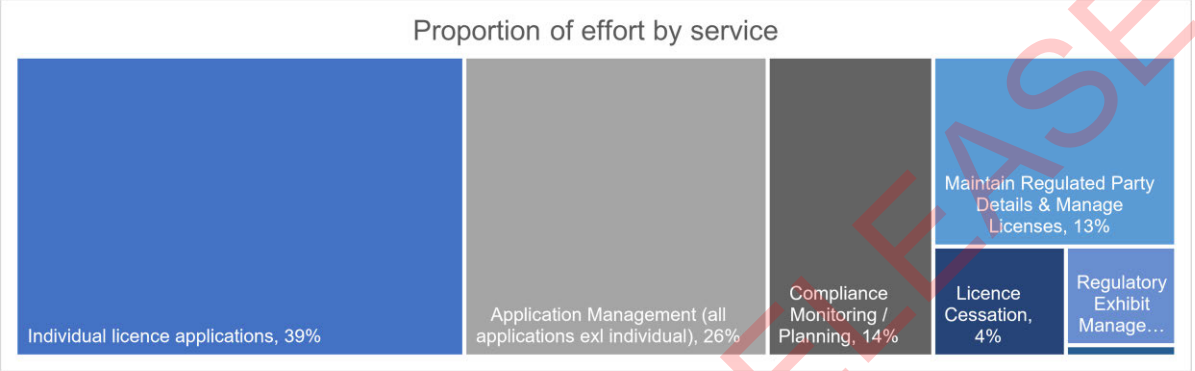
  Data capture given inadequate priority – Inconsistent practices and competing pressures on time have affected the attention and priority given to data gathering and reporting on regulatory service performance and/or the arms system
- **Poor information flows within the arms regime –** The Police NIA is the key source of information in establishing whether a person is fit and proper. However, it lacks integration with other systems so cannot easily be updated with information from other sources e.g. information on convictions. All licence holder and licence applicant information must be manually updated, and a significant amount of paper-based information must be processed manually. As well as being inefficient, it impedes the ability to draw insights or examine risks
- **Future services –** The changes within the Arms Legislation Act require a significant lift in capabilities and specialist skills that cannot be funded or delivered through current funding and governance structures without affecting other operational Police priorities. The services

delivered by the arms function expand significantly under the new legislation, most notably in the addition of firearms as a concept to be managed. This will require new Police capabilities and greater capacity in its service delivery and management.

B: Unable to sustainably meet cyclical demand

Under New Zealand's arms regulatory regime, people apply for the privilege of possessing and using arms. This creates a demand for services, particularly in relation to licence applications and renewals, permitting and other statutory activities. The proportional demand for services is shown in Figure 4.1 below.

Figure 4.1: Total demand for services (2021)

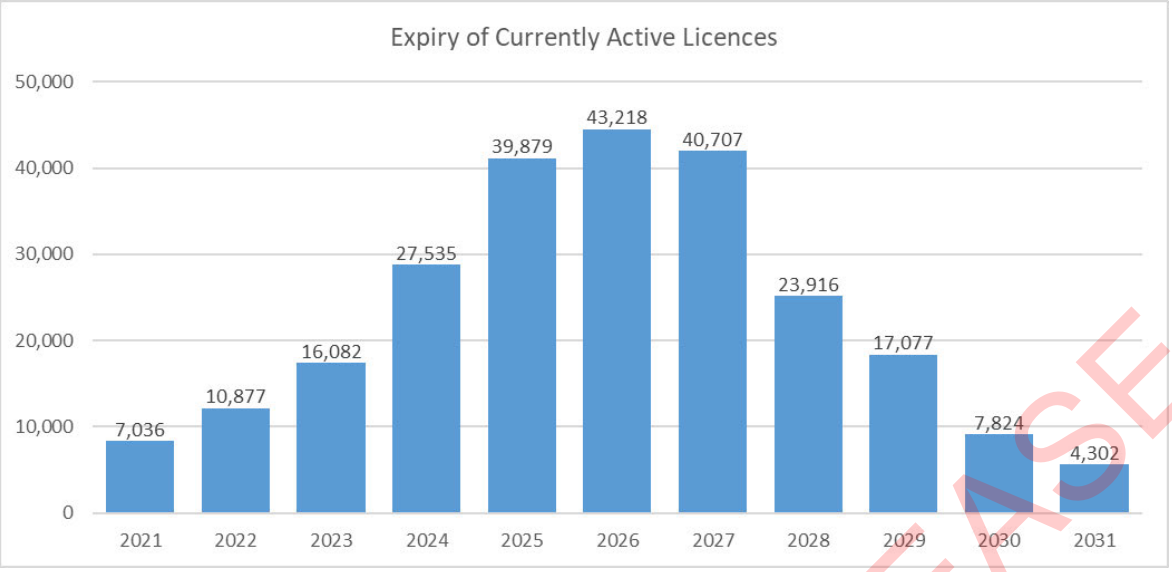


Originally, standard firearms licences were valid for the li ence holders' lifetimes. This changed in 1992, when the Arms Amendment Act reduced the term to 10 years. The implementation of this change resulted in what Police call the 'licensing bell curve'.

The distribution of licence renewals in the comm nity has a 10-year profile that creates a demand in peak years (the next peak will be in 2026) that is challenging to resource in a sustainable manner. Police receives approximately 13,000 applicatio s annually for two years, followed by a three-year period of approximately 47,000 appl catio s annually, followed by another two-year period of 13,000 applications.

The curve is shown in Figure 4.2. It only models the profiles of future licence expiries (as a proxy for renewals), as this is the greatest dr ver of work effort among the regulatory services.

Figure 4.2: Expiry of current licences



Source: Police – NIA licence expiry data as at August 2021.

Typically, the new first-time applications are offset by the existing/ceased applications. However, the amendments to the Arms Act introduced a five-year term for first time lic nce holders, to improve the ability to monitor people's fit and proper status. This new 5+10-yea structure compounds the current demand profile.

The peaks and troughs in licence renewals in each decad have required Police to vary staff levels to support service demand (this is estimated to be up to four times the baseline staffing level). The establishment of temporary resourcing to cover hese cycles creates significant issues in terms of recruitment, training, management while in operation, and quality assurance. It can result in inadequately trained staff being deployed to support the service at times of peak demand. In turn, this introduces risks to service delivery qual ty at th se times.

Districts have depended on casual rms vet ers and other casual staff to fill some staffing gaps. This has created employment relati nship issues, as the work does not always align with the nature of the employment.

The demand for services also creates other issues:

- The backlogs created by delivery inefficiency compound demand over time, which means that the t ue demand may be significantly compounded by historical poor performance.
- Any impr vements in information management generate increases in demand, as risks are ikely to surface that need to be addressed through further compliance activity.
- The demand for licences is only one dimension of the overall service delivery; the servicing of this demand requires the greatest focus.

Challenge 2: Limited public understanding and awareness creates an unsustainable environment

Limited understanding and awareness

Public awareness is a key feature of effective regulatory regimes in other jurisdictions. However, the New Zealand public are generally unaware of or are complacent about the real risks presented by firearms daily, or their ability to influence the system. This situation has contributed to the difficulties to date in justifying improvements and investment in the arms system.

There has been little engagement on this with the broader public. While the arms community is generally well informed and engaged, the public have a limited awareness of and education in their responsibilities toward arms.

Although public awareness of arms control is heightened around critical events, there is generally a low level of engagement. Historically, there has been little targeted effort to promote public awareness of the arms regime and this has reportedly made the case for legislative change more difficult to establish.

The environment created by this low awareness and engagement is a challenge to the long-term sustainability of the arms regime. Without an informed public environment, the clarity of the need for an effective arms control regime will be lost as critical events fade from the public eye. By improving awareness of and engagement with the New Zealand public, the arms regulator will be better placed to create an environment where there is a demand for effective regulation, and a more clearly understood case for ongoing changes to the regulatory regime.

Perceptions of trust

There is a persistent narrative that some segments of the community, particularly some elements of the firearms-holding community, have low trust or confidence in the arms reg me.

The concept of trust and confidence in relation to arms is not well defin d, and there is an absence of understanding and an inability to measure this objectively. Mea urement t at does occur is assessed within the broader trust and confidence in Police, not as part of a pecific arms regulation function. Without formal and separate measurements, it is difficult to su stantiate these perceptions.

There are no specific feedback loops that relate arms regulatory interventions to any changes in trust and confidence. This means it has not been poss ble to gauge which interventions drive trust and confidence in the arms regime most.

The relevance of trust and confidence also depends n the stakeholder group, with different communities having different views on deriving t ust and confidence.

There is a significant opportunity to reposition the way the arms capability is presented to the public and arms community, to reset this per eption and increase trust, confidence and engagement.

While these issues are not critical t the core delivery of the Arms Act, they are higher-order challenges that affect the long term sustainability and governance environment of the regime. Addressing these challeng of understanding and trust will create a stronger foundation for the arms regulator to operate from

Challenge 3: The organisational delivery structure and funding model do not enable a single focus

The c allenges of delivering effective arms regulation mainly reflect issues with the organisational delive y structure and funding, which inhibit the ability to have a single focus. Each is explored below.

A. Organisational delivery structure

The current structure for arms regulation in New Zealand and its associated accountabilities does not allow for dedicated leadership and a focus on arms regulation. It presents three key challenges:

1. **Activities subject to prioritisation –** The extent and mix of regulatory activities are subject to the priorities of other organisational and policing demands. This lack of a singular focus has led to the reprioritisation of effort across a range of immediate priorities at an operational level.
2. **Limited understanding of and intelligence on the arms system –** The current organisational structure does not facilitate a singular focus on monitoring the design, operation, evaluation and evolution of an effective regulatory regime. There is currently a low

level of information available in regard to the performance of the system, and an insufficient focus on performance improvement at both operational and strategic levels.

3. **Insufficient accountability, responsibility and monitoring:**
    - The effectiveness of the arms regulation system's delivery is not adequately measured and reported on, and as a result there is a perceived lack of transparency and accountability.
    - Regulatory functions are allocated from the centre to the districts, and at that point tasks may be reprioritised. There is no overall visibility or accountability across this model, and this has led to a low level of understanding of overall system performance across all operational touchpoints. The quality and consistency of delivery is not easily measured.
    - There is little representation and monitoring of Arms Act delivery at a gove nan e level.

In addition, some licence holders believe that the existing regime suffers from a lack of independence and transparency, that taxpayer-funded resources are being diverted away from Arms A t delivery, and that Arms-Act-related activities within Police have been downgraded in priority. This perception, in part, prompted the decision to explore options for arms regulation delivery outside Police.

The existing regime has also been publicly criticised by elements of the arms community for its interpretation of the legislation and the timeliness of service delive y. P lice is not always able to deliver on self-imposed outcomes and timeframes and has been publicly c iticised as a result.

These challenges, along with a lack of clear governance of ssurance frameworks, have contributed to insufficient oversight and assurance that the system has adequate leadership and monitoring.

B. Funding

The key challenges of the current arms-funding model are:

1. **Funding is subject to reprioritisation –** The funding arrangements for Arms Act delivery, particularly the Police expenditure on cri ically urgent needs relative to Arms Act delivery, have led to the above perceptio that Police is diverting resources away from the arms regulatory system.

    Historically, Police has found it difficult to prioritise expenditure to meet the growing demand for arms control due to other competing (and critical) needs such as frontline policing. However, owing t the additional regulatory responsibilities outlined in the Arms Act reform, as well as the need for ongoing improvements, Police has reprioritised its baseline funding to enable chang s o existing functions and the implementation of new ones.

    A p opo tion of Police funding is subject to reprioritisation at district level.

    Ultimately, Police has not been able to reprioritise baseline funding and invest in Arms Act de ivery ahead of meeting urgent needs. As a result, the arms regulatory function is not delivering to expectations

2. **The funding is insufficient –** Funding arrangements for the arms regime were last reviewed more than 20 years ago, and any investments have focused on operational matters rather than proactive interventions in the wider arms system. The current funding is not enough to meet today's operational demands and the emerging risks in the market.

    In 2020/21 Police drew down $15.4 million from the tagged contingency to recover the costs of meeting its obligations with regards to implementing recent legislative changes and the ongoing improvement programme designed to meet public safety objectives and be a more effective regulator. This represents a significant increase on previous years that will enable significant district support as well as efforts to centralise and standardise some Police practices. While the drawdown was necessary, it is not a sustainable funding arrangement.

Additional and sustainable funds are required to implement the new legislation, improve delivery and meet expectations

3. **Funding is unsustainable –** The current funding does not allow for evolution in the regulatory regime to meet emerging risks in the arms system. Activities to identify and address new and emerging risks are not sufficiently or sustainably resourced. Similarly, the funding model is not tied to any level of demand or scope of services
4. **Costs of services are not recovered in proportion to the effort of delivery –** This has created a subsidy effect for licence holders who require more Police effort than others. Police has previously sought to adjust the mechanisms for recovering its costs (e.g. licensing fees), but this has been unsuccessful. Indeed, under the current subsidy arrangement, some licence holders gain significantly more benefits than others, for the same costs. The cost settings outlined in **Annex B** do not adequately reflect the costs of determining that a person is fit and proper, nor do the costs reflect the value associated with the privilege of possession and use.

Challenge 4: An ever-changing environment

The arms market and its environment are continually changing. Trends in technology, manufacturing and marketing will continue to drive new demands and expectations from firearms users and the broader community. Although recent changes to the legislation allow these trends to be addressed, maintaining proactivity in identifying and responding to these trends will be an ongoing challenge for the arms regime.

Similarly, the sophistication of criminal elements in regard to the procurement of arms has been observed as increasing. An increasingly robust and considered approach is required to ensure compliance and prevent arms being procured for illegal purposes.

To achieve this, the arms regulator needs the ability to:

- Identify trends, risks and emerging risks
- Adapt its approach to address the identified pressures
- Monitor the impacts of the adaptation and the effects on risk.

Opportunities

This section outlines the opportunities that the investment could lever ge to improve the value that will be delivered. In the context of this section, proactivity is defined as the unde taking of activities or initiatives ahead of the natural demand for them and to a greate extent. It means that the regulator would actively use its resources to identify and reduce risk th ough dedicated projects and interventions.

Opportunity 1: To proactively mitigate risk

The Arms Act implementation will be complete in 2028 – the year in which all firearms will need to be registered. Ahead of this completion dat there is a range of opportunities to proactively address risks or to augment the existing programme of w rk to provide a higher likelihood of success. These opportunities reflect the recommendat ons of the Royal Commission of Inquiry, and include:

Pre-2023:

- Opportuniti s to prepare proactively for the implementation of the arms registry to enable day-one use by dealers through the early recording and population of stock
- Opportunities to input retrospective dealer records to a digital platform to build a longitudinal dataset

  Opportunities to undertake community engagement and messaging (for both user and non-user communities) to provide visibility on, details of, requirements for and reassurance on the registry and register

2023 28:

- Opportunities to improve the ability to develop risk-based approaches based on a growing repository of quality information
- Opportunities to engage and provide assurance regarding storage requirements and security, and other emerging themes of risk
- Opportunities to develop and operate a risk-based approach to proactively engaging with licence holders through key events
- An opportunity to develop effective evidence to support future legislative reviews.

This list of opportunities is expanded in Table 4.0 below. It illustrates that during this investment the regulator will be presented with a growing set of opportunities that could be either accelerated ahead of when they would naturally occur or introduced as proactive activities that mitigate these risks.

To do this, the regulator will require an approach that is flexible, with sufficient resourcing and capabilities that can be oriented toward appropriate priorities as identified.

Table 4.0: Major risks and opportunities for mitigation

Major phase and events	Pre-register commencement	2023 – legislation fully commenced - Register operational	2028 – all firearms to be registered
Risks	• Pipeline of applications to be assessed and new five-year applications. • Arms missed in buyback entering black market. • Arms bought by legitimate users to be supplied to criminal users. • Limited ability to be risk based due to lack of information.	• Peak of licensing demand. • Five-year licences start renewal cycle. • Potential loss of focus on safety for legitimate users. • Sales within private market not controlled. • Tightened controls over supply leading t increased theft attempts. • Improved information leads to greater ompliance workload.	• Materialising of risk to trust and confide ce that the regime is deliv ring on objectives.
Opportunities	• Pre-registry dealer preparation/early registration/recording of firearms and ammunition stock to enable dealers o operate in the regis er from day one. • Community engagement and messaging (in user and non-user communities) o provide visib lity detail d requi eme ts and reassurance on the central arms registry and register. • Education on and awareness of amnesty available to firearms missed in buyback. • Input of retrospective dealer records to digital platform. • Risk-based approach to proactively engaging with licence holders through key events. • Improved delivery and effectiveness of safety training.	Improved ability to take risk-based approach as registry data becomes available. • Engagement and assurance regarding storage requirements and security. • Encouraging private holders to enter the registry sooner. • Embedding clubs' and ranges' requirements. The club recognition and range certification last for five years, and a risk-based audit approach is required between recognition/certification visits. • Risk-based approach to proactively engaging with licence holders through key events. • Effective evidence to support legislative review. • Leverage efficiencies from automation of processes.	• A continual improvement workstream. • Enable licence holders to transact safely and with assurance.

Opportunity 2: Promote the acceptance of responsibility

The Arms Legislation Act 2020 has clarified that the possession and use of arms is a privilege and that there are responsibilities that come with that privilege. The elevation of this concept to being a core purpose in the Act presents opportunities to:

- Better promote shared responsibility among all parties in the system, through repositioning the regulator toward a fulsome regulatory role rather than it being perceived as having a purely criminal focus
- Reposition and reframe the concept of 'privileged use' within the arms community
- Enhance the value of becoming licensed due to the implications of non-compliance.

This opportunity represents a shift in the relationship between the regulator and the regulated party, and a shift in the views and perceptions of compliance. It enables the regulator to develop and apply a regulatory strategy that uses a graduated and nuanced approach to encouraging comp iance.

What is this investment seeking to achieve?

The sections that follow outline the investment required to address the requirements and challenges outlined in the previous section.

This investment improves safety outcomes for New Zealand and reflects the core purpose of the Arms Act:

- Promote the safe possession and use of firearms and other weapons.
- Control the possession and use of firearms and other weapons across their lifecycles.

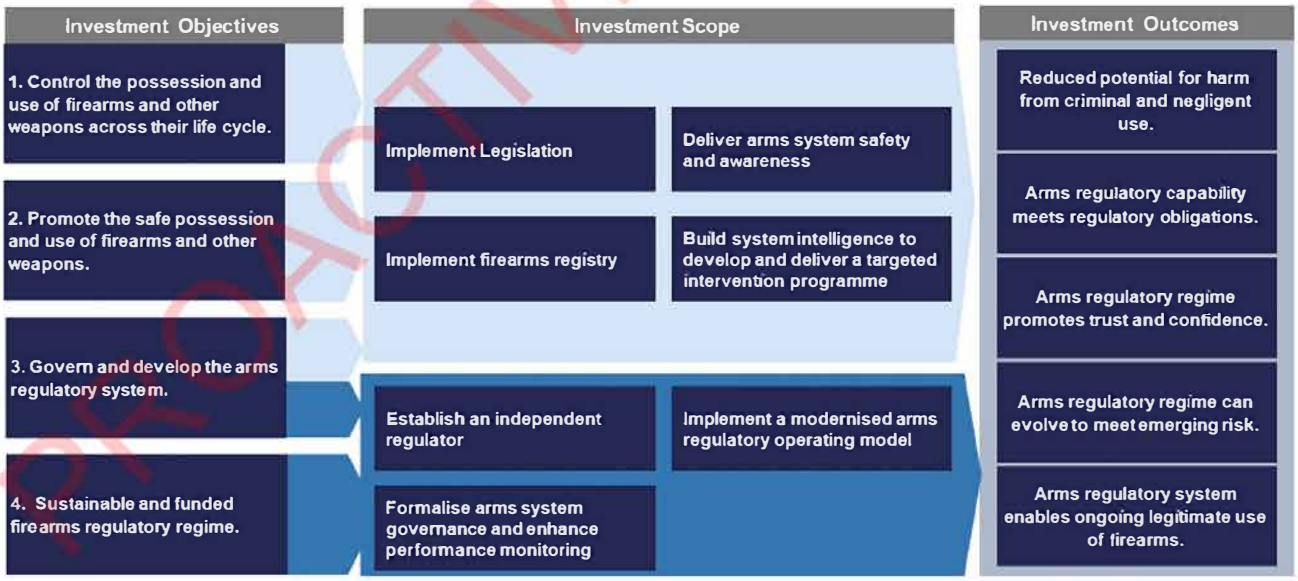
The following investment objectives respond to the key challenges and align with the rimary objectives of the Arms Act.

Increased investment is required to fully and effectively administer the risk-management sy tem provided for in the Act, while enabling the legitimate use of arms. This section outlines the:

- **Investment objectives** – The goals that the investment is seeking t achieve These are the primary objectives sought and address the key challenges identified in the case for change
- **Investment scope –** The specific improvements and interventions that the investment will deliver. This scope provides a focus for the investment a d delivers on the objectives
- **Investment outcomes** – The results that the investment will u timately deliver. These outcomes are delivered through the results of the investment bjectives.

This progression is summarised in Figure 4.3 bel w, and the full investment logic is included in **Annex C**.

Figure 4.3: Summary of investment objectives, scope and outcomes



Investment objectives

The investment objectives are:

1. Control the possession and use of firearms and other weapons across their lifecycles
2. Promote the safe possession and use of firearms and other weapons
3. Govern and develop the arms regulatory regime
4. Establish a sustainable and funded firearms regulatory regime.

These objectives align with the primary purpose of the Arms Act and seek to address the challenges of and respond to the requirements and opportunities. These objectives are also tied to timelines within the commencement of the Arms Legislation Act 2020.

Objective 1: Control the possession and use of firearms and other weapons across their lifecycles

This gives effect to the Arms Act through investments in:

- Improving the services and activities that enact the legislation
- Improving information accuracy
- Improving efficiency in the regulator's ability to recognise legitimate use
- Developing a regulatory strategy that drives the approaches to and priorities for identifying and mitigating risk, and outlining the interventions taken to address these risks. This will take into account the changing risk profile across the legislative timelines to 2028.

Objective 2: Promote the safe possession and use of firearms and other weapons

This recognises the Arms Act's proactive emphasis and seeks improvements in the way the acceptance of responsibility among all regulated parties (as des ribed in the Act) is promoted. It includes investments to:

- Promote the concept that arms possession is a privilege that comes with obligations, and promote and provide education on those obligations and the consequences of non-compliance
- Improve the provision of information to the public on the arms system, the efficacy of the arms regime and the extent to which arms risks are managed
- Develop feedback loops in the system to ensu e that interventions are delivering on objectives
- Recognise and work with law-abiding licence holders in a regulatory capacity that seeks to enable legitimate use.

Objective 3: Govern and develop the arms regulatory regime

This recognises the need to improve the way the arms regime is governed and developed over time, through investments in:

- Implementing an rganisational structure and operating model to enable compliance with the Arms A t
- Enabl ng ongoing monitoring of trends in firearms and their exchange to keep regulation current and effective
- Establishing feedback loops that drive decision-making on and evaluations of the regulatory regime
- Enabling a system view in planning interventions
- Developing 'independent' messaging to the public and stakeholders.

Objective 4: Establish a sustainable and funded firearms regulatory regime

This recognises that the regulatory regime needs to evolve over time. It will require:

- Ring-fenced funding that is not discretionary or subject to reprioritisation
- Transparency in performance
- Appropriate cost-recovery frameworks to be implemented
- Ongoing regime development based on insights and system feedback.

Investment scope – key deliverables of the investment

Recognising the above investment outcomes, funding is sought through this DBC for the following deliverables:

1. Implement legislation.
2. Implement firearms registry.
3. Establish an independent regulator.
4. Formalise arms system governance and enhance performance monitoring.
5. Implement a modernised arms regulatory operating model.
6. Deliver arms system safety and awareness.
7. Build system intelligence to develop and deliver a targeted intervention programme.

These interventions are an investment in capability that will enable the above objectives to be met. A detailed scope statement and outline of deliverables against each of the scope dimensions outlined above is included as **Annex D**.

Scope of regulator

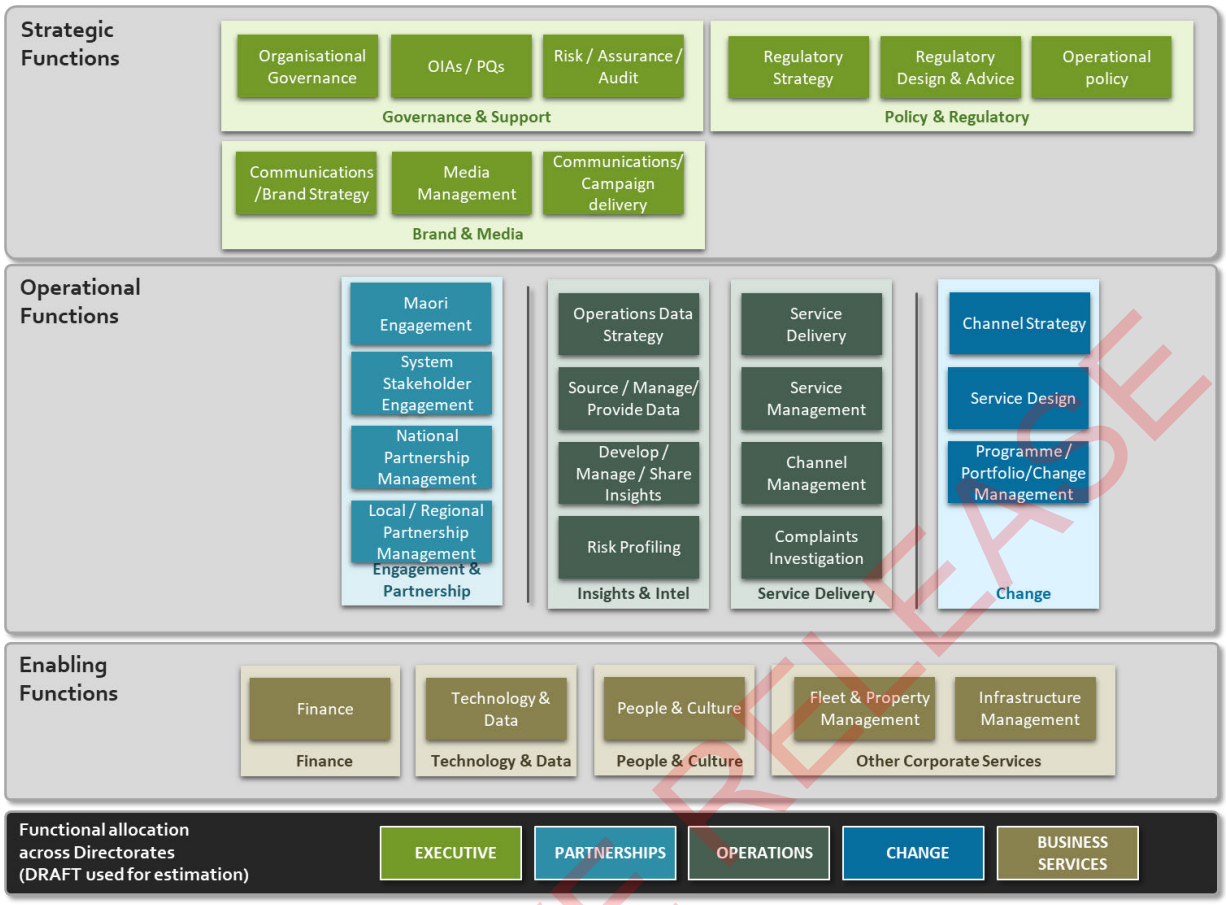
The functional scope of the regulator, which fulfils the government expectations of good regulatory practice[9] required to administer and sustain the arms regim is represented in Figure 4.4 below and includes:

- **Strategic functions –** Functions that provide direc ion and oversight to the entity
- **Operational functions –** Functions that are required to deliver core operational services
- **Enabling functions –** Functions that support the operation of the business.

For planning purposes these are allocated to the proposed organisation structure; however, the allocations are likely to change.

[9] https://www.treasury.govt.nz/sites/default/files/2015-09/good-reg-practice.pdf

Figure 4.4: Entity scope



Out of scope

The following significant considerat ons are out of scope for the DBC:

1. **Changes to Police**

   This DBC does not consider:

   - Changes to core Police operations and operational decisions made by Police on the policing o arms related offending
   - Any upl ft in demand for Police operational services that might be driven by increased r gulator activity.

2. **Impacts on other agencies**

   The costs of and/or other operational impacts on other agencies (process partners) are not considered.

Investment outcomes – what are the benefits?

The outcomes sought through this investment are:

- A reduced potential for harm from the criminal and negligent use of firearms
- The arms regulatory capability meets regulatory obligations
- The arms regulatory system promotes public and stakeholder trust and confidence through the safe possession and use of firearms
- The arms regulatory regime can evolve to meet emerging risks
- The arms regulatory system enables the ongoing and legitimate use of firearms.

This investment will generate:

- **Direct benefits** that can be attributed wholly or in part to changes made through the investment. These are outlined in table 4.1 below
- **Indirect benefits** that accrue to firearms users through the legitimate use o arms. These benefits cannot be claimed by the investment but cannot be achieved without it. For example, if the arms regime does not enable suitable people to possess and us fi earms, the benefits associated with the use (such as recreational and economic benefits) are lost.

The benefits are outlined in Table 4.1 and expanded on in the supporting Benefits Realisation Plan.

Table 4.1: Summary of benefits and measures

Benefit description	Measures	Who benefits?
Improved public and Police safety.	• Number f un egi tered or illegally held firearms seized by Police.	• New Zealand public • Police • Regulated parties • Government
The firearms regulatory regime system promotes public trust and confidence through the safer possession and use of firearms.	• Percentage of public, police and regulated party confidence in arms safety and control as measured through annual surveys (three measures).	• New Zealand public • Regulated parties • Police
Impr ved quality and timely delivery of arms regulatory nte ven ions, measured thr ugh delivery against agreed requirements.	• Number of timely and correct revocations. • Number of days to follow up with expired firearms licence holders to ensure renewal of firearms licences. • Percentage of firearms licence applications processed within service standards. • Percentage of compliance activities undertaken.	• Regulated parties • Government • Police

Benefit description	Measures	Who benefits?
Increased ability to measure the effectiveness of Arms Act delivery (both administrative efficiency and outcomes' effectiveness) due to improved reporting within the system.	• Capability in place to enable data availability for performance reporting.	• Government • Regulator

Alignment with the Living Standards Framework

The expected outcomes and benefits have been assessed against the Treasury L ving Standards Framework[10] and He Ara Waiora[11].

The outcomes primarily contribute to two Living Standards Framework domains: safety; and civic engagement and governance. Table 4.2 describes the associated benefits against each domain.

Table 4.2: Direct benefits by Living Standards Framework domain

Domain	Benefit description
Safety	The investment will deliver enhan ements to the safety and security of New Zealanders. Specifically, these will b : • A reduced potential for harm from the criminal and negligent use of firearms • A firearms regulato y regime that promotes public trust and confidence through the safe possession and use of firearms.
Institutions & Governance – Central & Local Government	The investment will de iver an enhanced governance and regulatory capability, whi h will provide a robust regulatory framework, through: • A qu l ty, timely delivery of arms regulatory interventions, measured through delivery against agreed requirements • An increased ability to measure the effectiveness of Arms Act delivery (in terms of administrative efficiency and outcomes' effectiveness) due to improved reporting within the system.

When conside ing the broader wellbeing that this investment will deliver, He Ara Waiora presents a holistic app oac to wellbeing. The key concepts of Mana tuku iho, Mana tauutuutu, Mana āheinga and M na whanake outline the aspects of wellbeing important to individuals and collectives, which are enha ced through this investment principally by:

- Reducing the potential for harm from firearms, which enhances the ability to realise one's aspirations and leads to reduced victimisation though firearms-related harm
- Protecting the ability to use firearms for food gathering, connecting with the land and environment, and growing prosperity, promoting the values of self-sufficiency and realising aspirations.

These aspects arise as a range of indirect benefits to firearms users through the legitimate use of arms, shown in Table 4.3. The accrual of these benefits is subjective to firearms users and will differ

[10] https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/our-living-standards-framework

[11] https://www.treasury.govt.nz/information-and-services/nz-economy/higher-living-standards/he-ara-waiora

according to how firearms use interacts with their lives. The investment will better support the ongoing use of arms for legitimate purposes by fit and proper people, enabling these benefits to continue to accrue.

Table 4.3: Indirect benefits by Living Standards Framework domain

Domains	Benefit description
Leisure & Play, Cultural Capability & Belonging	Arms use is often connected with food gathering for families and whānau, and recreational activities that promote social connection through clubs, groups and other social touchpoints.
Subjective Wellbeing	Arms use has a substantive role in the identities and ways of life of a proportion of users. It is expected that some users' subjective wellbeing will be enhanced through the possession and use of arms.
Jobs & Earnings	The sale and supply of arms, and the use of arms as tools in a business context, generate employment and incomes for both the businesses involved and those employed by them.
Environmental Amenity	Arms are used for pest control and the protection of biodiversity through pest-eradication and recreational hunting activities.
Health	Arms are often used in conjunction with outdoor recreation. It is expected that some users will experience benefits in overa l health and wellbeing from using arms in this context.

Further detail is included in the supporting Benefits Reali ation Plan and appendices.

Alignment with the Government's investment criteria – Budget 2022

This DBC notes the Labour Government's priorit es in Budget 2022 for addressing future issues, including:

- Keeping New Zealanders safe from COVID-19
- Accelerating the re overy and rebuild from the impacts of COVID-19
- Laying the foundations for the future, including addressing key issues such as climate change, housing affordabili y and child poverty.

Further updates are anti ipated when the Budget Policy Statement is released by the Minister of Finance in De ember 2021.

This DBC supports these overall government objectives by:

- E tablishing foundational capabilities and remedying legacy issues in the regulation of firearms

  Promoting the wellbeing associated with the safe possession and use of arms.

This has the overall outcome of keeping families and whānau and communities safe and building a regulatory capability that is responsive to community needs.

Alignment with the Government's ICT strategy

The Strategy for a Digital Public Service[12] sets the direction to modernise and transform the public service, putting citizens and businesses at the centre of government services. The Strategy seeks to enable the public service to use the right tools and the right approaches to deliver:

- Better results for New Zealand through a digital public service
- An improved experience with government for New Zealanders
- A modern, agile and adaptive public service
- A strengthened Māori-Crown relationship.

The investment in a registry solution (proposed in this DBC) is aligned with the strategic intent outlined above. A modern registry solution will:

- Meet the needs of the public (licence holders) by being easy to use and fit for purpose
- Encourage a digital-by-default delivery of services to improve the overall levels of service
- Support the needs of Police and frontline staff and equip them with appropriate tools and information
- Enable an ability to adapt to future needs and requirements more readily
- Comply with all relevant legislation and privacy requirements.

[12] https://www.digital.govt.nz/digital-government/strategy/strategy-summary

Key risks, constraints and considerations

Risks are identified throughout this document, relevant to each case. A master list of key risks and constraints for the proposal can be found in **Annex E**. A summary of the most impactful risks across this DBC is provided in table 4.4 below.

Table 4.4: Key risks

#	Type	Description	Controlled rating	Mitigation notes
R1	Strategic	**Investment required to meet legislative requirements** – There is a risk that if the investment in the arms regime is not made, the Arms Regulator/Police will be unable to meet legislative requirements.	**High**	This business case outlines the funding required to meet the equirements of the Arms Act.
R2	Strategic	**Timeframes to meet legislative requirements** – There is a risk that, if investment decisions and funding are delayed, the overall programme will be affected and the regulator will be unable to meet the requirements of the Arms Act, including to have the registry established by June 2023.	**High**	Risk m tigated through contingency.
R4	Strategic	**Disruption from COVID-19** – The ongoing COVID-19 pandemic may disrupt the delivery of the investment, or further exace bate existing delivery issues.	**High**	Ongoing adaption of delivery plans and active management required.
R7	Strategic	**Ability to recruit** – There is a isk tha finding and retaining skilled sources to achieve the required capability and capacity uplift will be difficult in the currently constrained labour market. This may affect the ability to meet outcomes and h ve cost and timing implicatio s	**High**	The currently constrained employment market needs to be factored in to the phasing and resourcing approach
R8	Strategic	**A ility to measure** – The measurement of key success factors is outside the control of he regulator. This may affect the ability to measure and report on outcomes.	**High**	The ability to generate information for performance measurement purposes requires a specific focus within the functional scope. Measures within the scope and control of the regulator may be used to supplement those that are outside its control.
R9	Strategic	**Effectiveness of control strategies** – There is a risk that, if the arms strategies that inform the legislation and subsequent regulatory delivery are not effective in reducing harm, the investment will not achieve its outcomes.	**High**	The design of the Arms Regulator needs to accommodate this risk and have the capabilities and flexibility to address potential weaknesses or identify areas for improvement.

#	Type	Description	Controlled rating	Mitigation notes
R10	Strategic	**Investment outcomes** – There is a risk that the arms regime will not result in reductions in harm due to increased criminal activity, resulting in a loss of confidence in the value of the investment.	**Medium**	The mitigation of this risk requires: • Effective communication with the public on the scope of the regulatory regime and its benefits and limitations • Effective partnerships between the arms regulator and Polic to support operations to addre s criminal ac ivity
R11	Economic	**Planning assumptions are inherently incorrect** – There is a risk that the assumptions about the future risk profile of the new legislation, and assumptions about the effort required to meet demand, are incorrect, leading to the investment being insufficient to address the profile.	**Medium**	QRA ndertaken to dentify the significance and evaluate the implicatio s of each assumption that underpin the investment estimates.
R12	Economic	**Lack of data leading to incorrect planning assumptions** – There is a risk that the curr nt lack of quality data on the performance of the arms regime results in planning assumptions being made that are found to be incorrect with cost, timeframe or scope implications.	**Medium**	QRA undertaken to identify the significance of each assumption that underpins the investment estimates so that areas of high sensitivity can be addressed through contingency estimates.
R13	Economic	**Backlog effect** – There is a risk that, if the current backlog of wo k is not addressed, the impact on the f rward work profile will be compounded year on year, leading to a signifi antly higher demand that may reduce the ability to achieve the desired outcomes.	**Medium**	Addressing the current backlog requires specific resourcing. Further backlogs being developed should be mitigated through a fully resourced operating model.
R14	Comme cial	**meframes to meet legislative requirements** – There is a risk that delays in the finalisation of the funding arrangements will affect the establishment of the firearms registry, leading to an inability to meet legislative timeframes.	**Medium**	The ability to enter a contract for the registry solution is dependent on there being a secured funding mechanism in place.
R15	Management	**Ability to realise efficiencies** – There is a risk that the existing challenges in the arms regime are unable to be sufficiently resolved, restricting the effectiveness of the changes within this investment in meeting the desired outcomes.	**Medium**	Programmes of work are currently underway to address underlying issues and create a stable foundation for this investment. The implementation programme must consider what further support is required to stabilise the current operation as a prerequisite for the overall investment.

