

BRIEFING FOR THE MINISTER OF POLICE			
Priority	<input checked="" type="checkbox"/> Urgent <input type="checkbox"/> Time-Sensitive <input type="checkbox"/> Routine		
Title	Draft Cabinet paper – options for firearms regulatory entity		
Date	9 March 2021	Ref	BR/21/27

Recommendations

Police recommends that the Minister of Police:

- a) note the attached draft Cabinet paper and Indicative Business Case about effective administration of the Arms Regulatory system have been provided to assist with your Ministerial colleague consultation ahead of consideration by the Cabinet Social Wellbeing Committee on 24 March 2020
- b) note a number of matters have been raised through agency consultation, as set out in this briefing
- c) agree to a meeting with officials to discuss the Cabinet paper and options further in person. Yes/No

Minister's comments and signature

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Hon Poto Williams
Minister of Police

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Draft Cabinet paper – options for firearms regulatory entity

Purpose

1. You will shortly begin Ministerial consultation on the already provided Cabinet Social Wellbeing Committee (SWC) paper entitled “Effective administration of the Arms Regulatory system” and related Indicative Business Case.
2. This briefing highlights some issues that have been raised through agency consultation and provides some further advice on the options.

Background

3. In November 2020, Police provided an introduction and overview of your required Cabinet report back on options for a new regulatory entity for administering the Arms Act 1983 and related funding matters [BR/20/08PW].
4. Subsequent to cross-party consultation and negotiation with the New Zealand First party seeking support for passing the Arms Legislation Act 2020, the previous Minister of Police agreed to establish an independent regulatory entity to take over firearms licensing and administrative regulatory functions. In June 2020, Cabinet noted this agreement and invited the Minister of Police to report-back to Cabinet on options for an independent regulatory entity. Since that time, Police has provided informal feedback on its concerns with the proposed approach.
5. The previous Minister of Police agreed that four options (options 1 to 4) should be analysed further, to be compared to option 5 (the enhanced status quo where Police is implementing a new operating model).

	Option 1 PSD/Police	Option 2 DA/DA	Option 3 Police/CA	Option 4 PSD/CA	Option 5 enhanced status quo
Policy advice and system oversight	Public Service Department (PSD) (such as MOJ)	Departmental agency (DA) within PSD	Police	PSD	Police
Administration (including operational policy and service delivery)	Police (in a branded Business Unit)	DA within PSD	Crown agent (CA)	Crown agent (CA)	Police
Policing services	Police	Police	Police	Police	Police

6. Police contracted Deloitte to undertake analysis and provide professional, independent advice leading to an Indicative Business Case (IBC). The IBC sought to identify the characteristics of an effective firearms regulator, how this may be delivered in an operating model, and what that new operating model looks like across the five options.

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7. The IBC identified that two options scored well against critical success factors. These were Option 3 (a new Crown Agent for administrative regulatory functions) and Option 5 (the enhanced status quo).
8. Under both options, the policy and system oversight functions remain with Police. This means Police would continue to advise you on the Arms regulatory system, and continue to be responsible for regulatory and legislative development, as well as informing you of Arms policing matters.
9. Your office indicated your preference for progressing Option 3 (new Crown Agent) and the Cabinet paper has been developed on this basis.

Agency feedback

10. The Treasury and Te Kawa Mataaho, the Public Service Commission (PSC) do not support the new Crown Agent option.
11. PSC opposes the proposal to create a new Crown entity. PSC consider that placing the licensing and permitting functions further from Ministers, as would be the case with a Crown Agent, increases the risks associated with the firearms system. Activities such as granting firearms licences and permits for importation and purchase of firearms entail high risk to life and security and require close linkages with the intelligence system. They cannot be cleanly separated from Police, given Police's essential role in vetting, on the spot compliance and enforcement. This is even more important in the wake of the Christchurch terrorism event.
12. PSC agree that having all Arms Act related functions located in Police may create some public perception issues and also that the system needs significantly more dedicated resourcing and focus. PSC have been working with Police for some time on the question of what elements of the Arms Act system it would be sensible to place with other agencies and how. PSC's first preference is for the strategy and policy around firearms, including oversight of the overall performance of the regulatory regime, to move out of Police (option 1 in the paper). PSC's view is that oversight on such an important topic would be best situated in a Public Service Department. This would enable Police to focus on providing advice to Ministers on the operational issues and risks relating to the system. PSC also see opportunities to strengthen oversight of the system, for example through ring-fencing funding so it can be separately planned and scrutinised as it is for road policing.
13. The Treasury does not support the proposal to create a new Crown entity for firearms regulation. The Treasury acknowledge the importance of ensuring a degree of independence for the regulator, but consider that this could be achieved through establishing a Branded Business Unit within Police (Option 5 in the paper), and ring-fencing funding in a separate appropriation.
14. Treasury share Te Kawa Mataaho Public Service Commission's concerns about operational and security risks and consider that those risks outweigh any benefits from statutory independence.

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15. In addition, the Treasury do not consider that a new Crown entity would deliver good value for money. A Crown Agent will cost fee payers and the Crown \$12 million more in transition costs than a Branded Business Unit, and an additional \$10 million per annum in marginal costs, primarily due to losing economies of scale and having to establish new back-office functions. The Treasury consider that this additional funding would be better utilised by improving the effectiveness of the regulator on the ground, particularly as this function is partly cost-recovered from users.
16. Ministry of Justice officials consider there is benefit in further discussions with other agencies about where the policy and system oversight function should sit, including the optimal level of independent oversight, and the appropriateness of the firearms policy function being held in a non-Public Service Department (such as Police).

Police response to the policy and system oversight functions comments

17. At present, the Cabinet paper is drafted on the assumption that Police will keep the policy and system oversight function under both the new Crown Agent option (Option 3) and the enhanced status quo (Option 5). As indicated, the former Minister of Police sought further analysis on all five options but did not seek any specific advice about moving the Policy function from Police. Options 3 and 5 scored most highly against the assessment criteria in the IBC.
18. You will note that Option 4 proposes a new Crown Agent with policy and system oversight moving to a Public Service Department such as Justice. Likewise, Option 1 is similar to Option 5 (the enhanced status quo) except that policy and system oversight moves from Police.
19. Police's view is that the reform of firearms legislation undertaken during 2019 and 2020 would not have been possible at that pace and quality if the policy function was separated from the operational knowledge held by Police. Police would also argue that the separation of the Policy function within Police enables critical analysis of operational experience and proposals informed by standard, neutral policy analysis.
20. Any proposal to separate the policy and oversight functions should take account of lessons learned from the Royal Commission report from the decentralised model of the counter-terrorism system. This manifested in operational policy or threat assessments being provided to Ministers in isolation from strategic policy.
21. If you wish to explore the option of moving policy and system oversight functions from Police, we recommend that decision be removed from the current Cabinet paper. Once further consultation between officials and Ministers occurs on this matter, we could return to Cabinet for confirmation on this point. This could occur at the time that Cabinet approval is sought for the policy proposals to enable drafting the Amendment Bill (assuming Cabinet determines to establish the Crown Agent and move relevant decision making). The draft Cabinet paper would be amended to address such a decision.

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22. If you do not wish to explore the option of moving policy and system oversight functions from Police, the paper can note this.
23. The attached draft Cabinet paper has alternative text addressing both of these options.

Police response to the administrative functions comments

24. Police fully recognises, and has publicly acknowledged that, in the past, it has failed to effectively manage the regulation of the risk of firearms, as identified in the Royal Commission Inquiry into the Terrorist Attack on Christchurch Mosques. Police had identified weaknesses in its delivery prior to the attacks and had established a significant improvement programme. Police had, over a number of years, diverted other policing resources to its firearms regulatory function, but not to the extent necessary.
25. Police has sought to increase funding from central government and through cost recovery but been almost entirely unsuccessful. The IBC suggests expenditure of around \$50m per year is required to effectively regulate the risks associated with firearms compared to an average expenditure of around \$8.1m per year in recent years. Police considers that the most significant improvement in regulatory controls and risk management will derive from increasing the capacity and capability of the response through funding, not by its institutional form.
26. The Arms Act is designed to allow the safe use of firearms while controlling and mitigating against their misuse. Decisions on the issue of a licence, and control at import sale and transfer are important critical control steps and rely on information obtained through interview or audit of activity and records. Access to this type of information is not unique to Police. However, Police, through its core operational functions hold additional intelligence which informs overall risk assessment of individuals (for example to inform fit and proper assessment at point of licence application, or for consideration of the need to revoke a licence) and of patterns of risks associated with inappropriate and unlawful use of firearms.
27. Sharing of information between agencies can be arranged, for example under an Approved Information Sharing Agreement. But sharing of intelligence to a non-government, Crown Agent would, in practice, be problematic. Much of the information is private, sensitive intelligence drawn from policing activities. Individual elements of that information are unlike administrative information held by other agencies. Police may be reluctant to share intelligence (such as association with known offenders) that may be sufficient to generate further investigation, but which may not *in itself* be sufficient to warrant a person being considered not fit and proper to hold a firearms licence. In addition, sharing such information may compromise Police investigations.
28. The Cabinet paper notes that while the complexity of implementation and delivery risk is higher for the new Crown Agent option (Option 3), these matters may not be insurmountable. The new Crown Agent will bring a dedicated regulatory focus to managing and mitigating the risks associated with the possession and use of firearms in New Zealand. On paper, these issues seem

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relatively easily managed, but Police's experience is that potential institutional trust and confidence issues and complexities relating to intelligence lead to significant risk.

29. Police note there are some further implications that could inform the decision taken:
- **Future operational complexity:** Having a new Crown Agent will result in a more complex operating environment, with an organisational split between the Arms administrative functions and Police operational activities. Timely information sharing will have a direct impact on the risk to safety of frontline Police (if immediate and live information on firearms ownership and use is not available) and on the effectiveness and timeliness of regulatory responsibilities.
 - **Independence:** Police recognises a call for a more independent firearms function, particularly from a very vocal firearms community that in large part rejected the Government's prohibition of most semi-automatic firearms and reform of the regulatory system. However, it is not entirely clear who the community seeks independence from. Government will always retain responsibility for the design and operation of the firearms regulatory system. It would be inappropriate to regulate the inherently risk firearms marketplace from Government control. Option 5 separates administrative functions (such as licensing and arms management) from the day-to-day Policing services (including responding to firearms related events). Police agrees with PSC and Treasury that separation of the firearms regulatory responsibilities in a Branded Business Unit with separate financial reporting would be sufficient to ensure a dedicated focus and transparency of monitoring and financial arrangements separate from the remainder of Policing services.
 - **Arms Expertise:** Many of the firearms staff are long term Police employees. There is a risk that subject matter experts may wish to remain employed by Police (particularly the constabulary staff) and not transfer to a new Crown Agent. Consequently, this could create capability building challenges for the new Crown Agent.
 - **Information Technology Integration:** Both options are highly dependent upon the safe real-time sharing of information. There is an issue that information systems shared between Police and a separate Crown Agent will require greater security controls and privacy assurance in order to ensure only those who have the authority can access highly sensitive information.
 - **Establishing the Entity:** Structural separation through setting up the Branded Business Unit within Police can begin immediately, whereas organisational separation through setting up a Crown Agent requires more significant activities (including primary legislation) which will likely take up to 24 months.

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30. If a decision is taken for Police to retain the regulatory functions, Police could undertake certain steps to increase independence, transparency and priority.
- Arms administrative regulatory functions will be structurally separated within Police in a Branded Business Unit.
 - A dedicated Executive Director (non-sworn) will be appointed to lead the Branded Business Unit. The Executive Director's sole focus will be on effective and consistent administration of the regulatory system. This may assist in public perception of the regulator being independent from day-to-day policing activities.
 - Funding will be provided through a dedicated appropriation with its own Output Class. This will assist with transparency of activity, performance monitoring. This will ensure there can be no perception that funding for Arms Regulation is used for other Police purposes.
 - Greater accountability and transparency of administration will be assisted by the soon to be established Minister's Arms Advisory Group who can monitor performance and provide independent advice on all aspects of the system.
 - The planned three-year statutory review (arising from the Arms Legislation Act 2020) can include review of the delivery of the regulatory system.

Next Steps

31. We understand you are consulting your Ministerial colleagues on the draft Cabinet paper, beginning with the Minister for the Public Service and the Minister of Finance. We also understand you are meeting with the Public Service Commission.
32. Following these meetings Police is happy to meet to discuss these issues with you, or to take your direction on whether you seek any amendments to the draft Cabinet paper.
33. We then intend to update the Cabinet paper following feedback from wider Ministerial consultation and provide a final version to you prior to lodging on Thursday 18 March for the Wednesday 24 March SWC meeting.
34. If discussions require more time than this provides, the following SWC meeting is on 10 April (to be lodged on 4 April).

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35. A draft press release will be provided with the final version of paper, to enable the decision to be announced at the appropriate time.

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Appendix One: Draft Cabinet paper: “Effective Administration of the Arms Regulatory system”

PROACTIVE RELEASE

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Appendix Two: Arms Regulatory Entity Indicative Business Case

PROACTIVE RELEASE

In Confidence

Office of the Minister of Police

Chair, Cabinet Social Wellbeing Committee

Effective administration of the Arms Regulatory system

Proposal

1. This paper:
 - 1.1 seeks an initial investment for implementation of recent legislative changes and wider improvements to the administration of the Arms Regulatory system to protect the public from the harm that may be caused by the misuse of firearms; and
 - 1.2 reports back to Cabinet on options for an independent regulatory entity to take over accountability for some of the Arms Act 1983 (the Arms Act) regulatory functions, and recommends that a new Crown Agent is established to take over the administrative regulatory functions.

Relation to government priorities

2. The proposals in this paper contribute to the Government priority of supporting healthier, safer, and more connected communities. The proposed investment ensures the public safety objectives of the Arms Regulatory system are being met.

Executive Summary

3. The Arms Act provides a regulatory framework 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, not a right, 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 system. The events of the March 15 Christchurch Mosque attacks brought into stark relief weaknesses in both the administration of the Arms Regulatory system and weaknesses in relevant legislation.
4. This paper seeks endorsement of an independent Indicative Business Case (IBC) which has confirmed the scope of change required and an indicative level of investment needed to improve the administration of the Arms Regulatory system. This includes the indicative investment needed to effectively implement the recent legislative changes, make wider improvements to enhance public safety, and to establish a new Crown Agent to undertake the administrative regulatory functions under the Arms Act.
5. Agreement is sought to draw-down a previously agreed firearms tagged contingency [CAB-20-MIN-0155.26 Revised] to assist with funding on-going initial improvements to the Arms Regulatory system and to establish the new Crown Agent.

6. The new Crown Agent will undertake the administrative regulatory functions under the Act, such as licensing, arms management, checking security, permitting of imports, permitting of high risk arms items, and compliance activities. Police will retain policy and system oversight functions, and continue Policing services, such as responding to firearms related events, seizing firearms, and recovery of stolen items.
7. The next step is to begin transition activities which include establishing the Crown Agent. A Detailed Business Case will be developed to confirm the implementation requirements, and present more detailed operating model design, including the establishment and operation of the new Arms Registry. The Business Case is also required to finalise cost recovery options.

Background

The Arms Regulatory system is primarily concerned with public safety

8. The Arms Act provides a regulatory framework 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, not a right, and allows fit and proper people to possess firearms for legal purposes (such as for business, food gathering, and recreational or sporting purposes) while mitigating the risk of misuse by placing limitations at critical control points in the system. Police currently acts as both a regulator and a law enforcement agency within the system.

Firearms are used throughout our community

9. The Arms Regulatory system supports around 248,000 arms licence holders and 485 licensed dealers to safely use or buy and sell firearms within our community. From 2009 to 2018 an average of 8,100 first-time licence applications were received and 23,755 licence applications from previous licence holders were processed annually. As at February 2016 there were an estimated 1.2 million arms legally held in New Zealand. In 2018, 4,813 import permits were issued and an estimated 55,000 arms are imported per year. On average, there are 600–800 online firearm related transactions per month related to arms in Trade Me alone. There is currently no data source to confirm how many private and retail sales of arms take place outside of this single trading platform.

Weaknesses in the administration of the Arms Regulatory system have been identified

10. The events of March 15 brought into stark relief weaknesses in both the administration of the Arms Regulatory system and weaknesses in relevant legislation. Most of the legislative weaknesses have been addressed through the Arms (Prohibited Firearms, Magazines, and Parts) Amendment Act 2019 and the Arms Legislation Act 2020. Additional changes to legislation and regulations have more recently been recommended in the Royal Commission of Inquiry into the terrorist attack on Christchurch mosques on 15 March 2019 (the RCOI).
11. Over the past few years, Police itself has also identified weaknesses in its administration of the system. As a consequence, Police began in 2016 and continues to deliver an ongoing improvement programme, with a recognition that

ultimately a new operating model is required to achieve the public safety objectives of the Arms Regulatory system.

12. Recommendations 19 to 24 about strengthening the licensing system from the RCOI were agreed in principle by Cabinet [CAB-20-MIN-0516]. These recommendations have been, or are going to be, implemented. These changes, and wider improvements, will result in a more efficient and effective risk-based firearms licensing system, introduce comprehensive performance indicators, and improve public confidence in the firearms licensing system.

Increased investment is required for effective administration to meet public safety objectives

13. In recognition of the increased regulatory requirements that arose from the recent legislative changes, including investment in the new Arms Registry, 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. The drawdown of this tagged contingency was subject to Cabinet approval of a business case providing options for meeting the new legislative requirements [CAB-20-MIN-0155.26 Revised].
14. Crown funding and cost recovery through regulated fees for the core administration of the Act have not changed in any significant way for decades and are now significantly lower than the costs of effective management of the system. Increased investment is required to fully and effectively administer the risk management system provided for in the Act.

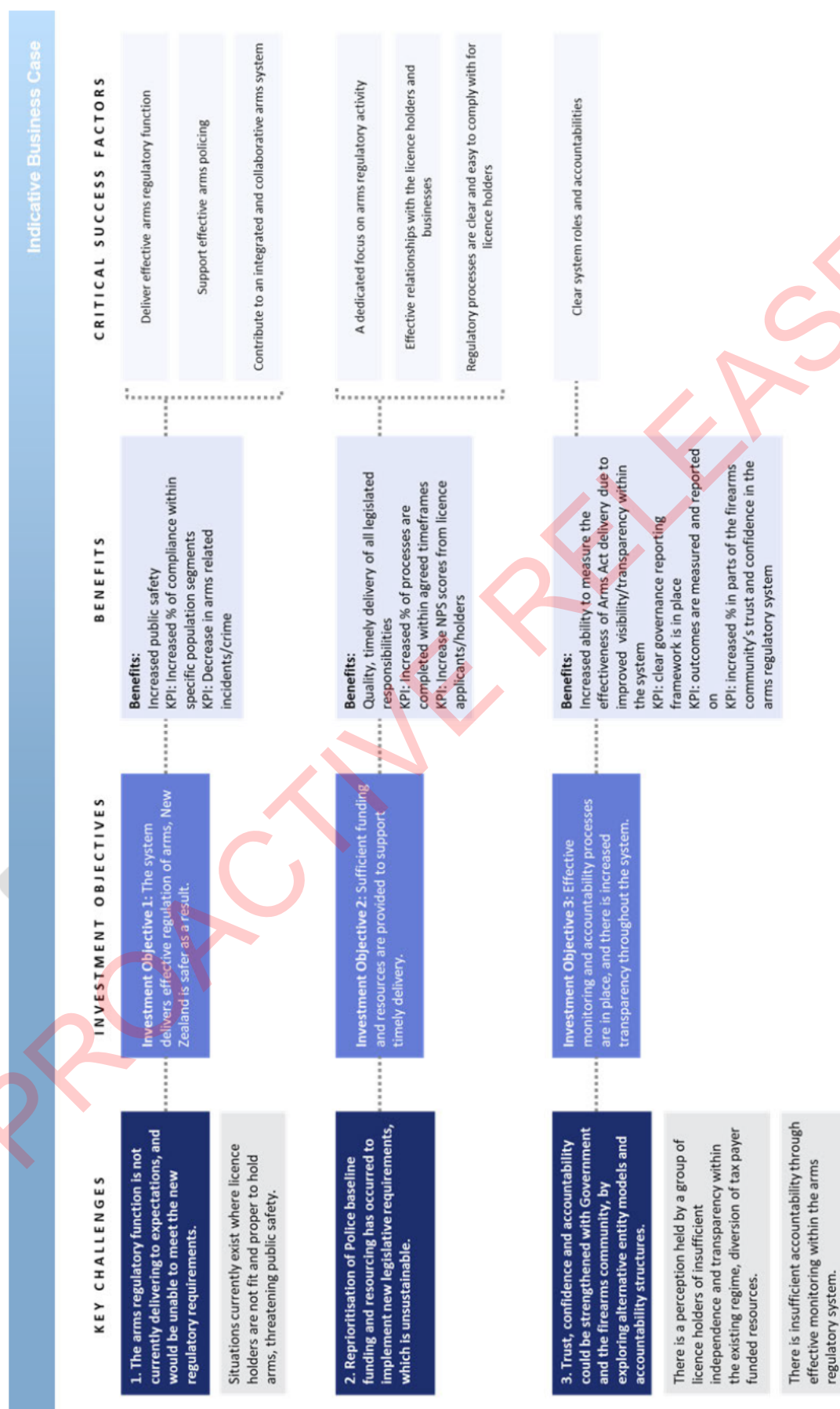
Options for an independent regulatory entity are considered in this paper

15. In June 2020, Cabinet noted that the Minister of Police had agreed to the establishment of an independent regulatory entity following Coalition negotiations. Cabinet agreed that officials should undertake further work on a model for moving accountability for some of the Arms Act regulatory functions from Police; and invited the Minister of Police to report to Cabinet in November 2020 on options for an independent regulatory entity [CAB-20-MIN-0263]. This paper (delayed following the election) and the IBC provide that report-back on options.

The Indicative Business Case outlines the investment required to ensure public safety objectives are being met through the effective administration of the Arms Regulatory system

16. An Indicative Business Case (IBC) has been completed by Deloitte which proposes the level of investment needed to ensure public safety measures are met through effective administration of the Arms Regulatory system. The IBC identifies the characteristics of an effective firearms regulator, and how this may be delivered in an operating model. This analysis recognised that improvements to delivery of the Arms Regulatory system and greater investment is required.
17. The IBC summarised the case for change in the following Figure One. It sets out the key challenges, investment objectives, benefits, and critical success factors.

Figure One: The case for change



Investment will change the way the Arms Regulatory system is operationalised

18. Analysis showed that the preferred organisational emphasis for the operating model should be on “risk mitigation, insights and intelligence” with some focus also on automation of key processes (including tasking and prioritisation to improve timeliness of outcomes) and on improving the licence holder experience (to support high levels of compliance).
19. An investment focused on mitigating risk and using information to inform proactive enforcement and intelligence functions will deliver an operating model where:
 - 19.1 controls are embedded throughout regulatory and constabulary processes, and processes use a mix of human support and automation to mitigate risks for the general public and frontline workforce;
 - 19.2 information is analysed to flag risks and support intelligence operations, with predictive and risk analytics informing decision-making;
 - 19.3 services and channels interface with internal systems to quickly raise flags;
 - 19.4 there is a high level of system integration, with data capture at near real-time (used for policing intelligence and operational risk decision-making);
 - 19.5 the regulator has a nation-wide workforce to enable relationships-based and face to face interactions, with central service centre support; and
 - 19.6 functional investment is focussed on relationship/regional delivery capability, with dedicated risk monitoring and reporting capability.