Table 4.5: Key constraints

#	Description
C1	**The investment scope is limited** to the effective delivery of the responsibilities outlined in the Arms Act.
C2	**The responsibilities of the regulator are defined** in the Arms Act, and it is expected that the regulator will always meet all the defined respons bilities.
C3	**Implementation timelines** are driven by the Arms Legislation Act 2020. The full extent of the changes has yet to come into effect, but the Act requires the capabilities to be available from the commencement dates.
C4	**The level of available funding** may constrain the Government's ability to invest in the preferred way.
C5	**The externally driven demand for compliance activities** that the regulator needs to meet is largely structural, and determined by: • The natural cycle of licence applications and expiries, with durations as defined in the Arms Act • Annual or regular activities relating to certain licence types/endorsements • Specific licence-holder-led activities that require the regulator to take reactive a tions once notified.
C6	**Other strategic priorities** within the government organisation accountable for impleme ting the preferred way forward may affect progress. The organisation will l kely have other strategic prio ties r quiring effort and resources, and this could constrain the implementation of the preferred way forward.
C7	**The support of the constabulary** is critical for the safe delive y of arms egu ation, in terms of both the information that the constabulary develops during routine policing that can in orm fi a d proper assessments, and the specialist capabilities that Police provides to the regulator.

Table 4.6: Key considerations

#	Description
D1	**A technical solution** for a central arms reg stry is required to be developed and implemented by June 2023. Given the long lead time for a solution of this nature and complexity, a process is underway to procure an appropriate solution. (Note this is not outside the sco e of the programme – it is currently underway within the programme.)
D2	**Changes to existing cost-recove y mechanisms** (e.g. licensing fees) are required. An analysis of possible amendments to the existing cos -recovery mechanisms will likely occur in the next 12 months.
D3	**Demand for lic nsing services.** The demand for licensing services follows a 10-year cycle. The effects of this demand on service delivery re uire specific consideration to manage the 2026 peak, as well as the consideration of a more sustainabl long term solution that may include legislative means.

5. Revisiting the Economic Case – Identifying the Preferred Option

The economic case seeks to explain and evaluate the best option for addressing the case for change, by establishing an effective and efficient arms regulatory capability that meets the investment objectives.

The economic case identified five options for detailed analysis:

1. **Counterfactual – achieve through current capability and capacity (baseline comparison).**
2. **Change legislation to reduce impacts of 10-year licensing cycle.**
3. **Increase people capacity and use existing systems.**
4. **Increase people capacity and procure new registry solution.**
5. **Proactively intervene to reduce risk.**

Through this case, the options were assessed for their ability to meet the investment objectives and critical success factors identified for the investment, the extent of the benefits d livered, and the value for money of each option.

The preferred option is **Option 5** because it offers the capabilit es necessary for making the shift from firearms regime administrator to a modern regulator and enables the regulator to undertake a range of activities to identify and mitigate the risks of firearms

The option delivers on the dual purpose of the A ms Act, which is to promote the safe possession and use of firearms, and to impose controls It enables partnerships throughout the system by establishing the regulator's scope and role, and this in turn improves its likelihood of success.

The option best addresses the challenges identified in the strategic case by introducing capacity and capability in a technology-enabled way. The option boosts the level of information in the arms system, and creates the platforms required to adopt a risk-based, information-led approach to managing the arms regime.

The purpose of this economic case is to analyse options and propose a preferred option for delivering a capability that best address s the requirements, challenges and opportunities identified in the strategic case to deliver the following investment objectives:

1. Control the possession and use of firearms and other weapons across their lifecycles.
2. Promote the s fe possession and use of firearms and other weapons.
3. Gov rn and develop the arms regulatory regime.
4. Establish a sustainable firearms regulatory regime.

T a hieve this, the economic case focuses on:

- Identifying critical success factors, which are used to help evaluate the options
- Identifying and assessing the main options to deliver on the business needs
- Recommending the preferred option.

This economic case is about assessing the options and identifying those that:

- Address the challenges and requirements
- Deliver the investment objectives.

For the purposes of this section, the term 'capability' is used to describe all aspects of an organisation that are required for it to deliver on its obligations – including the people (capacity and capability), the processes (procedures and operational policies) and the technology (information and solutions).

Economic context

The economic case outlines options to achieve the investment objectives and critical success factors across the arms regulatory activities. As identified in the case for change, the options seek to address challenges within existing administrative regulatory services, and new requirements placed upon the regulator, including:

- Legislation reform with the Arms Act 2020
- The Government's decision for independence in regulatory functions
- The lack of performance of the current operating model.

Prior to 2019 the arms safety and control capability did not perform in line with expectations. The historical characteristics of the capability included:

- Manual and paper-based processes, with limited system support
- No national leadership, with responsibilities distributed across districts and no overall oversight of performan e
- Insufficient staff to deal with the work, and districts using part-time staff or casual staff. This created an inconsistent delivery environment with quality and th oughput issues
- Compliance limited to firearms users who had ome to the attention of Police
- Poor data to drive any impr vements or interventions across the system.

From 2020, a significant programme of work was established to reconfigure existing capabil ties and add additional capacity. While this created an uplift in capability, additional capabilities are required to meet the now identified investment objectives.

The Arms Leg slation Act has introduced several new factors that the regulator must now consider. For example:

- All fi earms must now be registered. Previously, registration was limited to a subset including pistols and MSSAs
- There are new factors to take into consideration for establishing fit and proper, which require gathering, management and assessment of additional information
- The scope of the regulation spans more dealer activities, clubs and shooting ranges.

The overall capability delivered must be aligned with the regulatory role the Arms Act requires. This represents a shift from an administrative capability to a regulatory one. The characteristics of a fit-for-

purpose regulatory capability are outlined in the Government Expectations for Good Regulatory Practice[13], and these have informed the development of the options presented in this case.

Revisiting the longlist options

A review was undertaken to ensure all available options were considered in the revalidation of this economic case based on the following dimensions:

- Scale, scope and location options ('What').
- Service solution options ('How').
- Service delivery options ('Who').
- Implementation options.
- Funding options.

From the results of the analysis above, the following major options were identified:

1. **Counterfactual – Achieve through current capability and capacity**

   Under this option, no further investment is extended beyond tagged funding, and any improvements would continue to be made organically within the cu rent baseline. Under this option no provision is made for a registry solution.

2. **Change legislation to reduce impacts of 10-year licen ing cycle**

   Under this option, the primary approach is to minimise he volume of work associated with other compliance activities through adjusting operatio al policy, service delivery methods etc. without introducing risk, and to seek change in l gisla ion to address the 10-year licence renewals. As with Option 1, legislative responsibilities would be met within existing baseline funding. This option was discounted.

3. **Increase people capacity and use existing systems**

   Under this option, resourcing would be increased to achieve the requirements of the legislation and operational requirements with ut investing in a new registry system. NIA would be augmented to meet the requirem nts of the registry. This option was discounted.

4. **Increase people capacity a d procure new registry solution**

   This option is focused on meeting the specific requirements of the Arms Act (vs. the intent of the control strategies) by in esting in both people and technology capabilities, and meeting regulatory operational demands (i.e. licensing, permitting, etc.) in a sustainable way. The option is geared arou d meeting demand as it arises, with no provision for preparatory or proactive wo k.

5. **Proac ively in ervene to reduce risk**

   This option is focused on meeting the full intent of the control strategies (over and above legislative requirements) through:

   - Increased data quality and system intelligence and a range of proactive interventions to reduce system risk
   - Meeting regulatory operational demands (i.e. licensing, permitting, etc.) in a sustainable way
   - Bringing forward and addressing the 'system risks' as the regulator and regulation come into force (between now and 2030).

[13] https://www.treasury.govt.nz/sites/default/files/2015-09/good-reg-practice.pdf

The key features and differentiators of each option are outlined below. The options are scaled, so that each option is additive across the dimensions of:

- Demand for compliance activities
- Supply-side regulatory capabilities (people and technology)
- Regulatory focus (efficient or proactive).

The options are all based on the regulatory function being established as a Branded Business Unit within Police, therefore the entity type is not a consideration within the options' appraisal of this business case.

Figure 5.0: Summary of longlist economic options and features

	MIX & FOCUS OF CAPABILITY INVESTMENT						
	Demand for Compliance activities	'Supply Side' Regulatory capabilities & capacity				Regulatory Focus	
		People		Technology			
	Address cyclical demand for compliance activities	existing people capacity and capability	uplift people capacity and capability	existing Police systems	New Registry solution	efficient compliance administration services	proactive risk mitigation activites
OPTION 1 - Current State / Counterfactual – This option seeks to achieve the investment outcomes within current capability & capacity		✓					
OPTION 2 - Address peak demand for license renewals. This option seeks to smooth the demand for license renewals (avoiding the 10-year peaks) to make the administrative workload more uniform.	✓	✓				✓	
OPTION 3 - Increase people capacity and use existing Police systems: This option seeks to achieve the investment outcomes through an uplift in people capability and adapting existing Police systems - focusing on efficient administrative services	✓		✓	✓		✓	
OPTION 4 - Increase people capacity and procure a new registry solution. This option seeks to achieve the investment outcomes through an uplift in people capability and procuring a new registry system - focusing on efficient administrative services	✓		✓		✓	✓	
OPTION 5 - Proactively intervene to reduce risk. This option includes all aspects of option 4, plus additional resourcing to undertake proactive risk mitigation activities	✓		✓		✓	✓	✓

Discounting longlist options

The options above were appraised to establish the options shortlist. Details of the options analysis that was undertaken, including a list of lesser options, can be found in **Annexes G-I**. Options 2 and 3 were discounted; the rationale for this is outlined below.

Discounting Option 2

Option 2's intent was to consider how the structural demand for services could be addressed, therefore reducing the need for significant supply-side investment.

The available levers were:

- Change the licensing periods to flatten the demand curve
- Reduce the level of service for applications
- Stop accepting licence applications.

This option was assessed as not viable because:

- It did not fulfil the investment objectives:
    - The option was not considered fit for purpose to fully impleme t the legislation
    - The option did not support effective governance and development of the arms regime, nor did it create sustainability
- It did not meet any critical success factors for the inve tment
- The operational measures to reduce demand were not feasible or appropriate, and were unlikely to be effective
- The change in the licensing period wou d require a legislative change, which would take considerable time to implement. It was assumed that while this change would be worthwhile, it could be undertaken as part of any other option as a discrete programme of work. This is examined further below.

Addressing the 10-year cycle

Notwithstanding the option eing discounted, it is critical to address the structural drivers of the 10-year cycle. This cycle is driv n primarily by three factors:

- Lifetime licenc hold rs were moved to 10-year licences between 1994 and 1998. This created the initia bell curve, which followed the lifetime of that licence-holding cohort.
- Since 2020 new licences for first-time applicants have been issued for five years. This means that new licence issued in 2020 is due for renewal in 2025.
- Any backlogs of application processing will move those licences forward, which further risks compounding.

The terms of licence expiry are outlined in the Arms Act:

> *A firearms licence comes into force on the date specified in the licence and, unless revoked or surrendered earlier, —*
>
> *(a) expires 5 years from that date in the case of—*
>
> *(i) a licence issued to a person who has never previously held a firearms licence; or*
>
> *(ii) a licence issued to a person whose previous licence was revoked or surrendered; or*
>
> *(iii) a licence issued to a person who allowed their previous licence to expire without applying for a new licence before the expiry date:*

(b) expires 10 years from that date in any other case.

Currently there are no tools available to the regulator to address this demand other than the above sections of the Act. The implication of this is that the regulator must scale its capacity significantly to meet demand. As outlined in previous sections, this is not a sustainable model.

A change in the legislation would be required to introduce tools that would allow for the current re-licensing cycle to be reshaped and ultimately managed to a more stable annual cohort. Without such a change, this structural demand cycle will persist beyond the timeframes of this business case.

The change would essentially mean specifying an expiry date that could be more or less than 10 years, with appropriate controls and compliance capabilities across the licence duration to reduce the dependency on the re-licensing period as the only time to identify risks.

The specific implications of such a change are difficult to predict, as different strategies will red stribute demand in different ways across different years. Similarly, the timing of a change needs to be carefully considered (such as being enacted in the period of lowest demand), so as to not in roduc any other cyclical patterns.

While cost recovery and fee setting are potential means to regulate demand, there is no evidence that a lesser or greater subsidisation of fees either encourages or discourages the uptake of licences. Similarly, setting fees too high will drive people to not even begin the pro ess of compliance (but retain firearms) and consequently not fulfil the purpose of the Arms Ac Therefore, the primary lever is legislative.

The response from regulated parties to any changes in licence periods is also a factor that must be carefully considered and planned for. If not well managed, this change could drive licence holders to non-compliant behaviours, undermining the purposes of the Act.

The objective should be to stabilise the demand for in ividual licences to a level that is consistent year on year, so that the operational workforce can be sized to a consistent level.

For the purposes of this DBC, the shortlist d options assume that:

- The demand curve that peaks in 2026 cannot be mitigated, so the preferred option must include this as a design conside ation
- A dedicated policy work programme to address this structural demand will be implemented, and that the r c mmendations will be adopted and implemented ahead of the 2036 curve
- If the cur is n t addressed, further resourcing may be required beyond the timeframe of this DBC.

Discounting Option 3

Optio 3 aims to meet the requirements of the legislation and operational requirements without i vesting in a new registry system. It includes:

- Using NIA as the primary system to support the registry requirements
- No additional investment in technology other than NIA modifications. The option assumes manual processes will persist (as per the current state) and be extended to meet technology gaps.

This option was initially considered as a shortlist option, but was discounted following deeper analysis. The rationale for its discounting is below:

- **Critical success factors –** Option 3 did not meet, or only partially met, most critical success factors. Significantly, stakeholders considered that this option would be unlikely to meet legislative requirements. All other critical success factors were either not met or partially met,

which meant that, on this assessment alone, this option was considered unviable as an approach to investment.

- **Benefits –** Option 3 was considered to introduce disbenefits that would outweigh its delivery of benefits. Because the option is delivered through a large administrative staff with minimal technology or modernisation of systems, there would be both real and perceived limitations in its effectiveness. Therefore, it was considered that the option would introduce all identified disbenefits, and these would outweigh any positive benefits
- **Technology implications –** Analysis undertaken supporting the registry solution procurement examined the approach to build "the Arms Information Solution within NIA, extending the current arms functionality to meet the needs of the register". The analysis concluded that the approach:
    - Did not meet the needs of an independent regulator due to:
        - Limitations for customer-facing capabilities, and self-serv ce being u available
        - Perceptions relating to the closeness of systems
    - Added more complexity, functions and data to a monolithi system, introducing technical risk
    - Focused on intelligence for the constabulary and not the operation of a regulator
    - Was constrained by resource capacity to make changes to NIA
    - Introduced a lost-opportunity cost for the constabu ary while developing the Arms Information System.

Overall:

- The option did not meet or partially met all critical success factors
- The option did not meet the investment objectives in a sustainable manner, and introduced unacceptable levels of risk to op rations that were not able to be mitigated
- The technology appraisal ruled out the option of using NIA to meet requirements; therefore the option was not technically f asible
- The FTE resourcing l vels required to manage the new requirements of the Arms Act without fit-for-purpose technology enablement were considered unachievable
- The duplication of processes, and manual entries of registration information into NIA resulted in a significant risk f poor data integrity and quality
- The option did not meet the need for an independent regulator.

Therefore, the option was discounted from the shortlist.

Revisiting the critical success factors

The critical success factors for the IBC have been reviewed and broadened through the process of developing this DBC. This list of these success factors has been iteratively developed with key internal stakeholders and validated with input from the Minister's Arms Advisory Group. The revised critical success factors are outlined in Table 5.0 below.

Table 5.0: Critical success factors

Critical success factor		Description
1	**Meets legislative requirements**	• Gives effect to all legislative obligations. • Gives effect to the recommendations of the Royal Commission of Inqu ry into the terrorist attack on Christchurch masjidain.
2	**Enables agreed control strategies**	• Identifies emerging 'arms system' risks and insights • Enables a range of regulatory interventions th t reduce/mitigate risks.
3	**Fulfils responsibilities to Te Tiriti o Waitangi**	• Fulfils the responsibilities of an effective Treaty partner.
4	**Improves the public's perception of safety**	• Delivers the intent of the arms regime, which is to keep New Zealand safe. • Aligns with New Zealand Living Standards Framework dimensions of safety.
5	**Delivers services effectively and efficiently**	• Ensures that the establishment programme has the required capacity and capa ility for t e new Arms Regulator. • Ensu es that he established operating entity has sufficient capacity and capabili y to deliver its services effectively. • Ensures that the established operating entity has a singular focus on arms control. Acknowledges and works in partnership with other members of the arms system. • Clarifies operational and governance accountabilities. • Measures performance and has mechanisms for addressing non-performance.
6	**Ens res operations are sustainable**	• Ensures that services/funding are not subject to reprioritisation (ring-fenced). • Ensures that the established operating entity has the capability to adapt to meet future needs within baseline funding. • Ensures that services and interventions are responsive to the changes required to address emerging risks.
7	**Is achievable**	• Leverages existing capabilities to make the best use of people, processes and systems within the arms system. • Is realistic and can be implemented within the anticipated timeframe.
8	**Provides value for money**	• Delivers benefits to the New Zealand public in a cost-effective manner: - Benefits from the legitimate use of arms. - Benefits to the New Zealand public.

Shortlisted options

The shortlist of options is presented in Table 5.1 below. Further details on the options and related assumptions are provided in the supporting appendices.

Table 5.1: Shortlisted options

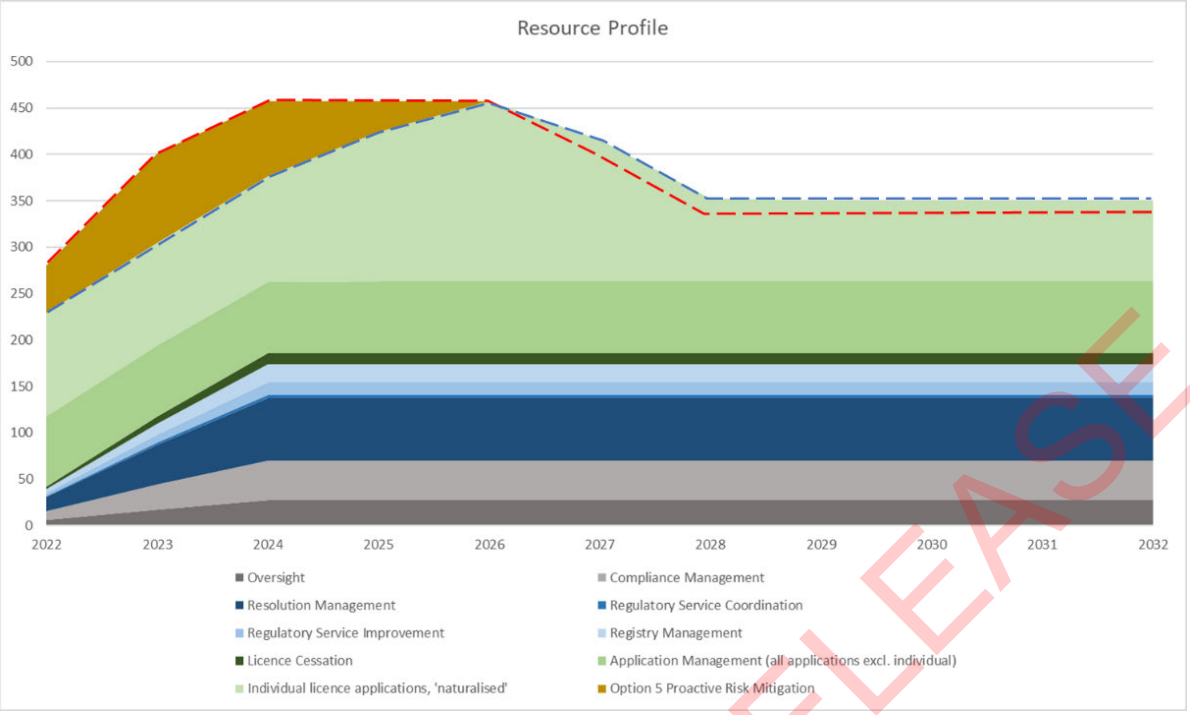
Option	Option outline
1. Counterfactual	This option assumes: • No further investment beyond tagged funding • That improvements continue to be made within the urrent baseline.
4. Increase people capacity and develop new registry solution	This option is focused on: • Meeting the specific requirements of the Arms Act (vs. the intent of the control strategies) by inve ting in both people and technology capabilities • Meeting regulatory operational demands (e.g. licensing, permitting) in a sustainable way.
5. Proactively intervene to reduce risk	This option is focused on: • Meeting the full in ent of the control strategies (over and above legislative requirements) through increased data analytics/system intelligence and a range of proactive interventions to reduce system risk • Me ting regulatory operational demands (e.g. licensing, permitting) in a sustainable way • Addressing the 'system risks' as the regulator and regulation come into force (between now and 2030).

Comparison of option features

Conceptually represented in Figure 5.1 below are the alternative resourcing profiles of Options 4 and 5.

- Option 4 (the blue line) assumes resourcing levels will follow the total demand for administrative services to peak in 2026. Ongoing business-as-usual (BAU) resourcing levels are expected to be above those of Option 5 due to the ongoing requirement to undertake reconciliation at the point of re-licensing and the fact that less efficiency is available in the compliance regime due to firearms holding data not being complete, and more effort required in outyears. The option also assumes less investment in data and analysis capability.
- Option 5 (the red line) assumes a higher level of resourcing leading up to a peak in 2026 to undertake proactive risk-mitigation activities – in particular the reconciliation of arms and licence holders to complete the register. The resourcing levels are expected to reduce to ongoing levels below that of Option 4 due to the enhanced registry information enabling the design of more efficient compliance-administration practices.

Figure 5.1: Representation of Option 5 resource profile



Economic assessment of shortlisted options

Each shortlisted option was appraised against a series of dimensions:

- **Critical success factors –** The extent to which the option satisfied critical success factors.
- **Non-monetary benefits and disbenef ts –** The extent to which the option delivered the benefits sought through the Living Standards Framework.
- **Financial appraisal –** The economic cost of the option.
- **Risk and uncertainty –** The level of economic risk associated with the option.

Approach to assessment

A series of workshops was held with stakeholders to appraise the shortlisted options. The approach to each assessment dim nsion is outlined below:

- **Critic l success factors –** The alignment of each option with critical success factors was workshopped with stakeholders through the option development. Each option was assigned a rating on a four-point scale (does not meet, unlikely to meet, meets, exceeds). Once a rating was established for each critical success factor, a summary position for the option was agreed with stakeholders. This summary position was non-weighted, so all critical success factors were considered equally, although they were put in order of relative importance.
- **Non-monetary benefits and disbenefits –** The approach to establishing benefits was based on the Living Standards Framework. The core benefits were defined in the strategic case, and the assessment tested the extent to which each option delivered the benefit(s) sought. This approach best reflected the outcomes-based investment model. The secondary benefits identified in the strategic case did not form part of the assessment criteria, as they were considered subjective to each licence holder. Stakeholders at the workshop were asked to indicate the relative benefit and disbenefit of each option.

This risk assessment gave a relative appraisal of each option's economic risk profile, to inform the selection of the preferred option.

- **Financial appraisal –** The whole-of-life costs of each option were developed using a financial model that identified the following cost categories:
    - Operational costs relating to the ongoing delivery of the regulatory capability.
    - Transitional costs relating to the establishment of and transition to the new Regulator entity.

  The options were evaluated using a base case, with relevant assumptions and variations applied to operational and transitional costs to establish the respective options' cost profiles. Costs were varied based on the assumptions of timing and efficiency associated with the two options, and the addition or removal of specific activities that differentiated the options.
- **Risk and uncertainty –** The economic risks associated with each option were appraised to identify the overall risk profile for each option. Two types of risk were considered:
    - **Pervasive risks** that applied to each option were considered for their relativity, and the extent to which the option included a capability to mitigate the risk.
    - **Unique risks to a single option** were identified and assessed.
- **Sensitivity –** Sensitivity scenarios were identified through an analysis of the options and their underlying costs, to determine the robustness of the preferred option and to identify risks requiring contingency.

The monetary benefits of each option were not assessed because:

- The monetisable benefits were considered too abstracted from the deliverables of this DBC
- The data required to estimate reliably the monetary benefits of safety improvements was not sufficiently available that time.

Assessment of options

The assessment of the shortlisted options is discussed in this section, against each of the categories outlined in the previous section. The overall options appraisal is included within the supporting appendix. Table 5.2 summarises the overall economic assessment of the options against each dimension.

Table 5.2: Summary of shortlisted options appraisal

Assessment dimension	Option 1: Counterfactual/Status quo	Option 4: Increase people capacity and procure new registry solution	Option 5: Proactive compliance intervention to reduce system risk
Critical success factor	This option does not satisfy any critical success factor.	This option satisfies all the critical success factors, noting that two are partially met.	This option satisfies all the critical success factors, noting that three are considered to exceed the criteria and one partially meets the criteria.
Benefit: safety and security	No benefits delivered. Disbenefits are substantial.	All benefits delivered. Benefits delivered in line with legislative milestones.	All benefits delivered to a greater extent.
Benefit: civic engagement and governance	No benefits delivered. Disbenefits are substantial.	All benefits delivered	All benefits delivered to a greater extent.
Risk level	Exposed to most risks, with minimal mitigation available.	Moderate risk exposure.	Moderate risk exposure, some mitigation available through the inherent option design.
Total cost (11 years)	**$89.1m**	**$78.1 million**	**$711.5 million**
Ranking	3	2	1

Discussion of counterfactual

The status quo option is considered not viable because it:

- Represents an overall reduction in funding and service levels, as the current service levels are being funded through the contingency injections. Therefore, a reversion to baseline will see service levels decrease

  Does not enable Police to meet legislative requirements, particularly in its inability to fund and procure a registry solution

  Does not address any current challenges. In not being addressed these challenges will compound over time, resulting in a significant future operational debt. This will undermine the confidence of licence holders and the public
- Introduces significant risk to the ability to ensure that licence holders are fit and proper, as service delivery will be compromised by unmanageable demand.

Overall, the counterfactual option will lead to the Arms Act requirements not being met and introduce unacceptable levels of risk.

Critical success factors

The rating of each option against the critical success factors is given in Table 5.3.

Table 5.3: Options assessed against critical success factors

Critical success factor		Option 1	Option 4	Option 5
1	Meets legislative requirements	Does not meet	Meets	Meets
2	Enables agreed control strategies	Does not meet	Somewhat meets	Meets
3	Fulfils responsibilities to Te Tiriti o Waitangi	Does not address	Meets	Me ts
4	Improves the public's perception of safety	Does not meet	Meets	Meets
5	Delivers services effectively and efficiently	Does not meet	Meets	Enhanced
6	Ensures operations are sustainable	Does not meet	Meets	Enhanced
7	Is achievable	Somewhat meets	Meets	Somewhat meets
8	Provides value for money	Does not meet	Meets	Meets

Options 4 and 5 were the only options that could meet the critical success factors

The counterfactual Option 1 was assessed and did not meet any critical success factors. Importantly, this option would not meet legislative r quirements, and would actively reduce the ability of the arms regime to prevent harm. The option would effectively forego the regulatory tools introduced through the Arms Legislation Act, as it is not fully capable of operationalising those tools. This option was considered to deliver increasingly worse outcomes in relation to some critical success factors and create significant risks to the credib lity of the arms regime.

Options 4 and 5 both met most itical success factors:

- Option 4 did no ully meet the critical success factor of enabling arms control strategies, scoring 'somewh t meets'. This scoring was given because although the option met all requirements of the legislation, it was considered to not have the requisite focus or capabilities to id ntify emerging 'arms system' risks and insights and respond to those risks. In addition, he option was considered to be a controls-only option, with a limited ability to promote the saf possession and use of arms. Stakeholders considered this to be a significant limitation of this option.
- Option 5 did not fully meet the critical success factor of achievability, scoring 'somewhat meets'. This was due to the extent of change that would be required to introduce the capabilities that were additional to Option 4. Stakeholders considered this to be a manageable risk.

Benefits and disbenefits

The approach to non-monetary benefits' estimation was based on appraising the extent to which each option delivered on the benefits outlined in the Living Standards Framework section of the strategic case. It also assessed whether the option introduced disbenefits to any of these categories.

Benefit analysis

The following benefits were identified across the options, and the extent to which each disbenefit applied is summarised in Table 5.4 below:

Table 5.4: Assessment of benefits by option

Domains	Non-monetary benefits	Option 1	Option 4	Option 5
Safety	Reduced potential for harm from criminal and negligent use of firearms.	Nil	Meets	Ex eeds
	The firearms regulatory regime promotes public trust and confidence through the safer possession and use of firearms.	Nil	Mee s	Exceeds
Institutions & Governance – Central & Local Government	Quality, timely delivery of arms regulatory interventions, measured by delivery against agreed requirements.	Nil	Meets	Exceeds
	Increased ability to measure the effectiveness of Arms Act delivery (both administrative efficiency and outcomes effectiveness) due to improved reporting within the system.	Nil	Meets	Meets

The table shows that Option 5 exceeded Option 4 in most dimensi ns It is important to note that this is relative; the key considerations driving this distinction are:

- Option 5 takes a more proactive stance, with more capability being delivered sooner, which means it is intended to address risks sooner
- Option 4 introduces additional capabil ties that are intended to deliver enhanced benefits, in line with the demand for those capabilit es.

Disbenefits analysis

The following disbenefits were identifi d across the options, and the extent to which each disbenefit applied is summarised in Table 5.5 below:

Table 5.5: Assessment of disbenefits

Domains	Disb nefit Description	Option 1	Option 4	Option 5
Safety	**Diminished ability to deliver on legislation control strategies** – Safe y benefits are delivered though the implementation and delivery of the Arms Act, which embodies the arms control strategies. In not having the ability to deliver on these control strategies, the effectiveness of the controls within the Act is diminished.	Fully	Low	Minimal
	Effectiveness of harm-reduction strategies reduced by delivery arrangements.	Fully	Low	Minimal
Institutions & Governance – Central & Local Government	**Systems do not enable effectiveness to be measured.**		Minimal	Minimal
	Benefits of enhanced legislation lost – The Arms Legislation Act introduced a series of controls that provided for more regulatory capabilities than previously available. Some options do not fully realise these regulatory capabilities, which means the intended benefits cannot be realised.	Fully	Minimal	Minimal

Option 5 was considered to offer the most benefits, with manageable disbenefits

Option 1 was considered to deliver no benefits and would actively deliver disbenefits. As noted, this option is a reduction in capability that would have delivered a lower level of benefits than is currently delivered, and introduced a series of implications that would have:

- Impeded the effectiveness of the arms regime and its ability to reduce harm
- Reduced the trust and confidence in the arms regime.

Options 4 and 5 were both assessed as delivering the sought benefits, with minimal disbenefits. Both options delivered all sought benefits across the domains of safety and security, and civic engagement and governance. Stakeholders noted that Option 5 could be expected to deliver these benefits to a greater extent than Option 4, and in an accelerated timeframe. This is because Option 4 would delive benefits through the legislative dates of capability uplift, whereas Option 5 would add capabilities sooner and contribute to the high-level benefits sooner than the legislated timeframes,

Costs

The comparative total costs of Options 4 and 5 are presented in Table 5.6 below. Overall, it shows that Options 4 and 5 had effectively equal costs over the life of the investment. This was due to the upfront effort of Option 5 delivering savings in outyears. Option 5 was assessed as creating a more stable operational capability that delivered a lower ongoing cost to operate, resulting in the comparable cost profiles.

Table 5.6: Comparison of costs by option

s. 9(2)(f)(iv) OIA

	$ millions	Total	FY23	FY23	FY23	FY25
Option 1	BAU					
	Transition					
	Other	**89.1**	8.1	8.1	8.1	8.1
	Total					
Option 4	BAU	**462.7**	24.9	36.9	43.5	47.0
	Transition	**44.9**	11.2	26.1	5.3	1.2
	Other	**102.7**	2.6	6.0	11.6	11.4
	Agency Cont.gcy	**40.3**	3.8	6.1	7.9	4.5
	Tagged Cont.gcy	**58.0**	**4.5**	6.1	7.1	7.8
	Total	**708.5**	**47**	**81.2**	**75.4**	**71.9**
Option 5	BAU	**464.8**	25.0	43.9	47.6	50.2
	Transition	**49.3**	12.7	30.3	5.9	0.2
	Other	**99.2**	2.6	6.2	11.7	11.5
	Agency Cont.gcy	**40.3**	3.8	6.1	7.9	4.5
	Tagged Cont.gcy	**58.0**	**4.5**	6.1	7.1	7.8
	Total	**711.5**	**48.6**	**92.6**	**80.2**	**74.2**

Risk assessment

Several risks were identified as significant to the options. These were risks to the economic value of each option, across each of the assessment dimensions:

- **Critical success factors** – Risks that would affect the ability of the option to achieve the critical success factors.
- **Benefits –** Risks that would affect the ability of the option to deliver the desired benefits.
- **Costs –** Risk that would affect the costs of the option.

The relative probability of each risk occurring under each option scenario was considered, and is presented in Table 5.7 below:

Table 5.7: Risk appraisal by option

	Description	Relative probability			Summary discussion
		opt 1	opt 4	opt 5	
Critical success factors	There is a risk that the option cannot manage the demand that is triggered in peak years.	H	L	L	Options 4 and 5 are both designed to mitigate this risk.
	There is a risk that the option is unable to be implemented in a way that delivers its full capability.	n/a	L	M	Option 4 offers the lowest relative probability of delivering its full capability. Option 5 has more capability to deliver, so more potential for risk.
	There is a risk that the option cannot be delivered within the required timelines.	n/a	M	M	Options 4 and 5 have similar risk profiles as both are dependent on a technol gy solution. Additional features of Option 5 hav no legis ative timelines.
	There is a risk that resources cannot be recruited to deliver.	n/a	M	H	Option 5 calls for fast recruitment profile in order to deliver ben fits, wh ch may be constrained. Option 4 has a slower recruitment profile, which may be to a timeframe here the current resourcing issues are less impactful.
Benefits	There is a risk that the option does not mitigate risk or reduce the potential for harm.	H	M	L	Option 5 s designed to mitigate this risk.
	There is a risk that the option delivers fewer benefits than expected.	n/a	M	M	Option 1 will not deliver benefits.
	There is a risk that the option is negatively received by stakeholders.	H	L	L	Options 4 and 5 both seek to implement a capability that meets stakeholder expectations.
	There is a risk that the regime is unable to adapt to a changing risk profile, resulting in re ised processes or interventions.	H	M	L	Option 5 is designed to mitigate this risk.
Costs	There is a risk that effort requirements change, affecting the resource re uirements.	H	M	M	This risk has a moderate probability across Options 4 and 5, which will require active management.
	There is a risk tha e pected efficiencies cannot be realised, resulting in higher costs.	n/a	M	M	Options 4 and 5 are equally likely to present this risk due to these options' common approach to process and technology uplift.

Robustness

Sensitivity analysis

This section assesses the robustness of the options through two key questions:

1. *Would the preferred option still be worth pursuing if some of the key assumptions relating to the option did not eventuate? This informs the sensitivity of the optionality.*
2. *What are the implications of key assumptions being incorrect in both options? This informs the risk and contingency approach.*

This analysis was undertaken to test the overall assumptions underpinning the economic options. A Quantitative Risk Assessment (refer **Annex J**) has been undertaken that draws upon the high-level risks and uncertainty identified in this section.

Sensitivity

Two overall assumptions support the differentiation of Options 4 and 5. These are:

1. **Timing –** That a peak resourcing level can be rapidly built and retained under Option 5 to deliver the programme of proactive work.
2. **Future efficiency –** That investing in proactive risk mitigation will result in downstream benefits that improve the efficiency of the regulatory regime and reduce the amount of effort required to deliver services in the future.

Sensitivity testing has shown that both options are largely equally affected by variances in assumptions, so there is minimal variance available that disproportionately affects one option over the other. The key factors are discussed below.

Timing

Option 5 assumes that a level of resourcing can be quickly established to undertake proacti e work. This assumption was tested by delaying the time taken to onboard resources whic reduces the expected efficiencies downstream but also reduces the upfront cost of Option 5 It is important to note that a similar resourcing delay could be expected to apply under Option 4, s this would affect it equally.

Implications of a backlog

The operation is known to be sensitive to a backlog of w rk. There are historical reasons for the current backlog, including:

- Changes in risk appetite requiring additional time
- The implications of COVID-19.

A backlog effectively has a compounding effect on he volume of work. The impacts of a generated backlog were assessed for both options; this showed that both options would be exposed if a backlog were to eventuate (assuming the cur ent backlog would be cleared by targeted activity). The ultimate effect of a backlog is the extent to which it impedes the realisation of benefits, as it becomes the focus of the operation and reduces the level f effort spent on other proactive activities.

Option 4 was considered to be mor exposed to the effects of a backlog, particularly in the years surrounding the implementati n of the register. It was considered that Option 4 would not have the in-built-resilience to both manage a backlog and successfully implement the changes surrounding the register, introdu ing more risk to the benefits' realisation and chance of success.

Option 5 was considered to have more resilience in this critical period and be more capable of protecting th ben fits' realisation and successfully introducing the register, even if a backlog were to develop This is because the additional resourcing available in the period 2022-2025 would offer su ficient capacity to mitigate the effects of additional backlog growth through a reprioritisation of resources.

Efficiency gains

Option 5 is differentiated from Option 4 by an assumption that investing in proactive risk mitigation will result in downstream benefits that improve the efficiency of the regulatory regime and reduce the amount of effort required to deliver services in the future. Table 5.8 below outlines the financial impacts of efficiency gains.

Table 5.8: Impacts of efficiency gains

Scenario	Assumptions	Total cost (operations)	Annualised cost
A. Worst case	No gains in efficiency across life	$169.5m	$15.4m
B. Option 4	15% efficiency gain in FY24	$157.8m	$14.3m
C. Option 5	15% efficiency gain in FY24, plus 10% efficiency gain from FY25	$152.9m	$13.9m
D. Optimistic	25% efficiency gain from FY24 70% gain in user behaviours from FY25	$151.3m	$13.7m
E. Best case	33% efficiency gain from FY24 70% gain in user behaviours from FY25	$141.5m	$12.8m

Overall effort

The implications of overall increases in the effort required to deliver the ariable time-based activities are considered in Table 5.9 below. This shows the overall impacts on the operational cost components that are affected by effort. This indicates that both options have similar sensitivities to overall effort estimates noting the respective baseline positions, with an average impact of $1.3 million to $1.5 million per annum for both options.

Table 5.9: Overall impacts of effort variance

	+20% effort	+10% effo t	Baseline	-10% effort	-20% effort
Option 4	**$189.4m**	**$173 6m**	**$157.8m**	**$142.0m**	**$126.2m**
Variance on baseline	$31.6m	$15.8m	-	$15.8m	$31.6m
Average annual impact	$2.9m	$1.4m	-	$1.4m	$2.9m
Option 5	**$183.5m**	**$168.2m**	**$152.9m**	**$137.6m**	**$122.3m**
Variance on baseline	$30.5m	$15.2m	-	$15.2m	$30.5m
Average annual impact	$2.7m	$1.4m	-	$1.4m	$2.7m

Notes: Th table hows costs for all activity-based activities. Option 4 assumes effort using 7.8/6.75 hours and Option 5 7.8/6.75/6.13 hours

This s ena io may be driven by one or more factors:

- An unforeseen scope or increased levels of service across regulatory functions. This may include additional work to establish fit and proper
- Unforeseen user behaviours that drive an increased effort, such as a lower-than-expected uptake of digital channels
- Inaccurate effort estimates used as baselining.

Summary of sensitivity analysis

Given that the key differentiator of the options relates to a targeted series of activities being delivered between 2022 and 2024, the analysis shows that:

- Delays incurred under Option 5 shift the cost from years 1-3 to outyears (as a backlog/lower efficiency). Option 4 has a higher potential outyear cost that is not offset by deferred works, resulting in a higher structural cost to operate
- Option 5 has a greater resilience to realise benefits between 2022 and 2025, and is less vulnerable to the effects of a backlog
- Both options are equally exposed to overall efficiency losses/improvements.

This analysis considers that Option 5 is less sensitive to assumptions being found incorrect or not eventuating, but there is a series of risks that require mitigation.

Consideration of a risk-based triage approach

The analysis undertaken assumes a standardised approach to assessing applications t at use a low tolerance for risk, applied to all applications. This approach offers a high level of assuranc with the trade-off of a greater effort to complete an application. There is a growing movement across other regulatory agencies to adopt triage-based models, where different business rules ar applied depending on a series of risk criteria being met or not met.

This approach has not been used in the development of this DBC. However, with the introduction of supportive information systems through the Arms Information System it could be considered in the future along with a more detailed assessment of risk criteria. The financial implications of this can be assumed from Table 5.9.

Residual risks

Through the strategic case and refinement of economic options, a series of risks was identified that require contingency planning. These are identif ed in Table 5.10 below and elaborated on in the financial case.

Table 5.10: Scenarios requiring contingency

Risk	Results in	Contingency approach
There is a risk that resou ces cannot be recruited in a timely manner.	• All efficiency/timing risks in relation to operations have the effect of creating an operational backlog at any stage between 2022 and 2026, which must be processed. • Higher rates required for contractor resources due to market. conditions.	BAU: Contingency allowance for dedicated resources to clear the additional resource, and to allow for increased salary rates.
There is a risk that the changes to operational processes to establish new operational processes cause disruption		
The e is a risk that the operation cannot manage the demand that is tr gger d in peak years.		
There is a risk that planning assumptions regarding capacity/ throughput are incorrect.		Transition: Allow contingency against increasing contractor rates.
There is a risk that expected efficiencies cannot be realised.		
There is a risk that users do not engage with digital channels as expected.		
There is a risk that third-party revenue is lower than expected.	• A shortfall in projected revenue.	BAU: Allow for reduction in revenue.
The ICT implementation has inherent complexity, driven by:	• Delays to implementation.	Transition: Allow for appropriate contingency

• Integration patterns • Data migration • Data cleansing • Levels of certainty.	• Increased scope of work.	against ICT implementation. (NZP ICT and Supplier).

Preferred option

Option 5: Proactively intervene to reduce system risk is the preferred option. This option i outlined below, and the rationale for its selection is given.

Overview

This option provides for:

- The procurement of a new registry solution – including the new solution and associated data migration and integration costs. The new solution would enable wider improvements in workload management and process optimisation. It would also provi e for investment in data provisioning and analytics capability over and above that avai able in the registry system
- An uplift in people capacity, which is required to meet the increased operational demands of the new legislation, a fixed level of people resourcing tha addr sses peak-year demand. This includes the implementation of a fit-for-purpose opera ing model that makes the best use of this capacity and capability
- A resourcing profile that builds capability ahead of the increasing demand for compliance services, so that surplus capacity can be di ected to proactively mitigating risk as an investment that will establish a more s able and data-led operating environment
- The introduction of a strategic capability spanning the insights, design and delivery of proactive interventions, and additi nal targeted education and awareness programmes and strategic partnerships
- The establishment f a Branded Business Unit within Police to deliver the regulatory capabilities with a u ique b and and independent operational structure
- The establishment of appropriate supporting capabilities (such as human resources HR], finance and corporate services) from within Police, and an agreement on the ongoing provis on of shared services
- The establishment of a ring-fenced funding model through the establishment of a dedicated approp iation
- Establishing the dedicated leadership and governance models required to ensure a single operational focus on firearms licensing and compliance; and clarifying the accountability of the Commissioner of Police and the role of an Executive Director.

This option is designed to:

- Meet the full intent of the arms control framework that informs the legislation (over and above legislative requirements) through an increased use of system intelligence and data analytics, along with a range of proactive interventions to reduce system risk
- Address risks in the arms system proactively, so that opportunities are realised before the demand for licensing absorbs all risk-mitigation capacity. This will lead to compliance benefits in later years, and a potential easing of demand due to better information and licence-holder behaviours

- Meet regulatory operational demands (i.e. licensing, permitting, etc.) in a sustainable and scalable way across the investment period, and mitigate future backlogs of compliance activity
- Address the 'ecosystem risks' as the regulator and regulation come into force (between now and 2030).

This option enables all the control strategies included in the legislative requirements, and introduces additional capabilities:

- The 'range and mix' of proactive interventions will include initiatives such as: retrospective reconciliations of registered firearms; education and awareness programmes; intelligence capabilities; and regulatory-system design capabilities.
- It assumes uplifts in capabilities to meet Treaty of Waitangi requirements and operate in partnership with mana whenua; including a new Maori Responsiveness capabi ity as a ke advisor to assist the Branded Business Unit to develop as an effective Treaty partner; elivery of new Treaty training to leadership, field and office staff; and supporting the existing Whakatupato firearms safety course that Police run for rural and isolated (almost exclusively Māori) communities.
- It has a sufficient level of capability and capacity to enable the Arms Regulator to deliver and evolve in a sustainable way. This includes establishing operati nal staffing at a level that will meet demand and establishing sufficient headroom for proactive r gulatory activities to be undertaken. The range and mix of these initiatives will be based on a current understanding of risk and system performance and will likely evolve/change a insights grow.

Detailed features of preferred option

The preferred option is expanded below against the investment scope outlined in the strategic case.

Implement legislation

The preferred option will implement capabilities to deliver the changes to the arms regime arising from:

- The Arms Legislation Act
- The recommendations of the Royal Commission of Inquiry into the terrorist attack on Christchurch masjidain on 15 March 2019.

It will be delivered by:

- Uplifting processes to align with the Arms Act 1983 (including the changes introduced by the Arms Legislation Act 2020)
- Introd cing new capabilities to meet the increased scope of regulation (clubs and ranges etc.))
- Uplif ing compliance capabilities and activities from reactive to proactive positions.

Implement a firearms registry

An electronic firearms registry will be implemented through a market-based procurement process. The features of this Registry of Licence Holders and Firearms will include:

- An ability to ensure that firearm and licence information is up to date, useful, complete, accurate and easily accessed and analysed
- An assurance that security and privacy considerations will be met
- A seamless customer and staff experience
- Online submission of applications and payments
- Streamlined processes and intelligent workflow management
- Automated processes and decision-making based on business rules

- Integration with NIA to support frontline policing
- Access for external agencies (Ministry of Foreign Affairs and Trade, New Zealand Customs Service, Department of Conservation).

Establish an independent regulator

An independent Regulator entity will be established to give effect to the Minister's preference for organisational accountability. This will include the establishment of:

- An independent brand and identity that is distinct from Police
- An organisational focus solely on arms regulation, that is not constrained by the requirements of Police
- Appropriate supporting capabilities (such as HR, finance and corporate services) from within Police, and an agreement on the ongoing provision of shared services
- A ring-fenced funding model through the establishment of a dedicated appropriation
- Regulatory stewardship capabilities that are focused on system-wide appr ache to the development of capability, and evolving regulation to better regulate the arms system.

Formalise arms system governance and enhance performance monitoring

The overall governance and oversight of the arms system will be defi ed and improved through the establishment of:

- A dedicated leadership and governance structure that includes clear accountabilities, reporting lines and oversight requirements
- A performance-monitoring regime that defines and mplements measures and has the capability to monitor and report on these measures on an ongoing basis.

Implement a modernised arms regulatory operating model

A new operating model will be defined and imp emented to create a scalable and resilient basis for delivering on the Arms Act and the responsibiliti s of the regulator. This includes:

- Building a core arms capability – locally focused on supporting safety in the community and nationally led to ensure appropriate leadership, risk management and resources
- Rebalancing the re ponsibilities for services between national- and district-level functions
- Uplifting service deliv ry through:
    - Standa dising services and establishing a standard and consistent approach to work activi ies compliance and licence-holder expectations
    - Developing service-level agreements and performance management frameworks to ensure delivery expectations are met
    - Uplifting the resilience of operations to reduce the impacts of external factors and ensure that priority is given to firearms
    - Improving the traceability of work and decision-making to ensure quality standards are met
    - Developing the capability to identify and manage risks throughout the operating model and service delivery processes
- Uplifting the people capacity required to meet the increase in operational demands of the new legislation – a fixed level of people resourcing that addresses peak-year demand. This includes the implementation of a fit-for-purpose operating model that makes the best use of this capacity and capability

- Introducing a strategic capability spanning the insights, design and delivery of proactive interventions, and additional targeted education and awareness programmes and strategic partnerships.

Deliver arms system safety and awareness

The preferred option will introduce proactive efforts to improve the understanding of the arms system, the benefits it delivers to the public and the obligations of licence holders, through:

- Public campaigns on arms awareness and safety
- Comprehensively promoting the safe possession and control of the use of arms with li ence holders and the public.

Build system intelligence to develop and deliver a targeted intervention programme

The preferred option will introduce capabilities to identify, evolve and respond to commercial, community and government changes through improved information and insight analysis. This includes establishing:

- An insight capability that builds and manages a long-term info mation asset to support the arms regime
- A strategic system-development capability that draw on insights to continually evolve the arms regime to address and target current and emerg ng risks.

Rationale for preferred option

The preferred option is **Option 5** because:

It satisfies the investment objectives – It satis ies all four investment objectives and provides the most effective means of delivering he intent of the Arms Act and its amendments.

It benefits the community and government – It offers the best way to meet the demand for services and manage the risks of firearms, and delivers benefits to all major stakeholders:

- The public, with a regime that proactively manages and mitigates risks
- Licence holder , with a regime that meets demand and enhances the privilege of firearms' use and po session
- The G vernment, via an effective and accountable regime that meets expectations.

The other options did not deliver benefits for all three groups, specifically in proactively mitigating risks

It aligns with critical success factors – It meets or exceeds all but one critical success factor (ach evability). Importantly, the option exceeded the others in its ability to reduce risk and meet stakeholders' desire for enhanced capabilities to deliver on the purpose of the Act.

Option 5 did not fully meet the achievability critical success factor. The implications of this for the option selection were considered by stakeholders to be manageable through the programme-implementation approach, and not significant enough to alter the selection.

It aligns with wellbeing factors – Option 5 most closely aligned with and was the most likely to deliver all the desired benefits in the Living Standards Framework. As noted above, this preferred option is considered the most beneficial to the wider public.

It is financially viable – Option 5 offers the best value for money through delivering a lower sustained operational cost. This represents investing in a sustainable operation that can deliver efficiencies in later years.

Its disbenefits are manageable – The potential disbenefits of the option were manageable, and unlikely to introduce further operational implications. There was some consideration that a more proactive risk-mitigation posture could reduce engagement with regulated parties, but this was considered unlikely.

Option 5 offers the capabilities necessary for making the shift from administrator to a modern regulator and enables the regulator to undertake a range of activities to identify and mitigate the risks of firearms. This means that as well as delivering transactional activities such as licensing, the regulator can invest in:

- Insight development, using a range of data sources to gain a full understandin of th arms system and identify system-level risks
- Continual system improvement by using insights to shape approaches to managi g and mitigating risk
- Education and awareness programmes through partnerships with re ulated parties, that promote compliance and the acceptance of responsibility.

The option provides a high level of resourcing, leading up to th licensing peak in 2026, to support proactive risk-mitigation activities – in particular the reconciliation of arms and licence holders to complete the register. The resourcing levels are then expected to re uce due to the enriched registry information enabling the design of more efficient complian e administration practices.

The licensing peak is managed under this option through the establishment of a pool of resources that can be trained in and focused on proactive mitigation activities then diverted to support licensing demand as proactive activities are completed nd more licensing support is required.

The option introduces a modern regula ory capability that meets current expectations for regulatory best practice as outlined in the Government Expectations for Good Regulatory Practice and the Arms Act. It enables effective relationships with regulated parties via modernised transactions, and efficient information exchange with other parties uch as Police. The option is also the most able to evolve to identify and address emerg ng risks as well as accommodate future requirements.

The option delivers on th dual purpose of the Arms Act, which is to promote the safe possession and use of firearms, and to mpose controls. It best manages both purposes via an enhanced focus on mitigating risk through pr moting the safe possession and use of firearms. This is a significant shift from the current focus on the administration of the Act, and consequently the control strategies that inform the A t are likely to be most effective under this option.

The option enables partnerships throughout the system by establishing the regulator's scope and role. This is impo tant, because it formalises the regulator's activities and allows for more effective partnerships with all actors in the arms system

The option boosts the level of information in the arms system, and in doing so provides transparency on performance, regulation issues and compliance and risk trends, and a base from which to develop the system. A lack of good information has been a noted deficiency of the current system.

The option best addresses the challenges identified in the strategic case by introducing capacity and capability in a technology-enabled way. This is expected to address the current operational challenges, introduce an appropriate structure for the arms regulator deliver from, and improve the arms regulators' ability to engage with all parties in the arms system.

Key risks of preferred option

A list of the key risks, constraints and dependencies for the proposal can be found in the attached risk register. Notwithstanding the analysis undertaken in evaluating and testing the sensitivity of the options, the most significant economic risks are identified below in Table 5.11.

Table 5.11: Key economic risks

#	Description	Controlled rating	Mitigation actions
R7	**Ability to recruit –** The current employment market is constrained, which makes recruiting staff increasingly challenging. This may affect the ability to meet timeframes and outcomes.	**High**	The preferred option is premised on moving trained resources between transition and BAU to reduce lag and mitigate impacts. Establish contingency to allow for creas d rates. The resourcing strategy will nclude option for sourcing resources via secon ment and other means for transition requirements
R11	**Planning assumptions are inherently incorrect –** There is a risk that the assumptions about the future risk profile of the new legislation, and assumptions about the effort required to meet this demand, are incorrect, leading to the investment being insufficient to address the profile.	**Medium**	QRA undertaken requ red to identify the significance and evaluate he implications of each assumption that underpins the inv stment estimates.
R12	**Lack of data leading to incorrect planning assumptions –** There is a risk that the current lack of quality data on th performance of the arms regime sults in planning assumptions being made that are found to be incorrect, wit cost, timeframe or scope implications.	**Medium**	QRA undertaken to identify the significance of each assumption that underpins the investment estimates so that areas of high sensitivity can be addressed through contingency estimates.
R13	**Backlog effect** Th re is a risk that, if the current backlog of work is not addressed, the mpacts on the forward work profile will be compounded year on year, leading to a sig ificantly higher demand that may reduce the ability to achieve the desired outcomes.	**Medium**	Include dedicated resources within the design to address backlogs. Further backlogs being developed should be mitigated through a fully resourced operating model
R14	**Timeframes to meet legislative requirements –** There is a risk that, if investment decisions and funding are delayed, the overall programme will be affected and the regulator will be unable to meet the requirements of the Arms Act, including the requirement to have the registry in place by June 2023.	**Medium**	Risk mitigated through contingencies.

Assumptions

This economic case is subject to several assumptions. However, strategies have been developed to manage them, and a register has been created to track, review and update them on a regular basis. Key assumptions for the economic case in table 5.12 below.

Table 5.12: Key economic assumptions

#	Assumption
A1	A dedicated policy work programme to address the structural demand will be implemented, and the recomm ndations will be adopted and implemented ahead of the 2036 curve.
A2	The hosting of the Arms Regulator will be via a Branded Business Unit within Police, as per the Cab net decis on, with appropriate independence and shared services.
A3	Proactive risk mitigation will deliver efficiencies and reduced demand for certain compliance act vit es in later years.
A4	A legislative review in 2026 will address a backlog of issues and improvements.
A5	A registry technical solution will be developed successfully, in line with timelin s.
A6	The preferred option will include an uprated capability to deliver a bicultural partnersh p.
A7	The exact mix of capabilities within the option will be defined throug the d velo ment of a Target Operating Model and will evolve as maturity grows.
A8	The upcoming demand curve that peaks in 2026 cannot be mitigated, so the preferred option must include this as a design consideration.
A9	Further resourcing may be required beyond the timeframe of this DBC if the structural drivers of demand are not addressed.

6. Commercial Case – Achieving the Outcome

The commercial case seeks to evaluate and plan the best option to procure the services required to support the establishment and ongoing operation of an arms regulatory capability.

To achieve this, the commercial case sets out the approach to procuring the services. It covers:

1. The services that will be procured
2. How the services will be procured, including the options we considered
3. The key contractual provisions and considerations
4. The proposed procurement schedule.

The Arms Regulator requires corporate services, professional services and a dedicated platform from which to manage information related to arms. These needs will be met through existing commercial arrangements and the appointment of a new service provider to deploy a comm rcial, ff the-shelf solution.

Required services

The DBC outlines the investments in capability that will enable the investment objectives to be met. To establish and support the ongoing arms regulatory capability, the foll wing services are required:

1. Corporate services, including property and facilitie , systems such as HR and finance, procurement, and other ICT.
2. A digital registry that ensures the management f firearms and other weapons is conducted effectively and efficiently, using stand rdised processes (the Arms Information Solution [AIS]). The AIS must manage the information related to arms (firearms, parts, ammunition and other restricted weapons), fi earms licensing and activities associated with the possession and use of f rea ms. The information held must be secure and readily accessible to process partners and Police aiding in the collective intelligence of firearms in New Zealand. The AIS must:
    a. Orchestrate day to-day activities to ensure quality, consistency and performance monitoring
    b Be c nfigurable to support a ready adaptation to changes in the regulatory ecosystem
    c Provide modern channels for applicants to submit applications, manage their details, review the application progress and make payments online
    d. Integrate with existing Police systems that support intelligence.
3. An extension to the existing Police NIA to integrate with the AIS.
4. Testing services to assure the operation, security and integration of the AIS.
5. Data migration services to cleanse, transform and migrate data from existing systems to the AIS.
6. Associated consultancy services, such as legal services and assurance services.

The procurement strategy

The commercial approach has been determined with reference to the investment objectives and the critical success factors.

The procurement strategy is to use existing commercial arrangements and All of Government panel services where these are available and fit for purpose, and conduct open-market procurement for required services where there is no existing fit-for-purpose solution. Appropriate commercial and panel arrangements are already in place for all the above required services except the AIS.

Corporate services and extension to NIA

All corporate services required by the Arms Regulator are well established by Police, and the Arms Regulator will leverage these services rather than duplicate them. The services will be doc men ed in a Memorandum of Understanding.

NIA is a bespoke application internally supported by Police. Any work that must be undertake to achieve the objectives of the Arms Regulator will be prioritised and agreed with Poli e There are no alternatives to this approach.

AIS service provider

The following service provider options were considered for the AIS

1. Services delivered through pre-existing contracts with P lice.
2. The selection of a service provider through a secondary procurement process, from an existing Police or All of Government panel.
3. The selection of a service provider through an open-market process.

Options 1 and 2 were discounted as there is no existing ontract or panel suitable to meet the AIS requirements. The strategy is therefore to conduct an open-market procurement process and leverage the market's capability to provide workfl w and case management capability using standard commercial offerings to the greatest practical extent.

In developing the business case and a alysing the market, Police used industry research tools (Gartner) and conducted a market briefing.

The recommended approach to market was a two-step (registration of interest [ROI] followed by request for proposals [RFP) open, competitive procurement process for the delivery of an AIS from a single supplier.

An interactive procurement process was recommended to deliver a better value-for-money outcome than wou d r sult from a more traditional procurement method. This would allow Police the opportunity to refin its eq irements and work with each shortlisted supplier to determine the most effective design option bef re inviting final offers.

This approach to market complies with Police's procurement policies, the Government Procurement Rules and the Principles of Government Procurement.

The procurement plan

To identify a preferred supplier for the AIS, the following steps were followed:

1. **ROI –** This communicated the key objectives of the Arms Transformation Programme to the market and identified a shortlist of three potential service providers that had the required capability and capacity to deliver the AIS solution.
2. **Interactive procurement –** The shortlisted suppliers were issued with an Invitation to Participate in Competitive Dialogue. They had the opportunity to present their AIS designs and work with Police in a series of supplier-led workshops to better understand the requirements

and refine their solutions. This phase confirmed the solutions that could meet Police's requirements. Police offered payments to the shortlisted suppliers for their participation, to ensure appropriate technical resources were committed to the workshops.

3. **RFP** – The shortlisted suppliers were formally requested to outline their offers in terms of approach, time, quality, costs, benefits, risks and commercial principles.
4. **Negotiation (current step)** – The next step involves reaching agreement with the preferred supplier on the implementation and ongoing services. It is expected that this phase will be relatively short, as the usual issues and discussion points for negotiation will have been addressed during the interactive procurement and RFP phases.

The evaluation model that was used in both the ROI and RFP phases is weighted attribute (w ighted score). Price is a weighted criterion in the RFP.

During the ROI phase, the qualifying responses were evaluated on their merits according to the criteria in Table 6.0. During the RFP phase, the responses were evaluated on their merits according to the criteria in Figure 6.1.

Table 6.0: AIS ROI criteria

Criterion	Evaluation weighting
Functional solution	20.0%
Technical solution	20.0%
Delivery	15.0%
Commercial model	20.0%
Capability	25.0%
Total	**100.0%**

Table 6.1: AIS RFP criteria

Criterion	Evaluation weighting
Functional solution	18.0%
Technical so ution	18.0%
Delivery	12.5%
Capability	22.5%
Commercial solution	18.0%
Value for money (based on whole-of-life cost)	10.0%
Total	**100.0%**

The evaluation was conducted by a cross-functional team supported by an independent non-voting chair and a probity auditor from Audit New Zealand. Legal advice was provided as required by Kindrik Partners.

The timeline for the procurement is shown in Table 6.2 below.

Table 6.2: AIS procurement timeline

Pre-procurement	
Supplier briefing conducted	30 March 2021
Procurement plan approved	18 May 2021
Tender documents approved	18 May 2021
Panel confidentiality and conflict-of-interest declarations signed	18 May 2021
Registration of interest	
ROI advertised on GETS	19 May 2021
Last date for supplier questions	3 June 2021
Last date for agency to answer questions	8 June 2021
Tender closing date	21 June 2021 (extended from 14 June 2021)
Competitive dialogue phase	
Evaluate the ROIs and shortlist suppliers	14 July 2021
Programme Steering Group (endorse shortlist)	19 July 2021
Issue an Invitation to Participate to shortlisted suppliers	19 July 2021
Competitive dialogue (meet, refine solutions)	27 July – 2 September 2021
Issue RFP to short-listed suppliers	17 September 2021
RFP closes	11 October 2021
Evaluation panel meets	20 October 2021
Panel minutes and recommendati n	25 October 2021
Programme Steering Group (select preferred supplier)	27 October 2021
Recommendation accept d/denied (National Tenders Board)	28 October 2021
Post-evaluation	
Advise bidders of outcom	29 October 2021
Due diligence and contract negotiation	1 November – 17 December 2021
Contr ct award notice published on GETS	14 January 2022
Contract start date	17 January 2022
Debrief unsuccessful suppliers	24–26 January 2022

Managing risk

This section sets out the main procurement and commercial risks of establishing the services and ongoing operations. It also explains how the risks can be allocated to the service provider and Police.

Key commercial risks have been identified, evaluated and recorded in the risk register.

An assessment of how the project proposes to apportion these risks between the organisation and potential providers is outlined in Table 6.3 below.

Table 6.3: Commercial risk allocation table

Risk category	Proposed risk allocation		
	Police	Service provider	Shared
Design			✓
Transition and implementation			✓
Operating		✓	
Availability and performance		✓	
Termination risks	✓		
Technology and obsolescence		✓	
Financing	✓		
Legislative	✓		

Table 6.4 sets out the key risks that were identified for the procurement process. As the process has reached the negotiation phase (as at the end No ember 2021), the majority of these risks have been mitigated or not realised.

Table 6.4: Commercial risks

#	Risk	Controlled rating	Mitigation action
R3	If the respondents do not understand the technical complexi y of the s lution sought, the solution may need to be abandoned as i will not be fit for purpose.	**High**	Undertake interactive procurement process allows supplier due diligence prior to supplier selection.
R5	If the p ocurem nt process does not consider all task required and allow sufficie t time to execute them, the proc rement process could be ext nded putting at risk the greement of the DBC (which has wider enterprise ramifications) and the delivery of the legislative delivery date of the solution.	**High**	Allow adequate time to complete stages. Ensure negotiation time is factored into timeframes.
R6	If key ICT staff are not available to support the procurement, the procurement timeline will not enable delivery on the legislative delivery date AND/OR we will not have the expertise to select a suitable solution/vendor.	**High**	Ensure ICT staff are available. Book resources in advance. Ensure replacement staff are available if required. Book procurement activities into staff diaries.
R16	If the respondents do not understand the Arms Entity's expectations for commercial management or are misaligned with its culture, it may be difficult/time consuming to negotiate a contract AND/OR it may be difficult to manage the selected vendor.	**Medium**	Ensure requirements are well documented and communicated to suppliers throughout the procurement process, starting with the ROI.

#	Risk	Controlled rating	Mitigation action
R17	If the market testing is incomplete, the estimated costs may be significantly higher than those estimated in the IBC, and therefore not able to be supported by the Treasury/Cabinet funding expectations.	**Medium**	Complete detailed estimation of all Police ICT costs in parallel to the procurement activities. Undertake a review of the DBC on the completion of the interactive process and receipt of RFPs.
R18	If no proposal meets the minimum acceptable set of requirements, the procurement process could be extended to procure multiple suppliers separately.	**Medium**	Undertake ROIs early to identify the available solutions. Undertake an interactive procurement process to ensure that respondents can meet the minimum acceptable set of requirements. L ok at architectural components that could be p ovided by in-house/existing suppliers.
R19	If respondents perceive the government procurement rules have not been applied correctly, they may challenge the procurement approach undertaken.	**Medium**	Probity management is robust. E sure all staff act fairly, impartially and with integri y m nag g conflicts of interest whilst protecting suppl ers' commercial sensitivity and co fidential information. Engage an appropriate Probity Auditor. The evaluation activitie are suffic ently documented.
R20	If business SMEs are not available to support the procurement, the procurement timeline will not enable the delivery to the legislative delivery date AND/OR we will not select a solution that meets the needs of the business.	**Medium**	Ensure business SMEs are available. Book resources in advance En ure replacement staff are availab if required. Book procurement activities into staff d aries.

Payment mechanisms

AIS service provider

The project proposes to make payments for its key services for the AIS through the following mechanisms:

- Time and materials payments up to a fixed monetary cap during the establishment phase. These will be based on the delivery of agreed outputs within an agreed timetable that is determined with the successful service provider.
- Monthly payments in arrea s once the AIS has been established.

Corporate services and ext nsion to NIA

Not applicable; this w ll b addressed through appropriations for the Arms Regulator or Police.

Professional services (testing, data migration, other consultancy)

s. 9(2)(b)(ii) OIA

Contractual and other issues

The planned contractual arrangements and key contractual issues relating to the procurement of the services and key outputs are outlined below.

Type of contract

Corporate services

All corporate services that will be provided by Police to the Arms Regulator will be documented in a Memorandum of Understanding between the parties. The Memorandum of Understanding will include:

- Detailed descriptions of the services

- Any restrictions on use
- Agreed service levels
- Any budget transfer requirements.

AIS service provider

The short-listed service provider will be offered a Master Services Agreement to establish the AIS and deliver ongoing provision of the solution and related support and project services.

The proposed contract term is five years, with options to extend that term for a further five years subject to good performance by the service provider and continued best value for money for the whole of life being delivered.

The quality standards/key performance indicators for the supplier will include:

- Quality and delivery against agreed project milestones
- Platform availability
- Incident response, incident resolution and restoration of service.

The timeframes for delivery are based on a staged delivery of all required functionality by Q4 of FY23. The minimum specific reporting requirements for management of the contract are outlined in Table 6.5.

Table 6.5: Minimum AIS reporting requirements

Topic	Description
Executive summary	Management statement on health of account, including: • Achievements • Capacity and performance • Service and deliverables' improvements • Points of interest.
Non-compliance and issues	Comments and discussions on live key issues (operational, tactical and strategic) and any non-compliance with this agreement, including recommendations for resolution.
Financial information	All fees invoiced, including: • Monthly fees, including a breakdown on a per-service and deliverable basis • Any other fee charged in accordance with this agreement.
Change control	A monthly overview of all changes, including: • The status of all live changes • Outstanding changes and change requests.
Recommendations	Taking into account the above, the provider's recommendations for the month.

New intellectual property arising as a result of the contract will belong to the service provider.

The proposed contract terms and conditions are attached to this business case. They are in draft form and will be finalised subject to successful negotiation.

Variations to the contract will be in writing and signed by both parties. Variations involving increases in price must only be made within the limit of the delegated financial authority.

The strategy for exiting the contract at the end of its term involves assessing the AIS (does the need for the platform still exist?) and determining whether to run a supplier or technology selection process.

As the AIS will be Software as a Service, specific contractual provisions will be included to ensure Police is able to obtain a copy of all Police data in a commonly used electronic format on the termination of the contract for any reason.

Professional services (testing, data migration, other consultancy)

Services such as legal services, assurance services and various other professional services that are required to establish and assure the operation of the Arms Regulator will be contracted through the relevant All of Government consulting panel using standard consulting service orders.

Some technical services, including data cleansing and migration, will be contracted through the All of Government external recruitment services panel using standard recruitment services o ders.

Contract management

AIS service provider

The responsibility for managing delivery under the contract s wel as supplier relationship management will pass to the Arms Entity on the signing of the contract. The relevant person in the Arms Entity will develop a contract and relationship manag ment plan in consultation with the successful supplier.

The supplier's performance will be reviewed on a continual basis against the agreed performance metrics. The contract terms and conditions will provide various remedies for non-performance.

7. Financial Case

The purpose of the financial case is to:

- Outline the required funding to establish and maintain the required regulatory capacity and capability of the preferred Option 5
- Compare and contrast both current expenditure and that proposed in the IBC.

The financial case is underpinned by a detailed financial model used to estimate the financial costs of the preferred option – both transition and ongoing BAU costs.

The total cost for setting up the Arms Regulator and providing ongoing operations is summarised below:

COSTS	$m
BAU	464.8
Transition costs	49.3
Overheads, General Wage Increase (GWI), Competency S rvice Increment (CSI) and salary loading (annual leave)	50.2
Capital charge and depreciation	48.9
Agency Contingency	40.3
Tagged contingency	58.0
TOTAL (over 11 years)	**$711.5**

To support this, funding of **$502.4** million is requ red in addition to the current funding levels (including Agency and Tagged Contingency)

This funding will enable the regula or to administer fully and effectively the risk-management system provided for in the Arms Act, while enabling the legitimate use of arms.

Financial context

The current-state funding of the Arms Act delivery is based on the sources as represented in Table 7.0 below.

Table 7.0: Funding structure of Arms Act delivery

Funding source	Type	Amount/Duration	Duration	Use
Vote Police	Existing operational funding (M51 – General Crime Prevention Class)	$89.1m total ($8.1m p.a.)	11 years	OPEX ONLY
Treasury	Tagged contingency	$60m total	4 years	OPEX an CAPEX
		$5m p.a.	7 outyears	
Fees and charges	Third-party revenue	$35.5m total (on average $3.2m p.a.)	11 years	OPEX

The Vote Police funding is part of the Police's Departmental Output Expenses under 'General Crime Prevention Services (M51)'. It forms the existing operating funding (also c lled 'baseline funding').

Police has a historical average annual direct operating expenditur of $8.1 million for firearms administration, covering both district and national headq arters activity (with an additional overhead component of around $5 million per annum).

On 6 April 2020 Cabinet approved an operating tagged contingency of $60 million over a four-year period, with $5 million ongoing into the outyears. This re ognised the increased regulatory requirements arising from the recent legislative changes, including investment in the new Arms Registry.

The drawdown of this tagged cont ngency was subject to Cabinet approval of a business case providing options for meeting the new legislative requirements. In 2020/21 Police drew down $15.4 million from the tagged cont ngency to recover the costs of meeting its obligations with regards to implementing recent legislative changes and the ongoing improvement programme designed to meet public safety objectives and be a more effective regulator. The drawdown was necessary to commence improveme t and implementation, but it is not a sustainable funding arrangement.

Financial costing approach

Financial model structure

The financial model used to underpin the IBC has been modified and extended to reflect the latest Target Operating Model design and thinking and the results of the firearms registry solution RFP evaluation.

There are two main types of activity related to setting up and operating the Arms Regulator:

1. **Transition costs –** These include all the costs of establishing the full scope of the regulator functions, spanning a timeframe of 36 months.
2. **BAU costs –** These cover the ongoing annual operating costs of the Regulator over an 11 year period.

The functional scope of the Regulator entity is outlined in figure 4.4 and includes strategic, operational and enabling/support functions. These functions have been nominally allocated to fou directorates for the purposes of estimating ongoing BAU costs:

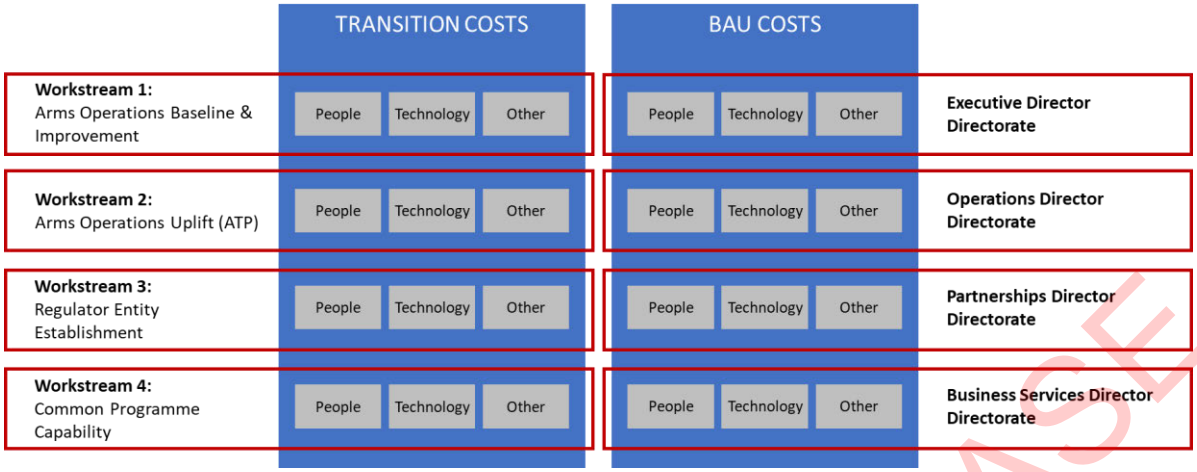
1. **Executive Directorate –** Contains the Executive Director and the s rategic and governance functions of the Regulator entity.
2. **Operations Directorate –** Contains all the functions equi ed to manage and deliver regulatory services.
3. **Partnerships Directorate –** Contains all the fu cti ns quired to undertake all necessary engagement and communication with external stakeholders and partners.
4. **Business Services Directorate –** Contains all the functions required to support the wider operations of the Regulator entity.

The transition programme consists of the following four workstreams. They are used as the basis for planning transition costs.

1. **Workstream 1 – Arms Operations Baseline and Improvement –** To improve and baseline current arms service delivery (operations).
2. **Workstream 2 – Arms Operations Uplift –** To uplift the operations scope and capability to address new legislative requirements.
3. **Workstre m 3 – Regulator Entity Establishment –** To establish the Branded Business Unit and the non-operational functions of the new Regulator entity.
4. **Workstr am 4 – Common Programme Capability –** To provide overall leadership and co-ordination of the changes arising from the transition programme.

Figure 7.0 p ovides an overview of these dimensions and the high-level structure of the financial model.

Figure 7.0: Conceptual representation of the financial model dimensions



Estimation methods

The Police reporting, and Treasury principles and guidelines were taken into account in the preparation of the financial case and underlying financial modelling

Transition costs have been based on the requirements of the overall transition programme scoping and planning (see Management Case). In particular, the regi try solution costs included in Workstream 2 – Arms Operations Uplift have been informed by an extensive RFP market evaluation in which the preferred vendor's costs have been included.

BAU/Ongoing operating costs have been estimated based on:

- The **Executive Directorate** and **Partnerships Directorate –** The functional scope of the directorates and estimations of activity volumes were used to estimate people, technology and other costs
- The **Operations Directo ate –** To e timate the people capacity and capability requirements of the Operations Directo ate, a c mbination of top-down estimation (based on operating model design estimates) and bottom-up estimation (based on detailed activity-based costing for each service) was used. Ongoing technology costs were based on the results of the RFP evaluation/preferr d vendor selection
- **Business S rvices –** The costs of providing the required support services for the Regulator entity through Police) have been estimated based on an uplift in existing support services – proporti nate with the increase in the size of the overall operation.

Risk and contingency

For any financial forecasting there is inherent estimation risk. To accommodate for this risk in the business case, an independent Quantitative Risk Assessment (QRA) was undertaken. The full QRA is included as a supporting document. The QRA identified ten drivers of uncertainty, outlined in table **7.2** below.

Some uncertainties are included or only partially included into the DBC via Agency Contingency. This is due to the nature of the operational risks having mitigation options available to manage the risk within the available budget. Effectively, the arms regulator can make trade-offs to manage operational demands, as it does currently. The remaining uncertainties are included into the DBC via Tagged Contingency.

The **Agency Contingency** (contingency released to Commissioner of Police as part of the investment drawdown) is **$40.3m**, broken down by:

- Opex Agency Contingency – $35.4m, 5% of total Opex. Of this, $15.3m relates to the transition programme (implementation and ICT delivery and duration risks), and $20.0m relates to BAU (volumetric, revenue and operational delivery risks)
- Capex Agency Contingency – $4.9m, 23% of total Capex, relating to ICT delivery and duration risks.

The **Tagged Contingency** (contingency held by Ministers or Cabinet) is **$58.0m**. Including this modelled contingency over the associated uncertainty areas, given the sensitivities in the modelling, was considered to not fully reflect the operational realities and trade-off decisions that can be made.

The contingency amounts in table 7.1 are shown as Total Contingency, Agency Contingency and Tagged Contingency over a 4, 6 and 11 year horizon.