Significant additional funding is required to ensure public safety objectives are met

20. To assist with my report back on options for an independent regulatory entity, the IBC assessed five different structural options against the outlined operating model and estimated the funding that may be required to effectively deliver it over the eleven financial years from FY 2020/21 to FY 2030/31 (see Table One below).
21. The five structural options were developed by recognising at a high level that the Arms regulatory system has the following regulatory functions:
 - 21.1 **policy advice and system oversight;**
 - 21.2 **administrative** (including licensing, and arms management)¹; and
 - 21.3 **policing services**².
22. Examples of activities under the above regulatory functions are set out in Appendix One, and will be further detailed and confirmed in the Detailed Business Case.

¹ Includes checking security, permitting of imports, and permitting of high-risk arms items, and in the future certification of clubs and ranges.

² Including responding to firearms related events and events where there may be a risk of firearms being presented, seizing firearms, recovery of stolen items.

23. Four options were identified that moved one or both of the first two regulatory functions away from Police (to another Public Service Department, a Departmental Agency, and/or to a Crown Agent), as well as an 'enhanced status quo' option where Police retains all the regulatory functions but establishes a Branded Business Unit and continues to significantly improve its regulation of the arms environment. The main characteristics of each of these options is set out in Appendix Two.

Table One: Estimated costs for the five options over 11 years

Option	Where the function/accountability sits	Total costs FY 20/21 to FY 30/31 (\$ millions)
Option 1 (new Policy unit)	Policy advice and oversight functions are delivered by a Public Service Department (PSD); administrative functions are delivered by Police in a branded business unit (An example of Tenancy Services in the Ministry of Business, Innovation and Employment does the operational work associated with the rental housing legislation which is now developed and administered by the Ministry for Housing and Urban Development)	453.5
Option 2 (new Departmental Agency)	Policy advice and oversight and administrative functions are delivered by a Departmental Agency (DA) within a Public Service Department (The four current Departmental Agencies are the Office for Māori Crown Relations—Te Arawhiti, the Cancer Control Agency, the National Emergency Management Agency, and the Social Wellbeing Agency)	535.7
Option 3 (new Crown Agent)	Policy and oversight functions remain with Police; administrative functions are delivered by a new Crown Agent (Examples of Crown Agents are the New Zealand Transport Agency, the Civil Aviation Authority of New Zealand, the Earthquake Commission, Maritime New Zealand, and WorkSafe New Zealand)	562.2
Option 4 (new Crown Agent and new Policy unit)	Policy advice and oversight functions are delivered by a separate Public Service Department; administrative functions are delivered by a new Crown Agent (Examples as above)	563.6
Option 5 (enhanced status quo)	all functions remain with Police, with policy advice and system oversight functions and new and improved administrative functions being delivered in a Branded Business Unit (An example of a Branded Business Unit is Biosecurity New Zealand within Ministry for Primary Industries, where policy also sits)	451.8

24. Police has current average annual direct operating expenditure of \$8.1 million for firearms administration covering district and national headquarters activity (with an

additional overhead component of around \$5 million per annum). This operating expenditure is funded through partial cost recovery through licensing fees as well as Crown funding.

25. For each of the five options identified, significant additional funding will be required to ensure public safety objectives are being met through the effective administration of the Arms Regulatory system.
26. If the current annual expenditure of \$8.1 million were to continue for eleven years, this would total \$89.1 million. This can be compared to a range of costs over eleven years from \$451.8 million to \$563.6 million for each of the five options (set out in Table One) which is considered to be needed to deliver on the public safety objectives of the Arms Act at a level of quality that is appropriate.
27. The increase from previous years' expenditure reflects the funding required to support the new operating model in the first two years and on an ongoing basis implementing new regulatory functions derived from the Arms Legislation Act 2020, a continued focus on modernising and improving operational service delivery, and ICT costs. The total estimated costs in the IBC also include some significant one-off investment required such as the development of the Arms Registry.
28. The totals in Table One are estimates and will be confirmed in the Detailed Business Case.

Two options scored highly against the critical success factors

29. The following table summarises the IBC assessment of each of the five options against the critical success factors.

Table Two: Summary of assessment of options against critical success factors

Critical Success Factors	Highest ranking option(s):
Deliver effective arms regulatory function	Options receive the same rank.
Support effective arms policing	Option 5 (enhanced status quo) ranks the highest.
Regulatory processes are clear and easy to comply with for licence holders	Option 3 (new Crown Agent) and Option 4 (new Crown Agent and new Policy unit) rank the highest.
A dedicated focus on arms regulatory activity	Option 3 (new Crown Agent) ranks the highest.
Effective relationships with the licence holders and businesses	Options receive the same rank.
Contribute to an integrated and collaborative arms system	Option 1 (new Policy unit) and Option 5 (enhanced status quo) rank the highest.

30. Giving equal weighting to each of these factors, two options score highly. These are Option 3 (new Crown Agent) and Option 5 (enhanced status quo). On the basis that they both provided credible options for delivering effective arms regulation, the IBC considered implementation and funding for each of these options in more detail.

The enhanced status quo option could build on recent improvements

31. In recent years (and prior to the terrorist attack on Christchurch mosques) Police had identified that improvements in firearm administration was required and a multi-year improvement programme had been started.
32. Under the 'enhanced status quo' option Police retains all the regulatory functions and continues to significantly improve its regulation of the arms environment. Regulatory functions and funding would be ring-fenced through the introduction of a Branded Business Unit within Police and establishment of a dedicated appropriation. This would assist with transparency of activity and reporting.
33. The implementation of this option would require the firearms improvement programme already underway to be strengthened and enhanced (with a scope and resource increase) so that it can deliver the new operating model. Key aspects of the current improvement programme are already well-aligned with the recommended new operating model, such as increasing the capability and scope of central functions.
34. Greater accountability would be achieved by the appointment of a dedicated Executive Director to lead transformation and operation of the Branded Business Unit. Furthermore, transparency of the administration would be assisted by the establishment of the Minister's Arms Advisory Group and by the three-year statutory review (both requirements arising from the Arms Legislation Act 2020).
35. Under this option, Police will continue to provide both the administrative regulatory functions and enforcement for the Arms system and therefore there is a perception of limited independence.

However, I recommend setting up a new Crown Agent to undertake the regulatory functions

36. I consider that given the benefits of the new Crown Agent option, this is the best option to progress, and I seek Cabinet's agreement to this. As noted above, this option sees the new Crown Agent undertaking the administrative regulatory functions under the Act (such as licensing, arms management, checking security, permitting of imports, permitting of high risk arms items, and compliance activities), while Police retain policy and system oversight functions, and continue Policing services (such as responding to high-risk events where firearms may be presented, firearms related events, seizing firearms, and recovery of stolen items).

37. A new Crown Agent has the greatest degree of flexibility to deliver clear, easy regulatory processes for licence holders and foster effective relationships, as the Agent is not bound by existing systems, processes and culture that may exist within a Public Service Department or Police. An additional level of accountability is created through the introduction of an independent Board to oversee the Crown Agent.
38. Retaining the policy and system oversight regulatory functions in Police ensures general information, specialist knowledge, and operational and frontline impact awareness is not lost. Police will remain focussed on regulatory stewardship, providing advice to the Minister of Police, monitoring the new Crown Agent, and supporting the Minister's Arms Advisory Group.
39. Establishing a new Crown Agent will require considerable work to transition functions currently within Police to the Crown Agent. Moving regulatory functions to a Crown Agent has some risks that will need to be managed. These include complex integration with Police IT systems, privacy considerations related to sharing information, and possible intelligence failure.
40. Trusted intelligence arrangements and effective information sharing is needed because most of the information and intelligence which informs assessment of risk and the appropriateness of individuals to hold firearms is gathered and held by Police as part of its core business. Much of this is highly sensitive, private information. Appropriate data sharing processes will need to be developed to share information with the Crown Agent (such as information used for determining the fit and proper status of licence holders at time of application and throughout the licence period). This will be a complex arrangement to establish and maintain as it will involve privacy, security, intelligence and operational policing functions of Government.
41. Police will require real time access to the firearms Registry (once built) to enable frontline Police to determine the legality of any firearms identified during normal Police business and to reduce exposure to avoidable risk when undertaking duties. There will also need to be information sharing arrangements with other agencies, such as Customs (relating to imports).
42. While the complexity of implementation and delivery risk is higher for the new Crown Agent option, these matters are not insurmountable. The new Crown Agent will bring a dedicated regulatory focus to managing and mitigating the risks associated with the possession and use of firearms in New Zealand.

Cost recovery settings should be reviewed once the Detailed Business Case is developed

43. The Arms Act enables recovery of costs for specified activities. Fees need to be set at a level that balances the private and public good. Any change requires public consultation, after which the Minister of Police may recommend that the Governor-General make regulations prescribing fees or charges.
44. In 1999, the fee for a ten-year firearms licence was set at \$123.75 (now \$126.50 due to GST increases). This was approximately 50% of the estimated cost of processing

an application for a firearms licence at that time (\$236.25). The remaining 50% was to be met from the Vote Police appropriation. The fee for a dealer's licence was set at an annual fee of \$200 (now \$204) and the fee for one or more endorsements (which exist for the length of the licence – up to 10 years) was set at \$200 (now \$204).

45. Apart from the GST increases, there has been no other adjustment for increased costs over the last 21 years. In addition, some services of significant private benefit, such as the provision of import permits, are provided free. Other services for which there is no fee include: training for first-time firearms licence applicants, approval/inspection of sample firearms (to assess whether the item should be imported), permits to possess prohibited and restricted items, endorsement applications for pest controllers, and certification of clubs and ranges.
46. Over a 21 year period, this has resulted in significant public funding of the administration of the Arms Act. The divergence between the fees and costs will only increase, particularly in light of the increased investment discussed above to meet public safety objectives and be an effective regulator.
47. Previous analysis of possible fees will need to be updated to take into account the new operating model that will be undertaken by the Crown Agent. I propose to report back on specific options for cost recovery once the Detailed Business Case for the new Crown Agent option has been finalised. This will provide an opportunity for Cabinet to consider the balance it wishes to maintain between the Crown contribution and service user contribution to the administration of the Act.

Implementation

48. A Detailed Business Case will further develop the implementation requirements and the content and costings provided within the IBC and present more detailed operating model design, including the establishment and operation of the new Arms Registry.
49. The establishment of a new Crown Agent will require changes in legislation, establishment of governance and management structures, appointment and transition of staff and implementation of the new operating model.
50. The following transition approach is proposed:
 - 50.1 Police will continue with the firearms improvement programme already underway, strengthened and enhanced in line with the IBC;
 - 50.2 Police will deliver a Detailed Business Case by December 2021;
 - 50.3 Police will lead the establishment of the Crown Agent by the end of 2022 with support from The Treasury and the Public Service Commission;
 - 50.4 a Transition Board will be established by May 2021 to provide governance oversight (this Board will exist until the new Crown Agent Board has been appointed);

50.5 the Chair of the Transition Board will be the Police Deputy Commissioner – Strategy and Service; and

50.6 a Transition Board will be agreed in consultation with the Minister of Police.

Financial Implications

51. The IBC financial cost estimates of the recommended new Crown Agent option are noted in Table Three. This table provides the estimated cost breakdown over an eleven-year financial period, from FY 2020/21 to FY 2030/31. These costs may be subject to change following the Detailed Business Case.

Table Three: Estimated Cost of the new Crown Agent option to FY 2030/31

Option 3 (new Crown Agent) (\$ millions)	Note totals are provided for the period to the end of FY 2030/31						
	2020/21	2021/22	2022/23	2023/24	2024/25	⁶ Outyears	Total
Change programme team	8.7	6.2	2.5	-	-	-	17.4
Registry & ICT	-	17.6	4.9	-	-	-	22.5
Other transition costs	0.8	1.2	4.4	-	-	-	6.4
Transition contingency	0.9	0.7	0.7	-	-	-	2.4
Core operations staff	13.0	16.3	17.0	19.5	21.9	s. 9(2)(f)(iv) OIA	
Operations management staff	2.0	5.7	5.9	6.8	7.6		
Other direct costs	2.2	2.8	5.9	6.8	7.0		
Non core operational costs	-	1.5	10.9	14.1	14.1		
Registry & ICT ongoing costs	-	-	2.5	5.4	5.4		
Total	27.6	52.1	54.7	52.6	55.9	319.2	562.2

The established tagged contingency and existing baseline funding can off-set funding required through future budget processes

52. As noted in paragraph 24, Police has historic average annual direct operating expenditure of \$8.1 million for firearms administration covering district and national headquarters activity (with an additional overhead component of around \$5 million per annum). This operating expenditure is funded through partial cost recovery through licensing fees as well as Crown funding. The \$8.1 million funding will be available for the new Crown Agent.
53. On 6 April 2020, Cabinet agreed to a \$60 million four-year tagged operating contingency, and \$5 million ongoing into the outyears. Draw-down is subject to Cabinet's approval of a business case providing options for meeting the new legislative requirements [CAB-20-MIN-0155.26 Revised]. The amounts provided were:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Implementation of the Arms Legislation Act – Tagged Operating Contingency	28.000	22.000	5.000	5.000	5.000

54. The established tagged contingency and existing baseline funding can partially offset funding required for the recommended option. For this, Police seeks agreement:

54.1 to change phasing of the tagged contingency to align to the funding required (ie moving some FY 2020/21 contingency to FY 2021/22); and

54.2 to expand the purpose of the tagged contingency from meeting the new legislative requirements to more holistically ensuring public safety objectives are being met through the effective administration of the Arms Regulatory system, including establishing a new Crown Agent; and

54.3 to re-categorise part of the existing operating tagged contingency to a capital contingency for the establishment of the Arms Registry.

55. The following table shows the proposed rephrasing and categorisation of the tagged contingency:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Implementation of the Arms Legislation Act – Tagged Operating Contingency	19.500	23.500	3.000	3.000	5.000
Implementation of the Arms Legislation Act – Tagged Capital Contingency	-	-	11.000	-	-

56. The IBC identified costs in FY 2020/21 totalling \$27.6 million. This can be partially met by the \$8.1 million average annual direct operating expenditure. Police seeks to draw-down the further \$19.5 million from the tagged contingency to recover the costs for meeting their 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, specifically:

56.1 a significant uplift in arms staff (approximately 80 district staff and 45 central staff);

56.2 update to internal systems (processes and forms) and nationwide rollout;

56.3 deployment of online application submission capability;

56.4 update to Police Instructions due to legislation change;

- 56.5 internal training content development and delivery to staff;
 - 56.6 community engagement and safety training development;
 - 56.7 scoping of future firearms operating model;
 - 56.8 introducing mobile working for the vetter workforce (mobile phones and laptops);
 - 56.9 establishment of change programme team (related to the wider improvement programme);
 - 56.10 indicative Business Case development; and
 - 56.11 policy development supporting new legislation.
57. During FY 2020/21, Police have delivered to the Government requirements (as outlined above) by diverting internal funds. The continual delays in the draw-down process have resulted in Police being heavily over-subscribed to support firearms and require immediate funding to support the implementation of the firearms legislation. Police are unable to fund the necessary investment from within their baseline.
58. The IBC identified costs in FY 2021/22 totalling \$52.1 million. This total has been revised to \$31.6 million which represents the immediate operational requirements and change programme (the work activities to be done regardless of the option chosen). The majority of the deferred costs relate to the purchase and implementation of the Arms Registry. The Registry costs will be confirmed in the Detailed Business Case. The \$31.6 million can be partially met by the \$8.1 million average annual direct operating expenditure. Police seeks to draw-down a further \$23.5 million from the tagged contingency.

Table Four: Estimated Arms Cost for FY 2021/22 (deferred registry)

Option 3 (new Crown Agent) (\$ millions)	2021/22
Change programme team	6.2
Registry & ICT	3.5
Other transition costs	1.2
Transition contingency	0.7
Core operations staff	14.7
Operations management staff	1.6
Other direct costs	2.1
Non core operational costs	1.5
Registry & ICT ongoing costs	-
Total costs	31.6
<i>Less Police baseline</i>	8.1
Total draw-down	23.5

59. A letter from the Minister of Finance (dated 21 December 2020) invited a budget initiative submission for improved firearms licensing. A Budget bid has been submitted for firearms administration, on the basis that the new Crown Agent option is to be progressed. This future funding may be subject to Cabinet's endorsement of the Detailed Business Case.
60. Due to the revisions discussed in the paragraph 58, some of the tables and discussion in the IBC that relate to a proposed reallocation of the tagged contingency and/or future budget bids are no longer aligned with this paper.

Legislative Implications

61. The Arms Act will need to be amended to establish a new Crown Agent to take accountability for the administrative functions under the Act. Amendments will include moving some of the decision-making and risk management functions under the Act (such as licensing, permitting, inspections and auditing) from Police to the new Crown Agent, as well as Crown Agent establishment provisions. A bid for this Amendment Act has been placed on the Legislative Programme, with a priority of category 4: to be referred to a select committee in 2021. I will bring a paper back to Cabinet seeking policy approvals to enable drafting of this Bill in due course.

Impact Analysis

Regulatory Impact Statement

62. The Regulatory Impact Analysis team at the Treasury has determined that the proposal for a new firearms regulatory entity is exempt from the requirement to provide a Regulatory Impact Statement on the basis that it would substantively duplicate the Business Case. This exemption is granted on the condition that the document contains all the requirements that would otherwise be included in the RIS. The RIA team at the Treasury has reviewed the Business Case and confirmed that it contains these requirements.

Climate Implications of Policy Assessment

63. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as there is no direct impact on emissions.

Population Implications

64. There are around 248,000 licence holders and 485 dealers in New Zealand.
65. Approximately 91% of firearms licence holders are men. Of the 59% of firearms licence holders that have their ethnicity recorded in police data, 90% are New Zealand European and 7% are Māori.
66. The Arms Act establishes a regulatory framework designed to protect the public from the harm that may be caused by the misuse of firearms. As noted above, if Cabinet agrees to move some current regulatory functions move from Police to a new Crown

Agent, the Arms Regulatory system itself and the requirements on regulated parties under the Act will not change.

67. Improvements to the administration of the Arms Regulatory system should improve public safety by preventing criminal misuse of firearms. Reducing the opportunity for firearms to get into criminal hands consequently should reduce the opportunities for people to become victims of firearms crime.
68. Based on a sample of data, in 2018, Māori represented 29.6% of victims of firearms offences³ where there was an identified victim whose ethnicity was known, and by 2020, this had increased to 37.3%.⁴
69. Determining precisely how men and women respectively are impacted as victims of firearms-related offences is difficult as some offences will have both male and female victims. However, from a sample of data held from 2011 to 2020, on offences with a firearm where there is a recorded victim (all genders) 65.8% had a recorded male victim, while 42.5% had a recorded female victim.

Human Rights

70. The proposals in this paper are not inconsistent with the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993.

Consultation

71. This paper has been consulted with the Ministry of Justice, Te Kawa Mataaho Public Service Commission, the Treasury, the Department of the Prime Minister and Cabinet, the Department of Corrections, New Zealand Customs Service (Customs), Te Puni Kokiri, the Ministry of Foreign Affairs and Trade, the Department of Conservation (DOC), the Ministry of Primary Industries, the New Zealand Defence Force, Ministry of Culture and Heritage and Te Arawhiti.

Ministry of Justice comment [specific comment TBC]

72. Ministry of Justice officials consider there is benefit in further discussion and analysis with other agencies about where the policy and system oversight function should sit, including the optimal level of independent oversight, and the appropriateness of non-Public Service Departments (such as Police) to hold policy functions.

Treasury comment

73. The Treasury does not support the proposal to create a new Crown entity for firearms regulation. We acknowledge the importance of ensuring a degree of independence for the regulator, but consider that this could be achieved through establishing a branded business unit within Police (Option 5 in the paper), and ring-fencing funding in a separate appropriation. We share Te Kawa Mataaho Public

³ This only includes a sample of Police data on firearms-related offences more likely to have an identified victim and does not include possession-only offences. Only offences where a victim was recorded, and the victim's ethnicity was known, have been included.

⁴ In the 2018 census, Māori were recorded as 16.5% of the New Zealand population. Stats NZ estimates that this increased to 16.7% in 2020.

Service Commission's concerns about operational and security risks, and consider that those risks outweigh any benefits from statutory independence.

74. In addition, the Treasury do not consider that a new Crown entity would deliver good value for money. A Crown Agent will cost fee payers and the Crown \$12 million more in transition costs than a branded business unit, and an additional \$10 million per annum in marginal costs, primarily due to losing economies of scale and having to establish new back-office functions. We consider that this additional funding would be better utilised by improving the effectiveness of the regulator on the ground, particularly as this function is partly cost-recovered from users.

Te Kawa Mataaho Public Service Commission comment

75. Te Kawa Mataaho Public Service Commission (PSC) opposes the proposal to create a new Crown entity. Placing the licensing and permitting functions further from Ministers, as would be the case with a Crown agent, increases the risks associated with the firearms system. Activities such as granting firearms licences and permits for importation and purchase of firearms entail high risk to life and security and require close linkages with the intelligence system. They cannot be cleanly separated from Police, given Police's essential role in vetting, on the spot compliance and enforcement. This is even more important in the wake of the Christchurch terrorism event.
76. PSC agree that having all Arms Act related functions located in Police may create some public perception issues and also that the system needs significantly more dedicated resourcing and focus. We have been working with Police for some time on the question of what elements of the Arms Act system it would be sensible to place with other agencies and how. Our first preference is for the strategy and policy around firearms, including oversight of the overall performance of the regulatory regime, to move out of Police (option 1 in this paper). Our view is that oversight on such an important topic would be best situated in a Public Service Department, this would enable Police to focus on providing advice to Ministers on the operational issues and risks relating to the system. We also see opportunities to strengthen oversight of the system, for example through ring-fencing funding so it can be separately planned and scrutinised as it is for road policing.

Response to agency comments on the policy and system oversight function [TBC]

77. As noted at paragraph 30, Option 3 (new Crown Agent for administrative functions, policy and system oversight remaining with Police) and Option 5 (the enhanced status quo) scored well against the critical success factors. Both of these options kept the policy and system oversight functions with Police.
78. *I am comfortable with the policy and system oversight functions remaining with Police, as has been the case over the course of the current Act since 1983, and before.*

OR

79. *While I am recommending Option 3 in this paper, I consider there is some value in discussing further whether the policy and system oversight functions should also be*

moved from Police. I therefore propose that this matter be discussed between officials and Ministers. A recommendation can then be put to Cabinet in the paper that will confirm the policy proposals to enable drafting of the Arms Amendment Bill that will establish the new Crown Agent to take accountability for the administrative functions under the Act. [NB – recs will need amending to confirm this position].