Table 7.1 – QRA impacts and percentage carried forward

QRA Impact	Description of uncertainty	Total 4years ($M)	s. 9(2)(f)(iv) OIA	C ntingency Treatment
BAU - Uniform Resources for uniform work in Operations Directorate	Assumptions of capability for compliance & enforcement in the new legislative requirements, as well as delivering the existing regulatory functions.	4.15	[redacted]	**Tagged Contingency** – risk is mitigated th o gh operational means and prioritisation of activity.
BAU - Resources for variable demand work in Operations Directorate	Effort required to service the volume-driven demand, factoring effort required to service the demand, future risk appetite on the licencing approach how referees w ll be interviewed, and Cov d-19 restrictions effect on efficiency	13.38		Mix of treatment. Risk is mitigated through operational means and prioritisation. Decisions available to adjust service levels to manage variability. 33% in **Agency Contingency** gives sufficient capacity to manage current risk levels. 67% in **Tagged Contingency.**
BAU - Resources for other Directorates	Central function within regulato and Police will deliver the required business support fun tions.	5.94		**Tagged Contingency** – risk mitigated through prioritisation and shared services agreement with NZ Police.
BAU Rates for first 5 years Operations Directorate	The rate used for each band (modell ng assumes midpoints)	15.26		Mix of treatment. Rate uplift primarily applies to new roles, and unlikely to apply to existing roles. 33% in **Agency Contingency** gives sufficient capacity to manage current risk levels 67% in **Tagged Contingency.**
Transition - Resources (Opex)	Covers the delivery programme (workstreams 1 to 4) and dealing with the backlog and other risk mitigation work.	1.30		**Agency Contingency**
Transition - Resources (Capex)		0.12		**Agency Contingency**
Applicant Volumes	Volume of applicants using historical trend. Costed using the number of new applications, the number of renewals, and the number who decide not to renew. Changes to regulatory environment may	1.82		**Agency Contingency**

QRA Impact	Description of uncertainty	Total 4years ($M)	s. 9(2)(f)(iv) OIA	Contingency Treatment
	affect the level of demand, impacting revenue from fees.			
Vendor (Opex)	Costs in incurred by vendor in registry delivery, reflecting	0.98		Agency Contingency
Vendor (Capex)	scope uncertainty, changes to Requirements, and vendor lack of familiarity with the Police environment.	1.18		Agency Contingency
NZP ICT (Opex)	Covers internally provided ICT services (changes to NIA, end-	1.81		Agency Contingency
NZP ICT (Capex)	to end and vendor solution testing, data migration etc).	1.98		Agency Contingency
Delivery Resources (Opex)	Covers the delivery programme (workstreams 1 to 4) and dealing with the backlog and other risk mitigation work. Resourcing assumed to be required to deliver the programme and deal with the backlog, cleanse data etc.	0.24		Agency Contingency
Delivery Resources (Capex)	Scope of work required may change. Vendor work level uncertainty also reflected in the delivery resources. Vendor management may require extra resources.	0.31		Agency Contingency
Project Duration (Opex)	Programme is scheduled to run to Dec 2023, with resourced tapering from June	3.12		Agency Contingency
Project Duration (Capex)	2023. Additional work to be done beyond then to deliver the full requirement and Other competing priorities within Police ICT and the environments may drive an overrun.	1.33		Agency Contingency
TOTAL Contingency		**52.93**		
Agency Contingency		**23.63**		
Tagged Contingency		**29.30**		

Impacts on the financial statements

Table 7.2 shows the anticipated cashflows for the investment proposal for its intended lifespan, based on the current estimates for the preferred option. The funding will be consumed across 11 financial years.

Table 7.2: Option 5 costings and funding requirements

$ millions	Total	FY23	FY23	FY23	FY25
BAU (OPEX)	**463.3**	24.2	36.6	43.9	47.6
Transition (OPEX)	**29.2**	7.2	17.0	4.6	0.2
BAU (CAPEX)	**1.5**	0.8	0.8	-	-
Transition (CAPEX)	**20.1**	5.5	13.3	1.3	-
GWI, CSI, overheads and annual leave	**50.3**	2.3	5.0	6.3	6.2
Capital charge and depreciation	**48.9**	0.3	1.2	5.4	5.2
Agency contingency (OPEX)	**35.4**	2.8	3.7	6.4	4.5
Agency contingency (CAPEX)	**4.9**	1.0	2.4	1.5	-
Tagged contingency (OPEX)	**58.0**	4.5	6.1	7.1	7.8
Total cost	**711.5**	**48.5**	**86.0**	**76.5**	**71.6**
					s. 9(2)
Tagged contingency – operating	**73.6**	23.5	7.1	3.0	5.0
Existing operating (Crown revenue)	**89.1**	8.1	8.1	8.1	8.1
Third-party revenue	**35.5**	2.0	2.0	3.1	4.2
Tagged contingency – capital	**11.0**	-	1 .0	-	-
					s. 9(2)(f)(iv)
Additional operating required (incl. Agency Conting.)	**428.9**	**3 2**	**46.3**	**52.4**	**46.4**
Additional capital required (incl. Agency Conting.)	**15.5**	**7.3**	**5.5**	**2.8**	-
Tagged Contingency	**58.0**	4.5	6.1	7.1	7.8
Tot fundi g r quire	**502.4**	**15**	**57.9**	**62.3**	**54.2**

s. 9(2)(f)(iv) OIA

The total investment required to deliver the preferred option is $711.5 million, of which $502.4 million is required as new/additional funding. This includes all implementation and operating costs and a total contingency of $98.3 million for the investment period.

Table 7.3 provides a cost breakdown for Option 5.

Table 7.3: Cost of Option 5

	$ millions	Total	FY22	FY23	FY24	FY25
BAU	Executive Dir.	**53.2**	2.7	4.9	5.1	5.1
	Partnerships Dir.	**15.6**	0.5	1.6	1.5	1.5
	Operations Dir.	**325.8**	18.6	25.7	30.9	34.1
	Business Services Dir.	**70.1**	3.1	5.2	6.4	7.0
Transition	Workstream 1	**12.3**	3.2	7.3	1.8	-
	Workstream 2	**23.5**	6.5	14.4	2.6	-
	Workstream 3	**7.5**	1.5	5.2	0.4	0.2
	Workstream 4	**6.0**	1.5	3.4	1.1	-
	Overheads, GWI, CSI and annual leave	**50.3**	2.3	5.0	6.3	6.2
	Capital charge and depreciation	**48.9**	0.3	1.2	5.4	5.2
	Agency contingency	**40.3**	3.8	6.1	7.9	4.5
	Tagged Contingency	**58**	4.5	6.1	7.1	7.8
Total cost		**711.5**	**48.5**	**86.0**	**76.5**	**71.6**

s. 9(2)(f)(iv) OIA

[redacted]

Financial analysis

Comparison to IBC

Table 7.4 highlights the overall differences in cost between the DBC preferred option, IBC Option 5 and current costs.

Table 7.4: Overall cost comparison

$ millions	Total	Y1	Y2	Y3	Y4	s. 9(2)(f)(iv) OIA
DBC preferred	711.5	48.5	86.0	76.5	71.6	
IBC Option 5	451.8	23.5	49.8	40.4	41.4	
Current state (DBC Option 1)	89.1	8.1	8.1	8.1	8.1	

Note: IBC cost estimates start in FY21, whereas DBC cost estimates start in FY22.

Table 7.5 provides an explanation of the key variations in cost between the DBC preferred option and IBC Option 5.

Table 7.5: Key variations between the DBC and IBC

Functional group	IBC ($m)	DBC ($m)	Variation ($m)	Explanation
Operational functions *(includes service delivery)*	269.5	325.8	56.3	The DBC resource estimates are based on a fully scoped Target Operating Model design and a detailed activity-based costing model. The costs allow for upfront capacity for proactive risk mitigation and addressing the increasing existing application backlog.
Strategic functions *(including Executive and Partnerships Directorates)*	10.6	68.8	58.2	The IBC focused on the increase in capacity and capability required to improve the administrative services – it largely ignored the wider regulatory functions. The DBC allows for the wider functions required f an effective, sustainable regulator – in particular partnerships and strategic functions.
Support functions	56.3	70.1	13.8	The IBC assumed that the majori y of the corporate services would be absorbed within existing Police capability, and did not allow for any increase n capacity. The DBC a knowledges and allows for the uplift in support services required to support effectively the wider regulator entity.
Transition	29.3	49.3	20.0	The IBC focused on the costs associated with the establishment of the firearms registry solution only and did not consider the establishment of the wider functions required of the regulator. The DBC includes the updated costings from the registry solution RFP evaluation. It also includes resources to resolve existing performance issues and undertake proactive risk-mitigation activities.
Overheads, GWI, CSI and annual leave	45.6	50.3	4.7	Overheads – the DBC takes a detailed approach to calculating overheads relating to the constabulary and employee workforce. Separate costs are applied to all FTEs and uplifted FTEs. Annual leave – Whereas in the IBC annual leave was set at a constant level (8%) for all Police staff over the duration of the initiative, and was included in the loaded salaries, the DBC calculates annual leave only for the first year of the uplifted FTEs. GWI and CSI – The IBC did not take into account GWI and CSI, but they are included in the DBC calculations.
Capital charge and depreciation	40.5	48.7	8.2	This increase is due to the capital charge and depreciation arising from increased capital investment.
Agency contingency	-	40.3	40.3	The DBC conducted a Quantitative Risk Assessment to assess uncertainties in the major cost elements of the DBC, which informed the level of agency contingency required versus Tagged contingency.
Tagged contingency		58.0	58.0	
Total	**451.8**	**711.5**	**259.7**	

Key assumptions

In determining the financial costs, the following key assumptions have been made as outlined in Table 7.6.

Table 7.6: Key assumptions underpinning the financial modelling

	Assumption	Description
A1	Investment term	An 11-year cashflow forecast has been constructed for the expenditure expected to be incurred in the transition/establishment and operation of the business.
A2	Registry costs	Ongoing registry costs (e.g. licensing) are assumed to be operational.
A3	Efficiency gains through technology	Technology is expected to provide efficiency gains immediately after implementation.
A4	Efficiency gains through streamlined processes	Efficiency is expected through the streamlining of curr t-state processes.
A5	Shared services	Either Police will provide shared services from baseline funding or funding will be sought through uplift.
A6	Cost recovery	Future cost-recovery settings are n t factored into the costs of the DBC.

8. Management Case

This management case:

1. Outlines the proposed entity option and governance arrangements for the regulator, and provides:
   - An overview of the current arms system
   - A summary of the entity's organisational options proposed in the IBC and considered by Cabinet
   - Information on the agreed entity structure, governance arrangements and the scope of functions
2. Sets out the programme approach to ensuring the successful delivery of the project and its benefits and to manage project risks, including:
   - Programme governance mechanisms
   - Programme structure, timeframes and milestones
   - Programme control mechanisms and planning.

The proposed entity option

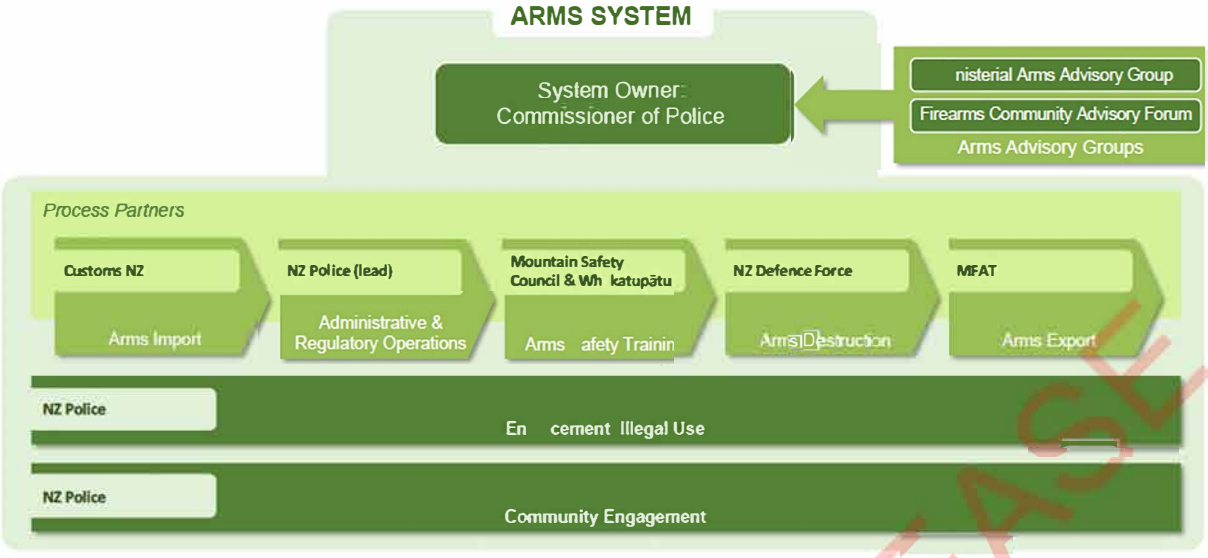
The arms system

Represented in Figure 8.0 below are the key functions that make up the arms system in New Zealand. The term 'process partners' is used to descr be the partner organisations that undertake interdependent functions across the arms system. For example:

- Arms importation in o New Zealand is regulated by the New Zealand Customs Service
- The arms administrative and regulatory operations are managed by Police – the lead partner in the administration of firearms (registration, licensing and permitting)
- Arms afety tr ining is managed and delivered through the New Zealand Mountain Safety Counci and the Whakatūpato programme
- Arms destruction (following amnesty or seizure) is conducted by the New Zealand Defence Force

Arms exports are regulated by the Ministry of Foreign Affairs and Trade.

Figure 8.0: Overview of the arms system



Establishing the Arms Entity

The Arms Entity will be established as a Branded Business Unit within Police A Transitional Executive Director has been appointed to lead the establishment of the n w regulator.

This will include establishing:

- Dedicated leadership and staff, which brings a single operational focus on firearms licensing and compliance
- Ring-fenced funding, with transparent public reporting and accountability, which will ensure that consistent and appropriate levels f resourcing are provided to regulatory activity
- An operational distinction between the responsibilities of Police and those of the Regulator
- An independent brand
- A fit-for-purpose operational capability
- An agreement for the provision of hosted services by Police.

The remainder of this man gement case outlines the approach that will underpin the establishment of the Branded Business Unit and deliver the scope of this business case.

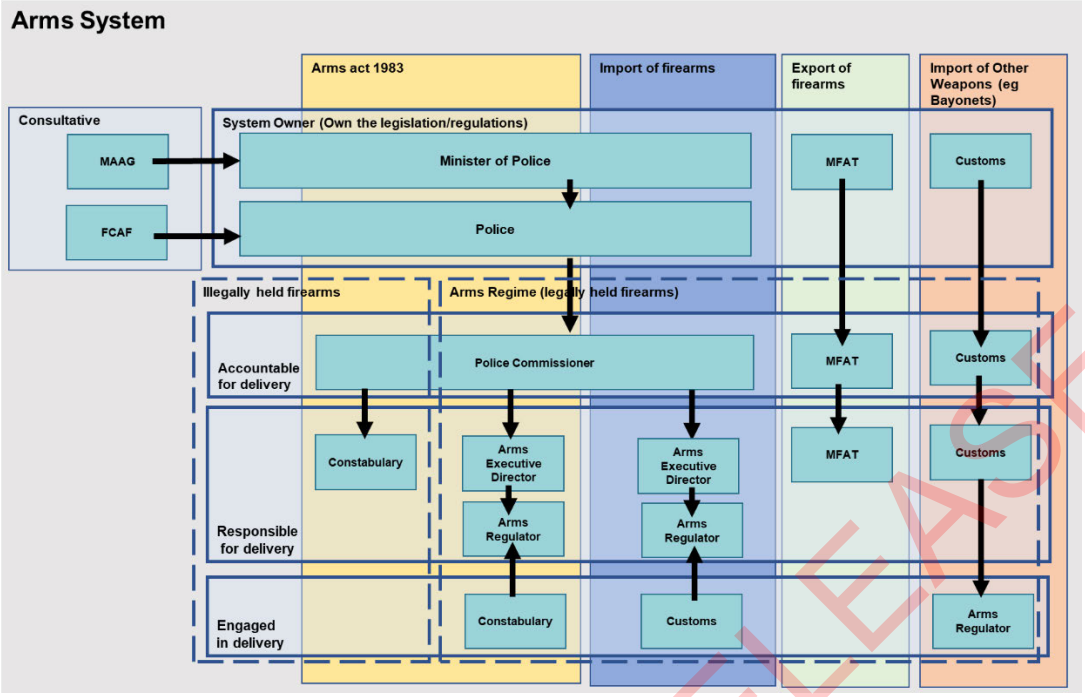
System governance

This section o tlines the overall governance arrangements for the arms system. The roles and responsibi ities across the arms system are summarised in Figure 8.1 below.

Ove all, the Commissioner of Police is the system owner on behalf of the Minister of Police. The Commissioner is accountable for the delivery of a high-quality regulatory regime, with responsibility vested in the Arms Regulator. The distinction between illegally and legally held firearms is made, with Police constabulary being responsible for the policing of the illegal sphere.

The system owner is supported by advisory groups Ministers Arms Advisory Group (MAAG and the Firearms Community Advisory Forum [FCAF]) to inform the evolution of the system.

Figure 8.1: Roles and responsibilities across the arms system



Regulator governance

In July 2021 Police appointed a Transitional Executive Director, whose leadership will assist with progressing improvements in the arms regulato y system and meeting commitments to deliver. The role is a 12-month, fixed-term position and reports dire tly to the Deputy Chief Executive of Strategy and Service.

Officials have engaged with Te Kawa Mataaho Public Service Commission and confirmed that in the short term greater confidence, leade ship and assurance can be given through the establishment of a dedicated Executive Director to lead the transformation and the operation of the Branded Business Unit. Whether the role requ es a statutory basis can be considered in the longer term.

The Executive Directo 's sole fo us will be on the effective and consistent administration of the regulatory system. The Executive Director will be separate from Police's operationally facing executive management team a d will control their own budget. This may assist in creating a public perception of the regulator being independent from day-to-day policing activities. It will also help to address any concerns ab ut t e arms administrative and regulatory work being in competition with other, higher-priority Police work (an issue identified by Thorp in 1997). The Executive Director will need to be visible to t e community and the media to enable accountability for these matters in the public eye.

This does not remove the Commissioner of Police's accountability for delivering a high-quality regulatory regime.

The transparency of the administration will be assisted by the establishment of the Minister's Arms Advisory Group and by the statutory review that will commence three years after the registry has been established, which can include a review of the delivery of the regulatory system.

Outlined in Table 8.0 below are the critical responsibilities in the overall establishment/mandate, administration and performance of the regulatory functions.

Table 8.0: Allocation of responsibility

Function/Responsibility	Responsible	Accountable
Regulatory mandate	Police Commissioner	Minister
System ownership	Arms Control Exec Dir.	Police Commissioner
Regulatory performance	Arms Control Exec Dir.	Police Commissioner
Legislation and regulatory policy	Police Commissioner	Police Commissioner
Police policy and enforcement	Police Commissioner	Police Commissioner
Police enforcement	Police Commissioner	Police Commissioner
Regulatory financial management	Arms Control Exec Dir.	Police Commissioner
Regulatory operational governance	Arms Control Exec Dir.	Police Commissione
Regulation strategy and performance	Arms Control Exec Dir.	Police Commissio r
Regulation operational performance	Senior Leadership Team	Arms Control Exec Dir.

Arms Regulator functional scope and organisation structure

The functional scope of the Regulator required to administer the arms regime is represented in Figure 8.2. It includes:

- **Strategic functions** – Those functions that provide direction and oversight to the entity
- **Operational functions** – Those functions that are required to deliver the core operational services
- **Enabling functions** – Those functions th t support the operation of the business.

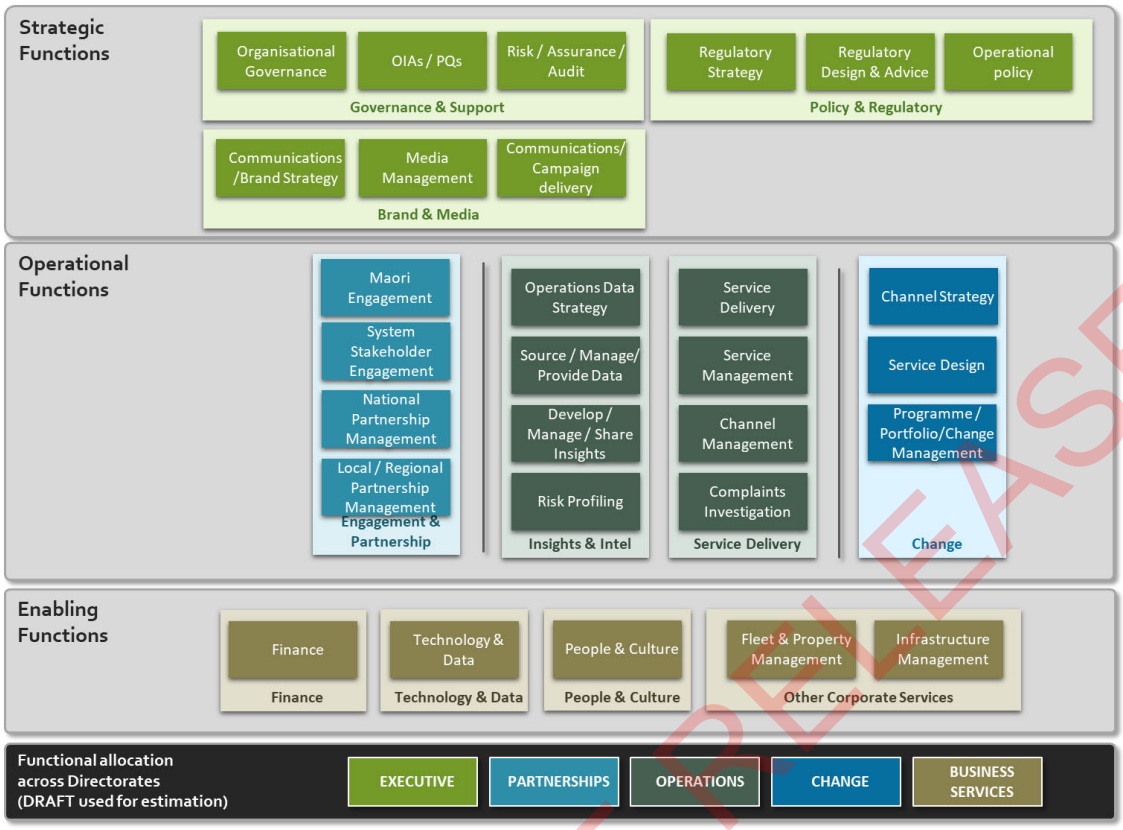
This functional scope is informed by the Target Operating Model work undertaken by the transition programme.

An initial organisation structure has been establ shed to provide leadership, oversight, and management of the current operations a well as the transition to the new Regulator entity:

1. **Executive Directorate** – Contai s the Executive Director and the strategic and governance functions of the Regulator entity.
2. **Operations Directorate** – C ntains all the functions required to manage and deliver regulatory services.
3. **Partnerships Directorate** – Contains all the functions required to undertake all necessary engagement and communication with external stakeholders and partners.
4. **Change Directorate** – Contains all the functions required to deliver the transition programme. Note that this directorate is time bound in relation to the transition programme.
5. **Business Services Directorate –** Contains all the functions required to support the wider operations of the Regulator entity.

For planning and estimation purposes only, these are allocated to the proposed organisation (directorate) structure, although this allocation is likely to change.

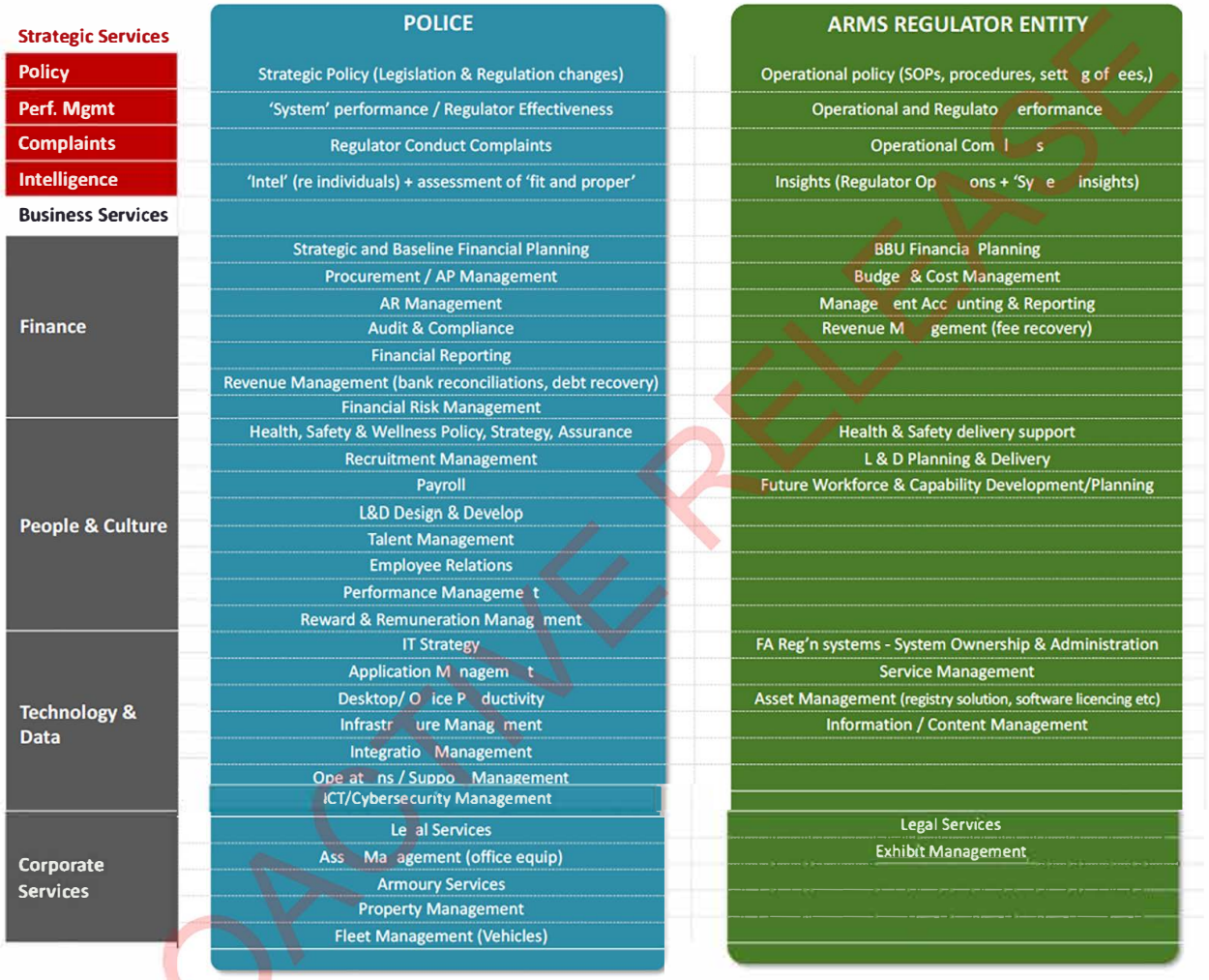
Figure 8.2: Functional scope of Arms Regulator



Functional split

The Branded Business Unit structure is based on leveraging as many functions of Police as practical. Outlined in Figure 8.3 is the proposed functional split between Police and the Regulator entity. A more detailed design of this split of functions and the 'handshakes' between organisations is currently being developed, to inform the provision of services from Police to the Regulator entity under an approved 'hosting agreement'.

Figure 8.3 Apportioning of functions between Police and the Arms Regulator entity



Planning for successful delivery – outlining the transition programme

This section outlines the approach to the transition to the regulator, established as a Branded Business Unit within Police.

Current context

In 2020 the Arms Transformation Programme was established within Police, with a scope based on:

- Making changes across the Arms regulation operating model to improve quality, consistency and legislative correctness
- Uplifting all current processes and procedures to comply with the legislation
- Delivering a new technology platform to manage the administration of the arms regulatory system (the Arms Registry).

The implementation of the preferred option will be managed by strengthening and enhancing the firearms-improvement programme already underway (with a scope and resource increase) so that it can deliver the new Branded Business Unit operating model. Key aspects of the current improvement programme are already well aligned with the recommended new opera ing model, such as increasing the capability and scope of the central function.

A key consideration of the programme delivery will be the ng ing BAU service delivery, which will be transitioned to a new operating state through the transiti n pr g amme.

The overall approach to delivering this programme will follow the Police Delivery Life Cycle, which is based on the PMP project management metho ology. The project delivery arrangements are summarised in the following sections, which r flec the Programme Management Plan.

Programme governance

The Firearms Change Programme governance structures are outlined in this section. It has three layers of governance and operational decision-making to ensure an appropriate focus and accountability at a suitable evel. This is summarised in Figure 8.4 below:

Figure 8.4: Programme governance model

The role and accountabilities of each group are outlined below.

Role of Firearms Steering Group

This group is responsible for providing overarching strategic direction for the Firearms Change Programme, and being the final escalation point for decisions, risks and issues that have material impacts on scope, strategic direction and organisational risk. Its responsibilities are to:

- Approve and manage programme scope, ensuring alignment with Firearms and Police strategic objectives
- Provide overarching guidance, support and organisational oversight for the programme
- Make key decisions that are escalated from the Firearms Working Group or Director, Change
- Resolve high-priority issues and risks escalated by the Firearms Working Group or Director, Change.

Role of Firearms Working Group

This group is responsible for reviewing and endorsing operational documents, con ide ing risks/issues escalated by leadership and supporting their resolution, supporting the Seni r Resp nsible Owner (SRO) in operational decision-making, and enabling the Firearms Steering Group to focus on strategic decision-making and critical risks/issues. The responsibilities of this group are to:

- Provide robust feedback and discussion to test and validate operational concepts and designs
- Discuss and endorse key operational documents and deci ions and escalate recommendations to the Firearms Steering Group where necessary
- Ensure that operational decisions are in line with the programme blueprint and scope, and that proposed changes requested are consistent with programme outcomes
- Support the resolution of material risks and issues, and escalating recommendations to the Steering Group where necessary.

Role of Firearms People and Capabil ty Work ng Group

This group is responsible for revi w ng and ndorsing HR and employment relations (ER) operational documents, considering HR and ER risks/issues escalated by leadership and supporting their resolution, supporting the SRO in HR and ER operational decision-making, and enabling the Firearms Steering Group to focus on strategic decision-making and critical risks/issues. The responsibilities of the group are to:

- Provide rob st f edback and discussion to test and validate operational HR and ER concepts and d signs
- Disc ss and endorse key HR and ER operational documents and decisions, escalating recomm ndations to the Firearms Steering Group where necessary
- Ensure that HR and ER operational decisions are in line with the programme blueprint and scope, and that proposed changes are consistent with programme outcomes
- Support the resolution of material HR and ER risks and issues, and escalating recommendations to the Firearms Steering Group where necessary.

Transition programme

A complex transition programme is required to:

1. Address the service performance and backlog issues in the current service delivery
2. Establish the new Branded Business Unit and new functions required of the Regulator
3. Establish the new firearms registry and manage both internal and external stakeholders on the new ways of working.

A transition programme has been established to manage these discrete areas of activity in an integrated manner. This programme is currently being planned in detail, resourced and structured; however, the current planning assumptions are represented in this section.

Regulation implementation timeline

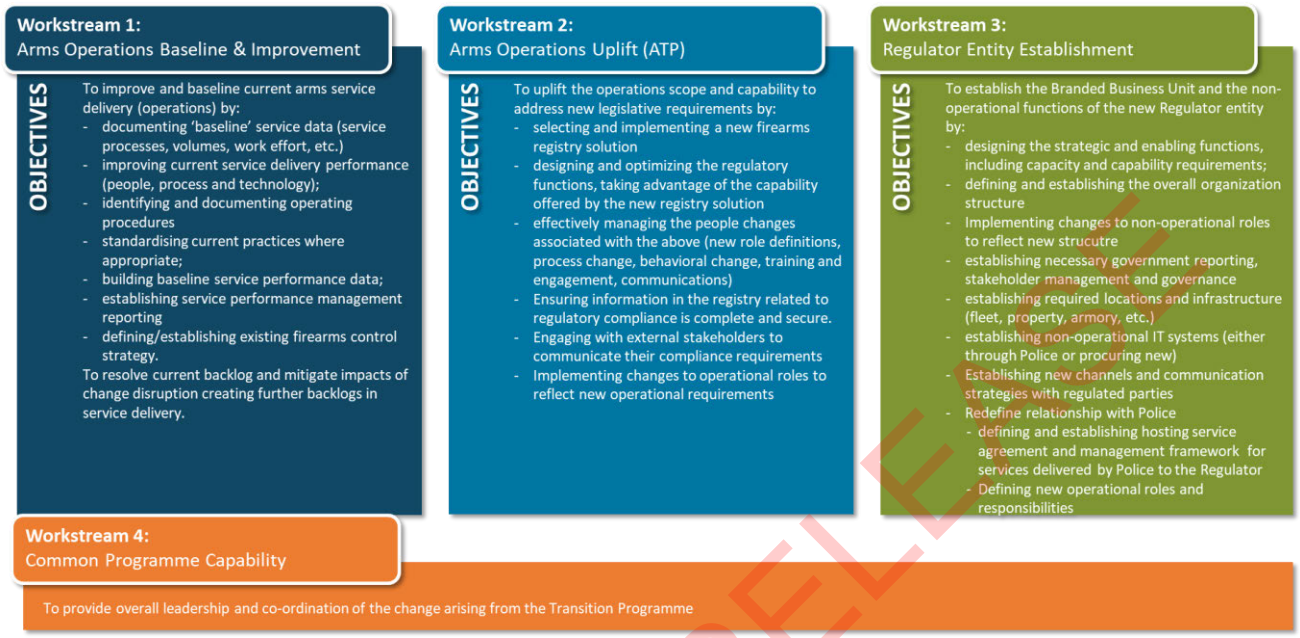
The major milestones for the enactment of the legislation are represented in Figure 8.5 below, along with the associated implications for system stakeholders (in blue) and the requirem nts of the Regulator (in green). These timeframes highlight the legislatively driven m estones that the transition programme must deliver, and by when.

Figure 8.5: High-level milestones

Programme structure

Outlined in Figure 8.6 are the scope and objectives for each major workstream in the programme.

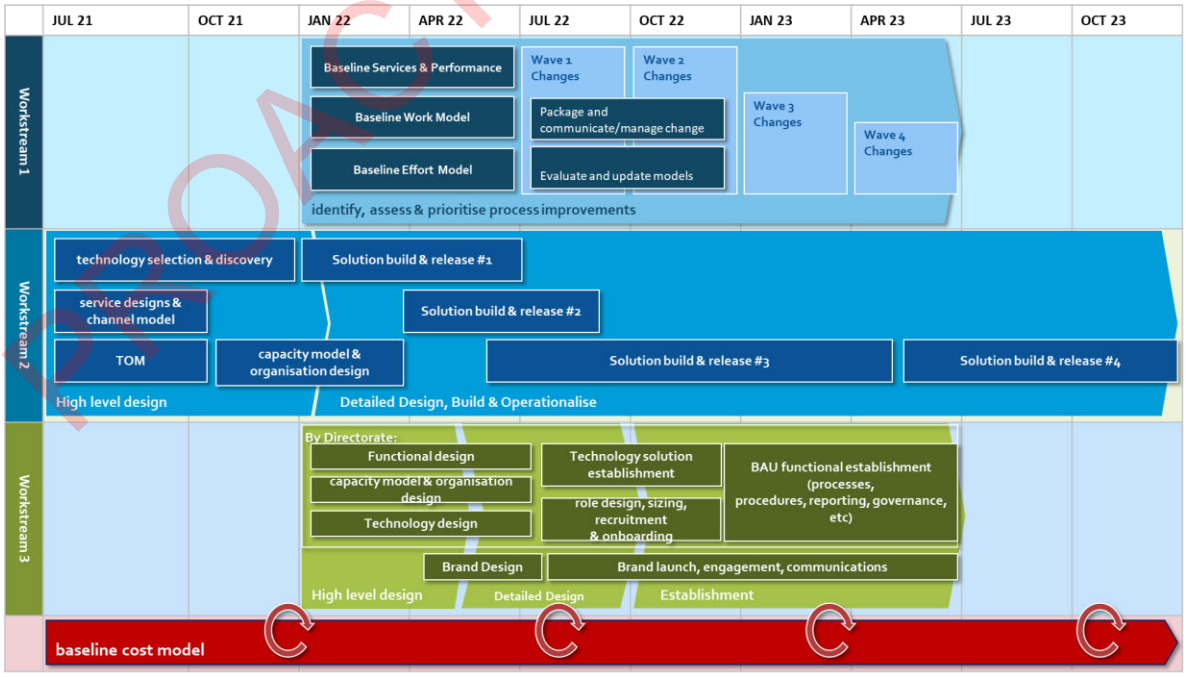
Figure 8.6: Workstream scope and objectives



High-level transition programme plan

Represented below in Figure 8.7 is a high-lev l transiti n programme plan by workstream. Workstream 4 is not represented as it provides co-ordination and leadership across workstreams.

Figure 8.7: High level transition plan



The plan has been built based on key principles for managing the change within each workstream. These are described below:

- **Workstream 1 –** Begins with formalising and embedding a strong service-management capability, including baseline service designs, performance management and reporting, and underlying effort, resources and cost models. From this base, process improvements will be designed, packaged and rolled out in a managed way, paying particular attention to the people change aspects. The effectiveness of each wave of improvements will be evaluated. The intention is to build a robust understanding of the compliance work and resource model.
- **Workstream 2 –** Having established a high-level functional design, service design and selected a preferred solution for the arms registry, this workstream will establish the core technology platform then iteratively deliver releases that align with regulatory priorities and enable system stakeholders to prepare ahead of time for the introduction of regulatio
- **Workstream 3 –** This workstream pertains to the non-operational directorates (Executive, Partnerships and Business Services). Having completed a high-level functional design, resource model and associated cost model for each of these directorates, this workstream will move to detailed design and establishment activities – led by the respective Directors. Where practical, permanent staff will be recruited early to establish these functions ahead of operational go-live.

The financial model used for the DBC will underpin the overall programme delivery and be updated on a regular basis as the programme moves from detailed design to establishment and finally operation.

Delivery decision stage gates will be used to ensure business readiness for each planned functional change being delivered into the business. This will use the transformation programme's Business Readiness Framework.

Resourcing strategy

To deliver this programme, a range of skillsets and capabilities will be required. The following strategies will be employed to provide appropriate resourcing.

Leveraging the existing workforce – Due to the entity being established within Police, it is straightforward to leverage existing resources to support this programme. These resources may include:

- **Subject-matter experts** who support the programme as required
- **Secondments** for durations to support the programme
- **Permanent transitions** to the new business unit. As part of meeting the uplifted resourcing requirement in the business unit, some roles currently being performed across the existing workforce can be transitioned to the new organisational structure.

Specialist services

The following specialist services will be required to assist the Police in delivering the transition programme:

- **Programme and project management specialists** to support the suc essful delivery of the programme.
- **Operating-model transformation specialists** to desig and implement the proposed operating model.
- **Technology system specialists** to deliver the registry and associated ICT requirements.
- **Business change specialists** to deliver a range of change initiatives across the organisation.

A significant proportion of these roles has already been filled via the existing transformation programme, and it is expected that they will continu to support this programme. Additional resources may be sought by procuring contractors or consultants to fill these roles depending on available capabilities.

It should be noted that the employme t market is currently highly constrained. There may be significant challenges in attracting and retaining in-demand specialist resources, particularly of the nature outlined above.

Additional permanent staff

This programme calls fo a significant uplift in permanent staffing. As noted above, it will be achieved in part by leve aging the existing workforce. To support the additional recruitment requirements, the transition p ogramme will include additional resourcing for the Police Talent Pathways capability. This capabil ty wi l be responsible for the sourcing and recruitment of operational staff.

Currently, raining operational staff requires significant effort. The preferred option is to recruit and train taff rapidly up to the peak staffing levels. These staff may be initially deployed to specific projects (as per Workstream 1), then redeployed to support core licensing. A high proportion of the staff required are expected to be transferable (e.g. from administering historical applications to managing current applications). Given that these staff will already be broadly trained, the time to competency will be significantly shorter than it would be for new employees.

The preferred option is based on an uplift of operational staff to deliver the peak demand in 2026, with a decline in FTE numbers in the following years to a stabilised level. This rate of decline will be in line with attrition, so it is planned to manage the downsizing through not replacing staff post 2026, to reach a stabilised organisational size. Based on this approach, no provision is required for fixed-term employment agreements or future redundancies.