Response to agency comments on the administrative regulatory function [TBC]

80. The Arms Act is designed to allow the safe use of firearms while controlling and mitigate against their misuse. Decisions on the issue of a licence and control at import sale and transfer are important critical control steps and rely on information obtained through interview or audit of activity and records. Access to this type of information is not unique to Police. Police may hold additional intelligence, but this can be made available to the Crown Agent through an information sharing arrangement.
81. As I recognised above, while the complexity of implementation and delivery risk is higher for the new Crown Agent option (Option 3), these matters are not insurmountable. The new Crown Agent will bring a dedicated regulatory focus to managing and mitigating the risks associated with the possession and use of firearms in New Zealand.
82. I note that under every option, ring-fenced funding, or similar, is proposed to strengthen oversight.

Communications

83. I will release a media statement announcing the final decision.

Proactive Release

84. It is intended to release this paper after decisions are confirmed by Cabinet.

Recommendations

The Minister of Police recommends that the Committee:

Options for an independent regulatory entity

1. **note** that in June 2020, Cabinet:
 - 1.1. noted that the Minister of Police had agreed to the establishment of an independent regulatory entity;
 - 1.2. agreed that officials undertake further work on a model for moving accountability for some of the Arms Act regulatory functions from Police; and
 - 1.3. invited the Minister of Police to report to Cabinet in November 2020 on options for an independent regulatory entity [CAB-20-MIN-0263];
2. **note** that five options were identified and assessed, being an enhanced status quo and four other options that moved the policy advice and system oversight regulatory

function and/or the administrative (including licensing and arms management) regulatory function away from Police;

3. **note** that the Indicative Business Case (IBC) identifies the characteristics of an effective firearms regulator, how this may be delivered in an operating model, what that new operating model looks like across the five options, and the estimated costs;
4. **note** that Option 3, where a new Crown Agent undertakes administrative functions, including licensing and arms management (the new Crown Agent option) scored well across the critical success factors and is a good option for delivering effective arms regulation in the interests of public safety;
5. **note** the new Crown Agent option has some benefits, including a greater degree of flexibility to deliver clear, easy regulatory processes for licence holders and foster effective relationships, as well as some risks that will need to be mitigated, including complex integration with Police IT systems, needing to manage information flows in a consistent manner with privacy considerations, and risk of intelligence failure;
6. **note** that, on balance, I consider that new Crown Agent option is the best option;
7. **agree** to establish a new Crown Agent to undertake the administrative regulatory functions, including licensing and arms management;

Financial recommendations

8. **note** that on 6 April 2020, Cabinet agreed to a \$60 million four-year tagged operating contingency and \$5 million ongoing into the outyears, with draw-down subject to Cabinet approval of a business case providing options for meeting the new legislative requirements [CAB-20-MIN-0155.26 Revised];

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Implementation of the Arms Legislation Act – Tagged Operating Contingency	28.000	22.000	5.000	5.000	5.000

9. **note** the IBC details options analysis for the preferred organisational emphasis for investment;
10. **agree** that the purpose for the tagged contingency can be expanded from meeting the new legislative requirements to more holistically ensuring public safety objectives are being met through the effective administration of the Arms Regulatory system, including establishing a new Crown Agent;
11. **agree** the rephasing and categorisation of the tagged contingency as noted below:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Implementation of the Arms Legislation Act – Tagged Operating Contingency	19.500	23.500	3.000	3.000	35.000
Implementation of the Arms Legislation Act – Tagged Capital Contingency	-	-	11.000	-	-

12. **agree** to the partial drawdown of the tagged contingency to continue to meet the requirements;
13. **approve** the following changes to appropriations to provide for the decision in recommendation 12 above, with a corresponding impact on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
	2020/21	2021/22	2022/23	2023/24	2024/25 & Outyears
Multi-Category Expenses and Capital Expenditure:					
Policing Services (MCA) Departmental Output Expense: Crime Prevention (funded by revenue Crown)	19.500	23.500			
Total Operating	19.500	23.500	-	-	-
Total Capital	-	-	-	-	-

14. **agree** that the expenses incurred under recommendation 13 above be charged against the [Implementation of the Arms Legislation Act – Tagged Operating Contingency] described in recommendation 11 above;
15. **note** a Budget bid has been submitted for firearms administration as part of the Budget 2021 process in response to the Minister of Finance's invitation;

Cost recovery

16. **note** the Regulation making powers of the Arms Act 1983 provides for fees to be set and that the current fees were set in 1999 for some but not all activities;
17. **note** some activities provided for in the Arms Act and required of Police (and in future the new Crown Agent) to deliver substantial private and commercial benefit for applicants and some those activities are delivered free of charge;

Detailed Business Case to inform budget bids, cost recovery options, and detailed implementation

18. **note** I will report back to the Cabinet Social Wellbeing Committee once a Detailed Business Case has been completed to:
 - 18.1. further develop the implementation requirements and present more detailed operating model design, including the establishment of and operating the new Registry, for the new Crown Agent option;
 - 18.2. confirm and inform the future budget bids from Budget 2022/23 onwards related to the Arms Regulatory system; and

18.3. inform cost recovery options based on identified costs for specific activities.

Authorised for lodgement

Hon Poto Williams

Minister of Police

PROACTIVE RELEASE

Appendix One: Regulatory functions currently undertaken by Police in the Arms regulatory system

Policy advice and oversight functions

- regulatory stewardship
- advising the responsible Minister
- legislative development (including regulations)
- monitoring and evaluation
- secretariat to the Minister's Arms Advisory Group (once set up)

Administrative functions (including operational policy and service delivery)

Licensing

- licensing applications
- arms safety education and training
- endorsements, permits and approvals
- management of licence holdings (e.g. change of address)
- management of cessation of licence (surrender, death, expiry, revocation and suspension)
- compliance (audits, inspections, certifications and improvement notices)
- health practitioner notification management
- regulatory investigations

Arms management

- registration and transfers of possession for prohibited arms items, pistols, restricted weapons and arms modifications
- applications to import, export or manufacture arms
- management of arms holdings (lost, reports of stolen, found, surrendered, seized arms)
- storage, transport and destruction of arms
- arms items as evidence in proceedings

Operational policy and engagement

- agency engagement
- community engagement
- media engagement and responding to Official Information Act requests
- engagement with the Firearms Community Advisory Forum (FCAF) (along with Policy)
- strategy and operational policy (development of processes, policies and procedures)
- quality assurance and performance reporting
- decision review

Policing (constabulary) functions

- policing our borders
- intelligence and strategy (intelligence collection and response, interagency and international collaboration)
- policing illegally held arms in the community
- criminal/forensic investigations
- arms encountered in routine situations
- arms encountered in unsafe stations.

Appendix Two: Main characteristics of each of the five options

	Option 1 (Policy PSD /Admin Police)	Option 2 (Policy DA /Admin DA)	Option 3 (Policy Police /Admin CA)	Option 4 (Policy PSD /Admin CA)	Option 5 (enhanced SQ)
Description	Regulatory functions (Arms Act administration) are delivered by the Police in a branded business unit. Policy advice and oversight functions are delivered by a Public Service Department.	Regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by a Departmental Agency within a Public Service Department.	Regulatory functions (Arms Act administration) are delivered by a new Crown Agent. Policy and oversight functions remain with the Police.	Regulatory functions (Arms Act administration) are delivered by a new Crown Agent. Policy advice and oversight functions are delivered by a separate Public Service Department.	Regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by the Police in a branded business unit.
Accountability	The Police Commissioner is accountable to the Minister for Police's performance. The Chief Executive of the Public Service Department is accountable to the Minister for the Department's performance.	A Chief Executive is appointed and accountable to the Minister for the Agency's performance. The Minister responsible for the Agency can be different from that of the host Public Service Department.	An Independent Board oversees the Agent and is accountable to the Minister. The Board appoints a Chief Executive. The Police Commissioner is accountable to the Minister for Police's performance.	An independent Board oversees the Agent and is accountable to the Minister. The Board appoints a Chief Executive. The Chief Executive of the Public Service Department is accountable to the Minister for the Department's performance.	The Police Commissioner is accountable to the Minister for Police's performance.
Independence	Provides for high degree of ministerial oversight, control and accountability. The Minister has a close relationship with the regulator and has power to direct the Police to give effect to government policy. An independent Public Service Department would provide independent policy advice to the Minister.	Provides for high degree of ministerial oversight, control and accountability. The Minister has a close relationship with the regulator and has power to direct the Police to give effect to government policy. Provision of policy advice to the Minister is less independent, as the Agency is also responsible for policy and oversight.	Governance board puts regulator at arms-length from ministers. The Agent must "give effect to" policy that relates to the entity's functions and objectives if directed by Minister. The Police would provide independent policy advice to the Minister. Must "give effect to" whole of government approach if directed by Ministers of Finance and State Services.	Governance board puts regulator at arms-length from ministers. The Agent must "give effect to" policy that relates to the entity's functions and objectives if directed by Minister. A Public Service Department would provide independent policy advice to the Minister. Must "give effect to" whole of government approach if directed by Ministers of Finance and State Services.	Provides for high degree of ministerial oversight, control and accountability. The Minister has a close relationship with the regulator and has power to direct the Police to give effect to government policy. Provision of policy advice to the Minister is less independent, as the Police is also responsible for policy and oversight.
Establishment	No legislative changes required. Change programme is established to improve existing services within the Police. The policy function is transitioned to a Public Service Department.	Cabinet agrees to establish, including the role and principal functions of the departmental agency. Arms Act amendment required.	The Crown Entities Act 2004 requires separate legislation to establish a new crown agent (can be the same legislation that sets out specific powers). Arms Act amendment required.	The Crown Entities Act 2004 requires separate legislation to establish a new crown agent (can be the same legislation that sets out specific powers). Arms Act amendment required.	No legislative changes required. Change programme is established to improve existing services.
Benefits	Leverages existing arrangement Enhanced independence within the system Improved public perception	Enhanced independence within the system Opportunities presented through divestment	Leverages existing arrangements Enhanced independence within the system Opportunities presented through divestment Enhanced governance and accountability	Enhanced independence within the system Opportunities presented through divestment Enhanced governance and accountability	Leverages existing arrangements
Risks	Divestment causes complexity/inefficiency Lack of agency/separation Lack of responsiveness	Divestment causes complexity/inefficiency Intelligence failure Legislative reform Lack of agency/separation Lack of responsiveness Reliance and reduced flexibility	Divestment causes complexity/inefficiency Intelligence failure Legislative reform Lack of agency/separation Lack of responsiveness	Divestment causes complexity/inefficiency Intelligence failure Legislative reform Lack of responsiveness Complex arrangement due to three actors within the system	Lack of agency/separation Lack of responsiveness

Arms Regulatory Entity Indicative Business Case

PROACTIVE RELEASE

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Executive Summary

This Indicative Business Case supports New Zealand Police (Police) meeting legislated responsibilities and investing to increase the efficiency and effectiveness of Arms Regulatory processes. A Cabinet Paper will seek a drawdown of Contingency Funding to ensure further reprioritisation of Police baseline funding is avoided, which, if it continued, would increasingly impact Police's ability to deliver core policing functions and priorities. This Business Case also explores the options for arms regulatory functions being moved from Police.

The Strategic Case – the case for change

Investment drivers

The need to continue modernisation of the delivery of Arms Act and legislative changes to the New Zealand Police's role, requiring additional funds.

Reforms to the arms regulatory system commenced with urgency in the wake of the 15 March 2019 tragedy. Police had been seeking to modernise its administration of the Arms Act prior to the tragedy.

Request from Government to explore the options for arms regulation outside of Police.

During the Arms Act reform process, the Coalition Government agreed in principle to establish an independent entity to oversee arms regulation¹, involving a divestment of functions away from Police.

The existing arrangements

Purpose of the Act and core features

Police is responsible for administering the Arms Act 1983. The purpose of the Act is outlined below.

“(1) The purposes of this Act are to—

- (a) promote the safe possession and use of firearms and other weapons; and*
- (b) impose controls on the possession and use of firearms and other weapons.*

(2) The regulatory regime established by this Act to achieve those purposes reflects the following principles:

- (a) that the possession and use of arms is a privilege; and*
- (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 safety².”*

Operating model and functions

Police's operating model for arms system functions includes centralised leadership and some specialist functions, operating in a decentralised manner. Most licence holder interactions occur at a District level. Police is currently in the process of updating the operating model to support the delivery of new legislative requirements, changes will impact the structure of the above staffing arrangement.

Police is responsible for the delivery of the following high-level Arms Act functions:

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

The key challenges

- 1. Police has reprioritised funding to commence modernisation and implementation of new legislative requirements. Such reprioritisation is not sustainable.**

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

² Arms Act 1983 Section 1A.

Funding arrangements have not been revisited in over 20 years. In response to additional regulatory responsibilities outlined in the Arms Act reform, as well as ongoing improvement requirements, Police reprioritised baseline funding to commence improvement of its existing functions and implementation of new functions, allocating an additional \$11 million to the central cost centre in FY 20/21 – including significant District support as well as efforts to centralise and standardise some of the work. Although the reprioritisation was necessary to commence improvement and implementation, it is not a sustainable funding arrangement as it requires Police to divert funding away from other critical priorities. Additional funds are required to sufficiently implement the new legislation and improve delivery.

2. The arms regulatory function is not currently delivering to expectations, and would be unable to meet the new regulatory requirements.

The events in Christchurch were an extreme example of an unsuitable person having been given a licence based on the information available to Police. The Government acted quickly to enable tighter controls and codify the matters for consideration of a fit and proper assessment. While the population of unsuitable licence holders may be small, the risks and potential for harm may be significant. Police is currently improving existing arrangements and implementing the recent legislative changes outlined in the Arms Act to address the delivery risks which may enable the population of unsuitable licence holders.

3. Trust, confidence and accountability could be strengthened with elements of the arms community, by exploring alternative entity models and accountability structures.

There is a perception held by a small group of licence holders of insufficient independence and transparency within the existing regime, diversion of tax payer funded resources away from Arms Act delivery, and a down-grading of priority regarding Arms Act related activities within Police. Ultimately, this perception prompted the decision to explore options for arms regulation delivery outside of Police.

There is insufficient accountability through effective monitoring within the arms regulatory system. Delivery effectiveness is not adequately measured and reported on³, there is a perceived lack of transparency and accountability within the system as a result. Regulatory functions are tasked from the centre to Districts at which point tasks may be reprioritised. The quality and consistency of execution is not easily measured. Additionally, there is little representation and monitoring of Arms Act delivery at a governance level.

The scope of this Business Case

Funding drawdown request to support the implementation of legislated changes

Police has commenced implementation of amendments to the Arms Act, introduced new regulatory functions and enhancements. Additional funding is required to complete the implementation.

Exploring options for the arms regulatory system (a new regulatory entity)

This Business Case also considers the options for moving accountability for some of the arms regulatory functions from Police.

Limitations

The focus of this Indicative Business Case is on the overall operating model and potential entity structures. This Business Case does not consider adjustments to cost recovery mechanisms (e.g. licensing fees) to recover costs in respect to certain activities undertaken under the Act⁴.

Investment objectives

The objectives for investment respond to the key challenges and align with the primary objectives of the Arms Act.

³ E.g. District Commanders are not measured on of Arms Act functions.

⁴ Arms Legislation Act 2020, Sections 80-86.

Investment Objective 1 | The system delivers effective arms regulations to enhance public safety in New Zealand.

Investment Objective 2 | Sufficient funding and resources are provided to support quality, timely Arms Act delivery.

Investment Objective 3 | Effective monitoring and accountability processes are in place, and there is increased transparency in the Arms Act regulatory system.

Benefits

The benefits expected to be delivered through the achievement of the investment objectives are:

- **Benefit 1** | Increased public safety measured through the incidence of arms related incidents⁵.
- **Benefit 2** | Quality, timely delivery of arms regulatory interventions measured through delivery against agreed requirements.
- **Benefit 3** | Increased ability to measure the effectiveness of Arms Act delivery (both administrative efficiency and outcomes effectiveness) due to improved reporting within the system.

Investment risks

The key risks associated with the proposed investment in the arms regulatory system include:

- lack of buy-in from the general public
- lack of buy-in from licence holders
- unforeseen impacts on third-party actors within the system
- government investment priorities and appetite
- public perception, and the perception held by a elements of the firearms community remains unchanged despite investment.

The Economic Case – exploring the preferred way forward

The Economic case considers three different dimensions. It identifies options for where investment should be focused, ie whether the organisational emphasis should be on delivering on user experience, delivering on risk and analytics, and/or delivering on process efficiency (dimension two). It also assesses five options related to moving the accountability for parts of the regulatory system from Police (dimension three). To assist with the design and assessment of the options under dimensions two and three, core and common features of an effective regulator are identified (dimension one).

A set of critical success factors have been developed to reflect the core features that must be delivered to achieve the investment objectives and the primary objectives of the Arms Act. The critical success factors are:

- deliver effective arms regulatory function
- support effective arms policing
- regulatory processes are clear and easy to comply with for licence holders
- a dedicated focus on arms regulatory activity
- effective relationships with the licence holders and businesses
- contribute to an integrated and collaborative arms system
- clear system roles and accountabilities.

The implications of each success factor were considered to create a set of design principles, providing an extra level of detail to guide the design of the options.

⁵ E.g. firearms are present and discovered by Police in the course of day-to-day policing. Firearms are stolen. Firearms are used to threaten a person.

Dimension one | Delivering an effective regulatory system

The core and common features of an effective regulatory operating model were identified for application across all options, and include:

- systems and processes to enable proportionate risk-based decision making
- systems and processes to support consistency and predictability in decision making for regulated entities
- systems and processes to enable a degree of self-regulation within compliant population segments
- feedback systems are included to support continuous improvement processes
- roles, structure and governance arrangements to support transparency and accountability
- core competencies required to achieve effective arms regulation.

Dimension two | Choosing a preferred organisational emphasis

A short-list for the preferred organisational emphasis for the operating model was developed:

- Option 1: Emphasised Risk Mitigation, Insights and Intelligence.
- Option 2: Efficient and Automated Delivery.
- Option 3: Exceptional Experience for Compliant Licence Holders.

When evaluating each option against the critical success factors, each option has relative strengths and weaknesses. To achieve against all the critical success factors a preferred organisational emphasis - Enhanced Option 1 – was developed. This includes the following enhancements:

- automation of key processes including tasking and prioritisation, to deliver a more balanced focus on constabulary and regulatory activities and improve timeliness of outcomes
- a greater emphasis on improving licence holder experiences to shift public perception, reduce criticism, and support high levels of compliance in learning/virtuous citizen populations.

Dimension three | Accountability choices

With the preferred emphasis for the operating model in mind, the next step was to consider which combination of entities is best to deliver the Arms regulatory system. The five regulatory system accountability choices identified by officials are:

- **Option 1** | Regulatory functions (Arms Act administration) are delivered by Police in a branded business unit, policy advice and oversight functions are delivered by a Public Service Department (PSD).
- **Option 2** | Regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by a Departmental Agency within a Public Service Department.
- **Option 3** | Regulatory functions (Arms Act administration) are delivered by a new Crown Agent, policy and oversight functions remain with Police.
- **Option 4** | Regulatory functions (Arms Act administration) are delivered by a new Crown Agent, policy advice and oversight functions are delivered by a separate Public Service Department.
- **Option 5** | all functions remain with Police - investments to the operating model deliver increased centralisation, increased capability around risk modelling, a centralised registry and improved user experience through self-service, digital interfaces and process automation.

Assessment of the options

Each option has been assessed against the critical success factors, with a summary of the results in the following table.

Critical Success Factors	Highest ranking option(s):
Deliver effective arms regulatory function	Options receive the same rank.
Support effective arms policing	Option 5 ranks the highest.
Regulatory processes are clear and easy to comply with for licence holders	Options 3 and 4 rank the highest.
A dedicated focus on arms regulatory activity	Option 3 ranks the highest.
Effective relationships with the licence holders and businesses	Options receive the same rank.
Contribute to an integrated and collaborative arms system	Options 1 and 5 rank the highest.
Clear system roles and accountabilities	Options 3 and 4 rank the highest.

Assessment scores per option against the critical success factors

Option costs

The costs of the options are summarised in the following table. These are total costs over the period from FY 20/21 to FY 30/31 in FY 20/21 real dollars (i.e. excluding inflation, and with no discount rates applied).

Total Costs (\$ millions)	Option 1	Option 2	Option 3	Option 4	Option 5
Transition costs	80.0	94.0	94.0	94.0	80.0
Non-core operations	30.5	98.7	125.2	126.6	28.8
Core operations costs	343.0	343.0	343.0	343.0	343.0
Total	453.5	535.7	562.2	563.6	451.8

Options 3 and 4 are each around \$110+ million greater cost than Options 1 and 5, while Option 2 is around \$85 million greater cost than Options 1 and 5. This reflects significant additional (and ongoing) investment that would be needed to establish and run a new entity. For example, Options 3 and 4 require investment for a Board, Senior Leadership Team and HR function for a new Crown Agent. Option 5 on the other hand requires no additional investment for these.

Options for the preferred way forward

With equal weight given to each of the critical success factors Options 3 and 5 scored highly. They both provide credible options for delivering effective arms regulation. Ultimately, selection of one over the other depends on which success factors are the most important, as well as risk appetite and available funding.

Option 3 achieved the highest overall rank. A Crown Agent has the greatest degree of flexibility and liberty to deliver clear, easy regulatory processes for licence holders and foster effective relationships, as the Agent is not bound by existing systems, processes and culture that may exist within a Public Service Department or Police. An additional level of accountability is created through the introduction of an independent board to oversee the Crown Agent.

Retaining policy and oversight functions in Police ensures general information, specialist knowledge and operational and frontline impact awareness is not lost. It also simplifies the transition requirements in comparison with the other divestment options.

However, the establishment of a Crown Agent will be costly and features inherent risks. The Option requires legislative reform to divest functions away from Police. Complex integration requirements between the entity and Police will be required to support constabulary arms activities and ensure frontline workforce safety. Privacy Act considerations may inhibit the exchange of critical information between the two actors. It is also around \$110 million greater cost (to FY 31) than Option 5. Nonetheless, it may be the preferred way forward if the Government considers a dedicated focus on regulatory activity, clear and easy to comply with regulatory processes and clear system roles and accountabilities to be the most important success factors.

Option 5 also ranks highly. Option 5 should be selected as the preferred way forward if the Government considers effective arms policing and an integrated and collaborative arms system to be the most important success factors, and is looking to deliver benefits through a lower risk, lower cost approach.

Within Option 5, regulatory functions will be ring-fenced through the introduction of a branded business unit within Police. The integration requirements and risks are removed as Police has access to all critical data as owner of both the regulatory and constabulary workforce. Although there is less flexibility to change licence holders' experiences, investment would be made to improve customer facing systems and processes.

Financial Case

In aggregate, the costs of Option 3 are expected to be around \$110 million greater than Option 5 (to FY 30/31).

The key drivers for these higher costs are:

- **Non-core operational costs:** The costs of Option 3 (\$125.2 million total) are significantly greater than for Option 5 (\$28.8 million total). This is because Option 3 includes new corporate systems and teams (e.g. HR and Finance) as part of a new entity.
- **Transition costs:** The costs of the change programme team are greater for Option 3 (\$17.4 million total compared to \$11.4 million), reflecting that the detailed operating model design and implementation costs include establishment of a new entity. Other transition costs for Option 3 (\$6.4 million total compared to \$0.8 million) are significantly greater because this includes costs of establishing new organisational corporate systems and infrastructure, which is not needed in Option 5.

Core operational costs are identical between Options, reflecting the resources and costs that could be "lifted and shifted". It includes core operations staff, the management and supervision required across operations, and direct non-personnel costs such as travel and mobile devices.

Costing uncertainties

There is a high degree of confidence in the current FY 20/21 costs. From FY 21/22 costs are indicative, as is normal for this type of Business Case. The indicative costs and any points of uncertainty will be considered and addressed as part of the Detailed Business Case.

Funding sources

There are four possible funding sources available, as discussed further below.

1. Funding available for reallocation

The amount of funding that can be reallocated from Police to the new entity is \$8.1 million which is the existing operating funding.

This is the case whether such allocation is to continue inside Police or be provided to a new entity. This amount excludes overheads and similar allocated costs.

2. Contingency set aside

The Treasury approved tagged contingency of \$60 million total over four years (FY 20/21 to FY 23/24). This provides a source of new Crown funding. The amounts provided for are:

- FY 20/21: \$28.0 million
- FY 21/22: \$22.0 million
- FY 22/23: \$5.0 million
- FY 23/24: \$5.0 million

Police will seek a draw-down from the tagged contingency set aside by Treasury for costs identified in this Indicative Business Case through a Cabinet Paper.

Police plans to consult with Treasury on changing the phasing of the tagged contingency to align to the funding required (ie moving some FY 2020/21 contingency to FY 2021/22). Police also propose expanding the purpose of the tagged contingency from implementing the Arms Legislation Act to wider Arms Administration. There is also an opportunity to partially capitalise the tagged contingency.

3. Future budget bids

If the above reallocation of the tagged contingency is agreed, the budget bid requirement in FY 21/22 for Option 3 is \$3.5 million for capital only, and for Option 5 there would be no requirement to budget bid until FY 22/23 (see two tables below).

Funding for Option 3 (with a two year planning and implementation phase)

Funding Source (\$ million)	2020/21	2021/22	2022/23	2023/24
Tagged Contingency Available	28.0	32.0		
Proposed re-phasing	-8.5	8.5		
Tagged Contingency Utilised	19.5	40.5	0.0	0.0
New Funding Required Operating	19.5	29.9	42.7	44.5
New Funding Required Capital		14.1	3.9	
Total Required	19.5	44.0	46.616	44.5
Drawdown from Tagged Contingency	19.5	40.5		
Budget Bid - Operating			42.7	44.5
Budget Bid - Capital		3.5	3.9	
Total	19.5	44.0	46.6	44.5

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

Option 3 funding source requirements with tagged contingency, including both operating and capital expenditure

Note the above table does not include the Existing Operating Budget of \$8.1m.

Funding for Option 5

Funding Source (\$ million)	2020/21	2021/22	2022/23	2023/24
Tagged Contingency Available	28.0	29.1	2.9	
Proposed re-phasing	-12.6	12.6		
Tagged Contingency Utilised	15.4	41.7	2.9	0.0
New Funding Required Operating	15.4	27.6	28.4	33.3
New Funding Required Capital		14.1	3.9	
Total Required	15.4	41.7	32.3	33.3
Drawdown from Tagged Contingency	15.4	41.7	2.9	
Budget Bid - Operating			25.5	33.3
Budget Bid - Capital			3.9	
Total	15.4	41.7	32.3	33.3

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

Option 5 funding source requirements with tagged contingency, including both operating and capital expenditure

Note the above table does not include the Existing Operating Budget of \$8.1m.

4. Third Party Revenue

The Arms Act administration is currently part of Police's Departmental Output Expenses under "General Crime Prevention Services (M51)". Funding for this sub-output class has been from Third-Party revenue (fees paid by the licenced population) as well as Crown funding. There is also an opportunity for the Government to review third party fees arrangements. Police are planning to provide advice to Government in relation to this.

The Management Case

Investment decision process from here

This Business Case seeks a decision between Option 3 and Option 5, which will have a significant impact on how the transition from the current state to the desired option is managed and progresses.

In addition to this Business Case:

- Police will submit a Cabinet Paper requesting draw-down from tagged contingency.
- Police will submit a Cabinet Paper with advice on cost recovery options.
- A Detailed Business Case will be developed for either Option 3 or Option 5.

The Detailed Business Case will further develop the implementation requirements outlined in this Management Case, incorporate ICT solution and investment requirements, and provide greater certainty on costs.

Police is currently undertaking work to implement key legislative changes and improve the existing operating model. When a decision is made to implement either Option 3 or Option 5, it will be necessary to carefully integrate the current improvement programme and the transition plan, to ensure alignment and avoid duplication of effort.

Management considerations for Option 3

The new Crown Agent would operate independently from Police, with core functions centralised as much as possible. A nationwide workforce would carry out face to face interactions, such as inspections, audits and licensing interviews.

An independent board would be accountable to the Minister for the Agent's performance and responsible for appointing a Chief Executive. The Minister would receive independent advice from the Minister's Arms Advisory Group, as stipulated by recent Arms Act amendments.

Police would continue to play a significant role in the arms system through the policy advice and oversight functions, day-to-day policing and assisting the regulator to safely manage high-risk scenarios. Key regulatory processes involving both Police and the Crown Agent include high-risk arms seizures and the management and holding of arms.

Additional work would be required to implement the arms registry and digital interface for licensing. The detailed operating model design would need to be developed hand in hand with the registry and interface.

Management considerations for Option 5

Arms regulatory delivery would occur in a branded business unit within Police. The improvement programme already underway will need to be strengthened and enhanced (scope and resource increase) so that it can deliver the new operating model.

Part of the improvement programme involves increasing the amount of functions occurring centrally. Face to face interactions would be tasked to Districts and carried out by a mixture of constabulary and vetting staff.

The Police Commissioner would be accountable to the Minister for Police's performance. The Minister would receive independent advice from the Minister's Arms Advisory Group, as stipulated by recent Arms Act amendments.

Evaluating the success of investment

Given decisions are still to be made about which option best aligns with the Government's risk appetite and available funding, and detailed design of the successful option is yet to occur, specific KPIs and benefits have not been developed as part of this Business Case.

Specific KPIs and benefits should be developed in alignment with direction provided by Government on the preferred way forward. A benefits realisation plan should be developed, and benefits should be actively measured.

The selected option should be reviewed two years from the 'go-live' date of the Crown Agent (Option 3) or completion of the improvement programme within Police (Option 5). In both options, this allows time for the arms regulatory actors and key stakeholders to fully experience the arrangements.

As required by Cabinet Office Circular CO(19)6⁶, this project will report back to Cabinet within 12 months of the in-service date on the actual level of benefits achieved (compared with those outlined in the Cabinet-approved investment).

The Commercial Case

Commercial considerations for Option 3

Specialist services: Specialist services would be required to assist constabulary and civilian Police staff to design and establish the Crown Agent.

Property and assets: The Crown Agent would require office space and equipment for its centralised functions. There may be an opportunity to form an agreement with Police and use a small amount of space in District Offices to house the regional workforce. Alternately, if a mobile arrangement were possible, the Crown Agent might provide the regional workforce with vehicles, secure transportable storage units and IT equipment. In this instance, the Agent would need to agree a storage arrangement with Police so that arms seized by the regional workforce could be safely stored.

Technology: The Crown Agent would require the following systems to support regulatory and corporate processes:

- Core IT systems.
- HR system.
- Finance system.
- IT support system.

⁶ <https://dpmc.govt.nz/publications/co-19-6-investment-management-and-asset-performance-state-services>

- Facilities management system.
- Process management system.
- Communications system.
- Governance system.
- Arms Registry.

Permanent Staff: There are opportunities to transition existing Police staff to the Crown Agent to fill key roles and enable retention of institutional knowledge. However, an overall staff and capability sourcing strategy for the new entity will need to be developed.

Commercial considerations for Option 5

Specialist services: Specialist services would be required to assist the Police to deliver the improvement programme.

Technology: Development of the Arms Registry is also required.

Additional permanent staff: Police would need to recruit capabilities to deliver the data and risk analytics enhancements proposed in the improvement programme

Procurement approach

The following approaches have been identified for the procurement of specialist services and contractors:

- an open competitive process for services of significant value where Police is seeking to explore various suppliers and retain competitive tension between suppliers within the selection process.
- a closed competitive process where services required fall under a specific value and do not require open advertisement.
- direct sourcing using the All of Government (AoG) Panel for specific specialist services.

Summary

This Indicative Business Case outlines the investment that is required for effective arms regulation. It supports the funding drawdown request to support the implementation of legislation change and explores options for arms regulatory system. The option to establish a Crown Agent (Option 3) and the option for the regulation to remain with Police in a branded business unit (Option 5) score highly. They provide credible options for delivering effective arms regulation. The selection of one over the other depends on the success factors that are most important, as well as risk appetite and available funding. Improvements to the operating model can be made, whether arms regulation is to continue to be undertaken by Police, or moved to another entity, such as a Crown Agent.

The Strategic Case – making the case for change

The Strategic Case outlines the strategic context and case for change supporting the proposal to invest in the arms regulatory system. The need for investment was identified by Ministers and Cabinet during the Arms Act reform process.

It outlines the investment drivers, existing arrangements and key challenges within the arms regulatory system. It defines the scope of the Business Case, objectives and benefits of investment, and potential investment risks, constraints and dependencies.

What is driving the request for investment?

The need to continue modernisation of the delivery of Arms Act and legislative changes to the New Zealand Police's role, requiring additional funds.

On March 15 2019, New Zealand experienced its deadliest mass shooting in modern history. Reforms to the arms regulatory system commenced with urgency in the wake of the tragedy. Immediate changes to the Arms Act 1983 required to ban high risk firearms and provide for their buyback were passed 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 New Zealand Police (the Police) had been seeking to modernise its administration of the Arms Act prior to the 2019 tragedy. Due to the 2019-20 amendments to the Arms Act, the need for the Police to invest in operational processes was heightened. In FY 20/21, the Police reprioritised its baseline funding to provide additional funds required to implement the changes and improvements. This Business Case supports a Cabinet Paper the Police is currently developing to ensure the Police can meet legislated responsibilities and invest to increase the efficiency and effectiveness of licensing processes. The Cabinet Paper will seek a drawdown of Contingency Funding to ensure further reprioritisation of Police baseline funding is avoided, which, if it continued, would increasingly impact the Police's ability to deliver core policing functions and priorities.

Request from Government to explore the options for arms regulation outside of the Police.

During the Arms Act reform process, the Coalition Government agreed in principle to establish an independent entity to oversee arms regulation⁷, involving a divestment of functions away from the Police.

This Business Case explores the options for arms regulatory delivery entities.

What are the existing arrangements?

Purpose of the Act and core features

The Police is responsible for administering the Arms Act 1983. The purpose of the Act is outlined below.

“(1) The purposes of this Act are to—

- (a) promote the safe possession and use of firearms and other weapons; and*
- (b) impose controls on the possession and use of firearms and other weapons.*

(2) The regulatory regime established by this Act to achieve those purposes reflects the following principles:

- (a) that the possession and use of arms is a privilege; and*
- (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 safety⁸.”*

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

⁸ Arms Act 1983 Section 1A.

The Act regulates the use of arms and ammunition. To obtain these items for personal or business use, a person must hold a firearms licence. The Police is responsible for assessing whether individuals are 'fit and proper' to be in possession of a firearm. Any person holding a licence may apply to import arms items and ammunition. An individual may wish to possess a high-risk firearm (e.g. for pest control purposes, or as a collector of firearms). To do so, an endorsement on their licence and a permit to possess such items is required. Engagement in firearms related business dealings requires a specific dealer's licence.

The key statistics and trends outlined below indicate the volume of arms-related activity in New Zealand:

- There are approximately 248,000 arms licence holders in New Zealand, of these 485 hold a dealer's licence⁹.
- From 2009 to 2018 an average of 8,100 first-time licence applications were received and 23,755 licence applications from previous licence holders were processed annually.
- As a result of the 10-year licensing period introduced in 1992, there are peaks and troughs in licence renewals over each decade, which result in fluctuating staffing requirements.
- As at February 2016 there were an estimated 1.2 million arms held in New Zealand.
- 4,813 import permits were issued in 2018.
- 55,000 arms are estimated to be imported per year.
- On average, there are 600–800 online firearm related transactions per month related to arms in Trade Me alone.

Operating model and functions

The Police operating model for arms system functions includes centralised leadership and some specialist functions, operating in a decentralised manner. Most licence holder interactions occur at a District level. At a high level, there are four types of Police staff currently involved in delivering Arms Act functions:

1. **Central Service Centre Employees** responsible for oversight, provision of guidance and instructions and the delivery of some regulatory functions such as the issue of import permits and the issue of pest control endorsements.
2. **District Arms Officers** responsible for relationship management, compliance and oversight of all District level (face to face) licensing activities and permitting processes for transfer of higher risk items.
3. **Casual Vettors** responsible for conducting interviews, reference checks for licence/endorsement applicants and inspection of the secure storage of firearms by licence holders.
4. **Operational Police Officers (the constabulary workforce)** responsible for enforcement of the Arms Act and day-to-day Policing activities where firearms are present, used in support of crime, or reported as stolen.

The Police is currently in the process of updating their operating model to support the delivery of new legislative requirements, changes will impact the structure of the above staffing arrangement.

The Police is responsible for the delivery of the following Arms Act functions:

Policy advice and oversight

- regulatory stewardship
- advising the responsible Minister
- legislative development (including regulations)

⁹ As At 31 October 2018.

- monitoring and evaluation
- secretariat to the Minister's Arms Advisory Group (once set up)

Regulatory functions (including operational policy and service delivery)

Licensing

- licensing applications
- arms safety education and training
- endorsements, permits and approvals
- management of licence holdings (e.g. change of address)
- management of cessation of licence (surrender, death, expiry, revocation and suspension)
- compliance (audits, inspections, certifications and improvement notices)
- health practitioner notification management
- regulatory investigations

Arms management

- registration and transfers of possession for prohibited arms items, pistols, restricted weapons and arms modifications
- applications to import, export or manufacture arms
- management of arms holdings (lost, reports of stolen, found, surrendered, seized arms)
- storage, transport and destruction of arms
- arms items as evidence in proceedings

Strategy, operational policy and engagement

- agency engagement
- community engagement
- media engagement and responding to Official Information Act requests
- engagement with the Firearms Community Advisory Forum (FCAF)
- strategy and operational policy (development of processes, policies and procedures)
- quality assurance and performance reporting
- decision review

Policing (constabulary) functions

- policing our borders
- intelligence and strategy (intelligence collection and response, interagency and international collaboration)
- policing illegally held arms in the community
- criminal/forensic investigations
- arms encountered in routine situations
- arms encountered in unsafe stations.

Table 1: Policy, regulatory and policing Arms Act functions

Third-party actors

The third-party actors and stakeholders in the arms regulatory system responsible for functions which have relevance in this Business Case include:

- New Zealand Customs Service: manage arms, parts, magazines and ammunition imports.
- The Ministry of Foreign Affairs and Trade: manage arms and part exports.
- The New Zealand Defence Force: destroys ammunition.
- Arms destruction agent: destroys ammunition.
- Mountain Safety Council: contracted to deliver arms safety training and testing of first-time licence applicants.
- Whakatupātu: programme funded by the Police to deliver arms safety training and testing within communities, in particular Māori or remote communities.

What are the key challenges?

1. The Police has reprioritised funding to commence modernisation and implementation of new legislative requirements. Such reprioritisation is not sustainable.

The funding arrangements for Arms Act delivery, particularly the Police expenditure on critically urgent needs over reprioritisation to Arms Act delivery, have led to the perception that the Police is diverting resources away from the arms regulatory system. This is not the case. Funding arrangements have not been revisited in over 20 years. The operating environment and demands have changed over time. Historically, it has been difficult for the Police to prioritise higher expenditure on Arms Act delivery to meet additional demands due to other competing, critical Policing needs, such as frontline policing. The Police has previously sought to adjust arms cost recovery mechanisms (e.g. licensing fees) to further subsidise cost but was unsuccessful. Ultimately, the Police has not been in a position to reprioritise baseline funding and invest in Arms Act delivery over critically urgent needs. The arms regulatory function is not delivering to expectations as a result (see key challenge two).

Arms Act delivery occurs within a mix of a centralised and decentralised operating model. District Police carry out certain regulatory functions in the course of their day-to-day operations, amongst a number of other policing duties. Identifying the exact cost of Arms Act delivery within the Districts is challenging because of the decentralised model.

In response to additional regulatory responsibilities outlined in the Arms Act reform, as well as ongoing improvement requirements, the Police committed to additional expenditure on Arms Act delivery. The Police reprioritised baseline funding to commence improvement of its existing functions and implementation of new functions, allocating an additional \$11 million to the central cost centre in FY 20/21 – including significant District support as well as efforts to centralise and standardise some of the work. This allocation is significantly larger than previous years'. Although the reprioritisation was necessary to commence improvement and implementation, it is not a sustainable funding arrangement as it requires the Police to divert funding away from other critical priorities. Additional funds are required to sufficiently implement the new legislation and improve delivery.

2. The arms regulatory function is not currently delivering to expectations, and would be unable to meet the new regulatory requirements.

The events in Christchurch were an extreme example of an unsuitable person having been given a licence based on the information available to the Police. The Government acted quickly to enable tighter controls and codify the matters for consideration of a fit and proper assessment. While the population of unsuitable licence holders may be small, the risks and potential for harm may be significant.

Specific examples of delivery risks which may enable the population of unsuitable licence holders include:

- The management of revocation activities varies in different Districts, which can lead to different decisions or standards being applied. This may cause different levels of prioritisation or follow-up to revocation of a licence with individuals who are deemed not to be fit and proper to hold a licence and considered a risk.
- Prior to September 2019, the Police was not advised of all deaths by the Department of Internal Affairs. This has been rectified. However, the Police may only discover a

licence holder has died upon their licence expiration for deaths occurring prior to September 2019.

- In the event of a known licence holder death, NIA (the Police National Intelligence Application) is updated and the death is flagged in the system. However, swift action is not always taken to follow-up with next of kin to ensure arms are not left in possession of unlicensed holders, due to local prioritisation decisions, and as a national firearms registry isn't in place Police are unable to determine if any firearms had actually been in possession of the deceased.
- Due to insufficient investment in training of arms staff, including vetters, and a lack of suitable national standards/reviews, quality of vetting interviews are inconsistent and not always to the required standard.
- The licensing process is paper based, involving duplication and double handling. This leads to manual data errors which can affect reliability of information for follow-ups/reference checks.

The Police is currently improving existing arrangements and implementing the recent legislative changes outlined in the Arms Act, including addressing the above points through the additional baseline investment in FY 20/21.

3. **Trust, confidence and accountability could be strengthened with elements of the arms community, by exploring alternative entity models and accountability structures.**

There is a perception held by a small group of licence holders of insufficient independence and transparency within the existing regime, diversion of tax payer funded resources away from Arms Act delivery, and a down-grading of priority regarding Arms Act related activities within the Police. Ultimately, this perception prompted the decision to explore options for arms regulation delivery outside of the Police.

There is insufficient accountability through effective monitoring within the arms regulatory system. Delivery effectiveness is not adequately measured and reported on¹⁰, there is a perceived lack of transparency and accountability within the system as a result. Regulatory functions are tasked from the centre to Districts at which point tasks may be reprioritised. The quality and consistency of execution is not easily measured. Additionally, there is little representation and monitoring of Arms Act delivery at a governance level.

The existing regime has been publicly criticised by elements of the arms community regarding interpretation of the legislation and timeliness of service delivery. The Police is not always able to deliver on self imposed outcomes and timeframes and have received public criticism as a result.

The scope of this Business Case

Funding drawdown request to support the implementation of legislated changes.

Amendments to the Arms Act between 2019 and 2020 introduced new regulatory functions and enhancements. The Police has commenced implementation, however additional funding is required to complete implementation. The Police is developing a Cabinet Paper that seeks drawdown of Contingency Funding set aside by Treasury. This Business Case supports the request.

Limitations

The focus of this Indicative Business Case is on the overall operating model and potential entity structures. The Arms Act reform also requires creation of a registry to record licence holder details, arms details and record transactions¹¹. Police has developed high-level estimates for the associated ICT investments needed, which are included in this Business Case for completeness. The estimates should be considered indicative only, and at this stage Police has assumed they would not be

¹⁰ E.g. District Commanders are not measured on of Arms Act functions.

¹¹ Arms Legislation Act 2020, Sections 93-95.

materially higher or lower under the different Options. The design and investment requirements for the ICT solution will be developed as part of the Detailed Business Case, once a decision has been made about the entity structure.

This Business Case does not consider adjustments to cost recovery mechanisms (e.g. licensing fees) to recover costs in respect to certain activities undertaken under the Act¹². The Police is separately preparing advice to government on potential cost recovery and funding changes.

Exploring the options for the arms regulatory system.

In exploring the options for the arms regulatory system, this Business Case considers the options for accountability of arms regulatory functions within the Police and within a separate entity, including the Machinery of Government options for a separate entity outlined in the May 2020 Briefing for the Minister of Police¹³.

The regulatory functions outlined in the [existing arrangements](#) are within the scope of this Business Case and accountability for the functions is explored within the options. In all options, policing/constabulary functions are retained by the Police, divestment of policing services away from the Police is not within the scope of this Business Case.

Investment objectives

The objectives for investment respond to the key challenges and align with the primary objectives of the Arms Act.

Investment Objective 1	<p>The system delivers effective arms regulations to enhance public safety in New Zealand.</p> <p>This will help to ensure all licence holders are fit and proper and possess and use arms items in a safe manner.</p>
Investment Objective 2	<p>Sufficient funding and resources are provided to support quality, timely Arms Act delivery.</p> <p>This will support the delivery of effective arms regulations, ensure new Arms Act responsibilities are met and remove the need for the Police to reprioritise baseline funding.</p>
Investment Objective 3	<p>Effective monitoring and accountability processes are in place, and there is increased transparency in the Arms Act regulatory system.</p> <p>This will ensure execution of regulatory functions is visible so that any reprioritisation of Arms Act delivery or the delivery of poor-quality outcomes can be dealt with and public perception of the regime improves.</p>

Table 2: Arms Entity Business Case Investment Objectives

¹² Arms Legislation Act 2020, Sections 80-86.

¹³ Briefing for the Minister of Police, 4 May 2020, BR/20/30.

Benefits

The benefits expected to be delivered through the achievement of the investment objectives are:

- **Benefit 1:** Increased public safety measured through the incidence of arms related incidents¹⁴.
- **Benefit 2:** Quality, timely delivery of arms regulatory interventions measured through delivery against agreed requirements.
- **Benefit 3:** Increased ability to measure the effectiveness of Arms Act delivery (both administrative efficiency and outcomes effectiveness) due to improved reporting within the system.