Change-management strategy

This programme has a high change requirement that spans several years. It includes:

- Procedural and service-delivery changes
- Organisational and operational changes across Police
- Technology changes
- Changes affecting external licence holders and stakeholders.

To manage the extent and duration of these changes, a dedicated change-management capability will be established withing the transition programme. It will be responsible for the planning and delivery of change activities including:

- Change planning
- Stakeholder engagement
- Impact analysis
- Communication
- Training
- Leadership
- Readiness
- Go-live support and transition
- Organisational design.

Police's change-management principles provide the foundation for successful change management. These principles are:

- **Change management is business owned and led**, supported by our people to build buy-in and achieve sustainable change
- **Senior leaders visibly demonstrate their commitment** to change, and are supportive of/lead the change
- **Release dates c nsider the level of change fatigue due to BAU**, environmental and other project/programme impacts. Changes are released when those affected are ready to accept them
- **Co des gned change** – affected stakeholders are consulted so that they are part of the changes rather than having the changes forced upon them
- **People are at the heart** of how change management is approached. The adoption of change, and how it is measured is important to understand what good/success looks like.

Benefit management

The programme's approach to realising benefits will align with the Police Benefits Management Framework, which outlines:

- The agreed benefit-management strategy for all projects delivered by Police
- Cabinet and central agency expectations for investment performance
- The principles of benefit management
- Requirements for benefit-realisation plans.

The framework for benefit management supports good governance and a well-supported an - managed enterprise benefits process that includes:

- Validating benefits and initiative promises by developing a robust understanding o programme/project benefits and returns on investment
- Checking to see that the benefits are being delivered by tracking and updat ng benefit realisation over time
- Reviewing the programme/project if, during any phase, the cost of del ve y and/or the ongoing operation exceeds the benefit value (financial or non-financial). The r view will be considered by governance whether the project should pause or continue
- Not approving funding for programmes/projects unless the e i a clear articulation of benefits within a delivery business case that is supported by an approved Benefits Realisation Plan.

The principles of the proposed approach to benefit realisation are:

- **Robust benefit targets and monitoring –** Where we set benefit targets, there must be a robust process to define, measure and rep rt gainst those targets. This must include transparency in benefit measurement a d the definition of the period in which the benefits will be tracked
- **Benefit realisation requires formal governance** – The benefit-management process will inform the programme/project b siness case and project plan. Any changes to the programme/project scope, imeframe or budget may affect benefits, so benefits should be assessed throughout the change-request process. Ongoing reviews of benefits are required during the life f the initiative
- **Business change management must be integrated** – Benefits cannot be delivered without business change. There must be a strong link between change management and benefits' reali ation Ensuring that change recipients embrace, adopt and proficiently use a new process or system is where genuine benefit realisation occurs. The intended results and outcomes of a programme/project are inextricably connected to whether that change becomes part of how employees do their jobs
- **Asset sub-portfolios are enablers of business benefits** – ICT provides technology capabilities but is insufficient in itself in delivering business benefits. Technology enables changes in the way people work, with new processes and new ways of operating
- **Benefits are net positive changes in outcomes** – Police's programmes/projects aim to deliver several outcomes (desired changes in state, either intermediary or strategic) that enable 'benefits' for the organisation
- **Benefits require baselines and targets –** A benefit measure requires a baseline (quantified at a point in time) and a target (also quantified at a point in time) to determine the value of the benefit and to allow tracking of its realisation

- **Benefits may be long term –** Benefits will flow over a period of time as people adapt to and integrate change into business processes. Benefits' realisation is a long-term process extending beyond the life of project delivery
- **Accountability for benefit realisation sits within the business –** The area of the business that gains value from a change delivered is where realisation accountability sits, including responsibility for the management and mitigation of realisation performance
- **Benefits will change –** Benefits rarely occur as planned. Police therefore will actively monitor benefit realisation. This is an ongoing process during the life of a programme/project and at post-initiative closure
- **Benefits will be accurate and supported by the best possible evidence at a point in time –** Benefit baselines reflecting the current mode of operation must be accurate and referenceable. Benefit target estimates for the future are based on data and informatio known at the time to form a realistic and achievable change.

The attached benefits' realisation plan is based on the above principles and outlines the approach to the measurement and realisation of each stated benefit of this DBC.

Risk-management strategy

The Police Risk and Issue Management Standards will be applied to the p ogramme. The purpose of this risk-management framework is to provide a consistent appro ch so that the SRO and governance bodies have appropriate information on risks and assurance that tho e risks are being managed in a timely, consistent and effective manner.

Only programme risks will be managed by the pr gramme. Some enterprise and operational risks may be identified by the programme, projects and/or workstreams. These will be handed to the appropriate leaders within the Branded Business Unit.

Risk identification

Risk identification consists of determining the risks that are likely to affect the project and documenting the characteristics of each one Risks- dentification workshops are undertaken at the commencement of programmes and projects/workstreams. Risks are identified during the course of delivery, and further risk-identification wo kshops occur at the commencement of work packages. Where a risk is identified, the Programm /Project Manager adds a risk to Sentient (the Police portfolio, programme, project and risk management tool).

Risk analysis

Once a risk has b en identified, it is evaluated through an analysis of its impacts and likelihood and scored in a co dance with the Risk Management Policy Risk Matrix. Depending on the score, the risk is assigned a rating and assigned/escalated to an owner. A management response will be assigned by the programme or project owner, in accordance with the risk-management policy.

Risk reviews

All project and programme risks are reviewed on a monthly basis by the Programme Manager and Project Manager/workstream lead. Very-high-rated risks are included in the monthly status report provided to the Firearms Steering Group. All programme risks are reviewed with the SRO.

Risk ratings and other risk guidelines

The risk-rating framework is outlined within the Police Projects Delivery Framework Risk and Issue Management Standards and Guidelines, as available on Police Project Central. These guidelines will also be used to manage risks and issues.

Reporting

Monitoring and reporting will be carried out in accordance with the Police Projects Delivery Framework Monitoring and Reporting Standards and Guidelines. Monitored and reported information is captured, maintained and submitted via the Police portfolio-, programme- and project-management tool – Sentient.

Monitoring and reporting requirements are:

- **Project Manager –** Weekly status reports in Sentient using the template provided. These are to be completed by close of business each Monday
- **Programme Manager –** Monthly programme status reports to the Firearms Steering Group.
    - Firearms senior leadership weekly meetings are to review key upcoming and completed activity, highlight key project risks and provide details of pap s to be submitted to various working and steering groups
- **Programme and projects –** The submission of all papers, excluding paper affecting staff, for endorsement to the Firearms Working Group on a fortnightly basis Papers for the Working Group are required five working days prior to meetings
- **Programme and projects –** The submission of papers affecting staff for endorsement or approval to the Firearms People and Capability Working Group on a fortnightly basis. Papers for the Working Group are required five working day prio to meetings
- **Programme and projects –** The submission of papers f approval to the Firearms Steering Group on a monthly basis. Papers for the Steering Committee are required five working days prior to meetings.

Status reporting covers the following dimensions:

- **The overall status** of the programme, based on the considerations below.
- **Benefits'** identification, tracking, management and realisation.
- **The change-management** approach and activities to engage stakeholders and support the transition.
- **The financial position** including forecast expenditure baselined against the investment proposal.
- **Resou ces**, ncl ding the people and tools required to deliver the programme.
- **Risks** based n the risk-management framework.
- **Schedules**, including milestones, deliverables and activities.
- **Scope**, including objectives, outputs, deliverables and quality criteria.

Assurance

Assurance for this programme will primarily focus on assuring the delivery and implementation of the programme and that the risks in the are sufficiently mitigated to continue. The assurance plan for this programme is appended, and based on the Police three-lines of defence model, which includes:

- Day-to-day management controls, including:
    - Schedule, budget, resources, risks, issue changes, assumption and dependency management
    - Adherence to organisational EPMO standards and frameworks
    - Providing effective monitoring and reporting to enable effective governance ove sight
- Oversight functions such as the Portfolio Governance and Investment Portfolio offic , including:
    - Providing support for and auditing the application of organisationa standards and frameworks
    - Reviewing and providing feedback on governance reporting
    - Performing health checks and reviews.
- Internal audit and independent assurance, including:
    - Targeted reviews
    - Planned IQA checks.
- Other reviews as per the assurance plan.

This plan will provide confidence that the programme will achieve the business objectives and outcomes with a tolerable level of residual risk. This will be achieved through ensuring critical controls are sufficiently designed and implemented, and timely reviews are undertaken to ensure programme integrity.

This investment proposal h s been assessed as high risk using the Treasury's Risk Profile Assessment[14] tool and moderation process. Based on this assessment, ongoing central agency and functional lead engagement in the business case process has been agreed.

Gateway reviews

The proposa is subject to ongoing Gateway reviews. A Gateway 0/2 (Strategic Assessment, Delivery Strategy) eview of the programme was undertaken as part of the development of this DBC. This busine s case reflects the review team's advice and feedback. Further Gateway reviews will be held before key decision points in the project, as agreed with the Treasury's Gateway Unit.

Assurance schedule

Table 8.1 outlines the key internal and external assurance activities for the implementation of the programme. All assurance reports are provided to the Arms Transformation Programme SRO and to the Firearms Steering Group for approval.

14 https://treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/think-investment-possibilities/risk-profile-assessment

Table 8.1: High-level assurance activities

Category	Assurance activities	Assurance review type	Provider	Timing
Strategic assessment	Provide assurance that the scope and purpose have been adequately assessed, have been communicated to stakeholders, and contribute to Police's overall business strategy and/or government strategies and policies.	Gateway reviews	Gateway team	December 2021 Gateway 0/2
Procurement	Confirm that the programme, through the course of engagement with AIS, has been fair to all AIS providers, and that the programme has complied with Government procurement rules.	Probity assurance	Probity assurance partner	Throughout AIS procurement
Technology and delivery risks	Confirm the technology and delivery risks are understood and are being managed appropriately.	GCDO assurance	GCDO	Proposed as March 2022
Programme delivery	Appropriate programme structure and controls are in place and being monitored/managed. Effective identification of stakeholders and engagement. Clearly defined roles and responsibilities between Governance, Advisory, Operations and Programme.	Foundation IQA	P ogramm assurance partner	November 2021
Technical delivery	A technical solution to meet the needs of the business. An approach to data migration to ensur the integrity of data. Effective security controls to man ge t e security vulnerabilities of the solut n and interfaces.	Tech ical quality as urance	Programme assurance partner	Proposed as March 2022
Business change management	Design of business solutio to suppo t business to be compliant with legislation. Appropriate roll-out pla s and assessments to ensure there is sufficient business readiness. Implementa ion plan has sufficient time to com l te the implementation.	Business readiness assurance	Programme assurance partner	Proposed as December 2022
Emerging risks	Addit onal assurance reviews may be u dert ken of emerging risks where the risks are onsidered to potentially have material impacts on the delivery. This will be agreed by the SRO.	Specific assurance review	TBD (on agreement with SRO)	TBD (during delivery)

Post-project evaluation planning

A review of the entity's performance will commence in June 2026. This will align with the section 96 statutory review of the Arms Act, which is to occur three years from the establishment of the registry in June 2023. These reviews will be completed within 18 months of their commencement.

Post-project reviews will be planned as per the Police Delivery Life Cycle at workstream and programme levels. The transition programme office will develop a full schedule of post-project reviews in conjunction with the steering group and SRO.

9. Guide to Supporting Documents

The following appendices support this business case.

#	Supporting document	Contents
1	Supporting Annexes, A-J	Includes Annexes A-I: • Annex A: Letter of Support • Annex B: Current Arrangements • Annex C: Investment Logic Map • Annex D: Investment Scope • Annex E: Risk, Constraint and Dependency Analysis • Annex F: Draft Functional Model • Annex G: Options Longlist and Optionality • Annex H: Option Descriptions • Annex I: Qualitative Analysis of Shortlisted Option • Annex J: Quantitative Risk Assessment
2	Benefit Realisation Plan	This document is designed to provide the data equired to enable the tracking, monitoring and management of benefits realised as a result of the delivery of this programme.
3	Arms BAU High Level Design Assumptions	The purpose of this document is to capture all the organisational design assumptions of the Regulator entity, in der t inform the DBC costings. It includes: • The overall functional scop of the Regulator entity • The proposed sp it of functions between Police and the Regulator entity as a Branded Busine s Unit • The propo ed o ganisational structure and the functional scope of each directorate (fo estimation purposes) • Design assumptions (capability and capacity requirements).
4	Arms Transformation Plan Cost Assumptions	The purpo e of this document is to capture all the transition programme considera ions, to inform the DBC costings. It includes: • Arms Legislation Implementation Timeline and Implications on Regulator • Programme Scope and Assumptions • Workstream Scope and Resource Requirements.
5	Steering Group and Working Group Terms of Reference	T is document outlines the governance structures and accountabilities that will deliver the programme.
6	Master Services Agreeme t	The Master Services Agreement is the template used for the Arms Information System.
7	Service Sch dule	The schedule of services for the Arms Information System.
8	Delivery ifecycle	The Police project delivery lifecycle.
9	Risk-manag ment Standards	The Police risk-management framework.
11	Fi ancial M del	This model was used to derive the costs for the DBC, based on the various assumptions' documents. Assumptions are captured within the model.

Arms Safety & Control

Detailed Business Case

Supporting Appendices:

Annexes A-J

FINAL V1.0

Contents

Annex A: Letter of Support

NEW ZEALAND POLICE
Ngā Pirihimana o Aotearoa

27 January 2022

To whom it may concern,

Detailed Business Case – Arms Safety and Control

This Detailed Business Case outlines a major strategic initiative by New Zealand Police essential to providing an appropriate arms regulatory regime that enables safer firearms use in New Zealand.

This investment will deliver a step-change in benefits to New Zealanders through providing more management controls, changing the operating model to improve quality and the timely delivery of legislated responsibilities, and increasing our ability to measure and improve the effectiveness of Arms Act delivery due to improved visibility and transparency within the arms system.

I confirm that:

i. I have been actively involved in the development of the attached investment proposal through its various stages
ii. I accept the strategic aims and investment objectives of the investment proposal, its functional content, size and services
iii. the financial costs of the proposal can be contained within the agreed and available budget
iv. the organisation has the ability to pay for the services at the specified price level
v. the agency has the capability and capacity to ensure successful delivery of the work
vi. suitable contingency arrangements are in place to work with suppliers to address any current or unforeseen affordability pressures.

This letter fulfils the requirements of the current Treasury Better Business Cases guidance. Should either these requirements or the key assumptions on which this case is based change significantly, revalidation of this letter of support will be sought.

Yours sincerely,

Jevon McSkimming
Deputy Commissioner
Strategy and Service
New Zealand Police
(On behalf of the Commissioner of Police)

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NEW ZEALAND POLICE

Annex B: Current Arrangements

This section sets out the current context and arrangements for the arms regime.

System scale

The key statistics below indicate the volume of arms-related activity in New Zealand[1].

Licence holders

As of October 2021, there were 239,413 active licence holders in New Zealand, and of these 425 held dealers' licences. Visitor licences are time limited and allow visitors to use firearms wh le they are in New Zealand.

Between 2009 and 2018 an annual average of 8,100 first-time licence applications were received, and 23,755 licence applications from previous licence holders were processed. As a result of the 10-year licensing period introduced in 1992, there are peaks and troughs in licence renewa s in each decade, which means staffing requirements fluctuate.

Endorsements

Endorsements allow firearms licence holders to possess and use higher-risk classes of firearms, such as pistols, restricted weapons, prohibited firearms and prohibited magazines. Currently, approximately 12,000 endorsements are held by 7,500 unique licence holders. The endorseme t holders fit within six categories:

- Pistol club members (B).
- Collectors, museums and the rical (C)
- Prohibited firearms (D).
- Dealer employees (F).
- Ammunition selle s (M)
- Pest control (P)

Endorsement type	Endorsements	Unique people
B Endorsement	4,177	4,176
C Endorsement	4,351	4,143
D End rsement	502	277
F Endorsement	280	279
M Endorsement	246	246
P Endorsement	2,866	1,509
Total	**12,422**	**7,539**

Arms holdings

The N w Zeal nd arms regime has focused on firearms holders since 1983, and as a result there is little information available on the number of firearms in New Zealand. As of February 2016, there were an estimated 1.2 million arms, while 4,813 import permits were issued in 2018 (note that one import permit may include multiple arms items). It is estimated that between 30,000 and 55,000 arms are imported each year[2].

Market dynamics and trends

Arms' users, the arms market and the broader community are continually evolving. This section outlines the dynamics and trends that influence the regulation of arms.

[1] https://www.police.govt.nz/about-us/publication/firearms-data

[2] https://www.mfat.govt.nz/assets/Trade-General/Brokering-weapons-AND-Trading-weapons-and-controlled-chemicals/New-Zealand-ATT-Report-2020.pdf

The New Zealand arms market is primarily supplied by overseas manufacturers, with most firearms imported to New Zealand originating in the United States, Turkey, Taiwan and Italy. Like many firearms markets worldwide, the New Zealand market is led by trends in designs and styles set by the US market. As well as firearms, it includes supporting accessories such as aftermarket parts, scopes and suppressors.

The products have a range of differentiating features, and this has created a competitive marketing environment for retailers. There is also a marked drive to create points of difference in the marketplace, including products that could be considered near restricted.

For many users, firearms and accessories are discretionary recreational items and, like sporting equipment, are purchased according to consumer preferences and trends. This has created an ongoing dynamic of new models, features and trends that attempt to encourage sales, and a wide range of standard and more affordable firearms that cater to consumer budgets. There s als a st ong second-hand market for guns, as they are long lived and do not degrade if well maintained.

In New Zealand, firearms are sold through dealers. A dealer licence is required for any activity that involves:

- The business of selling, hiring, lending or otherwise supplying arms items
- Possessing arms items for the purpose of auctions
- The business of repairing or modifying arms items
- Displaying arms items (for a bona fide museum)
- Manufacturing a class of arms items for sale, hire, ending or other supply
- Manufacturing prohibited parts.

Experience has repeatedly shown that the ma ket s innovative in introducing new products and constantly evolving to meet changing restrictions. Firearms have become increasingly modular and therefore able to be modified, whether f r purely cosmetic use or to change substantially their operations or performance. Produ s (arms and accessories) are being produced to circumvent restrictions in a way that gives unintended capabilities or, in contrast, produced primarily for markets with less restrictive legislative regimes.

The Arms Act amendments ave improved the regulatory ability to manage these trends at the border, but it is unlikely that th s pressure will ease over time, especially given the easily convertible arms and range of arms accesso ies available in today's market. Recent examples include:

- Alpha ifles – hese are within the letter of the law but easily modified to become pistols
- Blan firing/starter pistols – These can be converted to firing pistols
- Magazine couplers.

Thi is a constant trend, and a regulatory response will require ongoing monitoring and adaptation if its effica y is to be maintained over time.

Legitimate uses

In setting the scene for the need and appropriateness of an investment in firearms regulation, it is important to note that there are recognised benefits in the safe use of firearms, as per the Arms Act 1983.

Parliament has acknowledged that firearms have a place in New Zealand society and enshrined the privilege of their use in the Arms Act. Their benefits broadly relate to pest control, recreation, food gathering and sporting activities.

Figure B.1 Uses and potential benefits of firearms

Categories of use	Example uses	High-level benefits
Economic uses	• Farming, agricultural and horticultural use. • Pest control. • Institutional use (zoos, airports etc). • Film and theatre. • Entertainment and experiential uses (e.g. safaris).	*Economic benefits* • Productivity. *Employment* • Employment. • Employment using firearms. • Employment in selling arms to and supplying users. *Safety benefits* • Pest control (airports, roads etc). *Environmental benefits* • Pest reduction. • Protection of native specie
Sporting uses	• Target shooting – smallbore, large bore competition. • Clay bird shooting. • Duck shooting. • Pistol competition.	• Cultural identity, so al connections and wellbeing, similar to any other recreational and sporting activ ties.
Recreational and socioeconomic uses	• Hunting. • Subsistence and kai gathering. • Hobbyist.	• Physical wellbeing (being outdoors). • Social connectivity. • Food provision and kai. • Offset pest-control costs.

Overview of the current arrangements

This section outlines the strategic context for arms control and how it informs the scope and objectives of the Detailed Business Case.

Legislation

Arms Act 1983

The arms system in New Zealand spans the importation, control and use of firearms. It includes both lawfully held and unlawful firearms. Within this system, New Zealand's Arms Act 1983 provides a control structure for the lawful possession and use of arms.

1. Its purpose is to:
    a. Promote the safe possession and use of firearms and other weapons
    b. Impose controls on the possession and use of firearms and other weapons.
2. The regulatory regime established by the Act to achieve these purposes is based on two key principles:
    a. That the possession and use of arms is a privilege.
    b. That persons authorised to import, manufacture supply sell, possess or use arms have a responsibility to act in the interests of personal and public safety.

Arms Legislation Act 2020

In 2019 New Zealand undertook a comprehensive review of the Arms Act 1983. Its purpose was to remove semi-automatic weapons from circulation and use by the general population in New Zealand.

In 2020 the New Zealand Parliament passed the Arms Legislation Act. This second phase of the legislative reform programme was designed to s rengthen the legislative framework and improve the overall functioning of the Arms Act 1983 – to deliver its purpose of ensuring the safe possession and use of firearms and placing controls on who ould possess firearms.

The Arms Legislation Act made it clear that the possession and use of firearms is a privilege and that those who import, manufacture, supply, sell, possess or use firearms have a responsibility to act in the interests of personal and public afety. In addition, the licensing system was strengthened to make it harder for firearms to get into the wrong hands.

More changes will tak effect on 24 June 2022, giving Police regulatory oversight of activities at all shooting clubs nd shooting ranges. Until now this oversight has been limited to pistol clubs and ranges

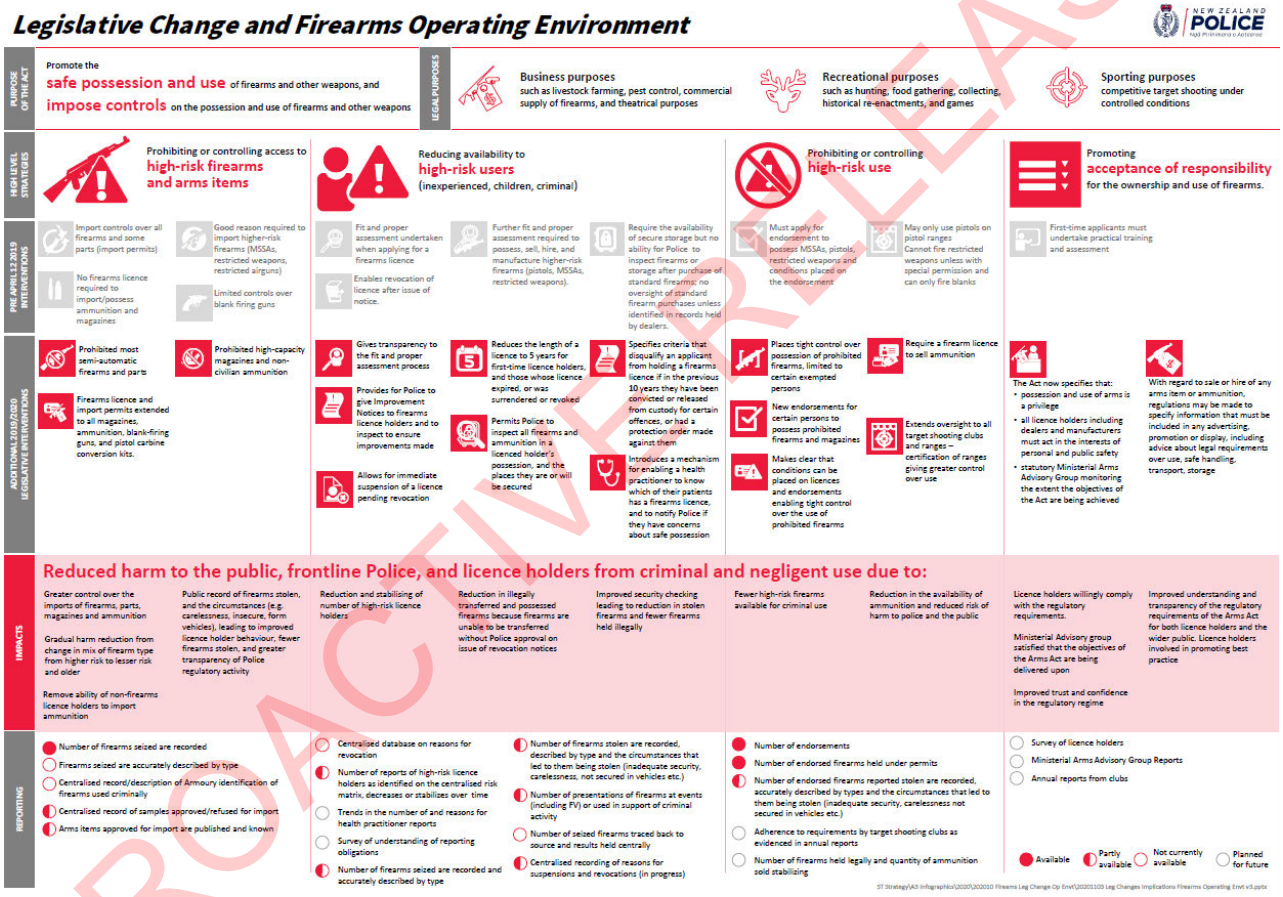
Provis on has also been made for key transactions, such as the sale, hire and transfer of all firearms, to be ecorded in a central arms registry from 24 June 2023. The registry would be populated in the following five years, and licence holders not involved in any of these transactions within those five years would be required to enter all unregistered firearms they hold into the registry in accordance with the regulations.

Arms control strategies

The Arms Act and the changes being implemented through the Arms Legislation Act represent New Zealand's strategic approach to arms control. As it is in most western jurisdictions[3], this approach is structured around four high-level control strategies:

1. Prohibiting or controlling access to firearms deemed to be high risk.
2. Reducing firearms' availability to potentially high-risk users (only 'fit and proper' people can possess them).
3. Prohibiting or controlling high-risk uses – pistols can only be used on ranges and rest icted weapons cannot be used.
4. Promoting the acceptance of responsibility for the safe use of firearms.

Figure B.2 – Arms legislative change



These strategies and the underlying interventions aim to reduce the harm caused by the criminal and negligent use of firearms by making fewer high-risk firearms available for criminal use – especially firea ms that are illegally transferred and possessed.

Experience in Australia suggests that a change in the mix of firearms types, from higher risk to lower risk and older firearms, can be expected to lead to a gradual reduction in harm. In addition, improving people's understanding of the Arms Act's regulatory requirements (whether they are licence holders or the wider public) can lead to licence holders becoming more involved in promoting best practice and encourage a degree of self-compliance within the arms community.

[3] Comparison of other jurisdictions prepared for Cabinet Social Wellbeing Committee: https://www.police.govt.nz/sites/default/files/publications/swc-paper-strengthening-framework-safe-use-control-firearms-appendix-a.pdf

Police as a regulatory partner

Police requires a close relationship with the arms regulatory regime to ensure that critical information is available and flowing effectively across the arms system. This supports Police in delivering on its mission to keep New Zealand safe and enhances its ability to protect staff when responding to incidents that could potentially involve firearms.

POLICE VISION AND MISSION

Our vision is to be the safest country. This means everyone in New Zealand can go about their daily life without fear of harm or victimisation.

Our mission is to prevent crime and harm through exceptional policing, to ensure ev rybody can be safe and feel safe.

POLICE GOALS

We will realise our vision of being the safest country when we have safe homes safe roads and safe communities:

- Safe homes mean families are free from violence, abuse and neglect and homes are safe from burglary and other threats to property that make people feel unsafe.
- Safe roads mean working with our partners to prevent death and injury resulting from crashes, so that everyone who leaves home to travel on our roads can return home safely.
- Safe communities means that people are safe and feel safe wherever they go and whatever they do in public spaces where businesses, social gatherings and entertainment are enjoyed without fear of crime or harm.

Police has recognised that a sustained development f the arms regulatory regime is critical to its broader policing goals and the safety outcomes t seeks to achieve for New Zealand.

Current operation

The four strategies outlined above that shape the approach to arms control in New Zealand determine the services that the regula or delivers.

Within these strategies, licensing has been the primary focus so far, followed by permitting. The delivery of these servic s has consumed most available resources, leaving little capacity for more proactive interventio s.

The current operation s thought of in terms of the functions, service catalogues and organisation structure in ieu of a well understood operating model.

The current operation is centrally led, with decentralised service delivery, and support is provided via an administrative Service Centre. The model's current core functions are:

- Policy advice and oversight
  Regulatory functions (including operational policy and service delivery)
- Policing (constabulary) functions.

District Police carry out certain regulatory functions during their day-to-day operations, amongst a number of other policing duties.

Currently, arms administration services are delivered by:

- A central corporate location for overall leadership, engagement and policy functions
- A Service Centre in Kāpiti for administration and the delivery of some regulatory processes
- District teams (which include arms officers, vetters, administrators, supervisors and managers) as the primary touchpoints for licence holders. Each Police district has a team either located centrally or dispersed within the district.

Arms staff have close and critical relationships with the constabulary and rely on the constabulary for operational support such as serving notices and conducting uplifts of arms. Likewise, the constabulary relies on arms staff to ensure their safety by providing information on the risks and control of arms

Currently, constabulary members are required by legislation to make certain decisions on operations The requirement may be amended in future.

The constabulary has recently invested in a dedicated investigations unit focused on arms u ed in criminal activities. This has led to a significant increase in the number of licence revocations and licence-holder prosecutions.

At a high level, Police staff currently involved in undertaking Arms Act functions ar :

- **Police National Headquarters employees**, who are responsible for national management, change transformation and support services
- **Service Centre employees**, who are responsible for eneral oversight, providing arms-related guidance and instructions, and regulatory function such as issuing import permits and pest-control endorsements
- **District Arms Officers**, who are respo sible for relationship management, compliance with and oversight of all district-level (face-to-face) licensing activities, and the permitting processes for transfers of high-risk items
- **District vetters** , who are responsible for conducting interviews and checking references for licence/endorsement applicants and inspecting firearms storage facilities with licence holders
- **Operational Police Officers (the constabulary workforce)**, who are responsible for enforcing the Arms Act and undertaking day-to-day policing activities where firearms are present, used in support of crime or reported as stolen.

Funding arrangements

The Vote Police funding is part of Police's Departmental Output Expenses under 'General Crime Prevention Services (M51)' and forms the existing operating funding (also called 'baseline funding').

Prior to 2019, th delivery of the firearms regime was embedded within Police service delivery and funded from within the Police baseline.

- The delivery of the Arms Act was funded from within Police's baseline funding as part of the general crime prevention output class. Police has a historical average annual direct operating expenditure of $8.1 million for firearms administration, covering both district and national headquarters activity (with an additional overhead component of around $5 million per annum).
- This operating expenditure is funded partially by cost recovery through licensing fees as well as Crown funding and is referred to as baseline funding.

From 2019/20 Police began a programme of uplift and transition. This saw additional funding being injected to support immediate service performance improvements, as well as commencement of identifying longer-term funding requirements to support the implementation of the legislation.

- On 6 April 2020 Cabinet approved an operating tagged contingency of $60 million over a four-year period, with $5 million ongoing into the outyears. This recognised the increased regulatory requirements arising from the recent legislative changes, including investment in the new Arms Registry.
- The drawdown of this tagged contingency was subject to Cabinet approval of a business case providing options for meeting the new legislative requirements.
- In 2020/21 Police drew down $15.4 million from the tagged contingency to recover the costs of meeting its obligations with regards to implementing recent legislative changes and the ongoing improvement programme designed to meet public safety objectives and be a more effective regulator. The drawdown was necessary to commence improvement and implementation, but it is not a sustainable funding arrangement.

Fees

Fees apply to all licence applications. The policy rationale for charging a fee is that the issue of a firearms licence, licence endorsement or permit predominantly conveys a private good (or benefit) to a licence holder. The Policing Act 2008, Part 4A also empowers Police to recover the costs of some policing services, referred to as 'Demand Services'.

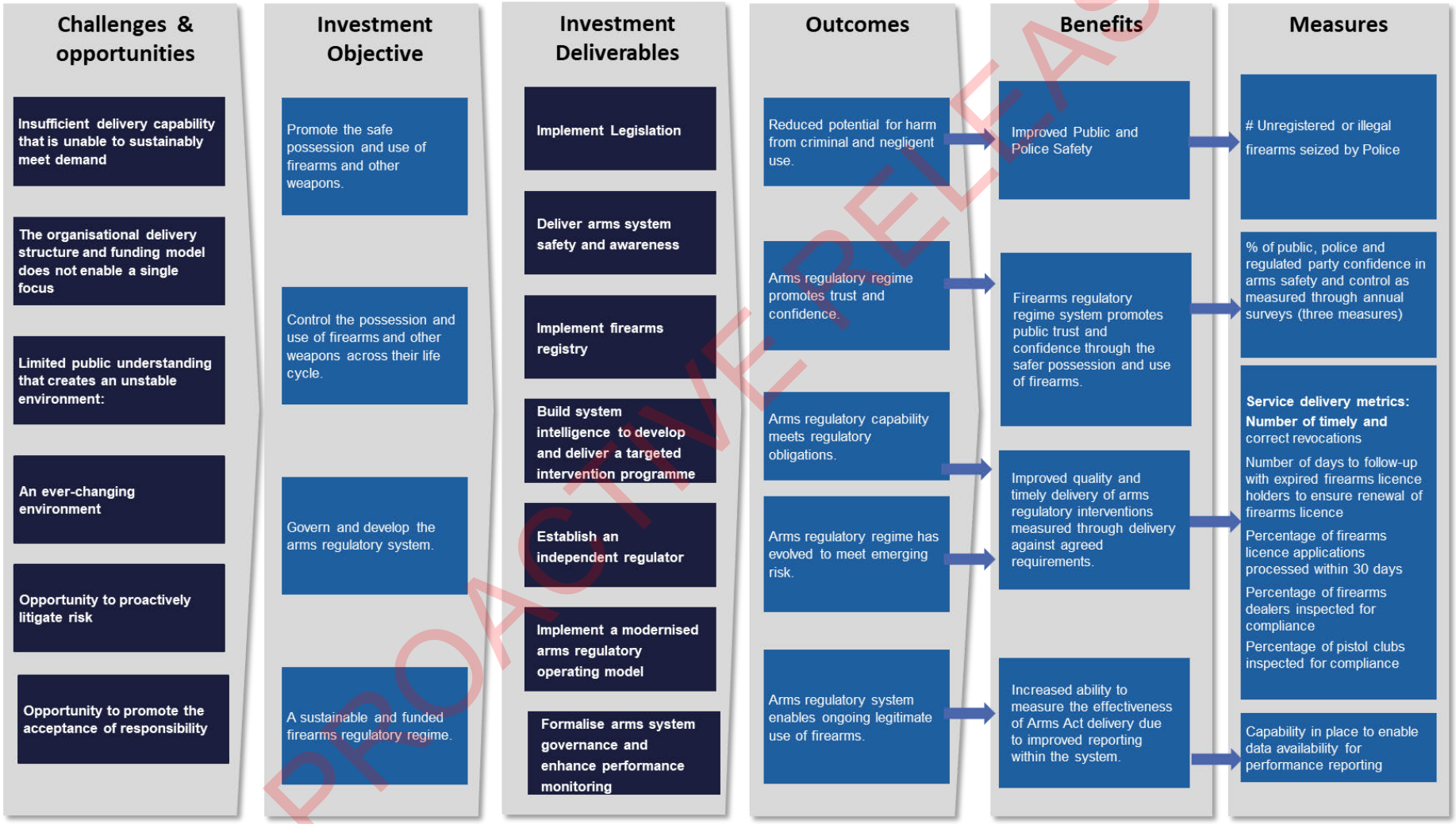
Endorsement fees for visitors and dealers were set in 1992 and licence fees were last set in1999. Fees set for firearms licences and endorsements are currently relatively inexpensive and provide low-cost access to firearms ownership in New Zealand. For example, a 10-year firearms licence is $126.50, or $12.65 a year.

Fees have not changed to any significant extent in most cases for more than 20 years. As a result, the proportion of costs met by taxpayers has grown significantly. Police has calculated that prior to changes to the regime following the 15 March 2019 Mosque attacks, fees covered only ar und 32% of costs. The schedule of fees is shown below:

Application for a firearms licence:	
(a) by any person visiting New Zealand for a period not exceeding 12 mon hs	$25.00
(b) by any person whose previous firearms licence either: (i) expired; or (ii) was deemed to be revoked by section 38(1) of the Arms Amendment Act 1992, and was not reinstated under section 39 f that A t	$236.25
c) by any other person.	$126.50
Application for replacement of firearms licence.	$25.00
Application for a dealer's licence	
Application for a dealer's licence.	$204.00
Application for renewal of a dealer's licence.	$204.00
Application under section 7A of the Act for consent in respect of a gun show.	$50.00
Application for an endorsement	
Application for one or more endorsements under section 29 or section 30A of the Act provided that no fee is payable: ( ) if t e firearms licence to be endorsed is held by a visitor to New Zealand who wishes to use a pistol for international competitive shooting on a pistol ange in New Zealand; or (b) if the firearms licence to be endorsed is held by a visitor to New Zealand who wishes to use a military-style semi-automatic firearm for competitive shooting on a shooting range in New Zealand.	$204.00

All fees shown exclude GST

Annex C: Investment Logic Map



Annex D: Investment Scope

Deliverable area		In scope	Deliverables	Out of sc pe
1	**Implement legislation**	Implement the remaining aspects of the Arms Act 1983, as amended by the Arms (Prohibited Firearms, Magazines and Parts) Amendment Act, which took effect on 12 April 2019, and the Arms Legislation Act 2020, which takes effect in several stages over the three years to 24 June 2023. Implement the accepted recommendations of the Royal Commission of Inquiry.	• Establish capabilities and processes to give effect to the legislative requirements out ined in the Arms Act 1983 (when fully in effect) • Establish capabilities and processes to give effect to the accepted recommendations of the Royal Commission of Inquiry.	• Implementation of capabilities to deliver services outside the purpose of the relevant legislation. • Early deployment of functions described in the legislation.
2	**Implement firearms registry**	Implement a firearms registry by June 2023.	• A central arms registry is deployed by June 2023. • Implemen the ability for licence holders to transac within th register. • Implement the ability to identify and trace the ransfer o arms and ammunition. Support the adoption and use of the register by licence holders.	• Registration of any items outside the scope of the Arms Act. • Early deployment of the registry.
3	**Establish an independent regulator**	Implement the Cabinet decision to establish a Branded Business Unit entity structure.	Implement the Branded Business Unit entity. • Establish appropriate and sustainable funding mechanisms. • Establish appropriate support arrangements from Police.	• Establishment of a regulatory agent outside Police. • Changes to other agencies.
4	**Formalise arms system governance and enhance**	Formalise the governance arrangements of the entity to ensur a singular focus on the monitoring design, operation, evaluation and evolution f an effective regulatory regime	• Implement governance and monitoring arrangements.	