The benefits have been developed through logical progression from key challenges to investment objectives to delivery of benefits. A summary of the progression, including the benefits and measures, is included in Figure 1. At this stage, the benefits and associated measures are outlined at a high-level. It is expected the relevant policy function identified within the regulator will create a detailed set of benefits, measures and a benefits realisation plan (see: benefits measurement, Management Case).

¹⁴ E.g. firearms are present and discovered by Police in the course of day-to-day policing. Firearms are stolen. Firearms are used to threaten a person.

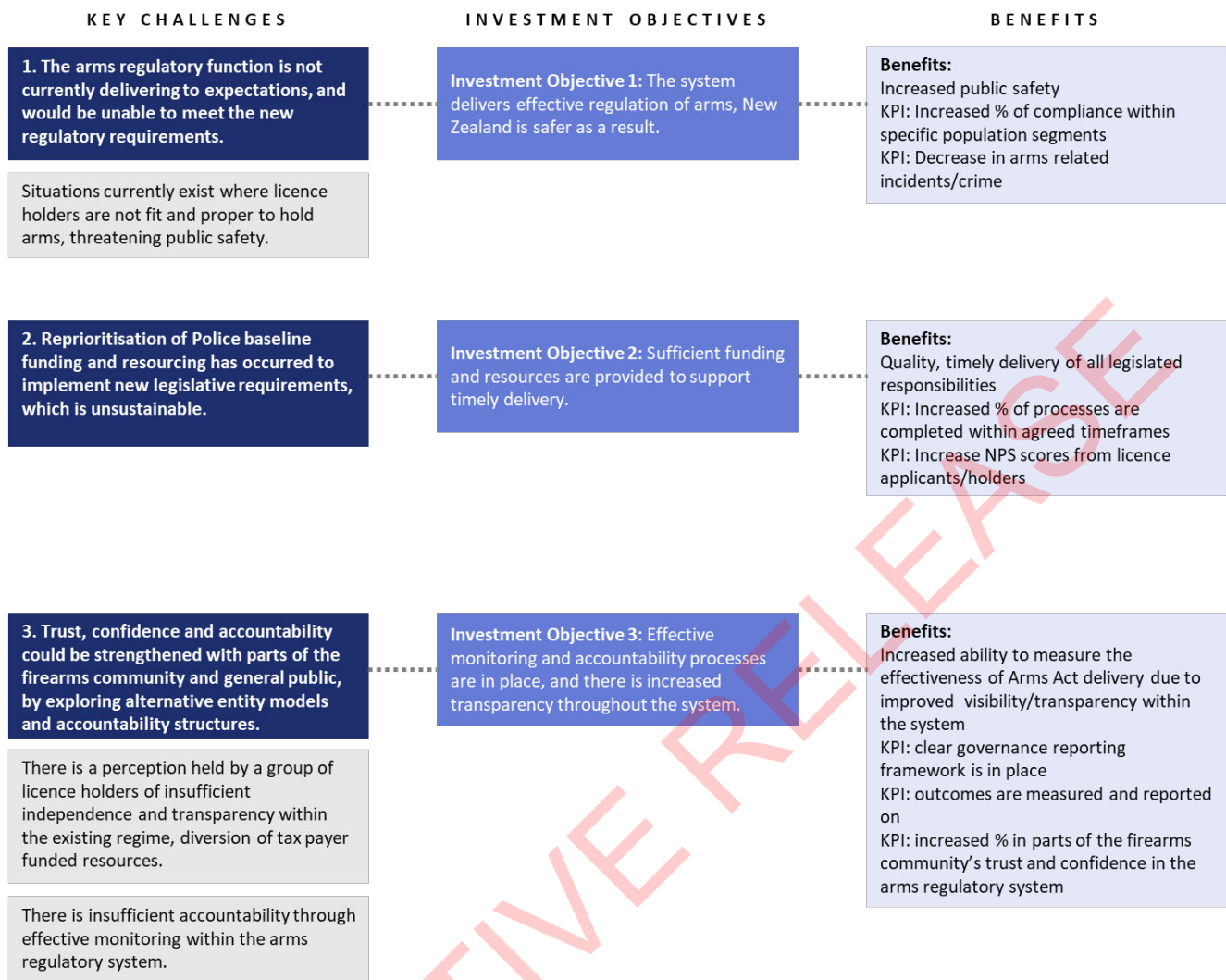


Figure 1: Key challenges, investment objectives and benefits

Investment risks, constraints and dependencies

The following tables set out the risks, constraints and dependencies of the proposed investment in the arms regulatory system.

Risks:

Risk	Impact	Likelihood	Mitigations
Lack of buy-in from the general public. The public does not perceive investment in the regulatory system as prudent and dis-engage and/or actively speak out against the changes.	Low	Low	Public engagement and messaging to articulate the benefits of investment.
Lack of buy-in from licence holders. Licence holders do not engage with the changes, such behaviour may impact regulatory engagement and compliance.	Moderate	Moderate	Targeted engagement and messaging to articulate the benefits of investment.
Unforeseen impacts on third-party actors within the system. Other government agencies with Arms Act responsibilities are negatively impacted by changes to the regulatory system.	Moderate	Low	As discussed in the Management Case, further operating model analysis will be required to test the impact of change on daily operations. Impacts on third-party actors should be tested as part of this analysis.
Government investment priorities and appetite. There are many investment demands on Government, particularly due to the COVID-19 pandemic. Investment in the regulatory system will be considered against the full range of government priorities, at which point other, more urgent investment requests may be prioritised.	High	Moderate	The need for investment and potential impacts of delayed investment are outlined in the key challenges section, the existing problems within the system will not be resolved without investment.
Public perception, and the perception held by a elements of the firearms community remains unchanged despite investment. The existing lack of trust and confidence in the system may continue despite successful changes to deliver an effective regulatory arms system.	Moderate	Moderate	Consider annual public reporting on progress against investment.

Table 3: Investment risks

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

Constraints
Implementation timelines outlined in the Arms Legislation Act 2020. Changes must be implemented by December 2020 (related to to licences, permits to possess and the introduction of improvement notices), June 2021 (predominantly related to dealers), June 2022 (related to clubs and ranges) and June 2023 (introduction of the arms registry). Implementation timeframes are relevant to the request for investment in the preferred way forward.
Level of available funding may constrain the Government's ability to invest in the preferred way forward.

Other strategic priorities within the government organisation accountable for implementing the preferred way forward. The preferred way forward will require the ultimate owner of arms regulatory functions (e.g. the Police, the Ministry of Justice) to implement substantial change. The organisation will likely have other strategic priorities also requiring effort and resources, which could constrain the implementation of the preferred way forward.

Table 4: Investment constraints

Dependencies are any actions of development required of others and outside the scope of this programme, and on which the success of the investment proposal depends:

Dependencies

The development of an arms registry is required. Further analysis is required to understand the technology, capability and cost associated with the registry. Per recent Arms Act amendments, the registry must be implemented by June 2023.

Changes to existing cost recovery mechanisms (e.g. licensing fees) are required. Analysis of possible amendments to the existing cost recovery mechanisms will likely occur in the next 12 months.

Table 5: Investment dependencies

PROACTIVE RELEASE

The Economic Case – exploring the preferred way forward

Introduction

The Economic Case identifies the options for the preferred way forward for arms regulatory system design and accountability. To identify and shortlist the options, this Business Case considers three dimensions. A set of critical success factors were identified and used to assess options (see: [Specifying critical success factors](#)). The three dimensions considered in this Business Case are:

1. Core and common features of an effective regulator.

Each option must deliver an effective regulatory system, which drives a set of necessary enhancements to the current 'status quo' system of delivery. The **'core and common'** features of an effective regulator have been identified and applied across the options. In doing so, the critical success factor 'deliver effective arms regulatory function' is achieved.

2. Preferred organisational emphasis.

The second dimension introduces decisions on where investment will be focused to deliver the remaining critical success factors. The Business Case has explored different emphases within an operating model – such as delivering on user experience, delivering on risk and analytics, and delivering on process efficiency.

A longlist of options was created and down-selected through considering the critical success factors and feasibility. Three functional options were then assessed against each critical success factor to identify the preferred option.

The preferred functional option includes all necessary enhancements required to achieve the remaining critical success factors. Therefore, the **minimum viable functional option** is created through combining the core and common features and preferred emphasis to achieve all critical success factors.

3. Accountability choices.

There are five regulatory system accountability choices identified by officials¹⁵:

- **Option 1:** Regulatory functions (Arms Act administration) are delivered by the Police in a branded business unit, policy advice and oversight functions are delivered by a Public Service Department (PSD).
- **Option 2:** Regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by a Departmental Agency within a Public Service Department.
- **Option 3:** Regulatory functions (Arms Act administration) are delivered by a new Crown Agent, policy and oversight functions remain with the Police.
- **Option 4:** Regulatory functions (Arms Act administration) are delivered by a new Crown Agent, policy advice and oversight functions are delivered by a separate Public Service Department.

And **Option 5**, all functions remain with the Police. The five accountability choices were applied to the minimum viable functional option to create **five shortlisted options**. The options have been costed and assessed against the critical success factors.

Do nothing option discounted

A 'do nothing' option has not been considered in this Business Case. Per the key challenges outlined in the Strategic Case, without investment in the existing arrangements the arms regulatory function would not deliver to expectations and would not meet new regulatory requirements. Any improvements to arms regulatory delivery would require continued reprioritisation of Police baseline funding, increasingly impacting the Police's ability to invest in other, critically urgent needs.

¹⁵ Briefing for the Minister of Police, 4 May 2020, BR/20/30.

Investment is required to avoid significant risk and poor outcomes related to arms regulation and wider Policing priorities.

Design and assessment criteria

Specifying critical success factors

A set of critical success factors have been developed to reflect the core features that must be delivered to achieve the investment objectives and the primary objectives of the Arms Act (see Figure 2).

PROACTIVE RELEASE

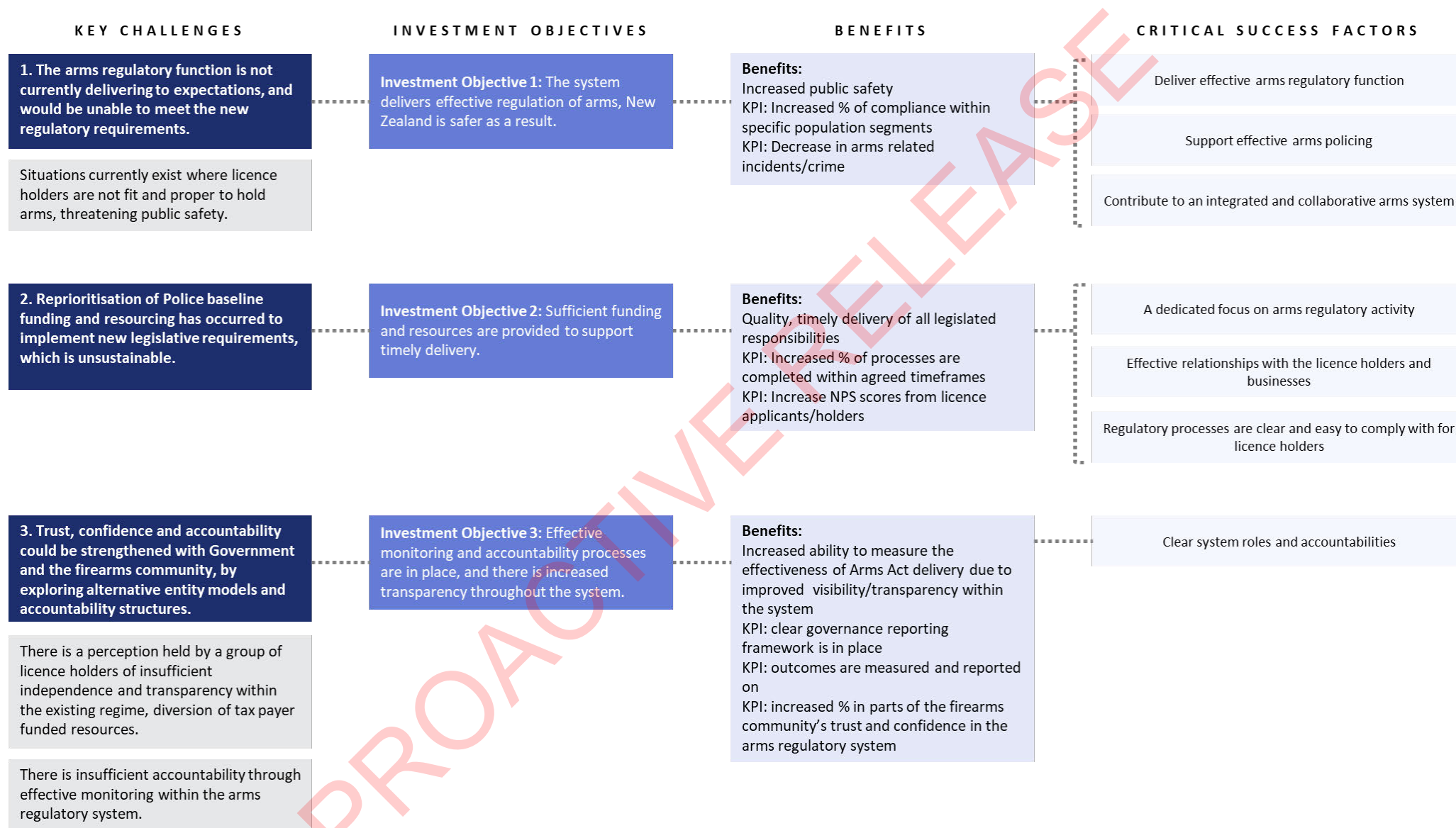


Figure 2: How the critical success factors connect with the key challenges, investment objectives and benefits

Creating design principles

The implications of each success factor were considered to create a set of design principles, providing an extra level of detail to guide the design of the options. Each principle reflects a key feature required to support the achievement of a success factor, (see Figure 3).

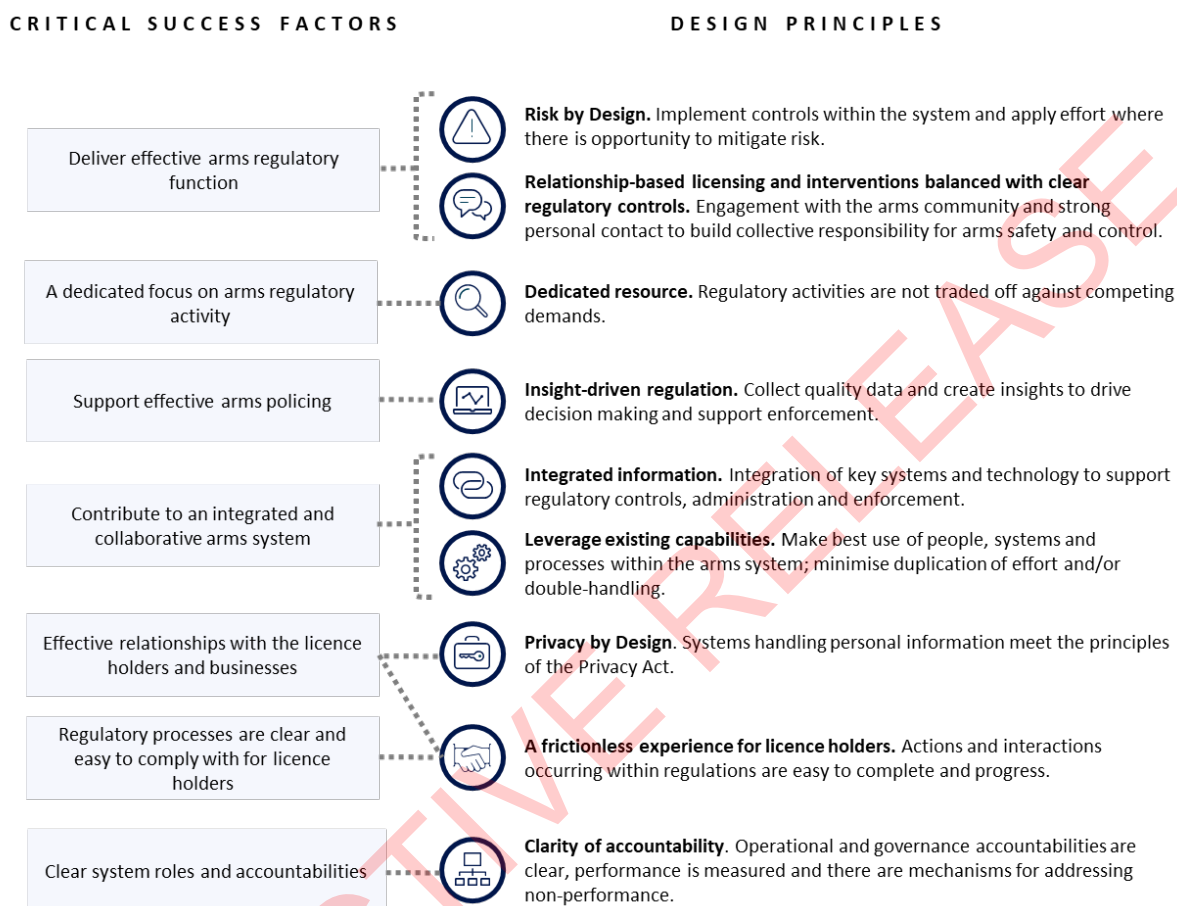


Figure 3: The relationship between the critical success factors and design principles

Dimension one: Delivering an effective regulatory system

Within the options design process, the core and common features of an effective regulatory operating model were identified for application across all options.

Drawing on the Treasury's regulatory best practice guidance¹⁶, the core and common features include:

- Systems and processes to enable proportionate risk-based decision making.
- Systems and processes to support consistency and predictability in decision making for regulated entities.
- Systems and processes to enable a degree of self-regulation within compliant population segments.
- Feedback systems are included to support continuous improvement processes.

¹⁶ 2012, The Best Practice Regulation Model: Principles and Assessments, The New Zealand Treasury. Retrieved From: <https://www.treasury.govt.nz/sites/default/files/2012-08/bpregmodel-jul12.pdf>.

- Roles, structure and governance arrangements to support transparency and accountability.
- Core competencies required to achieve effective arms regulation.

The features are outlined in Figure 4.

PROACTIVE RELEASE

Core and Common Features of an Effective Regulator

Each option builds on the following features of an effective regulator.

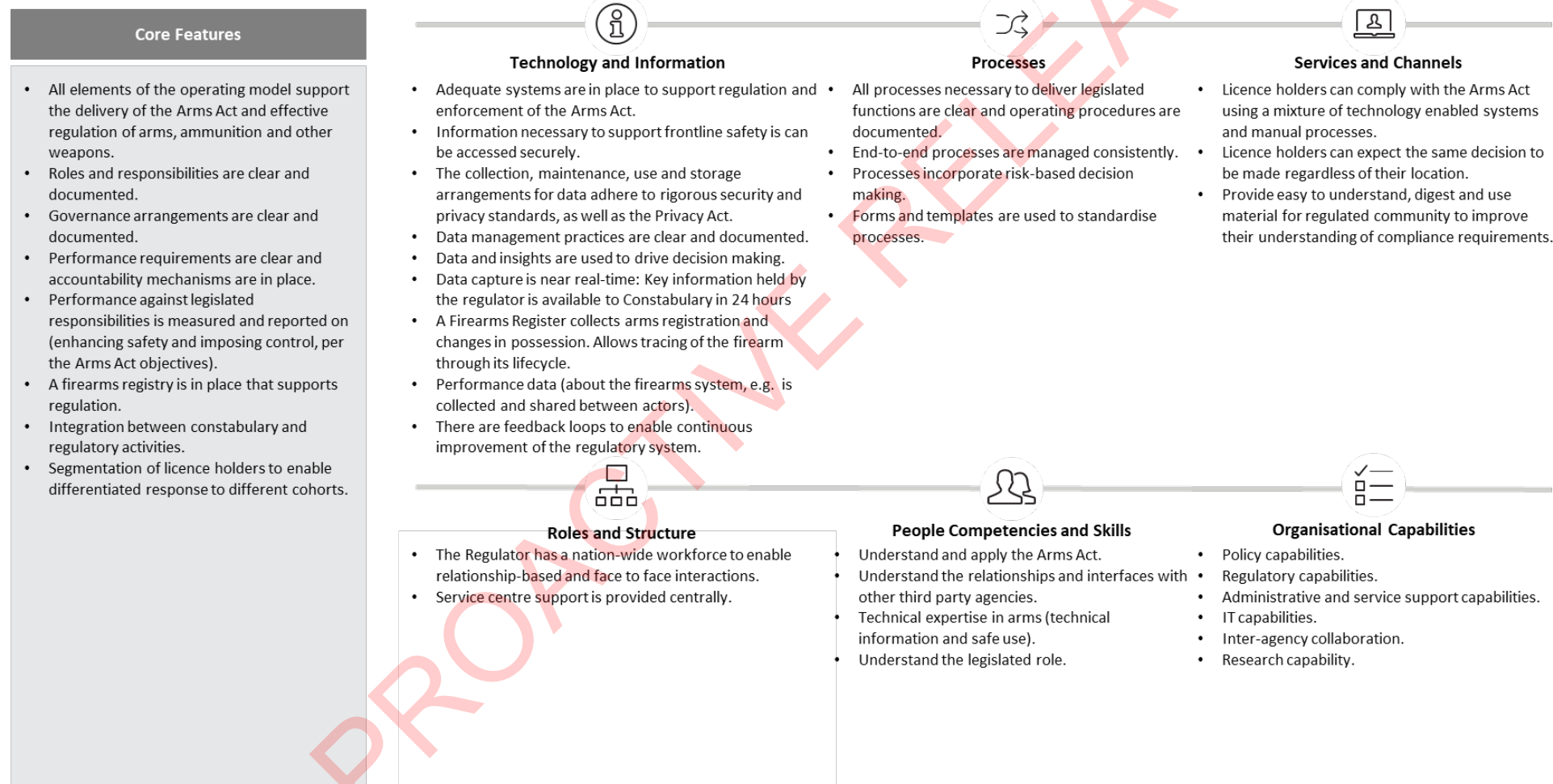


Figure 4: Core and common features of an effective regulator

Dimension two: Choosing a preferred organisational emphasis

The second dimension introduces decisions on where investment will be focused to deliver the remaining critical success factors. Using the key challenges and design principles, seven potential emphases were identified to create a longlist of options. To select a shortlist, the extent to which each option achieved the critical success factors was considered, as well as the feasibility of implementing the option (see Table 6).