Deliverable area		In scope	Deliverables	Out of scope
	performance monitoring	that is not subject to competing organisational priorities. Improve the measurement and monitoring of performance.	• Introduce performance indicators that focus on the effective implementation of the firearms licensing system. • Clarify responsibilities between parties.	
5	**Implement a modernised arms regulatory operating model**	Establish a regulatory operating model that ensures quality, consistency and legislative correctness, enabling the regulator to work with communities and the public, and give effect to the legislation and control strategy requirements. Increase the number of staff to deliver the operating model legislation's regulatory requirements.	• Establish the capabilities and resourcing required for the operating model. • Improve policies and operational standards and guidance for the firearms licensing system to be clear and consistent with legislation. • Establish training and review mechanisms for firearms staff to ensur ongoing assurance of quality. • Introduce quality assurance processes.	• Changes to operational decisions made by Police on the policing of arms-related offending. • Changes to the operating models of process partners.
6	**Deliver arms system safety and awareness**	Increase public education in support of reducing the risks and harms of firearms use.	• Develop and deliver programmes to influence l cence ho ders to be legal and compliant, thr ugh effective education and awareness delivery. • Deliver campaigns and activities to educate licence holders on their obligations and the concepts of privilege and legitimate use.	
7	**Build system intelligence to develop and deliver a targeted intervention programme**	Implement the ability to identify and ta get risks across the arms regime a d develop an intervention programme f activiti s that seek to mitigate risk and reduce the potential for harm.	• Develop a regulatory strategy and supporting capability. • Develop aAn insights capability to inform the development and delivery of a regulatory strategy.	• Development of intelligence for uses other than that of the Arms Regulator.

Annex E: Risk, Constraint and Dependency Analysis

Risk register

Risk is an uncertain event that, if it occurs, will have an effect on achieving the project objectives. The following table captures the risks that have been identified across this investment and will be monitored and updated according to the programme's risk-management approach.

#	Type	Description	Controlled rating	Impact	Likelihood	Mitigation notes
R1	Strategic	**Investment required to meet legislative requirements** – There is a risk that if the investment in the arms regime is not made, the Arms Regulator/Police will be unable to meet legislative requirements.	**High**	**Major**	**Li ely**	The Detailed Business Case outlines the funding requirements in order to meet the requirements of the Arms Act.
R2	Strategic	**Timeframes to meet legislative requirements** – There is a risk that, if investment decisions and funding are delayed, the overall programme will be affected and the regulator will be unable to meet the requirements of the Arms Act, including to have the registry established by June 2023.	**High**	**Major**	**Likely**	Risk mitigated through contingency.
R3	Commercial	If the respondents do not understand the technical complexity of the solu ion sought, the solution may need to be abandoned as it is not fit for purpose.	**High**	**Major**	**Possible**	Undertake interactive procurement process that allows supplier due diligence prior to supplier selection.
R4	Strategic	**Disruption from COVID 19 –** The ongoing COVID-19 pandemic may disrupt the delivery of the investm nt, r further exacerbate existing d livery issues	**High**	**Major**	**Likely**	Ongoing adaptation of delivery plans and active management are required.

#	Type	Description	Controlled rating	Impact	Likelihood	Mitigation notes
R5	Commercial	If the procurement process does not consider all tasks required and allow sufficient time to execute them, the procurement process could be extended, putting at risk the agreement of the Arms DBC (which has wider enterprise ramifications) and the delivery to the legislative delivery date of the solution.	**High**	**Moderate**	**Likely**	Allow adequate time to complete stages. Ensure negotiation tim is factored into timeframes.
R6	Commercial	If key ICT staff are not available to support the procurement, the procurement timeline will not enable the delivery of the legislative delivery date AND/OR we will not have the expertise to select a suitable solution/vendor.	**High**	**Moderate**	**Possible**	Ensure ICT staff are available. Book resources in advance. Ensure replacement staff are available if required. Book procurement activities into staff diaries.
R7	Strategic	**Ability to recruit** – There is a risk that finding and retaining skilled resources to achieve the required capability and capacity uplift will be difficult in the currently constrained labour market. This may affect the ability to meet outcomes and have cost and timing implications.	**High**	**Moderate**	**Possible**	The currently constrained employment market needs to be factored in to the phasing and resourcing approach.
R8	Strategic	**Ability to measure** – The measurement of key success factors is outside the control of the regulator. This may affect the ability to measure and report on outcom s.	**High**	**Moderate**	**Possible**	The ability to generate information for performance measurement purposes requires a specific focus within the functional scope. Measures within the scope and control of the regulator may be used to supplement those that are outside its control.

#	Type	Description	Controlled rating	Impact	Likelihood	Mitigation notes
R9	Strategic	**Effectiveness of control strategies** – There is a risk that, if the arms strategies that inform the legislation and subsequent regulatory delivery are not effective in reducing harm, the investment will not achieve its outcomes.	**High**	**Moderate**	**Unlikely**	The design of th Arms Regulator needs to accommodate his risk and have the capabilities a d flexibility to address potential weaknesses or identify areas for improvement.
R10	Strategic	**Investment outcomes** – There is a risk that the arms regime will not result in reductions in harm due to increased criminal activity, resulting in a loss of confidence in the value of the investment.	**Medium**	**Moderate**	**Unlikely**	The mitigation of this risk requires: •Effective communication with the public on the scope of the regulatory regime and its benefits and limitations •Effective partnerships with Police to support operations to address criminal activity.
R11	Economic	**Planning assumptions are inherently incorrect**– There is a risk that the assumptions about the future risk profile of the new legislation, and assumptions about the effort required to meet demand, are incorrect, leading to the investment being insufficient to address the profile.	**Medium**	**Moderate**	**Unlikely**	QRA undertaken required to identify the significance and evaluate the implications of each assumption that underpins the investment estimates.
R12	Economic	**Lack of data leading to incorrect pl nning assumptions** – There is a risk hat the current lack of quality data on the performance of the arms regim results in planning assumptions b ing made that are found to be incor ect, with cost, timeframe or scope implications	**Medium**	**Moderate**	**Unlikely**	The significance of each assumption that underpins the investment estimates must be tested and validated so that areas of high sensitivity can be addressed through contingency estimates.

#	Type	Description	Controlled rating	Impact	Likelihood	Mitigation notes
R13	Economic	**Backlog effect** – There is a risk that, if the current backlog of work is not addressed, the impacts on the forward work profile will be compounded year on year, leading to a significantly higher demand that may reduce the ability to achieve the desired outcomes.	**Medium**	**Moderate**	**Unlikely**	Include dedicated resources within the design to address backlogs. Further backlogs being d veloped should be mitigated through a fully resou ced operating model
R14	Commercial	**Timeframes to meet legislative requirements** – There is a risk that delays in the finalisation of the funding arrangements will affect the establishment of the firearms registry, leading to an inability to meet legislative timeframes.	**Medium**	**Moderate**	**Un ikely**	The ability to enter a contract for the registry solution is dependent on there being a secured funding mechanism in place.
R15	Management	**Ability to realise efficiencies** – There is a risk that the existing challenges in the arms regime are unable to be sufficiently resolved, restricting the effectiveness of the changes within this investment in meeting the desired outcomes.	**Medium**	**Moderate**	**Unlikely**	Programmes of work are currently underway to address underlying issues and create a stable foundation for this investment. The implementation programme must consider what further support is required to stabilise the current operation as a prerequisite for the overall investment.
R16	Commercial	If the respondents do not understand the Arms Entity's expectations for c mmercial management or are misaligned with its culture, it may be difficu t/time consuming to negotiate a contract AND/OR it may be difficult to manage the selected vendor.	**Medium**	**Moderate**	**Unlikely**	Ensure requirements are well documented and communicated to the supplier throughout the procurement, starting with the ROI

#	Type	Description	Controlled rating	Impact	Likelihood	Mitigation notes
R17	Commercial	If the market testing is incomplete, the costs may be significantly higher than those estimated in the Indicative Business Case, and therefore not able to be supported by the Treasury/Cabinet funding expectations.	**Medium**	**Moderate**	**Unlikely**	Complete detailed estimation of all Police ICT costs in paralle to the procurement activities. Undertake a eview of the DBC on the completion of the inte active process and receipt of RFPs.
R18	Commercial	If no proposal meets the minimum acceptable set of requirements, the procurement process could be extended to procure multiple suppliers separately.	**Medium**	**Moderate**	**Unlikely**	Undertake ROIs early to identify the available solutions. Undertake an interactive procurement process to ensure that respondents can meet the minimum acceptable set of requirements. Look at architectural components that could be provided by in-house/existing suppliers.
R19	Commercial	If respondents perceive the government procurement rules have not been applied correctly, they may challenge the procurement approach undertaken.	**Medium**	**Minor**	**Possible**	Probity management is robust. Ensure all staff act fairly, impartially and with integrity, managing conflicts of interest whilst protecting suppliers' commercial sensitivity and confidential information. Engage an appropriate Probity Auditor. The evaluation activities are sufficiently documented.
R20	Commercial	If business SMEs are not available to suppor the procurement, the procurement timeli e will not enable delivery on the legislativ delivery date AND/OR we will not select a solution that meets the needs o the business.	**Medium**	**Minor**	**Possible**	Ensure business SMEs are available. Book resources in advance. Ensure replacement staff are available if required. Book procurement activities into staff diaries.

#	Type	Description	Controlled rating	Impact	Likelihood	Mitigation notes
R21	Strategic	**Political nature of arms control** – There is a risk that public and political opposition to changes in the arms regime leads to a demand for changes in scope or levels of priority.	**Medium**	**Minor**	**Possible**	Th mitigation of this risk requires: • Effective governance arrangements to be established that provide objective oversight • Clear measurement of and reporting on the performance of the regulator to demonstrate impact.
R22	Economic	**Unforeseen impacts on third-party actors within the system –** There is a risk that the implications of this investment for other government agencies (such as process partners) are not fully understood, leading to cost or effort implications for those agencies.	**Medium**	**Mino**	**Possible**	Ongoing engagement with third parties is required to identify and quantify any implications.
R23	Management	**Scope** – There is a risk that the investment is not fully scoped, leading to increases in ost or scope during implementation.	**Medium**	**Minor**	**Possible**	The development of the management case is based on the requirements of the Arms Act, so the broad scope of the investment is well defined. The timeframes of this investment mean that the levels of certainty associated with the understanding of the programme will continue to increase. The programme will require effective practices for managing inevitable changes and increased estimates.

#	Type	Description	Controlled rating	Impact	Likelihood	Mitigation notes
R24	Social	**Lack of buy-in from the public** – There is a risk that the public does not perceive investment in the regulatory system as prudent and disengages and/or actively speaks out against the changes.	**Medium**	**Minor**	**Possible**	Pu lic engagement and messaging is required to articulate the benefits of the investment, and is factored in to the investment.
R25	Social	**Lack of buy-in from licence holders** There is a risk that licence holders do not engage with the changes. Such behaviour may affect regulatory engagement and compliance.	**Medium**	**Minor**	**Possible**	Active engagement is required with the licence-holder community, and is factored in to the investment.
R26	Social	**Expectation management** There is a risk that the public's expectation of the benefits may differ from what is delivered, creating a poor perception of the value of the investment.	**Medium**	**Minor**	**Possible**	Public engagement and messaging is required to articulate the benefits of the investment and is factored in to the investment. This may be supported though effective measurement of and reporting on performance.
R27	Social	**People do not feel safer** – The public s perceived level of safety does not change, creating a low perception of the value of the investment.	**Medium**	**Minor**	**Possible**	Public engagement and messaging is required to articulate the benefits of the investment and is factored in to the investment. This may be supported through effective measurement of and reporting on performance.

#	Type	Description	Controlled rating	Impact	Likelihood	Mitigation notes
R28	System	**Innovation in arms manufacturing** – There is a risk that innovations in arms manufacturing, the ease of modification and the availability of technologies such as 3D printing introduce new risks that the regime is unable to manage sufficiently.	**Medium**	**Minor**	**Possible**	Th design of the Arms Regulator n eds to be able to accommodate this risk and have the capabilities and flexibility to address potential weaknesses or identify areas for improvement. Note that the Arms Legislation Act has improved the ability to respond to this risk.
R29	System	**Future legislative requirements –** There is a risk that the legislative context for the investment shifts over time, creating a changing scope to which the investment must respond.	**Medium**	**Minor**	**Possible**	The design of the Arms Regulator needs to be able to accommodate this risk and have the capabilities and flexibility to address potential weaknesses or identify areas for improvement.

Constraint register

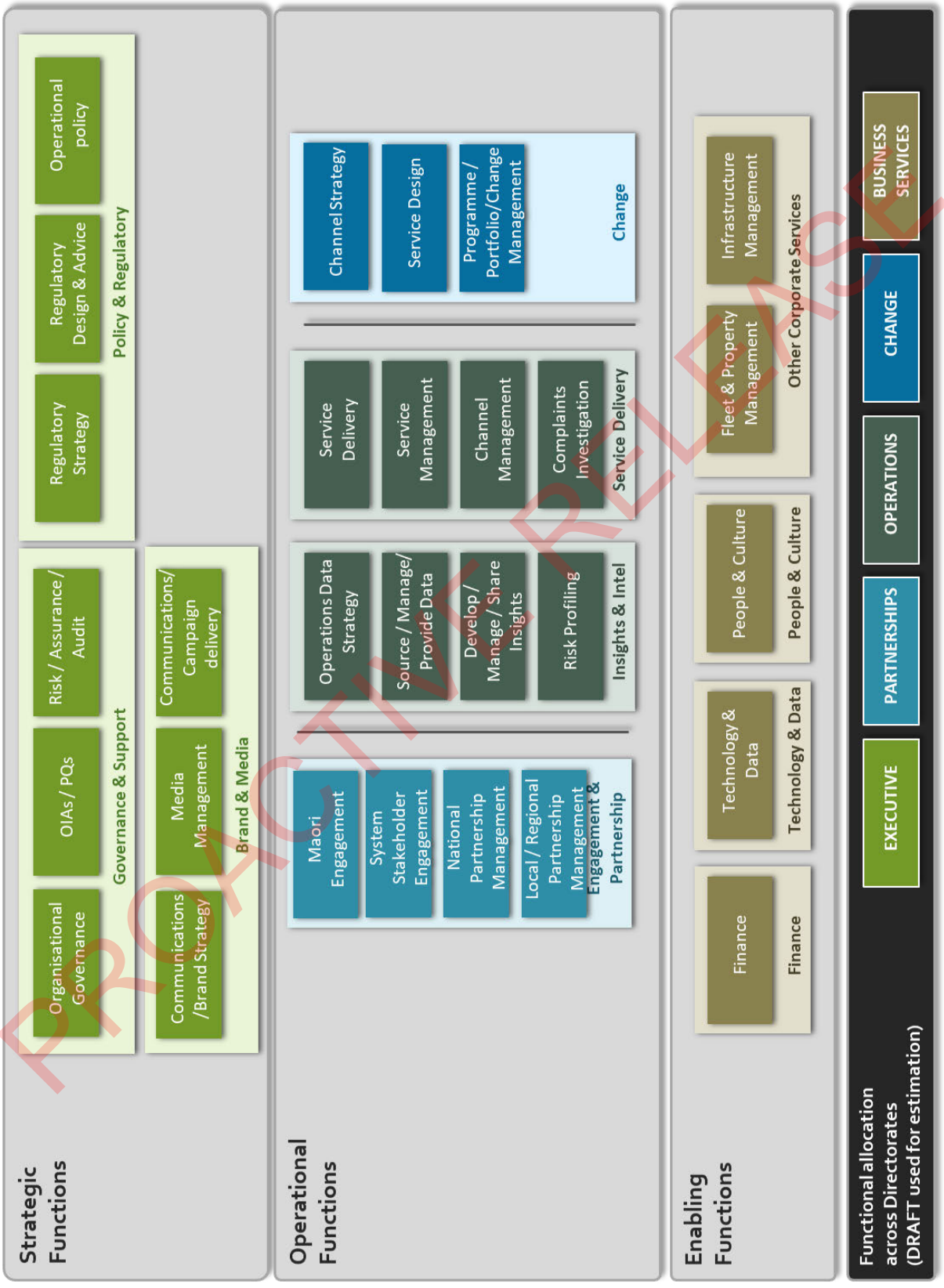
Constraints are limits within which the investment in the arms regulatory system must be delivered.

#	Description	Implication	Management strategy
C1	**The investment scope is limited** to the effective delivery of responsibilities outlined in the Arms Act.		
C2	**The responsibilities of the regulator are defined** within the Arms Act, and it is expected that the regulator is capable of meeting all the defined responsibilities.	The Regulator must be sized appropriately to meet the scop of the Arms Act.	
C3	**Implementation timelines** are driven by the Arms Legislation Act 2020. The full extent of changes has yet to come into effect, but require the capabilities to be available from the commencement dates.	Implementation timeframes are relevant to the request for investment in the pr ferred way forward.	The initial changes were implemented by December 2020 (relating to licences, permits to possess and the introduction of improvement notices) and in June 2021 (predominantly related to dealers). Further changes will come into effect from June 2022 (related to clubs and ranges) and June 2023 (the introduction of the central arms registry). The preferred way forward will take these commencement dates into account.
C4	**The level of available funding** may constrain the Government's ability to invest in the preferred way forward.		

#	Description	Implication	Management strategy
C5	**The externally driven demand for compliance activities** that the regulator needs to meet is largely structural, and determined by: • The natural cycle of licence applications and expiries, with durations as defined within the Arms Act • Annual or regular activities relating to certain licence types/endorsements • Specific licence-holder-led activities that require the regulator to take reactive actions once notified.		
C6	**Other strategic priorities** within the government organisation accountable for implementing the preferred way forward may affect progress.	The preferred way forward will require the ultimate owner of the arms regulato y functions to impleme t substantial change.	The preferred way forward will include a transition programme to mitigate the effects of constraints of other departments/organisations.
C7	**The support of the constabulary** is critical to the safe delivery of the arms regulation, in terms of both the information that the constabulary develops during routine policing that can inform fit and proper assessments, and the specialist capabilities that Police provides to the regu ator.		

Annex F: Draft Functional Model

The high-level draft functional model used for estimating the future state of the Arms Regulator is shown below.



Annex G: Options Longlist and Optionality

This section summarises the review that was undertaken to ensure all available options were considered in the revalidation of the economic case.

An assessment of optionality for the Detailed Business Case was undertaken using the Treasury Options framework[4]. A summary of this assessment under each dimension is represented below.

Optionality

1. Scale, scope and location options

The future operating model (the draft functional model in **Annex F**) defines the scope of the fun tions required to meet legislative requirements and control strategies. The extent of investment in each of these functions (to achieve varying levels of service performance) is where most of the optional ty can be found. When considering the extent to which service levels are 'appropriate', two capability lev ls have been considered, and they are achieved through a range of options:

Level of service	Achieved through...
1. Focus on meeting the **operational demand for regulatory services** (e.g. licensing, renewals, permits).	Current capability and capacity. ***Option 1: Counterfactual***
	Attempting to reduce/smooth the cyclic l demand for operational compliance services. ***Option 2: Alter demand for compliance activities***
	Increasing people capacity us ng existing (Police) systems. ***Option 3: Increase people capacity and use existing systems***
	Increasing people capacity and new technology capabilities. ***Option 4: Increase people capacity and procure new registry system***
2. Develop an enhanced ability to identify and deliver proactive interventions to reduce system risk.	Building enhanced capabilities in data management, system intelligence, regulatory intervention design and the delivery of proactive risk-mitigation activities. ***Option 5: Proactively intervene to reduce risk***

2. Service solution opti ns

Technology options were evaluated as part of the current Arms Transformation Programme. The technology options that were assessed were:

1. Acquire a platfo m, configure and integrate
2. Acqui e from another regulator
3. Build within the Police National Intelligence Application (NIA), extending the current func ionality to meet the needs of the regulator
4. Cus om development to meet requirements.

Technology option 2 presented limitations in choice and operational effectiveness in a New Zealand context, and was discounted. Technology option 4 was discounted due to the levels of risk and complexity involved.

While it would be possible to adapt the existing Police systems (Technology option 3), there would be constraints in relation to the independence of the system and levels of functionality, and overall option 3 was not considered to offer a fit-for-purpose solution. This technology option is included in the Economic Options appraisal as the benchmark.

Based on Police capacity and capabilities and the design principles of independence in the establishment of regulatory functions, it was determined that the best option for a technology solution

[4] https://www.treasury.govt.nz/sites/default/files/2019-08/bbc-options-framework-analysis.pdf

would be to source it from an external provider (Technology option 1). This technology option is included in the Economic Options appraisal as the preferred option.

3. Service delivery options

This dimension explored who could deliver these services/who were the alternative service providers (in-house, outsourced, alliance, strategic partnership, etc). The options under this dimension were explored in two areas:

a) Entity structure – Direction is to be provided on whether the entity is established as a separate entity or a Branded Business Unit of Police, but outside the Detailed Business Case process.

b) **Operating model design options –** There are options in the design of the regulator operating model, particularly in relation to:

- **Where functions are carried out** (within districts and/or nationally through the Service Centre)
- **Who delivers these functions** (the regulator, the constabulary and/or a third party by outsourced arrangement)
- **The channels** through which the services are delivered.

While there are options in each of these areas, they are not considered material options that warrant separate evaluations in the Detailed Business Case. They are dimensions that w ll be considered and continually evaluated in the design, establishment and ongoing improvement of the regulatory functions.

4. Implementation options

Timing – There are few implementation options in regard to overall implementation timing:

- The Arms Act is already in force and Police have key controls (e.g. for inspections and border control).
- The statutory requirement for the firearms register to be live from July 2023 and all firearms to be registered by 2028 is driven by legislation.
- Operational functions that enable firearms registrations must be in place by July 2023, with enhancements to be deliver d over time.

There are options regarding the timing of introducing the capability within the operating model, primarily in relation to the d mand for services:

- In line with demand
- Ahead f demand so that capability is available for proactive purposes.

Scope – The scope of the investment is largely established by the Arms Act. There are options in the breadth and extent of proactive interventions designed to reduce system risks between now and 2028. These are explored in Option 5.

Delive y model – There are options in the delivery model that would be selected to implement the ove all investment scope. These include:

- Fully resourced from within Police
- A combination of internal and contract resourcing
- Fully outsourced.

These considerations are not considered material options that warrant separate evaluations in the Detailed Business Case. They will be considered through the management case.

5. Funding options

This dimension explores funding options for the programme's 'preferred' scope and service solution, service delivery and implementation path – such as public or private capital, alternative revenue streams, operating and financial leases, and mixed-market arrangements.

Legislation defines how the funding will be allocated to Police and the regulator. There are options in relation to funding/cost recovery, but they are outside the scope of this Detailed Business Case.

Longlist

The longlist of options is outlined below. It includes sub-options, and notes where these sub-options have been incorporated to establish the major options.

#	Longlist of options	Discussion	Major option
1	**Counterfactual**	This option assumes: • No further investment beyond tagged funding • Improvements will continue to be made organically within the current baseline.	Yes
2	**Manage demand for compliance activities**	This option seeks to: • Primarily change legislation to address the 10-year licence renewals. These cause peak workloads that result in four times the workload and increase the isk o other non-licensing activities being de-p ioritised or firearms holders' li ences expiring • Minim se the volume of work associated with other compliance activities through adjusting perational policy and service delivery methods etc without introducing risk.	Yes
2A	+ investment in technology within Police (NIA)	The core register capability would be delivered through augmenting the capability of NIA.	Yes – include in 2
2B	+ rebalancing timeliness/qualit	This option would actively seek to balance the quality and timeliness of service delivery to manage demand.	No
3	**Uplif people capacity + use e isting systems**	This option explores the potential of trying to achieve the legislative and operational requirements without investing in a new registry system. The core register capability would be delivered through augmenting the capability of NIA.	Yes
3A	+ outsource specific functions	This option would use outsourcing to meet the resourcing requirements of services.	No
3B	+ operating model options	Location of services – rebalancing model.	Implicit in 3

#	Longlist of options	Discussion	Major option
4	**Uplift people capacity + new registry solution**	This option is focused on: • Meeting the specific requirements of the Arms Act (vs. the intent of the control strategies) by investing in both people and technology capabilities • Meeting regulatory operational demands (i.e. licensing, permitting, etc.) in a sustainable way.	Yes
4A	Technology in NIA	The core register capability would be delivered through augmenting the capability of NIA.	No
4B	Technology external	The core register capability would be provided by an external market provider.	Yes – include in 4
4C	+ operating model options	Location of services – rebalancing model	Implicit in 4
4D	+ outsource specific functions	This option would use outsourcing to meet the resourcing requirements for se vices	No
5	**Proactively intervene to reduce risk**	This option is focused on: • Meeting the full intent o the ontrol strategies (over and above legi lative requirements) through inc eased data analytics/system intelligence and a range of proactive interventions to reduce system risk • Meeting egulatory operational demands (i.e. licensing, permitting, etc.) in a sustainable way and ddressing the 'system risks' as the regulator and regulation come into force (between now and 2030).	Yes
5A	+ extend level of education and awareness	Only proactively deliver this response.	No
5B	+ undertake retro pective reconcili tions	Only proactively deliver this response.	No
5C	+ extend insights & intelligence capability (people and systems)	Only proactively deliver this response.	No
5D	+ extend regulatory system design capability	Only proactively deliver this response.	No
5E	+ blended capability	Deliver a blended capability across all proactive responses	Yes – include in 5

Annex H: Option Descriptions

This annex provides a description of and the primary assumptions relating to each major option.

Option 1 – Counterfactual

INVESTMENT STRATEGY
No further investment and optimise existing capability.
DESCRIPTION
No further investment beyond tagged funding.
FOCUS OF OPTION
Improvements will continue to be made organically within current baseline.
ASSUMPTIONS
• The programme will continue to use tagged funding to stabilise current operations and optimise where possible. • No further funding will be available. • Licensing services will be optimised within the current baseline tagged funding. • New legislative requirements from the Arms Legis ation Act 2020 (i.e. registry) requirements would not be met. • There would continue to be a reduced level of licensing services and the number of compliance services provided.

CAPABILITY INVESTMENT REQUIRED:	
People	• Assumes no furthe investment in people capacity or capability over current baseline/tagged funding.
Technology	• Assumes no fu ther investment in technology capability over current baseline/tagged funding.
Data	• Assumes no nvestment in data provisioning or analytics capability.
Other	• No other investment.

Option 2 – Alter demand for compliance activities

INVESTMENT STRATEGY
Invest further to manage demand with existing capability/capacity.
DESCRIPTION
Invest with a focus on managing demand for compliance activities effectively.
FOCUS OF OPTION
This option seeks to: • Primarily change legislation to address the 10-year licence renewals. These cause peak workloads that result in four times the workload and increase the risk of other non licen ing activities being de-prioritised or firearms holders' licences expiring • Minimise the volume of work associated with other compliance activities thr ugh adjusting operational policy, service delivery methods etc. without introducing risk.
ASSUMPTIONS
• The arms transformation programme will continue to use the tagged funding to stabilise (and optimise where possible) current operations. • There would be minimal further investment in people and/or technology capability or capacity other than the minimum required to give effect to the legislation/r giste . • The legislative changes will take time to implement unless the Government accepts a significant impact for firearms users to fast-track legislation. • The policy owner function would remain with Police.

CAPABILITY INVESTMENT REQUIRED:	

People	• Assumes an uplift in peop e capacity that is required to meet the increase in the operational demands of:
	  • The new legislation
	  • The requi em nt to re-key firearms transfer information to the Police Nationa ntelligence Application (NIA) as it cannot be made available to the public.

Technology	• Assumes some changes to the existing systems (NIA) to account for new licence period new egulatory requirements and extensions to the types of firearms aptured.
Data	• Assumes no investment in data provisioning or analytics capability.
Other	• Assumes legislative change – including all costs associated with managing changes/additions through legislative cycles, and time challenges from changing legislation.

Option 3 – Uplift people capacity only, use existing technology

INVESTMENT STRATEGY
Invest further to meet regulatory/operational demand through increasing capacity in operational activities.
DESCRIPTION
Invest in an uplift in people capacity and adapt existing systems.
FOCUS OF OPTION
This option explores the potential of trying to achieve the legislation and operational requ rements without investing in a new registry system.
ASSUMPTIONS
• Assumes the adaptation of existing Police systems (largely NIA). • Assumes some changes to the operating model to optimise processes • The policy-owner function would remain with Police.

CAPABILITY INVESTMENT REQUIRED:	

People	• Assumes an uplift in the people capacity required to meet the increase in operational demands of:
	  • The new legislation
	  • The requirement to re-k y firearms transfer information into NIA as it cannot be made available to the public.
	• Assumes a fixed level of people resourcing at a level that addresses peak-year demand.

Technology	• Assumes some changes t existing systems (NIA) that are required to account for new lice ce peri ds, regulatory requirements and extensions to capture firearms in ord r to implement registry requirements. This would not enable external use/inpu therefore more people would be required to re-key information.
Data	• Assume no investment in data provisioning or analytics capability.
Other	

Option 4 – Uplift people capacity, new registry system

INVESTMENT STRATEGY	
Invest further to meet regulatory/operational demand through increased capability/capacity in operational activities.	
DESCRIPTION	
Invest in an uplift of both people capacity and technology capabilities.	
FOCUS OF OPTION	
This option is focused on: • Meeting the specific requirements of the Arms Act (vs. the intent of the control strat gies) by investing in both people capacity and technology capabilities • Meeting regulatory operational demands (i.e. licensing, permitting, etc.) in a sustainable way.	
ASSUMPTIONS	
• It enables some of the control strategies on a reactive basis. It focuses on strategies that are implicitly delivered through administering the Arms Act. • It assumes a sufficient level of capability and capacity to enable the regulator to deliver regulatory services in a sustainable way. • It assumes an uplift in capabilities to meet Treaty of Waitangi requi ements. • It excludes investment in an intelligence capability to take a longer-term view of the design of intelligence-led system interventions, noting that some insights are available for the registry solution. • The policy-owner function would remain with Police.	
CAPABILITY INVESTMENT REQUIRED:	
People	• Assumes an uplift in the people capacity required to meet the increase in operational demands of the new legislation, and the scope of the operating model. • Assumes a p ased introduction of variable resourcing to a level that addresses peak-year demand.
Technology	• Assumes the procurement of a new registry solution – including the new solution and a sociated data migration and integration costs. • The new solution would enable wider improvements in workload management and process optimisation.
Data	• Assumes no investment in data provisioning or analytics capability – other than the functionality available in the registry system (operational reporting).
Other	• Assumes no material outsourcing of service delivery is available, other than existing arrangements for training. • Assumes a dedicated project to address existing backlog.
Modelling assumptions	The following cost variable assumptions were used to model Option 4 vs Option 5: • Individual licence application effort – July 21-June 23 – 7.8 hours; July 23 onwards – 6.74 hours. • Operations Director – Insights and intelligence people cost removed. • Business Services Director – Analytics tool for Insights and intelligence ($100,000 p.a. from FY23 onwards) removed. • Transition/Data Cleansing Campaign, Risk Mitigation Resourcing, and Data Science teams removed from costings.

	• Transition/Backlog team runs from July 21 to June 26 with 11 full-time equivalents.

Option 5 – Proactively intervene to reduce system risk

INVESTMENT STRATEGY
Invest further to reduce risk through increased investment in proactive system interventions.
DESCRIPTION
Achieve greater value for money through increased investment in enhanced intelligence and proactive ecosystem interventions.
FOCUS OF OPTION
This option is focused on: • Meeting the full intent of the control strategies (over and above legislative requirements) through increased use of system intelligence and data analytics and a range of proactive interventions to reduce system risk • Meeting regulatory operational demands (i.e. licensing, permitting, etc.) n a sustainable way • Addressing the 'ecosystem risks' as the regulator and regulation come into force (between now and 2030).
ASSUMPTIONS
• This option includes the investment required for Option 4 (i.e. it is over and above the investment). • This option enables all control strategies ncluded in legislative requirements. • The 'range and mix' of proactive interventi ns will include initiatives such as: retrospective reconciliations; education and awareness programmes; intelligence capabilities; and regulatory system design capability. • It assumes uplifts in capab lities to meet Treaty of Waitangi requirements and an ability to operate in partnership. • The range and mix of these initiatives are based on current intelligence and will likely evolve/change as our insight grows. • A sufficient level of capability and capacity will enable the Arms Regulator to deliver and evolve in a sustainable way. • The policy-own r function would remain with Police.
CAPABILITY INVESTMENT REQUIRED:

People	• Assumes an uplift in people capacity to meet the increase in operational demands of the new legislation, and the scope of the operating model. • Additional resources to support the insights, design and delivery of proactive interventions.
Technology	• Additional costs associated with the provisioning of broader datasets/sharing of information.
Data	• Assumes investment in data provisioning and analytics capability over and above that available in the registry system. • 'Intelligence' is scoped only to what the Arms Regulator needs – not what other external parties may need.
Other	• Assumes additional targeted education and awareness programmes and strategic partnerships.

	• Assumes additional resourcing to address existing backlog, and the introduction of peak resourcing ahead of demand through targeted projects that roll into core operations.

Annex I: Qualitative Analysis of Shortlisted Options

	Option 1 Counterfactual	Option 3 Uplift people capacity + use existing systems	Option 4 Uplift people capacity + new registry solution	Option 5 Proactively intervene to reduce risk
Criteria: Critical success factors				
1. Meets legislative requirements	**does not meet** Unable to meet legislative requirements. Currently unable to meet existing demand for basic licensing services. This is expected to further diminish over time as demand increases, and additional services are expected under the new legislation.	**unlikely to meet** Unlikely to meet legislative requirements. Does not create capability to utilise new regulatory tools effectively.	**meets** Meets all Arms Act requirements and Royal Commission of Inquiry recommendations.	**meets** M s all A ms Act requirements and Royal Commission of Inquir recommendation:
2. Enables agreed control strategies	**does not meet** Does not give effect to the strategies to control arms outlined in the Arms Act.	**meets some** Gives effect to the control strategies that are delivered through administering the Arms Act. Does not emphasise activities that support the purpose of the Act but are not explicitly defined. Note this option is limited in its ability to fully meet the legislation; it is unlikely that full effect can be given.	**meets some** Gives effect to the control rategie that are delivered through administe ng he Arms Act. Does not emphasise activities th t supp t the purpose of the Ac but are not exp i y defined.	**meets all** Creates additional capacity and capabilities to deliver the intent of the legislation, through the proactive implementation of relevant risk-mitigation measures.
3. Fulfils responsibilities to Te Tiriti o Waitangi	**does not address** Offers no capability to address Treaty or mana whenua obligations and perspectives.	**does not address** Offers no capability to address Treaty or mana whenua requirements and perspectives.	**m ts requ ements**	**enables bicultural partnership**
4. Improves public's perception of safety	**does not change public perception, and risks losing all trust** Would severely harm the public perception of the arms regime, as in effect it would create an illusion of safety through the new Arms Act that cannot be met. Once this is known, the legitimacy of the arms control regime would likely be irreparably harmed.	**some potential change in public perception**	**mproves public perception**	**improves public perception**
5. Delivers services effectively and efficiently	**operational demands are not met** Does not deliver services effectively and does not fulfil any of the sub-criteria. Core challenges relating to service delivery and single focus remain.	**some operational demands m be me** Manual processes rema few oppo un ties to build efficiencies.	**operational demands are met** Implements the operational capacity and capabilities required for effective service delivery, to manage operational demands.	**enhanced arms 'system intelligence'** Optimises service delivery, and the uprated intelligence capability creates the ability to monitor and adjust the system proactively to retain effectiveness.
6. Ensures operations are sustainable	**no allowance for adapting to meet emerging risks** Creates no sustainable funding model and has no allowance for further investment. Is not a single-focus model.	Operations are not sus inable, as does not enabl adaptation to eme ging risks easily. High y manual, people-driven processes cannot be e sily reorient d to address new risks or requi ments. Likely tha urces are not easily re-de l yable to address risks.	**can adapt to meet emerging risks** Established funding through specific appropriation to enable single focus for resourcing.	Can better understand and adapt to emerging risks. Established funding through specific appropriation to enable single focus for resourcing.
7. Is achievable	**operational demands are not met** Can be implemented, but does not make b use of existing resources or investmen to date. Does not realise operational benefits f existing investment programme.	V ry difficult to achieve the levels of recruitment and training required, and to ptimise processes to make best use of this manual workforce.	**achievable with appropriate resources**	**achievable but more work required to implement additional capabilities**
8. Provides value for money	**legislative intent is not met** Does not provide value fo icence olders or the public. Licence holders a imped d i heir ability to be compliant thro h backlogs and poor service, and he pu lic be efit is not served as risks are no managed	Legislative intent is not met, so public do not benefit through improved safety outcomes. Poor experience for licence holders.	**meets service levels in a sustainable way** Provides an appropriate level of service to licence holders and delivers the public assurance that licence holders are fit and proper.	**increased reductions in system risk** Provides an appropriate level of service to licence holders and delivers the public assurance that licence hollers are fit and proper. Provides additional value by introducing greater ability to manage and detect risks on an ongoing basis, offering higher value.
Criteria: Benefits v Living Standards outcome				

		Option 1 Counterfactual	Option 3 Uplift people capacity + use existing systems	Option 4 Uplift people capacity + new registry solution	Option 5 Proactively intervene to reduce risk
Reduced potential for harm from criminal and negligent use of firearms	Benefit	None.	Potential for harm is reduced through higher-quality service delivery (relative to current), and improved management of known risks.	Potential for harm is reduced through high-quality service delivery and robust management of known risks.	Proact e interventions that identify and target highest risks are mo likely to deliver ongoing reductions in potential for harm. H gh degr e of focus on collecting and using information about licen e olders a d firearms enables identification of emerging risks. St ger in gration between all system agencies can improve ability o detect and manage risks.
	Disbenefit	Regime expected to degrade, so potential for harm increases. Diminished ability to deliver on control strategies. Ongoing issues with Arms Act delivery may distract Police from core safety activities.	Paper-based/manual systems do not enable timely harm reduction.	Regime is not as responsive to detecting adapting to emerging sources of harm. Information may not be available to ident y or manage emerging risks.	Be fits are not immediate.
Promotes public trust and confidence through the safer possession and use of firearms	Benefit	None.	Delivers high assurance that licence holders are fit and proper during licensing periods and 'events of interest'.	Delivers high assurance that lic nce hold s are fit and proper during licensing per ds nd 'events of interest	Delivers high assurance across lifespan of licence holders due to proactive stance, and more likely to detect 'events of interest'. Ability to inform and apply risk management will increase public trust and confidence.
	Disbenefit	No ability to improve on existing perceptions. Perceptions likely to erode over time.	Paper-based/manual systems do not promote public trust and confidence in system integrity.	Non	None
Quality and timely delivery of arms regulatory interventions	Benefit	None.	Interventions that address risks can be ma e in a timely manner.	Interventions that address risks can be made in a timely manner.	Proactive interventions can be made in a timely manner that address risks soonest.
	Disbenefit	Cannot deliver on a regular basis, and ability to deliver eroded over time. Benefits of enhanced legislation lost.	Paper-based/manual syste s reduce ability to realise benefits.	Interventions are made reactively.	None
Ability to measure the effectiveness of Arms Act delivery	Benefit	None	None.	Investment in technology enables accurate measurement of delivery metrics. Effective monitoring and governance reporting mechanisms are in place.	Investment in enhanced information offers better ability to measure effectiveness of delivery and intervention across both the regime and the broader system.
	Disbenefit	Capability is not introduced; benefit cannot be delivered.	Pape -based/manual systems do not enable mea urement of ffectiveness to any mea ngful exten .		None.
Criteria: Investment in interventions					
Complete the implementation of legislation		Does not fully implement legislation or cre capability to utilise new regulatory too effectively.	Does not create capability to utilise new egulatory tools effectively.	Implements legislation.	Implements legislation.
Establish an effective operational delivery structure		No changes to governance are made – o clarity or single focus is gained.	Implements operational delivery structure.	Implements operational delivery structure.	Implements operational delivery structure.
Establish and strengthen capabilities and capacity to enable legislation and control strategy requirements		No capabilities or capacity dde .	Adds sufficient capacity, but inefficiently. Deploys the resource.	Implements capability and capacity.	Implements capability and capacity.
	· Increase the level of staff to deliver the regulatory requirements of the legislation	No capabilities r capac ty added.	Staff levels are uplifted, but primarily in administrative/data-entry roles that cannot be easily redeployed.	Implements capability and capacity.	Implements capability and capacity.