Option	Description	Assessment
Proactive Policing/Crime Prevention	Investment is made to adjust the arms system to reflect the approach used for policing drugs (e.g. Illicit Drugs Strategy).	Places too much emphasis on constabulary activity over regulatory activity, inhibiting a dedicated focus on arms regulatory activity. Emphasised risk mitigation, insights and intelligence option is considered a more balanced option, promoting both effective regulation and enforcement.
Emphasised Risk Mitigation, Insights and Intelligence	Investment is focused on mitigating risk and using information to inform proactive enforcement and intelligence functions.	Balanced constabulary and regulatory emphasis, enhanced risk mitigation is desirable. Progressed to high-level design and analysis phase.
Efficient and Automated Delivery	Investment is focused on increasing efficiency, automating processes and reducing human error.	Balanced approach to risk mitigation and enabling desirable outcomes for licence holders. Progressed to high-level design and analysis phase.
Highly Integrated Delivery	Investment is made to enable seamless exchange of information between actors, including external third parties. (Improved internal integration for Police entity options).	Efficient and automated delivery considered a more appropriate option as it supports investment in technology and systems without forcing integration which might not be feasible. Level of integration with third parties is likely restricted by Privacy Act considerations.
Independent and Transparent Delivery	Investment is made to enable a high degree of independent decision making and intensive performance reporting.	Excludes realistic Police options/is too prescriptive of entity model. Bounds of transparency are not fully known, this option might be too restrictive/not feasible as certain enforcement and regulatory activities should not be 'transparent'.
Exceptional Experience for Compliant Licence Holders	Investment is focused on the experience for compliant licence holders (individuals and dealers) while ensuring appropriate controls are in place to mitigate risk.	Balanced approach to risk mitigation with an emphasis on enhancing licence holder's experience to drive compliance. Progressed to high-level design and analysis phase.

Collective Awareness and Responsibility	Investment is made to enable a high degree of stakeholder/public engagement and education throughout the system.	Would not achieve effective regulation. Too much emphasis is placed on relationship-based activity. Education is a periphery function of enforcers/regulators. Exceptional experience for compliant licence holders is considered a more balanced option.
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Table 6: Assessment of the longlist options

Three options were selected for further analysis, each of which includes the core and common features of an effective regulator:

1. **Emphasised Risk Mitigation, Insights and Intelligence.**
2. **Efficient and Automated Delivery.**
3. **Exceptional Experience for Compliant Licence Holders.**

To create functional options before commencing further analysis, the operating model implications of each emphasis were explored. A summary of the three functional options and key operating model implications is outlined at Figure 5. A detailed view of the functional options is included in Appendix I.

Assessing the options

The three options were assessed against the following critical success factors:

Critical success factors
1. Deliver effective arms regulatory function
2. Support effective arms policing
3. Regulatory processes are clear and easy to comply with for licence holders
4. A dedicated focus on arms regulatory activity
5. Effective relationships with the licence holders and businesses ¹⁷
6. Contribute to an integrated and collaborative arms system
7. Clear system roles and accountabilities

Table 7: Critical success factors for initial options assessment

The assessment is included at Table 8, followed by a summary of the results.

¹⁷ Including not for profit, regulated organisations such as ranges and clubs.

Three Functional Options

Each high-level option delivers effective regulatory compliance, as well as the outcomes implied by the option titles.

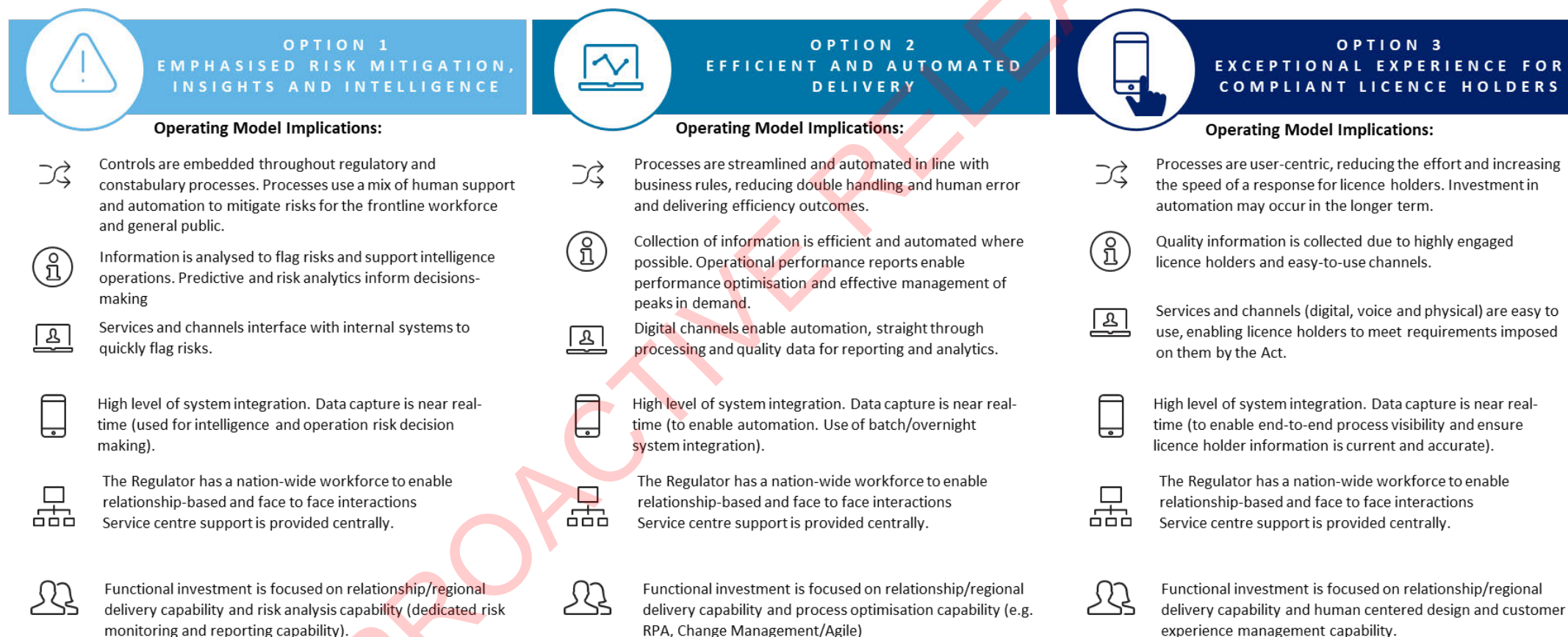


Figure 5: The functional options

Assessment of the functional options

KEY: ■ Contributes to the achievement of the CSF ■ May inhibit the achievement of the CSF

CSFs

1 Deliver effective arms regulatory function

EMPHASISED RISK MITIGATION, INSIGHTS AND INTELLIGENCE

Licence holder (and non-licence holder) activities are monitored and controls are applied based on perceived and actual risk.

High % of Arms Act enforcement activity.

High % of revocations, suspensions and other regulatory changes to licences and endorsements.

Higher % of compliance within rational population segment as rational actors are deterred.

High degree of Government trust and confidence.

Public criticism from elements of the arms community likely remains.

EFFICIENT AND AUTOMATED DELIVERY

Licence holder (and non-licence holder) activities are monitored and controls are applied based on perceived and actual risk.

Process automation enables straight-through processing for transactions that meet regulatory requirements, reducing manual handling.

High levels of digitally automated processes provide operational performance dashboards, including volumes, timeliness and trends.

Higher % of compliance within learning and virtuous citizen population segment due to technology-enabled customer channels.

High degree of Government trust and confidence.

Public criticism from elements of the arms community may reduce as delivery is more timely.

Lower % compliance within rational population segment as less effort is focused on deterrence activities.

EXCEPTIONAL EXPERIENCE FOR COMPLIANT LICENCE HOLDERS

Licence holder (and non-licence holder) activities are monitored and controls are applied based on perceived and actual risk.

Higher % of compliance within learning and virtuous citizen population segment as effort is applied to create a frictionless experience for compliant licence holders.

Digital user interfaces for key interactions increase the quality and timeliness of information in the regulation system – particularly arms possession information.

High degree of Government trust and confidence.

Public criticism from elements of the arms community is likely reduced as delivery is timely and the experience for most is frictionless.

Lower % compliance within rational population segment as less effort is focused on deterrence activities.

% of revocations, suspensions and other regulatory changes to licences and endorsements may be lower than options 1 and 2 as less effort is applied to identify rational actors (i.e. moderate-risk licence holders are slightly less likely to be picked up by the system under option 3).

2 Support effective arms policing

The Police has up-to-date arms information and tactical intelligence.

High-risk activities are supported by the Police.

Highest degree of focus on collecting and using information about licence holders and firearms to identify at-risk licence holders and market place insights compared to options 2 and 3.

The Police has up-to-date arms information and tactical intelligence.

High-risk activities are supported by the Police.

Use of automation to analyse available information creates valuable insights that support policing.

Critical information is collected and used, however there is less focus on collecting and using information about the arms system (e.g. system and market place insights).

The Police has up-to-date arms information and tactical intelligence.

High-risk activities are supported by the Police.

Critical information is collected and used, however there is less focus on collecting and using information about the arms system (e.g. system and market place insights).

3 Regulatory processes are clear and easy to comply with for licence holders

Critical information is accurate due to controls and effort applied.

Technology enabled systems and processes support accurate collection of data and data integrity.

More likely than option 1 to deliver positive licence holder feedback.

Frictionless processes and systems likely deliver high % of accurate licence holder data.

Most likely option to deliver positive licence holder feedback.

Less likely to deliver positive licence holder feedback than options 2 and 3.

4 Effective relationships with the licence holders and businesses	Higher % of compliance within rational population segment as rational actors are deterred.	Public criticism from elements of the arms community may reduce as delivery is more timely. Higher % of compliance within learning and virtuous citizen population segment due to technology-enabled customer channels.	Public criticism from elements of the arms community is likely reduced as delivery is timely, the experience for most is frictionless and feedback loops are in place. Higher % of compliance within learning and virtuous citizen population segment as effort is applied to create a frictionless experience for compliant licence holders. Most likely option to deliver positive feedback/satisfaction from licence holders.
	Public criticism from elements of the arms community likely remains. Lower likelihood of positive feedback/satisfaction from licence holders than options 1 and 2.		
5 A dedicated focus on arms regulatory activity	Clearly definable workstreams are responsible for arms regulation. Use of time and cost centres for regulatory activities are clear and traceable. Risk analysis and insights provide evidence to support focused regulatory activity.	Clearly definable workstreams are responsible for arms regulation. Use of time and cost centres for regulatory activities are clear and traceable. Resources are easily allocated and prioritised based on available information and insights, including accommodating cyclical peaks.	Clearly definable workstreams are responsible for arms regulation. Use of time and cost centres for regulatory activities are clear and traceable. Reprioritisation of regulatory activities is least likely.
	A greater level of constabulary resources needed than options 2 and 3 given the focus on interactions with high-risk population segments.		
6 Contribute to an integrated and collaborative arms system	Fewer competing priorities in the constabulary space as regulatory and constabulary workstreams are both focused on mitigating risk and deterrence. Valuable information is shared between government agencies to increase frontline workforce safety. Joint policy making and working arrangements are in place. Higher levels of integration between regulatory and constabulary workstreams to deliver safe and timely interactions with high-risk population segments.	Joint policy making and working arrangements are in place. Priorities and workflows are automated as much as possible.	Joint policy making and working arrangements are in place.
		Information is shared between government agencies, only crucial risk indicators are collected (less valuable information relative to frontline safety compared to option 1).	Higher likelihood of competing priorities compared with options 1 and 2. Information is shared between government agencies, only crucial risk indicators are collected (less valuable information relative to frontline safety compared to option 1).
7 Clear system roles and accountabilities	Effective monitoring and governance reporting mechanisms are in place. People understand their roles and responsibilities. There are clear mechanisms for addressing non-performance.	Effective monitoring and governance reporting mechanisms are in place. People understand their roles and responsibilities. There are clear mechanisms for addressing non-performance. Accountabilities and system expectations (SLAs, OLAs) are documented and built into process business rules.	Effective monitoring and governance reporting mechanisms are in place. People understand their roles and responsibilities. There are clear mechanisms for addressing non-performance.

Table 8: Assessment of the functional options against the critical success factors

Summary and outcome of the functional options analysis

- Through its emphasis on use of risk information and analysis to drive decision making, Option 1 scores well across the success factors. However, the reduced focus on enabling timely outcomes and frictionless licence holder experiences in comparison with the other options prevents the option from achieving all of the success factors. There is significantly more focus on policing efforts in Option 1 rather than a more balanced approach presented in Option 2.
- Licence holder experiences are improved in Option 2, as streamlined and automated operational processes help deliver quality, timely outcomes. Tasking and prioritisation is supported by automation as much as possible, and there is less focus on constabulary activities in comparison with Option 1, enabling a more dedicated focus on arms regulatory activity. However, the shift away from prioritisation of effective policing to mitigate risk prevents Option 2 from achieving all of the critical success factors.
- The delivery of exceptional licence holder experiences within Option 3 significantly reduces public criticism from elements of the arms community in comparison with the other options. This option may also deliver higher levels of compliance in learning and virtuous citizen populations¹⁸ relative to the other options, as systems and processes are easier to use under this model. However, Option 3 prioritises regulatory activity over constabulary activity to a greater degree than Option 2, inhibiting enforcement and constabulary activities and cross-agency integration, and ultimately, preventing the achievement of all critical success factors.

None of the options achieve all critical success factors. However, Option 1 delivers a necessary focus on risk mitigation and cross-agency integration that is fundamentally missing from the other options. Fewer enhancements are required to Option 1 to achieve the full set of critical success factors. It is the closest to achieving the delivery of an effective arms regulatory function and supports effective arms policing – the two success factors with the highest weightings. Relevant additional features from Options 2 and 3 were added to create an Enhanced Option 1 and enable the achievement of all CSFs. The enhancements are outlined below:

- Enhancements from Option 2: Automation of key processes including tasking and prioritisation, to deliver a more balanced focus on constabulary *and* regulatory activities and improve timeliness of outcomes.
- Enhancements from Option 3: A greater emphasis on improving licence holder experiences to shift public perception, reduce criticism, and support high levels of compliance in learning/virtuous citizen populations.

The preferred organisational emphasis is Enhanced Option 1 (see Figure 6). Enhanced Option 1 includes all necessary enhancements required to achieve the remaining critical success factors. Therefore, the **minimum viable functional option** is created through combining the core and common features and Enhanced Option 1 to achieve all critical success factors.

¹⁸ Regulated entities are segmented using the Braithwaite Model in each option.

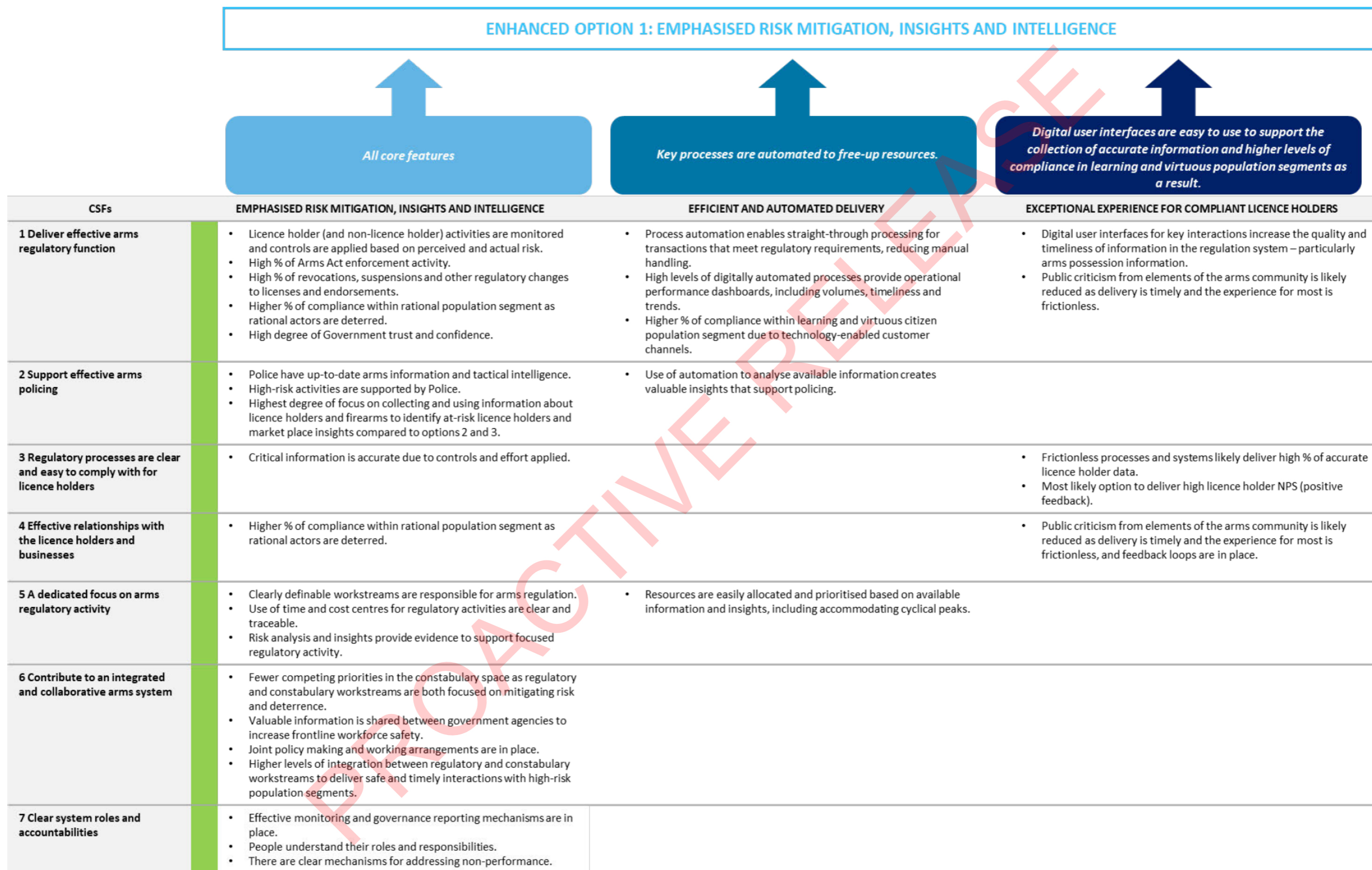


Figure 6: Development of Enhanced Option 1

Dimension three: Accountability choices

The third dimension involves applying the five accountability options to the minimum viable functional option to create **five shortlisted options**.

The shortlisted options are:

- **Option 1:** Regulatory functions (Arms Act administration) are delivered by the Police in a branded business unit, policy advice and oversight functions are delivered by a Public Service Department (PSD).
- **Option 2:** Regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by a Departmental Agency within a Public Service Department.
- **Option 3:** Regulatory functions (Arms Act administration) are delivered by a new Crown Agent, policy and oversight functions remain with the Police.
- **Option 4:** Regulatory functions (Arms Act administration) are delivered by a new Crown Agent, policy advice and oversight functions are delivered by a separate Public Service Department.
- **Option 5:** Regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by the Police in a branded business unit.

Table 9 summarises the main characteristics of each option, including the key benefits and risks. A detailed view of the operating models, benefits and risks for each option is included in [Appendix II](#).

	Option 1	Option 2	Option 3	Option 4	Option 5
Description	Regulatory functions (Arms Act administration) are delivered by the Police in a branded business unit. Policy advice and oversight functions are delivered by a Public Service Department.	Regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by a Departmental Agency within a Public Service Department.	Regulatory functions (Arms Act administration) are delivered by a new Crown Agent. Policy and oversight functions remain with the Police.	Regulatory functions (Arms Act administration) are delivered by a new Crown Agent. Policy advice and oversight functions are delivered by a separate Public Service Department.	Regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by the Police in a branded business unit.
Accountability	The Police Commissioner is accountable to the Minister for Police's performance. The Chief Executive of the Public Service Department is accountable to the Minister for the Department's performance.	A Chief Executive is appointed and accountable to the Minister for the Agency's performance. The Minister responsible for the Agency can be different from that of the host Public Service Department.	An independent Board oversees the Agent and is accountable to the Minister. The Board appoints a Chief Executive. The Police Commissioner is accountable to the Minister for Police's performance.	An independent Board oversees the Agent and is accountable to the Minister. The Board appoints a Chief Executive. The Chief Executive of the Public Service Department is accountable to the Minister for the Department's performance.	The Police Commissioner is accountable to the Minister for Police's performance.
Independence	Provides for high degree of ministerial oversight, control and accountability. The Minister has a close relationship with the regulator and has power to direct the Police to give effect to government policy. An independent Public Service Department would provide independent policy advice to the Minister.	Provides for high degree of ministerial oversight, control and accountability. The Minister has a close relationship with the regulator and has power to direct the Agency to give effect to government policy. Provision of policy advice to the Minister is less independent, as the Agency is also responsible for policy and oversight.	Governance board puts regulator at arms-length from ministers. The Agent must "give effect to" policy that relates to the entity's functions and objectives if directed by Minister. The Police would provide independent policy advice to the Minister. Must "give effect to" whole of government approach if directed by Ministers of Finance and State Services.	Governance board puts regulator at arms-length from ministers. The Agent must "give effect to" policy that relates to the entity's functions and objectives if directed by Minister. A Public Service Department would provide independent policy advice to the Minister. Must "give effect to" whole of government approach if directed by Ministers of Finance and State Services.	Provides for high degree of ministerial oversight, control and accountability. The Minister has a close relationship with the regulator and has power to direct the Police to give effect to government policy. Provision of policy advice to the Minister is less independent, as the Police is also responsible for policy and oversight.
Establishment	No legislative changes required. Change programme is established to improve existing services within the Police. The policy function is transitioned to a Public Service Department.	Cabinet agrees to establish, including the role and principal functions of the departmental agency. Arms Act amendment required.	The Crown Entities Act 2004 requires separate legislation to establish a new crown agent (can be the same legislation that sets out specific powers). Arms Act amendment required.	The Crown Entities Act 2004 requires separate legislation to establish a new crown agent (can be the same legislation that sets out specific powers). Arms Act amendment required.	No legislative changes required. Change programme is established to improve existing services.
Benefits	Leverages existing arrangement Enhanced independence within the system Improved public perception	Enhanced independence within the system Opportunities presented through divestment	Leverages existing arrangements Enhanced independence within the system Opportunities presented through divestment Enhanced governance and accountability	Enhanced independence within the system Opportunities presented through divestment Enhanced governance and accountability	Leverages existing arrangements
Risks	Divestment causes complexity/inefficiency Lack of agency/separation Lack of responsiveness	Divestment causes complexity/inefficiency Intelligence failure Legislative reform Lack of agency/separation Lack of responsiveness Reliance and reduced flexibility	Divestment causes complexity/inefficiency Intelligence failure Legislative reform Lack of agency/separation Lack of responsiveness	Divestment causes complexity/inefficiency Intelligence failure Legislative reform Lack of responsiveness Complex arrangement due to three actors within the system	Lack of agency/separation Lack of responsiveness

Table 9: Summary of the five shortlisted options

Assessment of the options

Each option has been assessed against the critical success factors. Detailed analysis is included in Appendix III.

CSFs	Highest ranking option(s):
Deliver effective arms regulatory function	Options receive the same rank.
Support effective arms policing	Option 5 ranks the highest.
Regulatory processes are clear and easy to comply with for licence holders	Options 3 and 4 rank the highest.
A dedicated focus on arms regulatory activity	Option 3 ranks the highest.
Effective relationships with the licence holders and businesses	Options receive the same rank.
Contribute to an integrated and collaborative arms system	Options 1 and 5 rank the highest.
Clear system roles and accountabilities	Options 3 and 4 rank the highest.

Table 10: Assessment scores per option against the critical success factors

Option costs

The costs of the options are summarised in

Total Costs (\$ millions)	Option 1	Option 2	Option 3	Option 4	Option 5
Transition costs	80.0	94.0	94.0	94.0	80.0
Non-core operations	30.5	98.7	125.2	126.6	28.8
Core operations costs	343.0	343.0	343.0	343.0	343.0
Total	453.5	535.7	562.2	563.6	451.8

Table 11. These are total costs over the period from FY 20/21 to FY 30/31 in FY 21 real dollars (i.e. excluding inflation, and with no discount rates applied). This 10+ year period for option cost analysis was selected as a substitute for the more common “whole-of-life” costing approach used in business cases, as the investments in this case are enduring.

Total Costs (\$ millions)	Option 1	Option 2	Option 3	Option 4	Option 5
Transition costs	80.0	94.0	94.0	94.0	80.0
Non-core operations	30.5	98.7	125.2	126.6	28.8

Core operations costs	343.0	343.0	343.0	343.0	343.0
Total	453.5	535.7	562.2	563.6	451.8

Table 11: Summary of the option costs

Options 3 and 4 are each around \$110+ million greater cost than Options 1 and 5, while Option 2 is around \$85 million greater cost than Options 1 and 5. This reflects significant additional (and ongoing) investment that would be needed to establish and run a new entity. For example, Options 3 and 4 require investment for a Board, Senior Leadership Team and HR function for a new Crown Agent. Option 5 on the other hand requires no additional investment for these.

The cost categories in

Total Costs (\$ millions)	Option 1	Option 2	Option 3	Option 4	Option 5
Transition costs	80.0	94.0	94.0	94.0	80.0
Non-core operations	30.5	98.7	125.2	126.6	28.8
Core operations costs	343.0	343.0	343.0	343.0	343.0
Total	453.5	535.7	562.2	563.6	451.8

Table 11 are briefly described below. Refer to the Financial Case for more information on the costing approach.

Transition costs

These relate to the one-off investments needed to implement the new operating model. These are materially greater for Options 2, 3 and 4. This is because the transition includes establishment of a new entity. The transition cost estimates include \$22.5 million for development of a new registry and associated ICT changes in all Options.

Non-core operations

These costs relate to the organisational infrastructure costs and shared capabilities needed in the operating model to support core processes. This includes corporate processes such as HR and Finance, governance costs, as well as the new Insights & Analysis function. These costs are also materially greater for Options 2, 3 and 4, because these require significant, ongoing additional investment for the organisational infrastructure of a new entity.

Core operations costs

These relate to carrying out the core processes described in the new operating model. They are consistent across each of the Options.

Options for the preferred way forward

The critical success factors were not weighted as part of the options analysis. Decision makers may choose to create an order of priority within the success factors and apply weightings to the assessment to identify the preferred way forward. There are two options which score highly against different critical success factors. Selection of a preferred option depends on what is important to the Government of the day.

Option 3 achieved the highest overall rank, particularly due to its high ranking for the following critical success factors:

- Regulatory processes are clear and easy to comply with for licence holders.

- A dedicated focus on arms regulatory activity.
- Clear system roles and responsibilities.

A Crown Agent has the greatest degree of flexibility and liberty to deliver clear, easy regulatory processes for licence holders and foster effective relationships, as the Agent is not bound by existing systems, processes and culture that may exist within a Public Service Department or the Police.

Delivery of regulatory functions by a new Crown Agent is considered to provide a dedicated, ring fenced workforce to deliver arms regulatory activity without the perceived or actual constraints that may exist for a Departmental Agency within a Public Service Department.

An additional level of accountability is created through the introduction of an independent board to oversee the Crown Agent.

Retaining policy and oversight functions in the Police ensures general information, specialist knowledge and operational and frontline impact awareness is not lost. It also simplifies the transition requirements in comparison with the other divestment options. The option introduces an added benefit of the ability to divest policy and oversight away from the Police in the future if, once implemented, the option does not create a sufficient degree of independence within the system. Future divestment of policy and oversight away from a Public Service Department or a Departmental Agency may be more complex.

Option 5 ranks highly against the following critical success factors:

- Contribute to an integrated and collaborative arms system.
- Support effective arms policing.

There is less likelihood of integration challenges in both Options 1 and 5. Internal integration is straightforward and less costly. Within all separate entity options, complex integration requirements between the entity and the Police is required to support constabulary arms activities and ensure frontline workforce safety. Significant Privacy Act considerations may inhibit the exchange of critical information between the two actors.

Ultimately, Option 5 ranks higher than Option 1 as operational impacts caused by changes to policy are considered less likely under Option 5 since policy and oversight functions remain with the Police. Therefore, effective arms policing is best supported by Option 5.

While Option 3 achieved the highest overall rank in the critical success factor assessment, the establishment of a Crown Agent will be costly and features inherent risks. The Option requires substantial legislative reform to divest functions away from the Police. Nonetheless, it may be the preferred way forward if the Government considers a dedicated focus on regulatory activity, clear and easy to comply with regulatory processes and clear system roles and accountabilities to be the most important success factors.

Option 5 should be selected as the preferred way forward if the Government considers effective arms policing and an integrated and collaborative arms system to be the most important success factors, and is looking to deliver benefits through a lower risk, lower cost approach.

Within the Option, regulatory functions are ring-fenced through the introduction of a branded business unit within the Police. The integration requirements and risks are removed as the Police has access to all critical data as owner of both the regulatory and constabulary workforce. Although there is less flexibility to change licence holders' experiences, investment would be made to improve customer facing systems and processes.

Ministerial and officials' preferences

As stated above, Options 3 and 5 both provide credible options for delivering effective arms regulation. Ultimately, selection of one over the other depends on which success factors are the most important, as well as risk appetite and available funding. To enable informed decision making, both options are explored in the remaining cases.

Focus of the remainder of the Business Case

The remainder of the Business Case considers the following for Options 3 and 5:

- The funding arrangements (the Financial Case).
- The transition and establishment plan and considerations (the Management Case).
- The procurement requirements and considerations (the Commercial Case).

PROACTIVE RELEASE

Financial Case

Introduction

The Financial Case describes the historic funding arrangements for Arms Act delivery by the Police, and the expected costs for Option 3 and Option 5. The costing approach has also been summarised, noting a separate more detailed document has been prepared. The summary of funding implications highlights the funding requirements associated with the Options and the gaps to funding currently available.

Historical and current year expenditure

Arms Act administration is part of the Police's Departmental Output Expenses under "General Crime Prevention Services (M51)".

The following figure shows the direct expenditure from FY 11/12 to FY 19/20, as well as the forecast direct expenditure for FY 20/21.

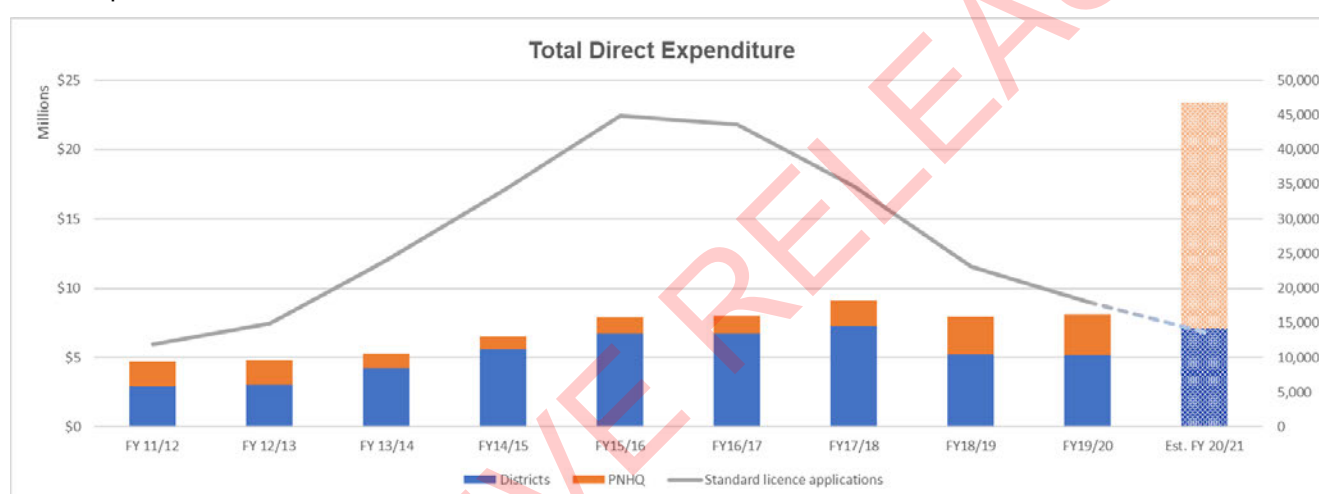


Figure 7: Total Actual Direct Expenditure FY 11/12 - FY 19/20, Forecast Direct Expenditure FY 20/21

Note the above excludes expenditure on the Amnesty and Buyback scheme.

The fluctuations between FY 11/12 and FY 17/18 are due to seasonality of standard licence applications across the ten-year period. The increase in PNHQ expenditure in FY 17/18 and FY 18/19 coincide with Police's focus on modernising the operational service delivery.

The estimated costs for FY 20/21 are \$23.5m. This is an increase from the previous years which reflects associated costs required to implement the Arms Legislation Act 2020 as well as Police's continued focus on modernising and improving its operational service delivery to enable it to be an effective regulator.

Costing approach

The costing approach for this Business Case has been generally high level. The focus has been on sizing those costs that are most materially different between Options to support decisions and the preferred way forward on these. This means:

- "Overhead" or allocated costs within Police have not been included. These are not considered addressable or marginal – i.e. if Police were no longer carrying out Arms Administration, these costs would remain as part of Vote Police. Conversely, if Arms Administration is strengthened inside Police (with more staff etc) then these costs would not be expected to increase overall as part of Vote Police. Accordingly, the funding baseline described above excludes these overheads and allocated costs.
- However, if a new entity is to be established this will require separate organisational infrastructure and overheads – effectively duplicating what is already in place and being

funded through Vote Police. These costs are additional, i.e. require new and additional investment.

- High level cost estimates for the development and ongoing investment needed for the new registry and associated ICT integration have been developed. The estimates should be considered indicative only, and at this stage Police has assumed they would be the same for both options.
- Estimates exclude any assumptions relating to cost escalation or inflation.
- Operational cost estimates have been developed on an activity basis – i.e. reflecting assumptions based on core activities, demand volumes, and effort required to complete core activities. These have not included any assumptions about potential efficiencies through automation or better systems. Such efficiencies would be identified as part of the Detailed Business Case, including assessment of efficiency opportunities and associated system requirements.
- At this point, no specific decision has been made on the split between capital and operating costs for the Registry ICT solution. This will be considered as part of the Detailed Business Case. The approach we have used in this indicative business case is 80% capitalisation of the Registry costs with depreciation over 5 years, and the remaining 20% as operating expenditure. Capital charge has also been included at 5%.

Note a separate document has been developed that describes the financial model and assumptions, with the view that this may be maintained and used as part of more detailed design, analysis and further business case work.

Option costs

The following tables provide the cost breakdown for Option 3 and Option 5. Totals have been provided for the full evaluation period from FY 20/21 to FY 30/31 (eleven financial years). The column for “7 Outyears” provides an average of each financial year from FY 24/25 to FY 30/31.

Option 3 (\$ millions)	Note totals are provided for the period to the end of FY 30/31					
	2020/21	2021/22	2022/23	2023/24	7 Outyears	Total
Change programme team	8.7	6.2	2.5	-	-	17.4
Registry & ICT	-	17.6	4.9	-	-	22.5
Other transition costs	0.8	1.2	4.4	-	-	6.4
Transition contingency	0.9	0.7	0.7	-	-	2.4
Core operations staff	13.0	16.3	17.0	19.5	s. 9(2)(f)(iv) OIA	
Operations management staff	2.0	5.7	5.9	6.8		
Other direct costs	2.2	2.8	5.9	6.8		
Non core operational costs	-	1.5	10.9	14.1		
Registry & ICT ongoing costs	-	-	2.5	5.4		
Total	27.6	52.1	54.7	52.6		

Table 12: Cost of Option 3 to FY 30/31

Option 5 (\$ millions)	Note totals are provided for the period to the end of FY 30/31					
	2020/21	2021/22	2022/23	2023/24	7 Outyears	Total
Change programme team	6.2	4.0	1.2	-	-	11.4
Registry & ICT	-	17.6	4.9	-	-	22.5
Other transition costs	0.1	0.5	0.1	-	-	0.8
Transition contingency	-	-	-	-	-	-
Core operations staff	13.0	16.3	17.0	19.5	-	65.8
Operations management staff	2.0	5.7	5.9	6.8	-	30.4
Other direct costs	2.2	2.8	5.9	6.8	-	27.7
Non core operational costs	-	2.9	2.9	2.9	-	8.7
Registry & ICT ongoing costs	-	-	2.5	5.4	-	7.9
Total	23.5	49.8	40.4	41.4	-	114.7

Table 13: Cost of Option 5 to FY 30/31

In aggregate, the costs of Option 3 are expected to be around \$110 million greater than Option 5 (to FY 30/31).

The key drivers for these higher costs are:

- **Non-core operational costs:** The costs of Option 3 (\$125.2 million total) are significantly greater than for Option 5 (\$28.8 million total). This is because Option 3 includes new corporate systems and teams (e.g. HR and Finance) as part of a new entity.
- **Transition costs:** The costs of the change programme team are greater for Option 3 (\$17.4 million total compared to \$11.4 million), reflecting that the detailed operating model design and implementation costs include establishment of a new entity. Other transition costs for Option 3 (\$6.4 million total compared to \$0.8 million) are significantly greater because this includes costs of establishing new organisational corporate systems and infrastructure, which is not needed in Option 5.

Core operational costs are identical between Options, reflecting the resources and costs that could be "lifted and shifted". It includes core operations staff, the management and supervision required across operations, and direct non-personnel costs such as travel and mobile devices.

Option 3 and Option 5 Direct Expenditure Profile

Figure 8 below shows the estimated Direct Expenditure Profile for Option 3 and Option 5 from FY 20/21 through to the end of FY 30/31.

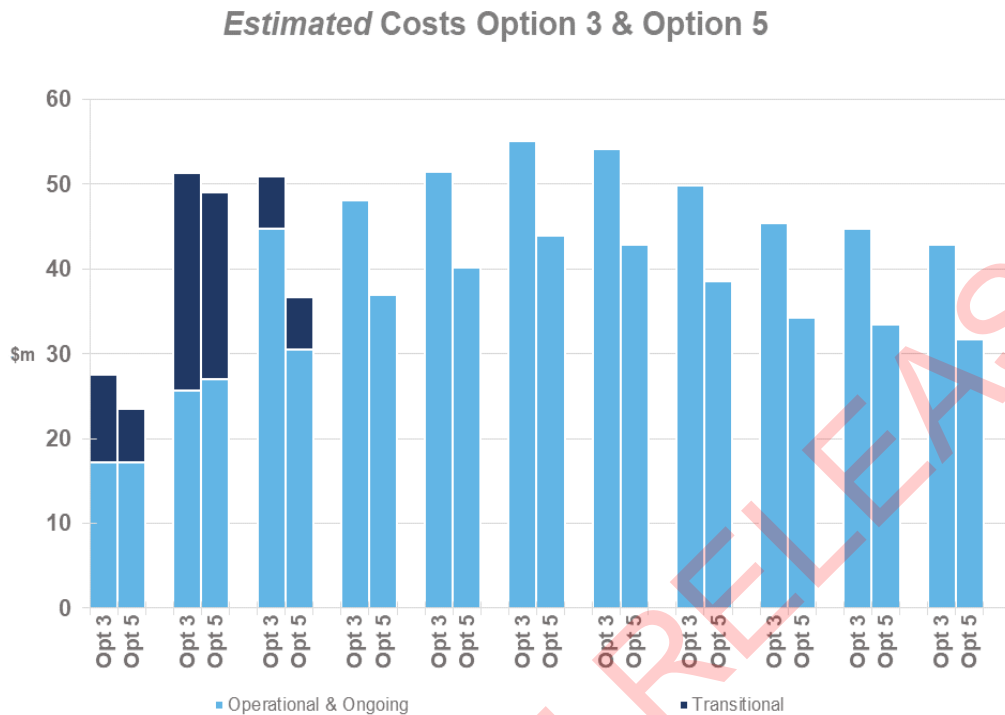


Figure 8: Option 3 vs Option 5 Estimated Direct Expenditure FY 20/21 - FY 30/31

The fluctuation in the cost of administering the Arms Act (whether by Police or a new entity) is impacted by volumes of applications year on year (shown in figure 9). However as illustrated in figure 8, the first three years include the transition costs – related to implementing the new operating model to be a more effective regulator, and/or including establishing a new regulatory entity.

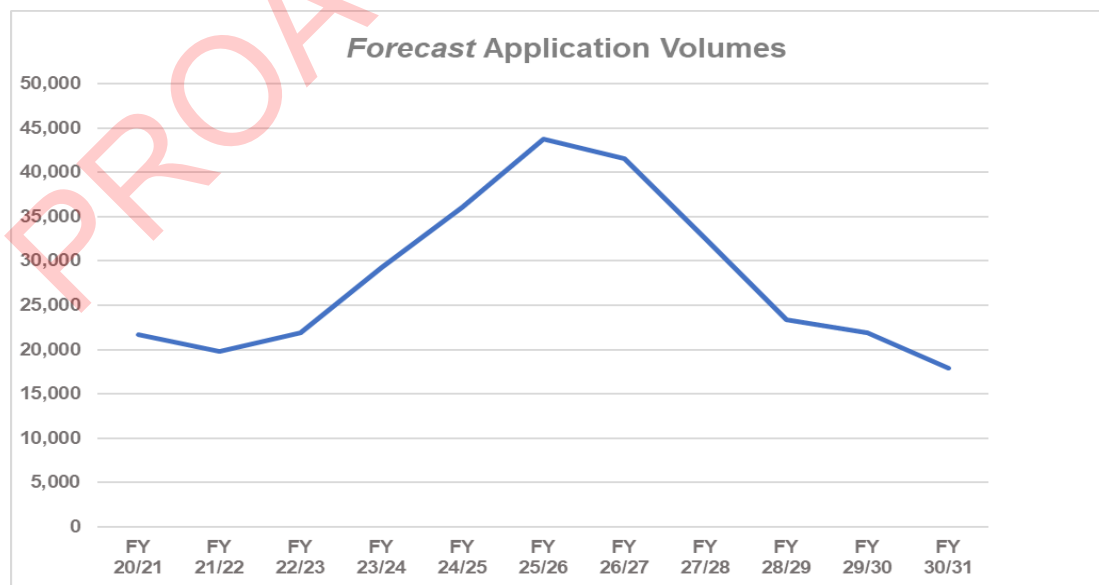


Figure 9: Forecast of Application Volumes FY 20/21 to FY 30/31

Costing uncertainties

There is a high degree of confidence in the current FY 20/21 costs. From FY 21/22 costs are indicative, as is normal for this type of Business Case. The points below highlight some specific areas of uncertainty that will be considered and addressed as part of the Detailed Business Case.

Transition

These sorts of change programmes inherently have a high degree of costing uncertainty, and a range of due diligence is needed to test implicit and explicit assumptions in due course. For example, it is possible there would be significant management of change costs associated with establishment of a new entity – current conditions / allowances may need to be paid out to be standardised, there may be redundancies, and there may be significant new recruitment required. Allowances have been made (in other transition costs) for establishment of new corporate systems (e.g. HR, Finance, ICT infrastructure) and these are subject to development of detailed requirements and selection of appropriate systems and tools. To address this unknown, a 10% contingency for the Option 3 transition costs (excl IT) has been included.

The costs of a new registry and associated ICT changes have been included in the model. These have been developed externally by Deloitte and agreed by Police ICT. These estimates provide an indicative estimate only and may change significantly based on assessment of technology / solution options, market testing and deployment approach. For the most part, “filling” the new registry with firearms data will happen over time as the regulated population interacts with the system, and no specific cost assumptions are included for a “one-off” data input effort or campaign. Data migration of firearms licence has been included.

Non-Core Operational Costs

These estimates have largely been based on benchmarks, which are known to vary even for similarly sized organisations. There is a broad assumption that a new entity (Option 3) will require relatively standard services and offerings, and there is a risk that this is not the case once detailed requirements are developed.

Core Processes

There are two key uncertainties relating to these costs, which are expected to impact any of the five Options more or less equally.

- Police is currently working through a process to change its employment and commercial arrangements with Veters. The estimated financial implications of the change will be quantified in the Detailed Business Case.
- Development of a new registry and associated ICT investments will provide an opportunity to automate and simplify processes that are currently largely manual. These potential cost and processing efficiencies have not been sized or included in the indicative costs for this Business Case. These will be analysed as part of the Detailed Business Case.

Summary of funding implications

The tables below summarise the expected costs and associated funding requirements for Option 3 and Option 5. Option 3 represents the preferred way forward if a decision is made to establish a new entity to be the Regulator, and Option 5 represents the preferred way forward if a decision is made to retain all regulatory activities within Police.

Totals have been provided for the full evaluation period from FY 20/21 to FY 30/31 (eleven financial years). The column for "7 Outyears" provides an average of each financial year from FY 24/25 to FY 30/31.

All figures are in FY 20/21 dollars, and no inflation or discount factors have been applied.

Option 3 (\$ million)	2020/21	2021/22	2022/23	2023/24	7 Outyears	Total
Estimated Costings					s. 9(2)(f)(iv) OIA	
Operating	27.6	38.0	50.8	52.6		
Capital		14.1	3.9			
Total	27.6	52.1	54.7	52.6		
Funded By:						
Existing Operating	8.1	8.1	8.1	8.1		
Existing Capital						
New Funding Required Operating	19.5	29.9	42.7	44.5		
New Funding Required Capital		14.1	3.9			
Total	27.6	52.1	54.7	52.6		

Table 14: Option 3 costings and funding requirements - anticipated cash flows

Note: Capital in the above table represents the capital portion of the Registry ICT solution.

Option 5 (\$ million)	2020/21	2021/22	2022/23	2023/24	7 Outyears	Total
Estimated Costings					s. 9(2)(f)(iv) OIA	
Operating	23.5	35.7	36.5	41.4		
Capital		14.1	3.9			
Total	23.5	49.8	40.4	41.4		
Funded By:						
Existing Operating	8.1	8.1	8.1	8.1		
Existing Capital						
New Funding Required Operating	15.4	27.6	28.4	33.3		
New Funding Required Capital		14.1	3.9			
Total	23.5	49.8	40.4	41.4		

Table 15: Option 5 costings and funding requirements - anticipated cash flows

Note: Capital in the above table represents the capital portion of the Registry ICT solution.

Funding sources

Funding available for reallocation

The amount of funding that can be reallocated from Police to the new entity is \$8.1 million which is the existing operating funding (see Table 14 & 15 above).

This is the case whether such allocation is to continue inside Police or be provided to a new entity. This amount excludes overheads and similar allocated costs.