		Option 1 Counterfactual	Option 3 Uplift people capacity + use existing systems	Option 4 Uplift people capacity + new registry solution	Option 5 Proactively intervene to reduce risk
	· Deploy a central arms registry	Registry is deployed by extending Police National Intelligence Application (NIA). This meets the core requirement, but is operationally inefficient and delivers poor user outcomes	Registry is deployed by extending NIA. This meets the core requirement, but is operationally inefficient and delivers poor user outcomes.	New registry is deployed.	New r gistry is deployed.
Enable proactive identification, design and implementation/adaptation of controls to identify and address emerging risks, including:		No capabilities or capacity added.	Does not implement appropriate capability to enable requirement.	Implements limited proactive capability.	Implem ts a a core capability.
	· Increase public education in support of reducing the risks and harms of firearms use	No capabilities or capacity added.	Does not implement appropriate capability to enable requirement.	Implements in context of enabling train ng r licence applicants.	plements as a core capability.
	· Improve the monitoring of and controls on the firearms system	No capabilities or capacity added. Data not available.	Implements as far as required to meet reporting obligations under the legislation. Does not do so efficiently.	Implements as far as required t meet r porting obligations unde he legislation.	Implements to the extent of providing monitoring and control improvements at a system level.
Establish a sustainable firearms funding model that allows for evolution		No funding allocated.	Appropriation established. Not considered sustainable or enabling of evolution.	Appropr tion est blished th capability to evolve.	Appropriation established, with more proactive focus on evolving capability and risk mitigation strategies.
Summary					
Critical success factors		**does not meet**	**unlikely to meet**	**mee t**	**meets most and provides increased risk mitigation**
Benefits	Benefits/Disbenefits: Safety and security	No benefits delivered.	Disbenefits outweigh benefits delivered.	All enefits delivered. Slow time to benefits	All benefits delivered to a greater extent.
	Benefits/Disbenefits: Civic engagement and governance	No benefits delivered.	Disbenefits outweigh benefits delivered	All benefits delivered.	All benefits delivered to a greater extent.
Investment objectives		Does not meet.	Does not meet.	Meets most.	Meets all.
Ranking		**3**	**Option discounte**	**2**	**1**

Annex J: Quantitative Risk Report

Broadleaf

Creating value from uncertainty

Broadleaf Capital International NZ Limited

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Report:

Firearms Transformation Cost QRA

New Zealand Police

Prepared by:

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Broadleaf

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1 Executive Summary

This is a report on an assessment of the uncertainty in the NZ Police's estimate of the Firearms Transformation Programme cost as at the end of November 2021. The assessment was carried out to determine the range of cost outcomes for the programme, taking uncertainty into account, in order to inform the Detailed Business Case on an appropriate level of contingency to be included, and to analyse the sensitivity of the cost to the uncertainties modelled. The assessment was facilitated by s.9(2)(a) OIA of Broadleaf Capital International.

Risks in a cost estimate are sources of variation from the base estimate value. They may be positive or negative. For the costs of Firearms Transformation Programme, they arise from a number of sources, including:

- uncertainty in the volume of firearms applications, renewals, etc;
- uncertainty in the average resourcing for the volume-related work tasks;
- uncertainty in the resourcing required for non-volume-related work activity in the new regulatory environment, and in the management of the delivery outcomes;
- uncertainty in the cost of the resources required in the new regulatory environment;
- uncertainty in the level of resources required for the transition to the new environment, including addressing the current backlog of work;
- uncertainty in the vendor costs to deliver the required IT solution;
- uncertainty in the cost of NZ Police's ICT teams to deliver the required IT functionality;
- uncertainty in the cost of the project delivery resource overheads;
- uncertainty in the duration of the transformation delivery project that will impact on project overheads and transition costs.

The risk assessment process consisted of a quantitative analysis to evaluate the uncertainty in the major cost elements and cost drivers in the base estimate, based on the risks that had been identified by the programme team. The analysis utilised three-point estimates of the possible variation in each element under consideration by considering optimistic, pessimistic and most likely scenarios for each one. These scenarios and the range of values each element could take on were developed by programme team members and business case consultants at a workshop on 3 December 2021. The outcome of the quantitative analysis was used in a Monte Carlo simulation model to evaluate the overall uncertainty in the total investment required and in the programme

net operating cost (both over 4 years, 6 years, and 11 years), and in the net capital cost.

The mean of the total investment over 11 years simulation distribution is $711.5 million which is $98.2 million or 16.0% above the deterministic base estimate of $613.22 million excluding the contingency percentages in the deterministic base cost model. The 85th percentile of the distribution (15% chance of exceeding), a value which takes into account a significant proportion of the uncertainty modelled, is $742.1 million which is $128.9 million or 21.0% above the base estimate. The difference between the 85th percentile and the mean, a sum that is often held at a programme governance or Joint Minister level for use if required, is $30.6 million.

The mean of the net capital cost simulation distribution is $15.8 million which is $5.16 million or 48.7% above the deterministic base estimate of $10.60 million excluding the contingency percentages in the deterministic base cost model but including the "tagged contingency" sum. The 85th percentile of the distribution (15% chance of exceeding) is $17.9 million which is $7.33 million or 69.1% above the base estimate. The difference between the 85th percentile and the mean is $2.17 million.

The mean of the net operating cost over 11 years simulation distribution is $487.7 million which is $94.2 million or 23.9% above the deterministic base estimate of $393.44 million excluding the contingency percentages in the deterministic base cost model but including the "tagged contingency" sum. The 85 h percentile of the distribution (15% chance of exceeding) is $517.5 million which is $124.1 million or 31.5% above the base estimate. The difference between the 85th percentile and the mean is $29.9 million.

The dominant uncertainty influencing the total investment and net operating cost simulation results is the uncertainty in the BAU Opex resources for the variable demand work, and the results are also somewhat sensitive to the uncertainties in the volumes of applicants, renewals etc., and to the BAU Opex salary rates. The dominant uncertainties in the capital cost results are the uncertainties in the NZ Police ICT resources required to deliver the solution and the project duration, and the results are also somewhat sensitive to the uncertainty in the vendor costs.

2 Model development

2.1 Basis of the cost estimate used for the QRA

The MS Excel cost estimate provided by the NZ Police on 30 November 2021 in the file < Arms Safety and Control DBC Financial Model v0.11.xlsx > together with some subsequent updates to the deterministic contingency sums wa used as the basis for the quantitative risk assessment model used for the simulation results in this report.

No complete verification of the Excel logic used in this deterministic model as supplied was performed by Broadleaf, i.e., it was assumed that it was free of logic errors and that it accurately modelled the deterministic costs.

2.2 Quantitative risk analysis process

The uncertainties affecting the major elements in the cost estimate were reviewed during a workshop held on 3 December 2021 with members of the programme team and consultants familiar with the basis of estimation for the major cost componen s. s.9(2)(a) OIA from Broadleaf Capital International facilitated the worksho .

The uncerta nties identified and assessed for their possible impact on the cost elements in the estimate were as follows:

- uncertainty in the volume of firearms applications, renewals, etc; uncertainty in the average resourcing for the volume-related work tasks;
- uncertainty in the resourcing required for non-volume-related work activity in the new regulatory environment, and the management of the delivery;
- uncertainty in the cost of the resources required in the new regulatory environment;
- uncertainty in the level of resources required for the transition to the new environment, including addressing the current backlog of work;
- uncertainty in the vendor costs to deliver the required IT solution;
- uncertainty in the cost of NZ Police's ICT teams to deliver the required IT functionality;
- uncertainty in the cost of the project delivery resource overheads;
- uncertainty in the duration of the transformation delivery project that will impact on project overheads and transition costs).

The uncertainty in the cost estimate elements and cost drivers affected by the risks were explored by first considering what would constitute the absolute best and worst case element values (to establish the extremities of the probability distribution function). The optimistic, pessimistic and most likely risk scenarios on the element values were then evaluated in discussion amongst the workshop participants, and figures for each case were recorded.

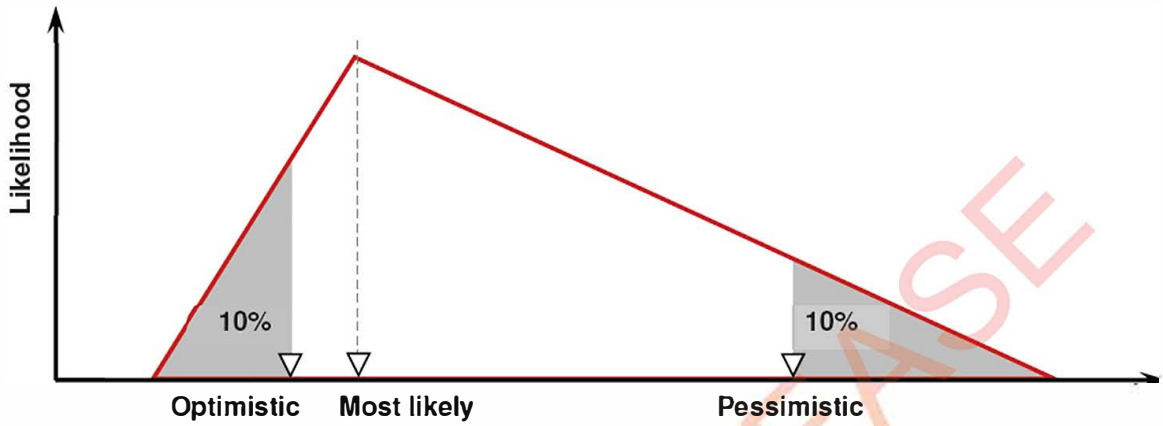
A three point estimate of the optimistic, pessimistic and most likely figures was used in a distribution to specify a simulated level of variation relative to the base estimate value. A simulation using @Risk for Excel software was then carried out to evaluate the uncertainty in the project costs, and to highlight which uncertainties the simulation results were most sensitive to.

Detailed notes on the cost uncertainty information captured at the workshop are provided in Appendix A in Section 4 of the report.

2.3 Quantitative risk analysis methodology

A spread (Trigen) distribution was used to characterise the uncertainties, of the form shown in Figure 1. This distribution assumes each three-point estimate defines a triangular distribution that spreads beyond the optimistic and pessimistic values. The additional spread assumes there is a probability of the low values being below the optimistic value, and a probability of high values being above the pessimistic value. This is a conservative modelling assumption (more conservative than a triangular distribution). For all the uncertainty distributions, the value of the optimistic and pessimistic outcomes was set in the model at the 10th and 90th percentile (i.e., the range between the optimistic and pessimistic corresponds to an 80-percent confidence range).

Figure 1: Interpretation of range values



The quantitative risk analysis model based on the cost model was developed in @Risk for Excel software and the uncertainty range values were applied to the relevant cells in the base estimate relating to that uncertainty. The model that produced the results contained in this report is in the following file:

- < Arms Safety and Control DB QRA model (2).xlsx >

2.4 Correlations

Appropriate treatment of correlations is essential in quantitative risk analysis. When each uncertainty distribution in the model is sampled for the Monte Carlo simulation, it is important that correlation is taken into account so that any common drivers of uncertainty are reflected in the results. For this analysis, none of the distributions were assessed as being correlated. Correlations have no effect at the mean of the distribution, but are significant at its extremities because they have the effect of widening the distribution.

2.5 Model data

The uncertainty data captured at the workshop and used in the model is shown in Appendix A (Section 4 of this report), and a summary of the uncertainty ranges used in the QRA model is shown in Appendix B (Section 5 of this report).

3 QRA modelling results

3.1 Summary of simulation results

A summary of the simulation results is shown in Table 1.

Table 1: Summary QRA simulation results

Simulation Output	Base estimate excl. conting. ($m)	Mean ($m)	80th percentile ($m)	85th pe centile ($m)	90th percentile ($m)
Total Investment – 4 yrs	263.07	314.1	326.5	329.6	333.7
Difference from base ($)		51.0	63 5	66.6	70.7
Difference from base (%)		19.4%	24 1%	25.3%	26.9%
Total Investment – 6 yrs	423.05	492.9	511.0	515.6	521.3
Difference from base ($)		69 9	87.9	92.6	98.2
Difference from base (%)		16.5%	20.8%	21.9%	23.2%
Total Investment – 11 yrs	613.22	711 5	735.6	742.1	749.7
Difference from base ($)		98.2	122.4	128.9	136.5
Difference from base (%)		16.0%	20.0%	21.0%	22.3%
Net Capex	10.60	15.8	17.5	17.9	18.4
Difference from base ($)		5.16	6.95	7.33	7.80
Difference from base (%)		48.7%	65.5%	69.1%	73.5%
Net Opex – 4 yea s	174.06	220.4	232.4	235.3	239.3
Difference from base ( )		46.4	58.3	61.2	65.3
Differen e from base (%)		26.6%	33.5%	35.2%	37.5%
Net Opex – 6 years	282.63	348.4	365.9	370.3	375.8
Diff rence from base ($)		65.7	83.2	87.7	93.2
Difference from base (%)		23.3%	29.4%	31.0%	33.0%
Net Opex – 11 years	393.44	487.7	511.4	517.5	525.1
Difference from base ($)		94.2	118.0	124.1	131.7
Difference from base (%)		23.9%	30.0%	31.5%	33.5%

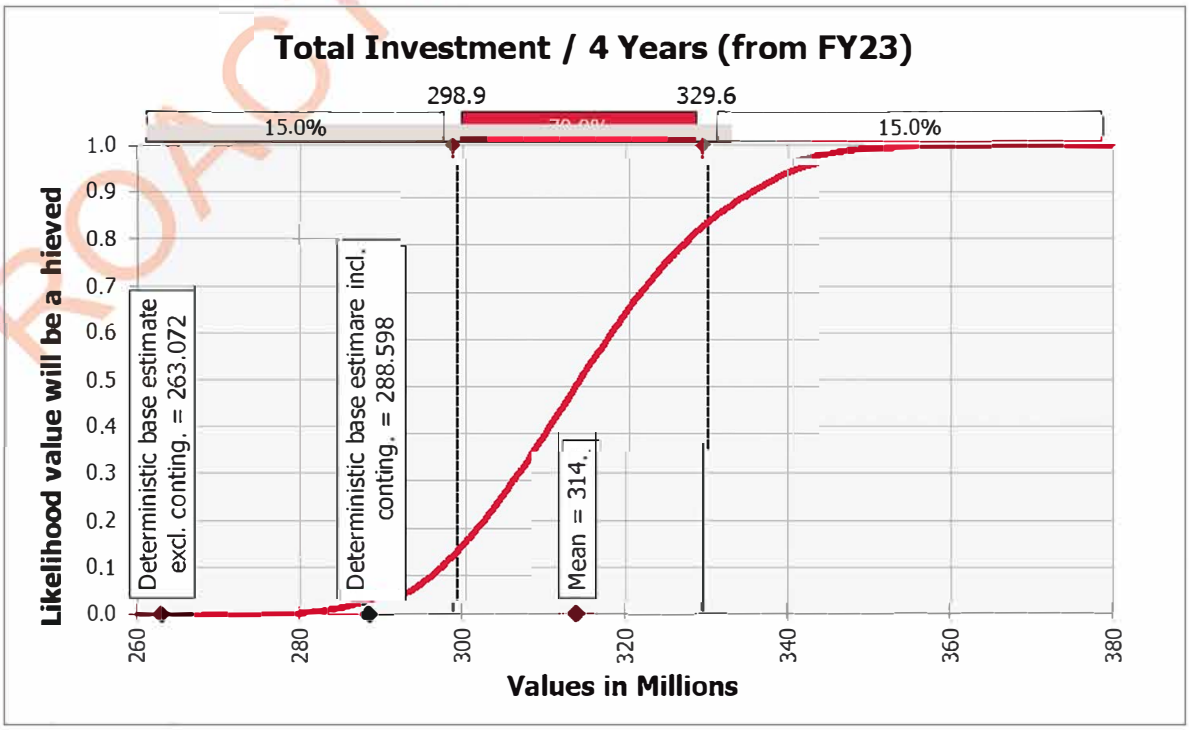
Detailed simulation output statistics are contained in Appendix C in Section 6 of the report.

3.2 Distribution of Total Investment – 4 years

The results of the total investment over 4 years simulation are shown graphically as a cumulative distribution in Figure 2. They show a mean value of $314.1 million which is $51.0 million or 19.4% above the deterministic base estimate value of $263.07 million excluding the contingency percentages in the deterministic base cost model. The "contingency at the mean" is herefore $51.0 million as there is an equal likelihood that the total nvestment over 4 years will be above or below the mean value of $314 1 million.

The 85th percentile of the total investment over 4 years distribution, a value that incorporates a significant extent of the uncer ainty that has been modelled, is $329.6 million which is $66 6 million or 25.3% above the base estimate. There is an 85% chance that the total investment over 4 years will be below this value, and a 15% chance that it will be above it. The difference between the mean and he 85th percentile, a sum that is often held at a programme governance o Joint Minister level to be available if required, is $15.6 million.

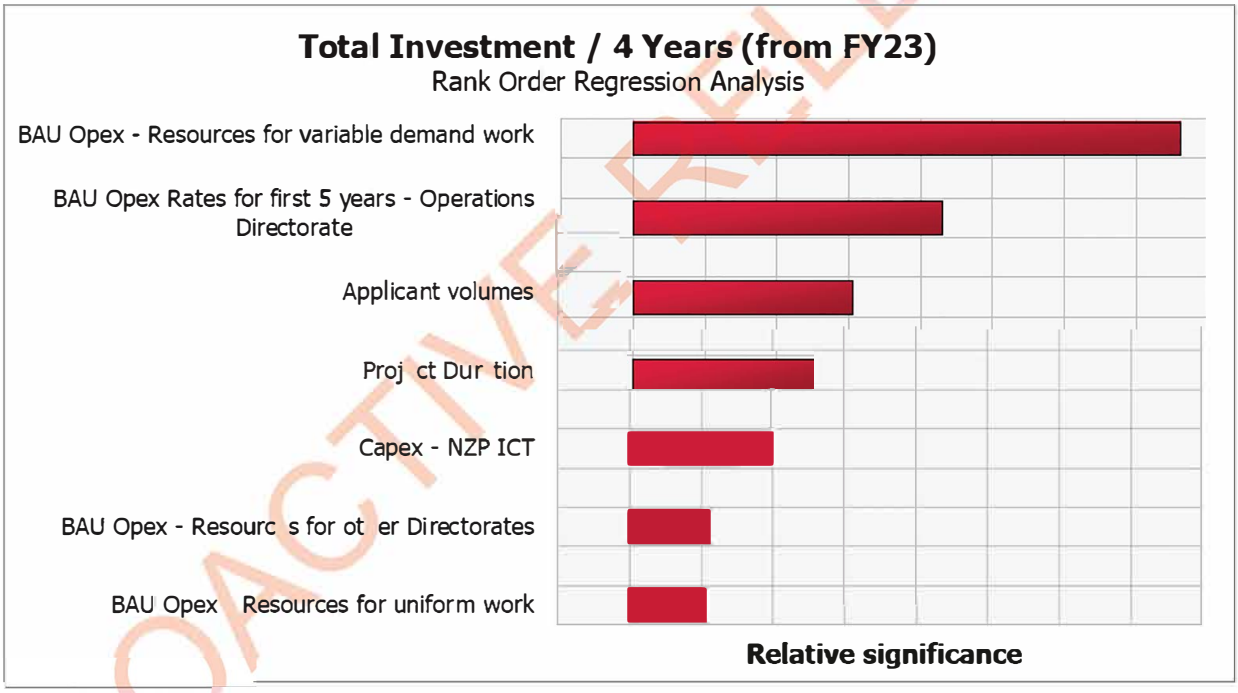
Figure 2 Total Investment – 4 years cumulative distribution



3.3 Sensitivity analysis of Total Investment over 4 years uncertainties

The sensitivity analysis shows the relative significance of the total investment over 4 years uncertainties and is shown graphically in Figure 3. The dominant uncertainty affecting these results is the uncertainty in the BAU Opex resources for the variable demand work, and the results are also quite sensitive to the uncertainty in the BAU Opex salary rates, and somewhat sens tive to the uncertainties in the applicant, renewal etc volumes, and to the project duration.

Figure 3: Sensitivity analysis of Total Investment over 4 years

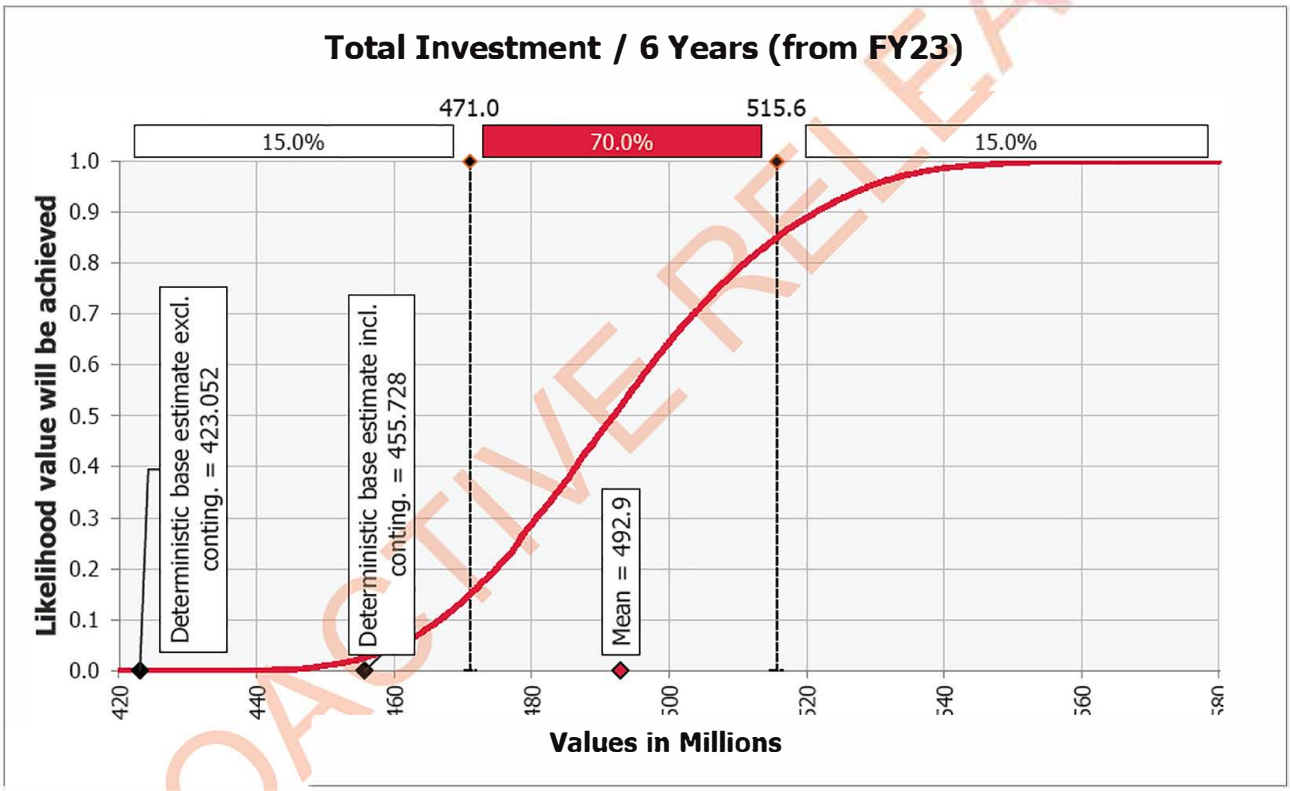


3.4 Distribution of Total Investment – 6 years

The results of the total investment over 6 years simulation are shown graphically as a cumulative distribution in Figure 4. They show a mean value of $492.9 million which is $69.9 million or 16.5% above the deterministic base estimate value of $423.05 million excluding the contingency percentages in the deterministic base cost model. The "contingency at the mean" is therefore $69.9 million as there is an equal likelihood that the total investment over 6 years will be above or below the mean value of $492.9 million.

The 85th percentile of the total investment over 6 years distribution, a value that incorporates a significant extent of the uncertainty that has been modelled, is $515.6 million which is $92.6 million or 21.9% above the base estimate. There is an 85% chance that the total investment over 6 years will be below this value, and a 15% chance that it will be above it. The difference between the mean and the 85th percentile, a sum that is often held at a programme governance or Joint Minister level to be available if required, is $22.7 million.

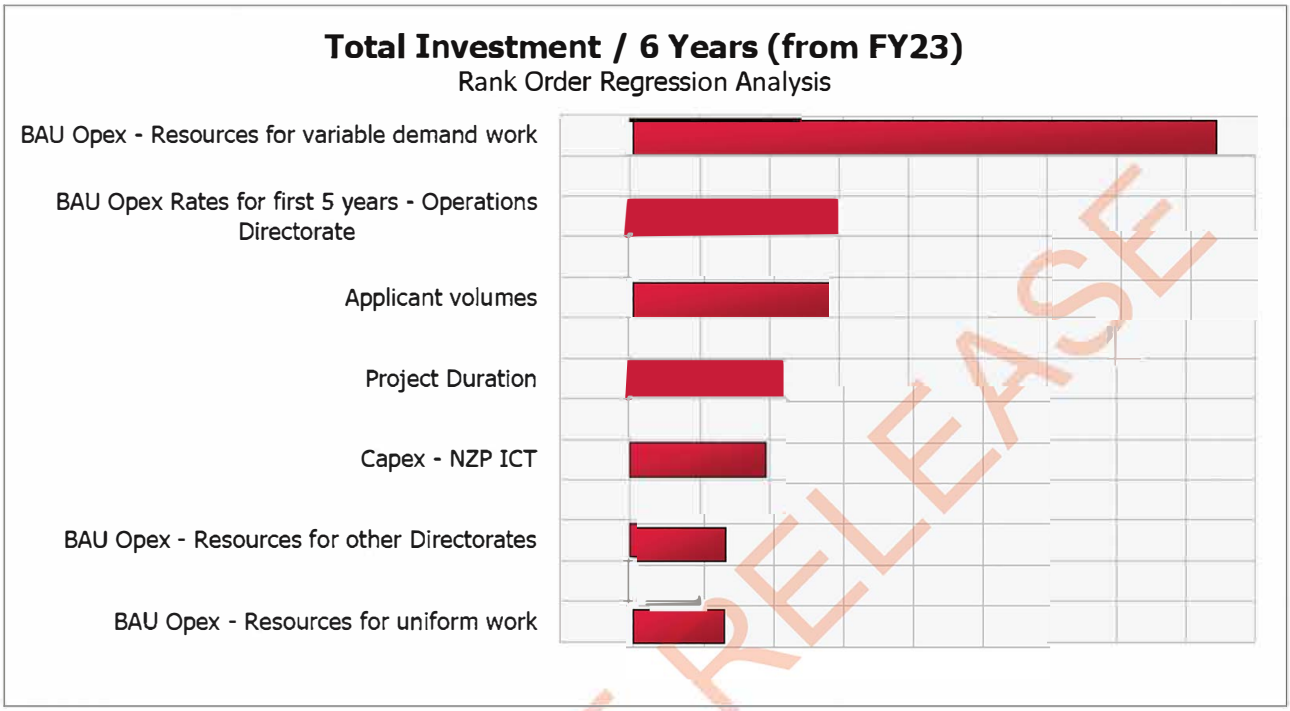
Figure 4: Total Investment – 6 years cumulative distribution



3.5 Sensitivity analysis of Total Investment over 6 years uncertainties

The sensitivity analysis shows the relative significance of the total investment over 6 years uncertainties and is shown graphically in Figure 5. The dominant uncertainty affecting these results is the uncertainty in the BAU Opex resources for the variable demand work, and the results are also somewhat sensitive to the uncertainties in the BAU Opex salary rates, the applicant, renewal etc volumes, and to the project duration.

Figure 5: Sensitivity analysis of Total Investment over 6 years

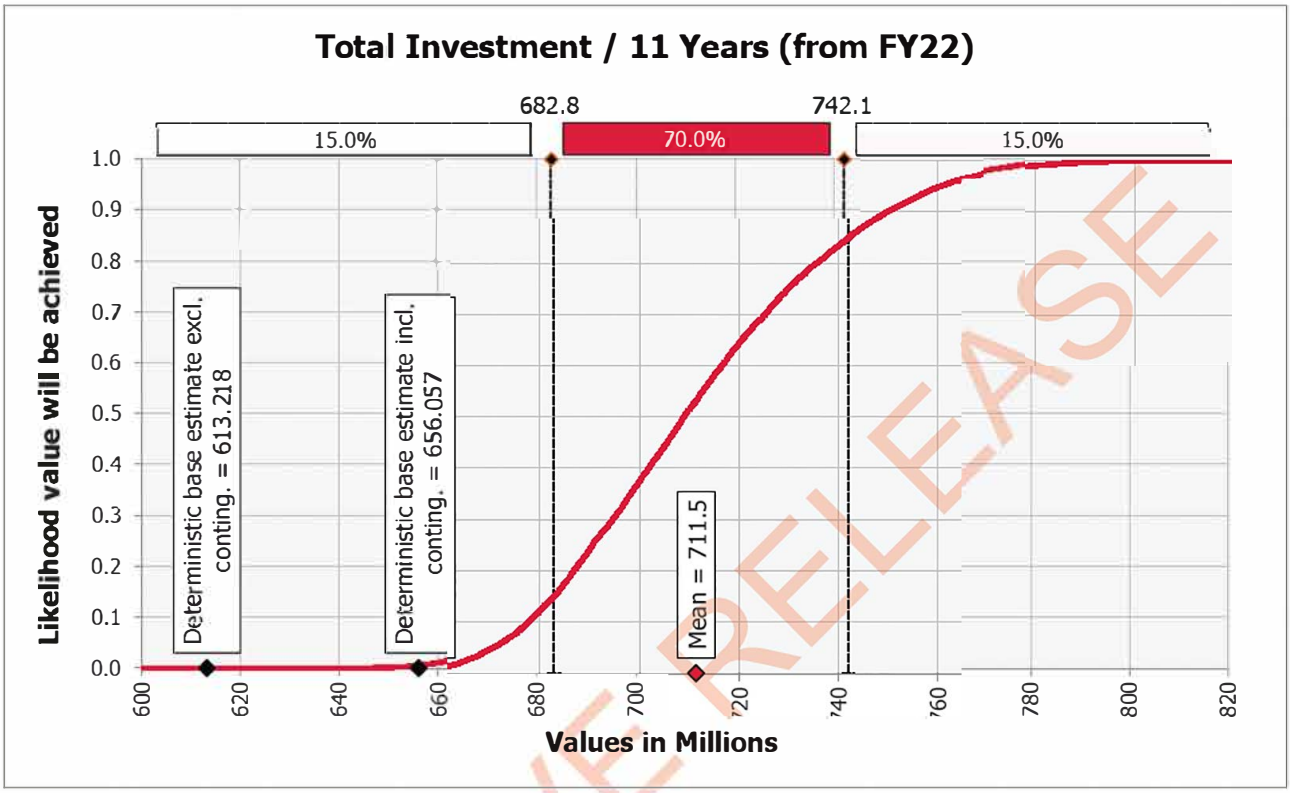


3.6 Distribution of Total Investment – 11 years

The results of the total investment over 11 years simulation are shown graphic lly s a cumulative distribution in Figure 6. They show a mean value of $711.5 million which is $98.2 million or 16.0% above the deterministic base estimate v lue of $613.22 million excluding the contingency percentages in the deterministic base cost model. The "contingency at the mean" is therefore $98.2 million as there is an equal likelihood that the total investment over 11 years will be above or below the mean value of $711.5 million.

The 85th percentile of the total investment over 11 years distribution, a value that incorporates a significant extent of the uncertainty that has been modelled, is $742.1 million which is $128.9 million or 21.0% above the base estimate. There is an 85% chance that the total investment over 11 years will be below this value, and a 15% chance that it will be above it. The difference between the mean and the 85th percentile, a sum that is often held at a programme governance or Joint Minister level to be available if required, is $30.6 million.

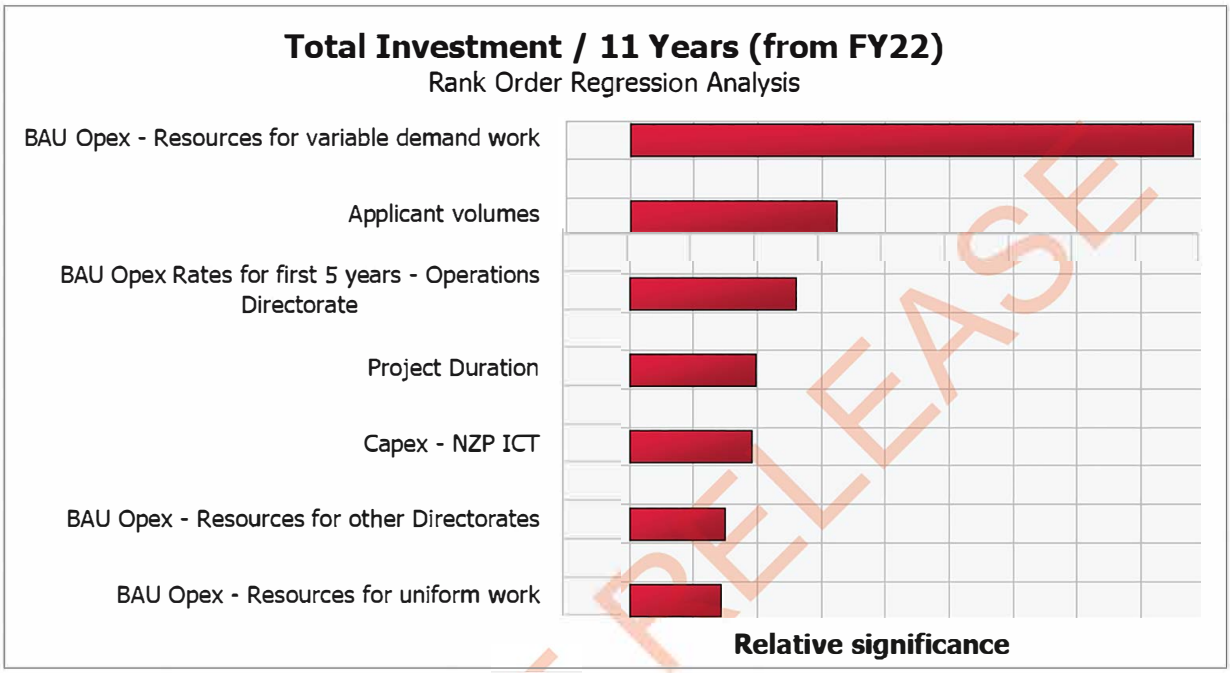
Figure 6: Total Investment – 11 years cumulative distribution



3.7 Sensitivity analysis of Total Investment over 11 years uncertainties

The sensit vity analysis shows the relative significance of the total investment over 11 years uncertainties and is shown graphically in Figure 7. The dominant uncertainty affecting these results is the uncertainty in the BAU Opex resources for the variable demand work, and the results are also somewhat sensitive to the uncertainties in the BAU Opex salary rates, and to the applicant, renewal etc volumes.

Figure 7: Sensitivity analysis of Total Investment over 11 years

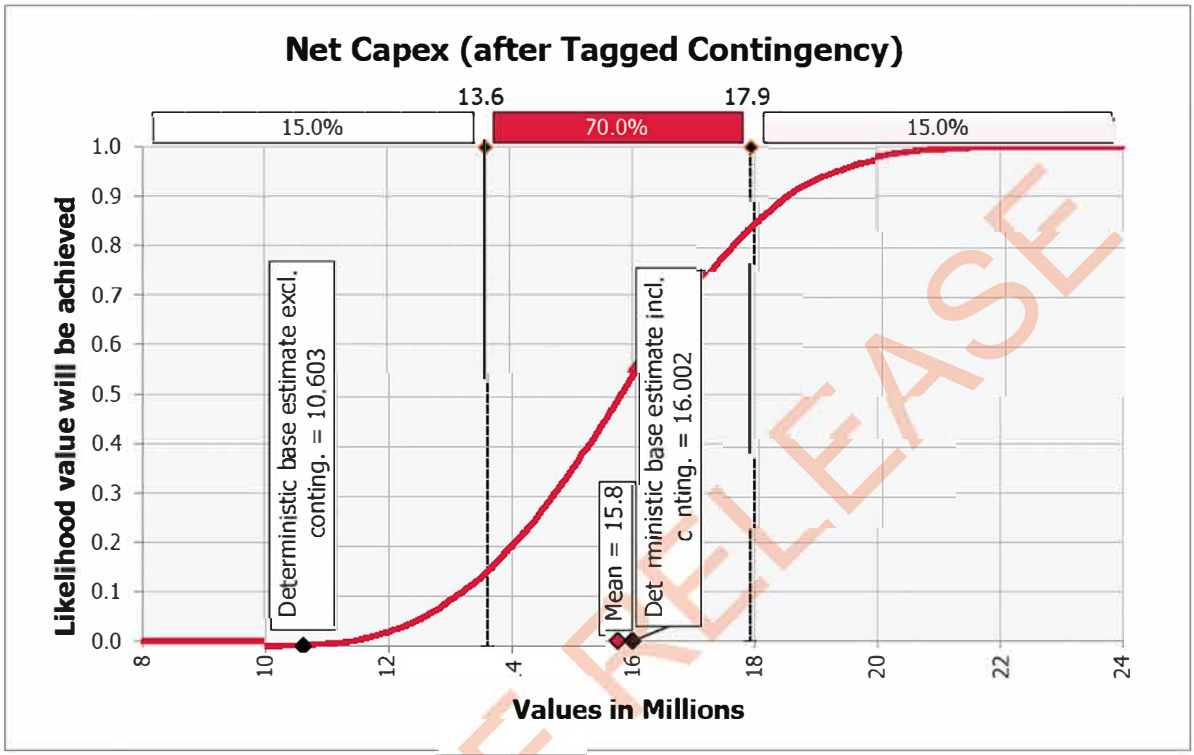


3.8 Distribution of Net Capex

The results of th net capital cost (taking the tagged contingency into account) simulat on are shown graphically as a cumulative distribution in Figure 8. They show a mean value of $15.8 million which is $5.16 million or 48.7% above the de erminis ic base estimate value of $10.60 million excluding the contingency percentages in the deterministic base cost model, but including the "tagged contingency" sum. The "contingency at the mean" is therefore $5.16 million as there is an equal likelihood that the net capital cost will be above or below the mean value of $15.8 million.

The 85th percentile of the net capital cost distribution, a value that incorporates a significant extent of the uncertainty that has been modelled, is $17.9 million which is $7.33 million or 69.1% above the base estimate. There is an 85% chance that the net capital cost will be below this value, and a 15% chance that it will be above it. The difference between the mean and the 85th percentile, a sum that is often held at a programme governance or Joint Minister level to be available if required, is $2.17 million.

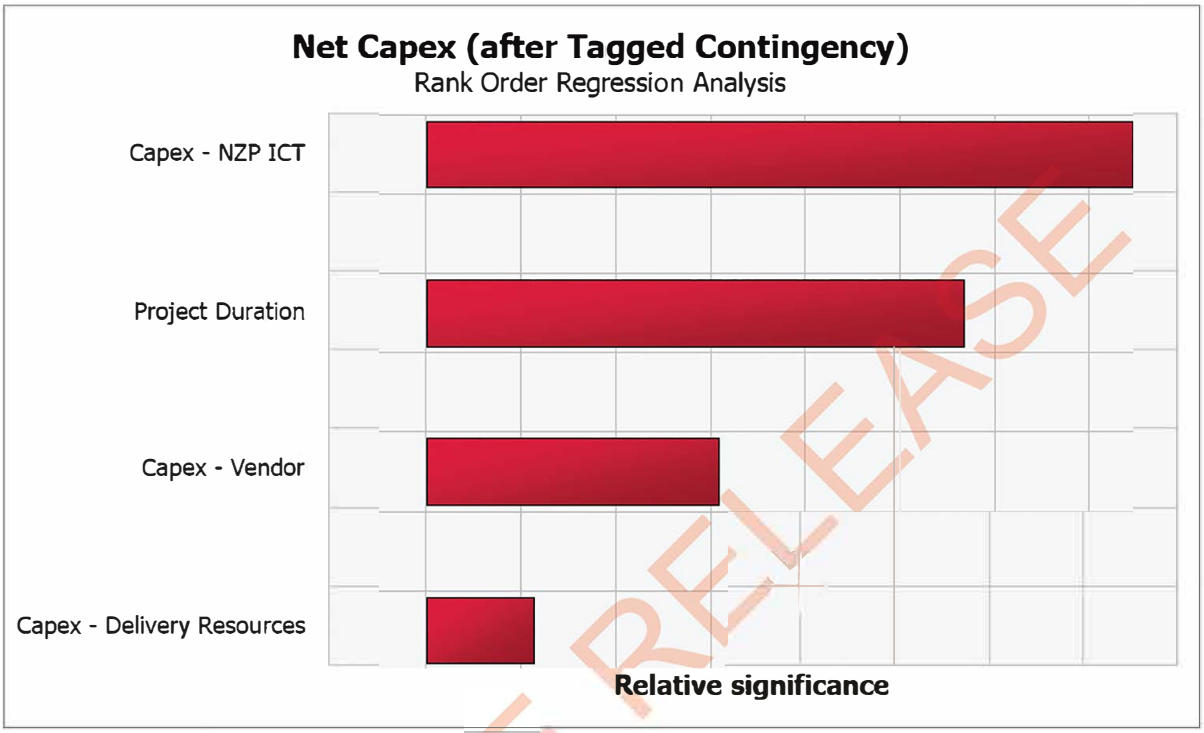
Figure 8: Net Capex cumulative distribution



3.9 Sensitivity analysis of Net Capex uncertainties

Th sensitivity analysis shows the relative significance of the net capital cost uncertaint es and is shown graphically in Figure 9. The dominant uncertainties affecting these results are the uncertainties in the NZ Police ICT resources required to deliver the solution and the project duration, and the results are also somewhat sensitive to the uncertainty in the vendor costs.

Figure 9: Sensitivity analysis of Net Capex

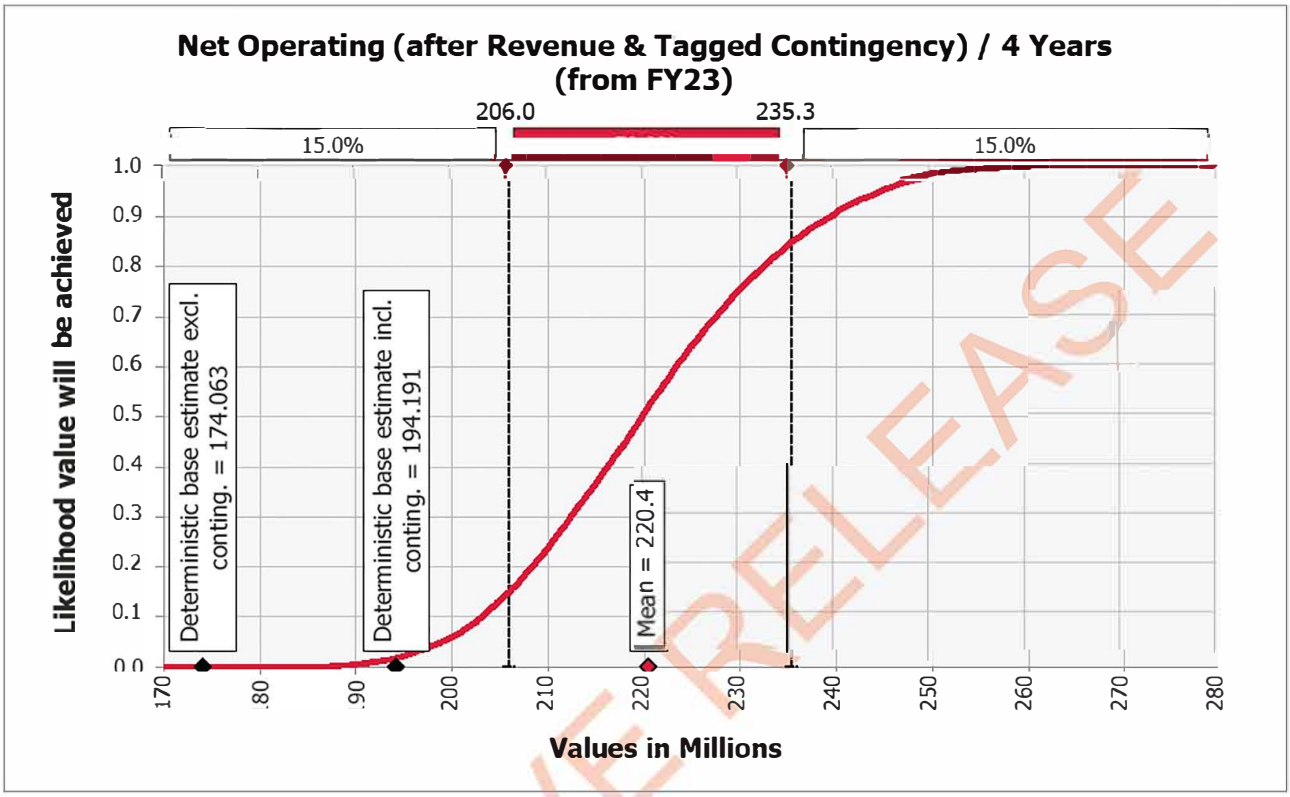


3.10 Distribution of Net Opex – 4 years

The result of the net operating cost (after revenue and tagged contingency) over 4 years simulation are shown graphically as a cumulative distribution in Figure 10 They show a mean value of $220.4 million which is $46.4 million or 26.6% above the deterministic base estimate value of $174.06 million excluding th contingency percentages in the deterministic base cost model, but including the "tagged contingency" sum. The "contingency at the mean" is therefore $46.4 million as there is an equal likelihood that the net operating cost over 4 years will be above or below the mean value of $220.4 million.

The 85th percentile of the net operating cost over 4 years distribution, a value that incorporates a significant extent of the uncertainty that has been modelled, is $235.3 million which is $61.2 million or 35.2% above the base estimate. There is an 85% chance that the net operating cost over 4 years will be below this value, and a 15% chance that it will be above it. The difference between the mean and the 85th percentile, a sum that is often held at a programme governance or Joint Minister level to be available if required, is $14.9 million.

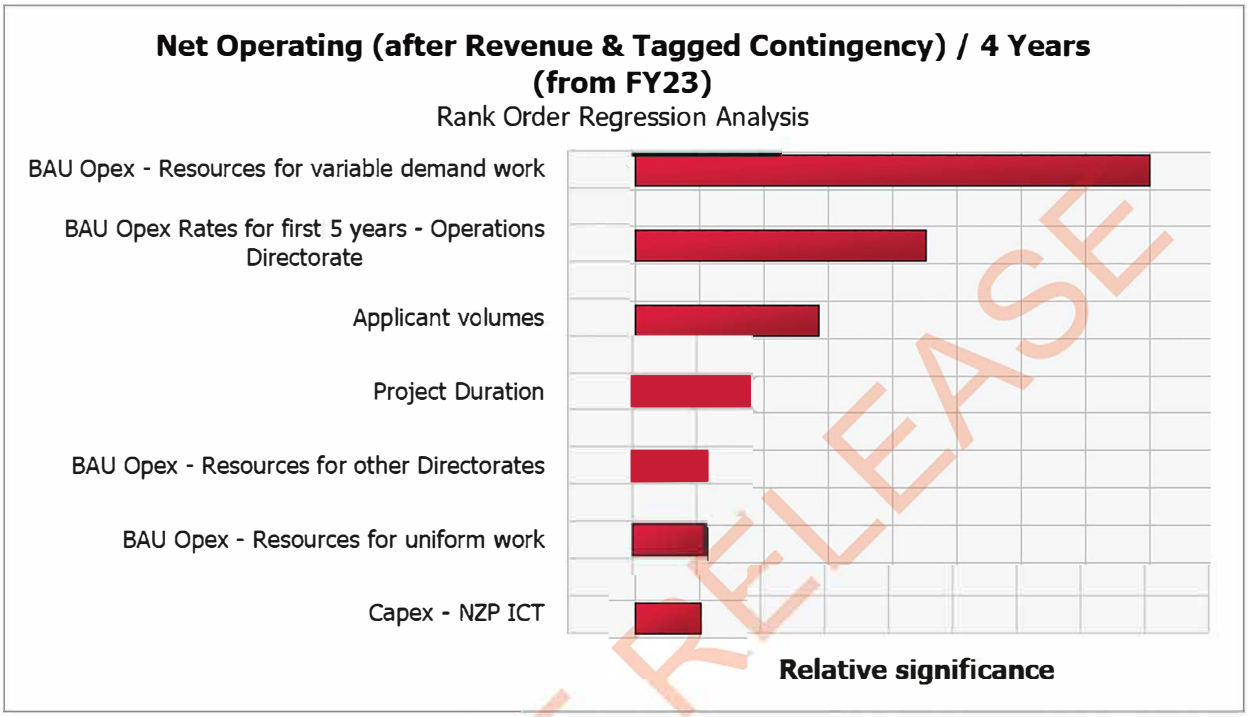
Figure 10: Net Opex – 4 years cumulative distribution



3.11 Sensitivity analysis of Net Opex over 4 years uncertainties

The sensit vity analysis shows the relative significance of the net operating cost o er 4 years uncertainties and is shown graphically in Figure 11. The dominant uncertainty affecting these results is the uncertainty in the BAU Opex resources for the variable demand work, and the results are also quite sensitive to the uncertainty in the BAU Opex salary rates, and somewhat sensitive to the uncertainties in the applicant, renewal etc volumes.

Figure 11: Sensitivity analysis of Net Opex over 4 years

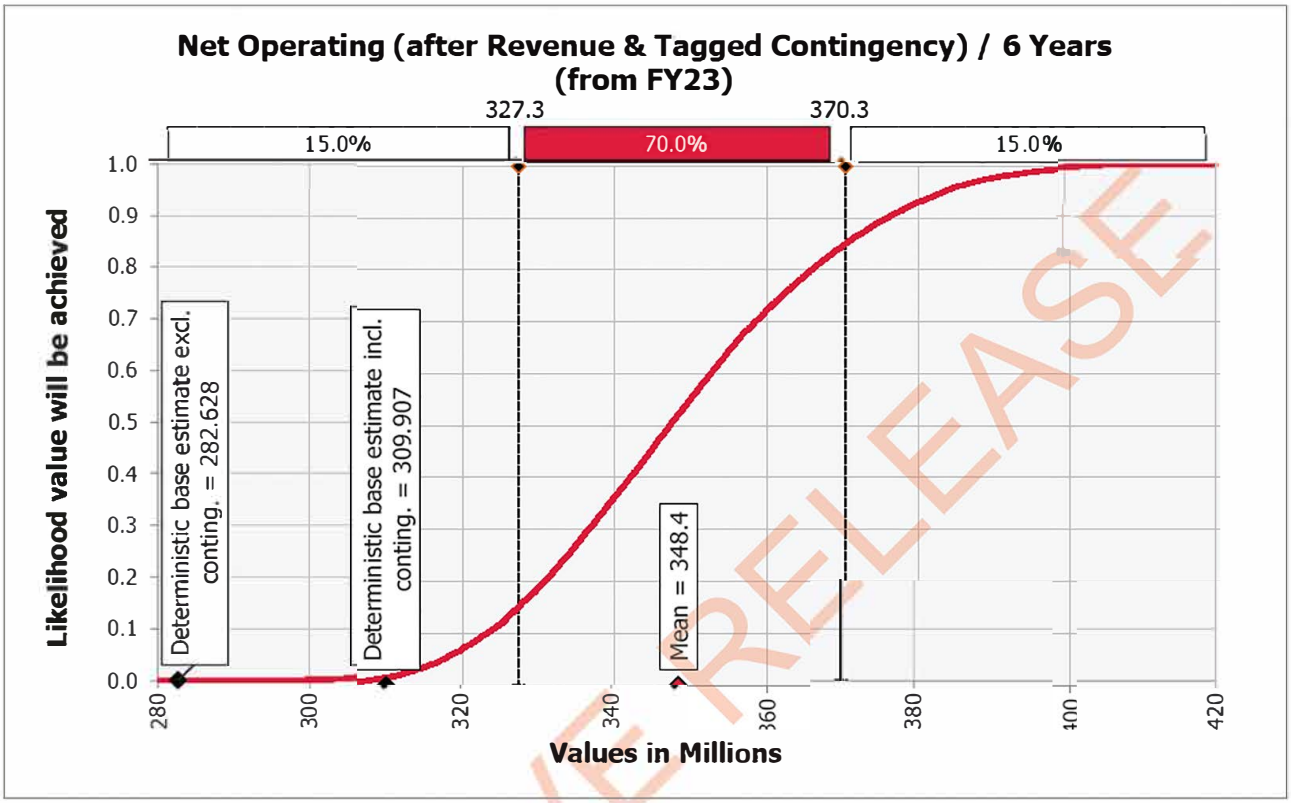


3.12 Distribution of Net Opex – 6 years

The results of th net operating cost (after revenue and tagged contingency) over 6 years simulation are shown graphically as a cumulative distribution in Figure 12. They show a mean value of $348.4 million which is $65.7 million or 23 3% above the deterministic base estimate value of $282.63 million excluding the contingency percentages in the deterministic base cost model, but including the "tagged contingency" sum. The "contingency at the mean" is therefore $65.7 million as there is an equal likelihood that the net operating cost over 6 years will be above or below the mean value of $348.4 million.

The 85th percentile of the net operating cost over 6 years distribution, a value that incorporates a significant extent of the uncertainty that has been modelled, is $370.3 million which is $87.7 million or 31.0% above the base estimate. There is an 85% chance that the net operating cost over 6 years will be below this value, and a 15% chance that it will be above it. The difference between the mean and the 85th percentile, a sum that is often held at a programme governance or Joint Minister level to be available if required, is $22.0 million.

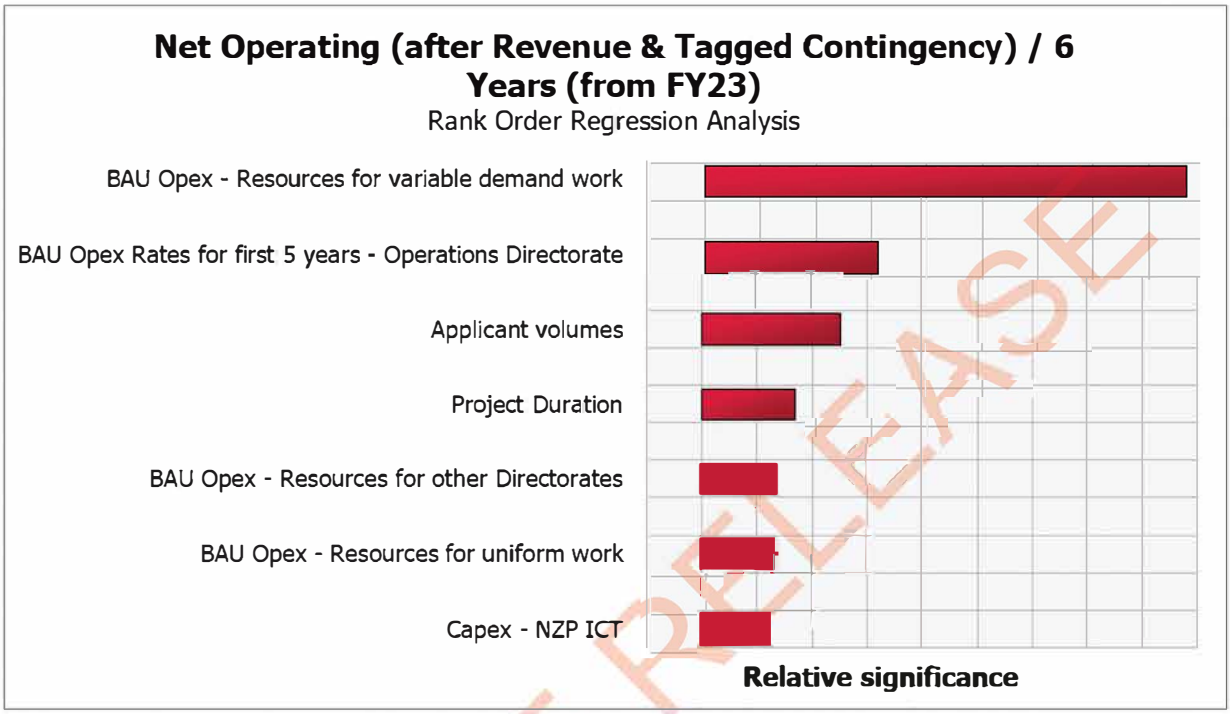
Figure 12: Net Opex – 6 years cumulative distribution



3.13 Sensitivity analysis of Net Opex over 6 years uncertainties

The sensit vity analysis shows the relative significance of the net operating cost over 6 years uncertainties and is shown graphically in Figure 13. The dominant uncertainty affecting these results is the uncertainty in the BAU Opex resources for the variable demand work, and the results are also somewhat sensitive to the uncertainties in the BAU Opex salary rates and to the applicant, renewal etc volumes.

Figure 13: Sensitivity analysis of Net Opex over 6 years

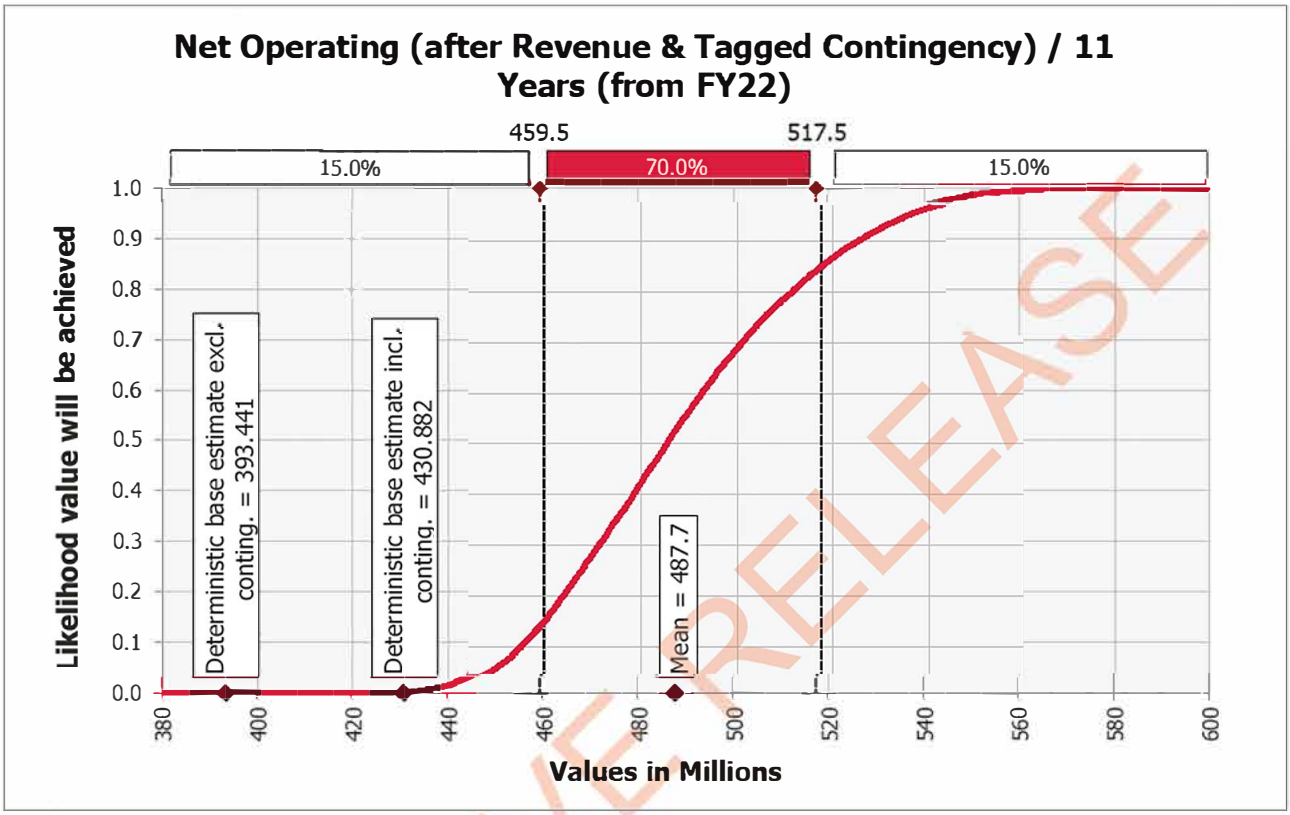


3.14 Distribution of Net Opex –11 years

The results of the net operating cost (after revenue and tagged contingency) over 11 years simulation are shown graphically as a cumulative distribution in Figu e 14. They show a mean value of $487.7 million which is $94.2 million or 23 9% above the deterministic base estimate value of $393.44 million excluding the co tingency percentages in the deterministic base cost model, but including the tagged contingency" sum. The "contingency at the mean" is therefore 94.2 million as there is an equal likelihood that the net operating cost over 11 years will be above or below the mean value of $487.7 million.

The 85th percentile of the net operating cost over 11 years distribution, a value that incorporates a significant extent of the uncertainty that has been modelled, is $517.5 million which is $124.1 million or 31.5% above the base estimate. There is an 85% chance that the net operating cost over 11 years will be below this value, and a 15% chance that it will be above it. The difference between the mean and the 85th percentile, a sum that is often held at a programme governance or Joint Minister level to be available if required, is $29.9 million.

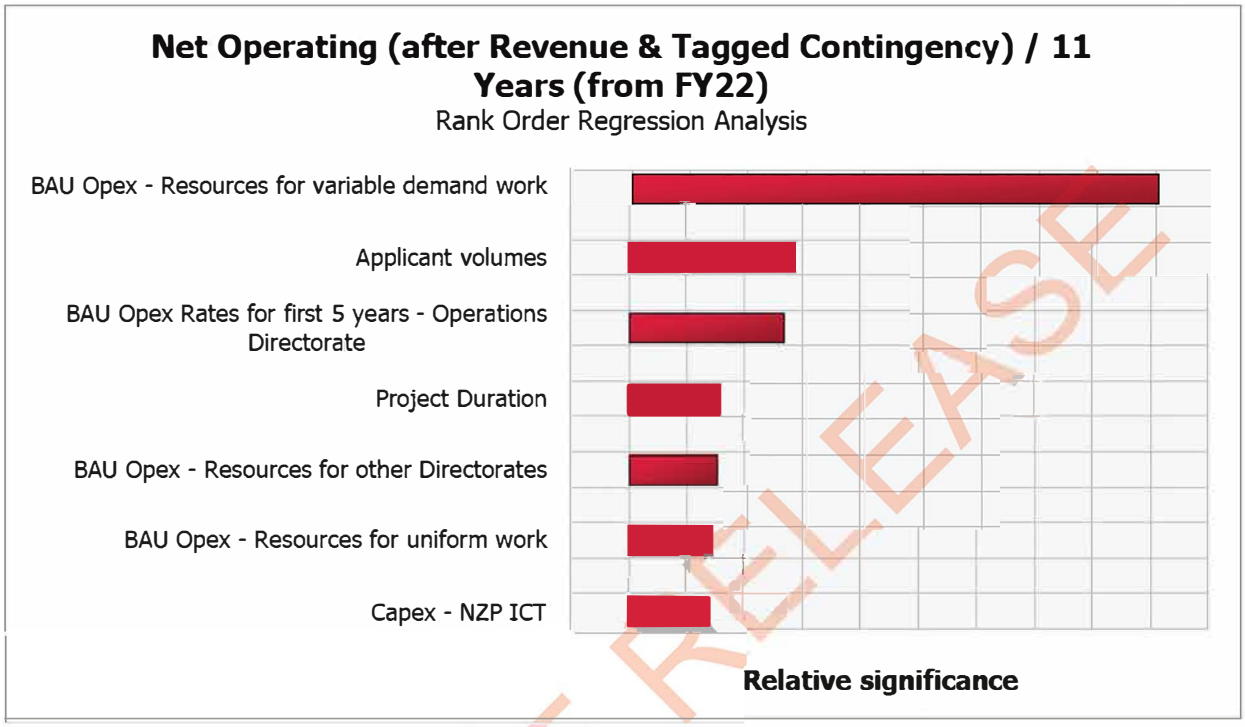
Figure 14: Net Opex – 11 years cumulative distribution



3.15 Sensitivity analysis of Net Opex over 11 years uncertainties

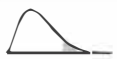
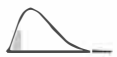
The sensitivity analysis shows the relative significance of the net operating cost over 11 years uncertainties and is shown graphically in Figure 15. The dominant uncertainty affecting these results is the uncertainty in the BAU Opex resources for the variable demand work, and the results are also somewhat sensitive to the uncertainties in the applicant, renewal etc volumes and to the BAU Opex salary rates.

Figure 15: Sensitivity analysis of Net Opex over 11 years



4 Appendix A: Uncertainty data

Data table 1: BAU Opex – resources required for uniform work for Operations Directorate

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith, s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA Cha lotte Nicholson
Assumptions Includes certifying clubs and ranges, plus the capability for compliance & enfor ement in the new legislative requirement, as well as the existing regulatory functions. Estimate ssumes that the positions can be filled.	
Status of work to date Bottom-up resource-based estimate for ~185 FTEs, most y band D positions.	
Sources of uncertainty Availability of the required expertise. Resour e levels required to deliver the outcomes intended by the legislation. Resources levels required for the egistry and the certification of clubs and ranges. New definition of an arms dealer will capture an uncertain extra number of people. How often changes of address etc need to be second-checked.	
Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate:

Sc nario	Forecast (+/-% or actual values)	Notes
Credible Worst Case	+10%	
Credible Best Case	As estimated	
Pessimistic (1 in 10)	+7.5%	
Optimistic (1 in 10)	+2.5%	
Most Likely	+5%	

Data table 2: BAU Opex – variable demand-driven resources for Operations Directorate

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA, Charlotte Nicholson

Assumptions

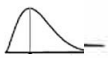
Historical level of demand assumed to continue in the future. ~8 hours assumed per application including travel time, with some efficiencies being achieved over time.

Status of work to date

Bottom-up resource-based estimate (~199 to 251 peaking in 25/26)

Sources of uncertainty

Effort required to service the demand (efficiency). Number of appl cations (separately modelled). Covid-19 restrictions effect on efficiency. Licence-holder behaviours Future risk appetite on the licencing approach (e.g., how often second checks are do e on changes of address, profiling of licence holders). How referees will be interviewed (in person or on-line). Technology benefits do not eventuate in reality.

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario descript on	

Range estimate

Scenario	Fo ec st	Notes
Wors	+50%	
Best	-15%	Operating model improves efficiency in addition to the technology benefit
Pessimistic	+33%	
Optimistic	As estimated	
Likely	+10%	

Data table 3: Volume of licence applicants

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith, s.9(2)(a) OIA Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA, Charlotte Nicholson

Assumptions

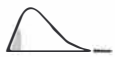
Current licence holders will renew. Demand over time increases and then falls as existing licences expire.

Status of work to date

Volume of applicants using historical trend. Costed using the number of new appl ca ions, the number of renewals, and the number who decide not to renew.

Sources of uncertainty

Societal trends (hunting etc). Population increases over time Effec of changes to regulatory environment on the level of demand. Demographic effect (he licence-holder cohort is ageing). Effect of fee changes (separately modelled). Number of e isting icences that are revoked and the number of new applicants who are refused. Prevalenc of disqualifying offences and Firearms Prohibiting Offences.

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate

Scenario	Fo ecast	Notes
Worst	+10%	
Best	-15%	
Pessimistic	+5%	
Optimistic	-10%	
Likely	-5%	

Also apply this range to the Third-party revenue line when the simulation value is negative (if it is positive, the Crown-funded revenue would correspondingly reduce).

Data table 4: BAU Opex rates – Operations Directorate

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith, s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA, Charlotte Nicholson

Assumptions

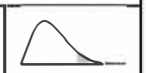
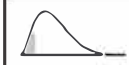
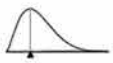
Profile of bands used and the rates used for each band. Mid-points used in model. 50% of recruitment assumed to use agencies. No contractors assumed in BAU.

Status of work to date

Current rates used in model

Sources of uncertainty

Level of churn and its effect on recruitment fees and delays in filling roles St te of the employment market. Number of contractors used.

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate

Scenario	Forecast	Notes
Worst	+25%	
Best	As estimated	
Pessimistic	+15%	
Optimis ic	+5%	
L kely	+10%	

Appl ed to first 5 years only, as after then, the churn will be handled by the reduction in staff needed. 5% contingency in base model removed.

Data table 5: Transition opex resources

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith, s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA, Charlotte Nicholson

Assumptions

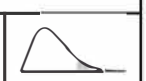
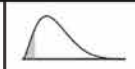
Covers the delivery programme (workstreams 1 to 4) and dealing with the backlog and othe risk mitigation work. Almost all will be contractors. Includes change management, training etc.

Status of work to date

Bottom-up model of the number and type of resources based on previous experienc of transformation programmes. ~50 in the delivery and ~58 in the risk mitigation (acklog, data cleansing etc)

Sources of uncertainty

Resourcing assumed to be required to deliver the programme and deal with the backlog, cleanse the data etc may be different to the assumptions, pa ticu arly in areas such as HR. The backlog may not be dealt with in the timeframe assumed.

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate

Scenario	Forecast	Notes
Wo st	+1 %	Prioritisation of tasks mitigates the worst case outcome
Best	As estimated	The costs become BAU sooner, but does not affect overall cost
Pessimistic	+10%	
Optimistic	+2.5%	
Likely	+5%	

Data table 6: BAU Resources – Other Directorates (Business Services & Exec & Partnerships)

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA, Charlotte Nicholson

Assumptions

Organisation structure & capability required to manage the delivery of the outcomes, including policy, partnerships, etc. Central functions within Police will deliver the required business support functions. Includes an uplift to deliver the requirement. Ramps up next year and th n remains constant.

Status of work to date

Bottom-up estimate of resources.

Sources of uncertainty

The service levels able to be provided by Police's cen ral functions may not be sufficient to deliver the required outcomes of the programme. The uplift n resourcing may not be sufficient.

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate

Scenario	Forecast	Notes
Wo st	+40%	
Bes	As estimated	
Pessimistic	+33%	
Optimistic	+15%	
Likely	+25%	

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Data table 7: Capex - Vendor

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith, s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA, Charlotte Nicholson

Assumptions

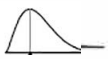
High level scope and requirements provided to vendor. Delivery has to be delivered by June 23, and the vendor costs tail off over the subsequent 3 months. T&M contract. Configurable product designed for a regulatory requirement.

Status of work to date

Based on RFP process and the preferred vendor.

Sources of uncertainty

Scope uncertainty. Requirements may change as the programme p ogre ses. Vendor lack of familiarity with the Police environment. Complexity of business rules may drive additional work. Duration (modelled separately)

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate

Scenario	Fo ecast	Notes
Worst	+100%	
B st	As est mated	
Pessim stic	+50%	
Optimistic	+10%	
Likely	+25%	

Data table 8: NZ Police ICT

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith, s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA Charlotte Nicholson

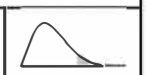
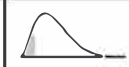
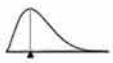
Assumptions

Covers services (changes to NIA, end-to end and vendor solution testing, data migration etc). Development environment is the vendor's cost. Contractor rates assumed apart from NIA.

Status of work to date

$11m based on resource level and required effort. 50% contingency included for NIA changes and 25% for Registry (not included in the $11m figure)

Sources of uncertainty

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate

Scenario	Forecast	Notes
Worst	+50%	Not including the contingency sums
Best	-15%	
Pessimistic	+33%	
Optimis ic	As estimated	
L kely	+20%	

Data table 9: Capex – Delivery resources

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith, s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister s.9(2)(a) OIA, Charlotte Nicholson

Assumptions

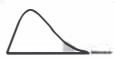
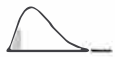
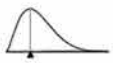
Covers programme management, project management, analysis, support of the capital cost aspects of the programme

Status of work to date

Bottom-up estimate of ~35 resources

Sources of uncertainty

Duration (modelled separately). Scope of work required may change. Vendor work level uncertainty also reflected in the delivery resources. Vendor management may require extra resources.

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate

Scenario	Forecast	Notes
Worst	+50%	
Best	-15%	
Pessimistic	+25%	
Optimisti	As estimated	
Lik ly	+15%	

Data table 10: Duration for Transformation Delivery

Area	Participants
Date 3 Dec 2021	Jo Priddle, Craig Miller, Richard Wilson, Mike McIlraith, s.9(2)(a) OIA, Martin Smit, Phil Hanlon, Martyn Callister, s.9(2)(a) OIA, Charlotte Nicholson

Assumptions

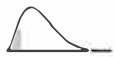
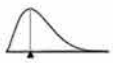
January 22 to Dec 23, with a tail-off of resources after June 2023. No major scope changes.

Status of work to date

Schedule is driven by a legislative requirement to implement the Registry by June 2023.

Sources of uncertainty

Choice of minimum viable product as at June 2023, which may require additional work to be done beyond then to delivery the full requirement. Other competing priorities within Police ICT and the environments.

Pessimistic scenario description	
Optimistic scenario description	
Likely scenario description	

Range estimate

Scenario	Forecast	Notes
Worst	+12 months	
Best	- 3 months	
Pessimistic	+6 months	
Optimis ic	As estimated	
L kely	+3 months	

Appl ed to 50% of Transition Opex (Workstream 2), and 40% of the IT-related capital costs on the basis tha somewhat less than half of this cost is duration-dependent

5 Appendix B: Summary of uncertainty ranges used in the model

Table 2: Cost uncertainty range summary

Uncertainty	Optimistic	Most Likely	Pessimistic	
BAU Opex - Resources for uniform work in Operations Directorate	2.5%	5.0%	7.5%	(relative)
BAU Opex - Resources for variable demand work in Operations Directorate	0%	10%	33%	(relative)
BAU Opex - Resources for other Directorates	15%	25%	33%	(relative)
BAU Opex Rates for first 5 years - Operations Directorate	5%	10%	15%	(relative)
Transition Opex - Resources	2.5%	5%	10%	(relative)
Applicant volumes	-10%	-5%	5%	(relative)
Capex - Vendor	10%	25%	50%	(relative)
Capex - NZP ICT	0%	20%	33%	(relative)
Capex - Delivery Resources	0%	15%	25%	(relative)
Project Duration	0	3	6	(absolute - additional months)

6 Appendix C: Detailed simulation results

Table 3: Detailed simulation output statistics

Name	Total Investment - 4 years	Total Investment - 6 years	Total In estment 11 years
Description	Output	Output	Output
Cell	'Financial Output'!D74	'Financial Output'!E74	Financial Output'!F74
Minimum	268,160,169	430,124,773	638,521,890
Maximum	367,580,372	564,261,140	808,757,941
Mean	314,069,514	492,929,392	711,453,393
Std Dev	14,473,865	20,782,931	27,553,260
5% Perc	291,279,426	460 551,907	670,416,453
10% Perc	295,903,454	466,643,703	677,600,657
15% Perc	298,921,927	470,999,188	682,834,995
20% Perc	301,397,633	474,801,310	686,715,267
25% Perc	303,696 747	477,943,904	690,444,208
30% Perc	305,729,011	480,642,870	694,584,856
35% Perc	307,818,327	483,731,458	698,121,363
40% Perc	309 682,875	486,408,610	701,764,089
45% Perc	311,569,485	489,121,429	705,550,390
50% Perc	313,367,495	491,894,314	708,861,854
55% Perc	315,216,425	494,537,564	712,628,128
60% P rc	317,261,803	497,406,933	716,511,771
65% Perc	319,243,114	500,235,639	720,529,738
70% Perc	321,419,490	503,522,515	725,276,812
75% Perc	323,775,420	506,990,077	729,849,553
80% Perc	326,547,313	510,994,692	735,604,087
85% Perc	329,626,909	515,623,262	742,074,533
90% Perc	333,726,242	521,271,535	749,722,065
95% Perc	338,830,975	528,812,911	760,590,037

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Name	Net Capex	Net Opex - 4 years	Net Opex - 6 years	Net Opex - 11 years
Description	Output	Output	Output	Output
Cell	'Financial Output'!D72	'Financial Output'!D69	'Financial Output'!E69	'Financial Output'!F69
Minimum	9,208,528	179,233,695	290,455,954	416 683,809
Maximum	22,998,556	270,392,369	417,363,363	582,552,728
Mean	15,762,991	220,421,578	348,356,536	487,653,264
Std Dev	2,043,971	13,797,789	20,015,882	26,841,644
5% Perc	12,412,824	198,905,197	317,275,719	448,113,140
10% Perc	13,067,169	203,091,241	323,072 080	454,643,032
15% Perc	13,592,320	205,968,921	327 293,923	459,483,674
20% Perc	13,977,012	208,339,337	330,667,748	463,473,004
25% Perc	14,343,446	210,411,408	333,759,178	467,325,834
30% Perc	14,648,703	212,327,837	336,510,383	470,873,802
35% Perc	14,939,228	214,326,514	339,255,184	474,592,717
40% Perc	15,221,322	216 151,463	341,928,451	478,190,363
45% Perc	15,483,267	218,080,509	344,641,701	481,557,680
50% Perc	15,73 ,444	219,743,795	347,178,067	485,184,716
55% Perc	15 996,355	221,475,855	349,876,558	488,688,630
60% Perc	16,277 839	223,284,422	352,640,616	492,478,616
65% Perc	16,554,047	225,281,059	355,358,570	496,500,549
70% Perc	16,865,291	227,421,978	358,452,779	500,913,147
75% Perc	17,202,514	229,644,718	361,946,381	505,653,460
80% Pe c	17,549,722	232,408,937	365,851,538	511,406,953
85% Perc	17,932,423	235,295,291	370,349,329	517,532,137
90% Perc	18,401,949	239,329,541	375,782,009	525,102,593
95% Perc	19,156,881	244,340,679	383,217,902	535,383,649

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