Contingency set aside

The Treasury approved tagged contingency of \$60 million total over four years (FY 20/21 to FY 23/24). This provides a source of new Crown funding. The amounts provided for are:

- FY 20/21: \$28.0 million
- FY 21/22: \$22.0 million
- FY 22/23: \$5.0 million
- FY 23/24: \$5.0 million

Police will seek a draw-down from the tagged contingency set aside by Treasury for costs identified in this Business Case through a Cabinet Paper.

Funding for Option 3

The costs below for option 3 include Police continuing to administer the Arms Act over the next two years during the planning and implementation phase for a new entity.

Police plan to consult with Treasury about a budget bid for the planning and implementation for the new entity and will seek to spend the tagged contingency on Police's administration in the meantime.

Funding Source (\$ million)	2020/21	2021/22	2022/23	2023/24	7 Outyears	Total
Tagged Contingency Available	28.0	22.0	5.0	5.0		60.0
Proposed re-phasing	-8.5	7.9	0.6			
Tagged Contingency Utilised	19.5	29.9	5.6	5.0	0.0	60.0
New Funding Required Operating	19.5	29.9	42.7	44.5	s. 9(2)(f)(iv) OIA	
New Funding Required Capital		14.1	3.9			
Total Required	19.5	44.0	46.6	44.5		
Draw Down from Tagged Contingency	19.5	29.9	5.6	5.0		
Budget Bid - Operating			37.1	39.5		
Budget Bid - Capital		14.1	3.9			
Total	19.5	44.0	46.6	44.5		

Table 17: Option 3 funding source requirements

Note the above table does not include the Existing Operating Budget of \$8.1m.

Funding for Option 5

The tagged contingency set aside for FY 20/21 and FY 21/22 (\$28 million and \$22 million respectively) is sufficient in aggregate to fund the investments needed in these years. However, it does not provide adequate funding for the greater level of ongoing operating costs, and a budget bid will need to be made from FY 22/23 onwards.

Police plan to consult with Treasury about changing the phasing of the tagged contingency to align to the funding required (ie moving some FY 2020/21 contingency to FY 2021/22). Police also propose expanding the purpose of the tagged contingency from implementing the Arms legislation Act to wider Arms Administration.

Funding Source (\$ million)	2020/21	2021/22	2022/23	2023/24	7 Outyears	Total
Tagged Contingency Available	28.0	22.0	5.0	5.0		60.0
Proposed re-phasing	-12.6	5.6	7.0			0.0
Tagged Contingency Utilised	15.4	27.6	12.0	5.0	0	60.0
New Funding Required Operating	15.4	27.6	28.4	33.3		
New Funding Required Capital		14.1	3.9			
Total Required	15.4	41.7	32.3	33.3		
Draw Down from Tagged Contingency	15.4	27.6	12.0	5.0		
Budget Bid - Operating			16.4	28.3		
Budget Bid - Capital		14.1	3.9			
Total	15.4	41.7	32.3	33.3		

Table 18: Option 5 funding source requirements

Note the above table does not include the Existing Operating Budget of \$8.1m.

Reallocation of Tagged Contingency

If there was an opportunity to utilise the tagged contingency for both **operating and capital expenditure** and to **bring forward** the \$60 million into a fiscal year as required, the budget bid requirement in FY 21/22 for Option 3 reduces to \$3.5 million for capital only, and for Option 5 there would be no requirement to budget bid until FY 22/23.

Option 3

Funding Source (\$ million)	2020/21	2021/22	2022/23	2023/24	7 Outyears	Total
Tagged Contingency Available	28.0	32.0				60.0
Proposed re-phasing	-8.5	8.5				0.0
Tagged Contingency Utilised	19.5	40.5	0.0	0.0	0.0	60.0
New Funding Required Operating	19.5	29.9	42.7	44.5		
New Funding Required Capital		14.1	3.9			
Total Required	19.5	44.0	46.616	44.5		
Drawdown from Tagged Contingency	19.5	40.5				
Budget Bid - Operating			42.7	44.5		
Budget Bid - Capital		3.5	3.9			
Total	19.5	44.0	46.6	44.5		

Table 19: Option 3 funding source requirements with the tagged contingency including both operating and capital expenditure

Note the above table does not include the Existing Operating Budget of \$8.1m.

Option 5

Funding Source (\$ million)	2020/21	2021/22	2022/23	2023/24	7 Outyears	Total
Tagged Contingency Available	28.0	29.1	2.9			60.0
Proposed re-phasing	-12.6	12.6				0.0
Tagged Contingency Utilised	15.4	41.7	2.9	0.0	0.0	60.0
New Funding Required Operating	15.4	27.6	28.4	33.3		
New Funding Required Capital		14.1	3.9			
Total Required	15.4	41.7	32.3	33.3		
Drawdown from Tagged Contingency	15.4	41.7	2.9			
Budget Bid - Operating			25.5	33.3		
Budget Bid - Capital			3.9			
Total	15.4	41.7	32.3	33.3		

Table 20: Option 5 funding source requirements with the tagged contingency including both operating and capital expenditure

Note the above table does not include the Existing Operating Budget of \$8.1m.

Third Party Revenue

As noted above, Arms Act administration is currently part of the Police's Departmental Output Expenses under "General Crime Prevention Services (M51)". Funding for this sub-output class has been from Third-Party revenue (fees paid by the licenced population) as well as Crown funding.

The following graph includes the funding required to cover direct and overhead costs.

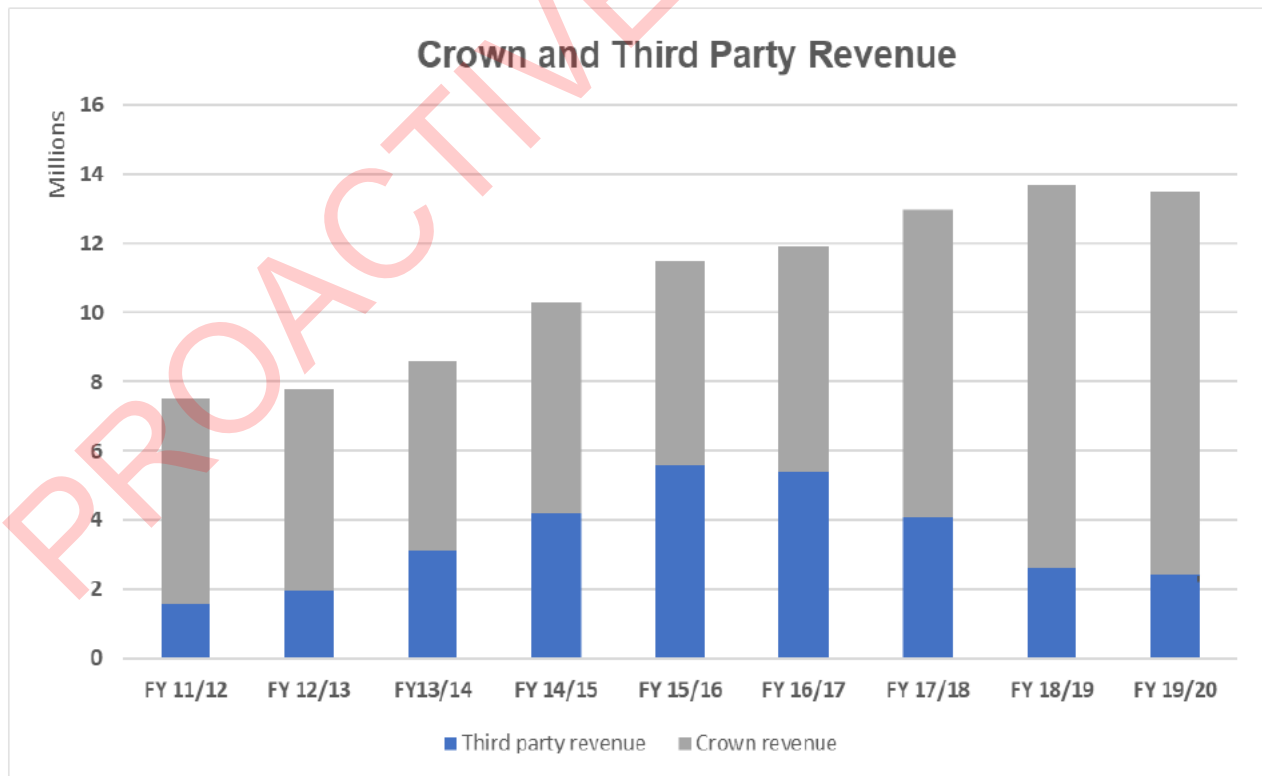


Figure 10: Third Party Revenue vs Crown Revenue

As noted above, the fluctuations between FY 11/12 and FY 17/18 are due to seasonality of licence applications across ten-year periods. The increases in Crown revenue in FY 17/18 and FY 18/19 coincided with Police's focus on modernising the operational service delivery across firearms requirements.

There is an opportunity for the Government to review third party fees arrangements (cost recovery). Police are planning to provide advice to Government in relation to this.

Overall affordability

Option 5 is significantly more affordable than Option 3. It requires approximately \$362.7 million additional funding from now to FY 30/31.

In comparison, Option 3 requires approximately \$473.1 million additional funding from now to FY 30/31, an increase over Option 5 of \$110.4 million.

As an indication of scale, if the total new funding were spread across the approximately 250,000 Licence Holders this would correspond to:

- Option 3: \$1,892 additional funding per Licence Holder
- Option 5: \$1,451 additional funding per Licence Holder.

As noted above, the Police are planning to provide advice to Government in relation to potential changes in the third-party fees arrangements (cost recovery). The above amounts are not meant to be indicative of what fees will be.

Conclusion

This Indicative Business Case has provided financial estimates of costs and associated funding requirements. There are inherent uncertainties in the estimates and figures presented, and these will be addressed further through a Detailed Business Case expected to be completed by early FY 21/22.

Whether Option 3 or Option 5 is selected, significant additional funding will be required, and the tagged contingency that had been set aside will not be sufficient to provide for the ongoing costs of effective operations.

The Management Case

Introduction

The Management Case outlines implementation requirements for two options (Option 3 and Option 5) since both are credible options and final selection depends on the Governments' priorities for arms regulation, available funding and risk appetite.

For each option, the Management Case:

- Provides an overview of the option, including a high-level delivery model and an outline of core functions.
- Outlines the governance arrangements for implementing the option.
- Outlines a high-level delivery plan.
- Identifies key implementation considerations.

Investment decision process from here

This Business Case seeks a decision between Option 3 and Option 5, which will have a significant impact on how the transition from the current state to the desired option is managed and progresses. In addition to this Business Case:

- The Police will submit a Cabinet Paper requesting draw-down from tagged contingency.
- The Police will submit a Cabinet Paper with advice on cost recovery options.
- A Detailed Business Case will be developed for either Option 3 or Option 5.

The Detailed Business Case will further develop the implementation requirements outlined in this Management Case, incorporate ICT solution and investment requirements, and provide greater certainty on costs. Alongside the suite of Cabinet Papers, it will provide for a final decision on Options and outline a detailed implementation plan.

Licensing service demand fluctuations over the ten year licensing cycle has impacts on the staff profile required. The approach taken to address flexible staff to manage peaks in service will be different under each of the options. For example Police may have the ability to absorb some of the peaks across a larger service work force which would not be available under Option 3. The detailed analysis and design of this will be undertaken on the preferred option as part of the Detailed Business Case work.

The Police is currently undertaking work to implement key legislative changes and improve the existing operating model. The indicative transition plans featured in this Management Case do not explicitly define the touchpoints and integration between the current improvement programme and changes prescribed by Options 3 and 5. When a decision is made to implement either Option 3 or Option 5, it will be necessary to carefully integrate the current improvement programme and the transition plan, to ensure alignment and avoid duplication of effort.

Management considerations for Option 3

This section of the Management Case explores the management considerations for Option 3: establishing and transitioning to a new Crown Agent.

Overview of the option

The new Crown Agent would operate independently from the Police, with core functions centralised as much as possible. A nationwide workforce would carry out face to face interactions, such as inspections, audits and licensing interviews.

An independent board would be accountable to the Minister for the Agent's performance and responsible for appointing a Chief Executive. The Minister would receive independent advice from the Minister's Arms Advisory Group, as stipulated by recent Arms Act amendments.

The Police would continue to play a significant role in the arms system through the policy advice and oversight functions, day-to-day policing and assisting the regulator to safely manage high-risk

scenarios. Key regulatory processes involving both the Police and the Crown Agent include high-risk arms seizures and the management and holding of arms. A detailed view of regulatory processes under Option 3, including touchpoints between the Police and the Crown Agent, are included in [Appendix IV](#).

The governance, advisory and delivery arrangements are outlined below in Figure .

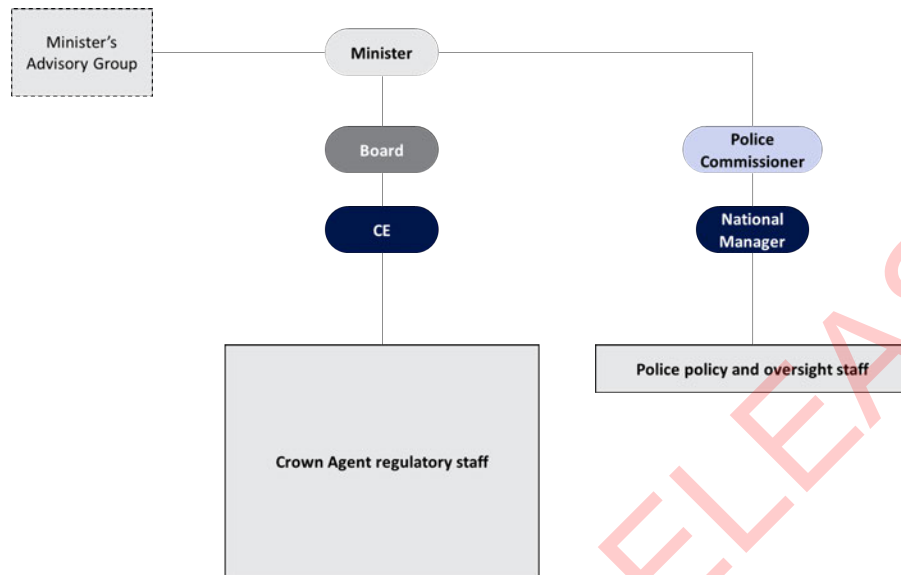


Figure 11: The governance, advisory and delivery arrangements for Option 3

The indicative functional groupings expected within the Crown Agent are outlined in Figure . The activities and capabilities associated with each function are outlined on the following page in Table . The table also indicates whether existing Police workforce could be transitioned to fulfil some of the core functions. Notably the policy and oversight functions remain with Police and are not transitioned to the new Crown Agent. A detailed view of the Crown Agent's functions and associated processes, inputs, outputs, key features and touchpoints between the Agent and the Police is included in [Appendix V](#).

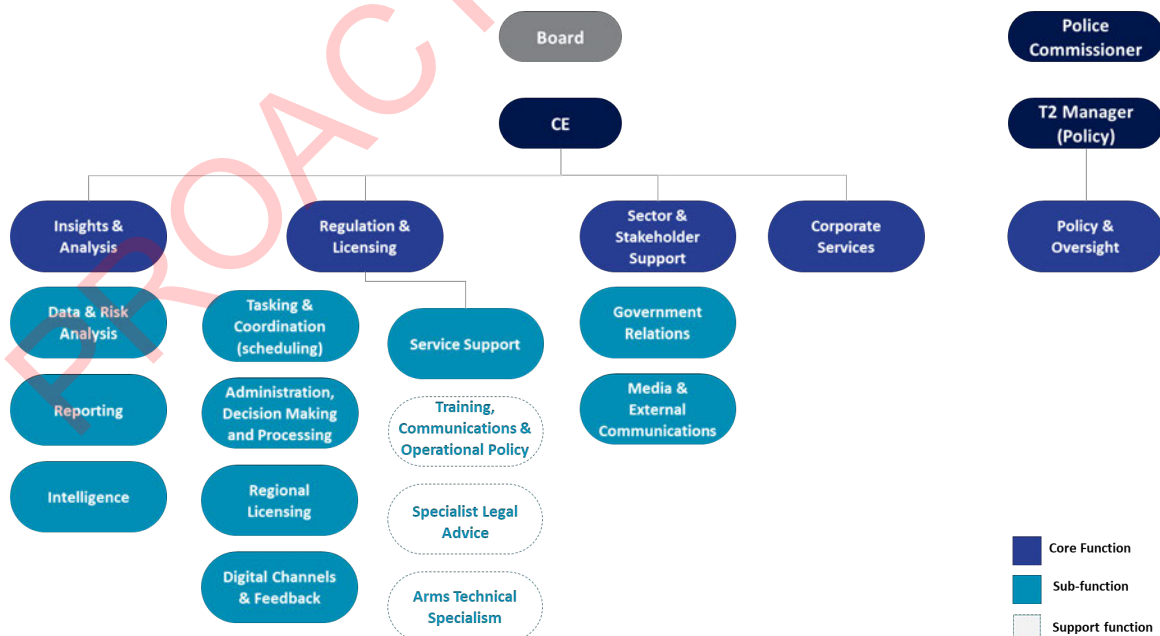


Figure 12: Crown Agent (and Police) functional organisation chart for arms regulation

Functions	Insights and Analysis	Regulation and Licensing	Sector and Stakeholder Support	Corporate Services	Governance ¹⁹
Activities (sub-functions)	Data analysis and risk management. Reporting. Intelligence (information sharing, strategic, operational and tactical intelligence).	Tasking and coordination. Administration, decision making and processing (centralised). Regional licensing. Services support. Channels and feedback.	Government relations. Governance reporting, strategy and business planning, and operational policy. Media and external communications.	Human resources lifecycle management. Finance lifecycle management. IT lifecycle management. Asset and facilities lifecycle management.	Performance monitoring.
Capabilities	Risk analysis. Predictive analysis and insights. Data management.	Risk-based decision making. Regulation. Customer service. Continuous improvement. Digital channel design/management. Operational policy and processes. Arms subject matter expertise (may be outsourced). Legal expertise (may be outsourced).	Inter-agency collaboration. Stakeholder engagement and communications. Education and training.	HR. IT. AM/FM. Finance.	Governance. Risk management. Regulation. Data governance and management.
Transition / net new	Consider transitioning civilian Police staff involved in risk analysis and intelligence management. Some net new staff would likely be required.	Consider transitioning vetting workforce and central, civilian Police staff involved in administration, decision making and processing. Some net new staff would likely be required.	Consider transitioning existing support staff.	Net new function.	Net new function.

Table 20: Crown Agent core functions and associated activities, capabilities and staffing/transition considerations

¹⁹ Governance is not a core function in Figure , however it has been included to highlight the expected Crown Agent governance capabilities.

Project governance

Clear governance mechanisms are required to oversee the establishment of a Crown Agent. A Project Management Office (PMO) would be responsible for day-to-day management of the Crown Agent establishment and transition process. A Governance Board would oversee the PMO. The description, scope and capabilities of the PMO and Governance Board are outlined at Table . There is an opportunity to appoint the Crown Agent's independent board early to undertake the role of the Governance Board, see

Figure 13: Crown Agent establishment and transition timeline

Key considerations.

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Group	Governance Board	Project Management Office (PMO)
Description	<ul style="list-style-type: none"> Oversees and is accountable for the successful establishment of the Crown Agent. Provides advice to the PMO and is responsible for ensuring the PMO delivers predetermined outcomes, objectives and benefits. 	<ul style="list-style-type: none"> Responsible for managing the establishment of the Crown Agent, and delivering predetermined outcomes, objectives and benefits.
Scope and decision rights	<ul style="list-style-type: none"> Makes decisions that will lead to material changes regarding the outcomes, objectives and benefits. Manages risks and issues escalated by the PMO. Ensures appropriate project management arrangements are in place. Provides a sufficient level of assurance that the Crown Agent is delivered according to scope, time and quality requirements, including external quality assurance (QA) if needed. Approves requests for investment/expenditure. Accountable for ensuring the Crown Agent is established within the approved budget. Advises on, reviews and endorses procurement approaches. Authorises legal documents and seeks legal advice. Accountable for ensuring the establishment if the Crown Agent meets stakeholders' expectations. Communicates and manages relevant/significantly important stakeholder groups. 	<ul style="list-style-type: none"> Estimate required effort and create a detailed programme plan. Resolves planning and implementation issues, manages progress and budget, structures project delivery. Significant involvement in transition and logistics workstream. Risk management. Change management. Stakeholder management. Resource management Scope, quality and supplier management. Benefits management (with support from the Police policy team).
Capabilities	<ul style="list-style-type: none"> Demonstrated track record in successfully delivering or overseeing large government entities. Demonstrated track record of successful cross-agency collaboration. Business change management experience to ensure outcomes and benefits are achieved and where possible optimised. Experience of transitioning complex functions between government agencies and establishing new government agencies. Experience delivering large-scale regulation. Experience identifying and managing risks as part of a complex, large scale project. Understands perception risk and the need to build-in reputational risk management to decisions. Understands government as an investor and the associated requirements and expectations. 	<ul style="list-style-type: none"> Experience delivering large-scale, cross agency government projects. Understands project management best practice and leadership. Understands the regulatory environment. Access to frameworks and tools to support effective and efficient project management and reporting processes.

Table 21: Description, scope and capabilities required for each governance and delivery groups under Option 3

Delivery plan for establishing and transitioning to a new Crown Agent

The various workstreams required to commence establishment and transition to a Crown Agent are outlined in Table .

Workstream	Key activities
Project Management Office (PMO)	<ul style="list-style-type: none"> • Day-to-day oversight of the project. • Risk management. • Change management. • Stakeholder management. • Resource (people) management. • Project assurance. • Benefits management (with support from the Police policy team). • Significant involvement in transition and logistics workstream.
Policy and legislation	<ul style="list-style-type: none"> • Develop new legislation required to establish the Crown Agent. • Develop Arms Act amendments.
Detailed Operating Model Design	<ul style="list-style-type: none"> • Detailed design of the operating model required to establish the Crown Agent, including functions, systems, processes and resources required.
Detailed design and transition plan	<ul style="list-style-type: none"> • Final detailed design of the operating model (e.g. full workforce, technology and IT systems, assets and equipment requirements). • Detailed transition planning. • HR Management of recruitment, onboarding and training. • Change Management planning and implementation.
Transition and logistics	<ul style="list-style-type: none"> • Commence transition, including procurement, recruitment and training phases.
Detailed Business Case	<ul style="list-style-type: none"> • Development of detailed business case to reflect the detailed operating model design and provide updated costs.
Registry & ICT	<ul style="list-style-type: none"> • End-to-end design of the Registry and associated ICT. Developed hand-in-hand with the detailed operating model.

Table 22: Crown Agent establishment and transition project workstreams

The table aligns with the cost model used to estimate the cost of transition. It is expected a mix of Police staff (constabulary and civilian), contractors and external consultants would be involved in detailed design, transition and establishment. This would ensure the operational impact on the Police is considered in detailed design and transition planning. It could be prudent to appoint a small cohort of permanent staff, rather than contractors, to design and establish the new Crown Agent before commencing management roles within the Agent.

In alignment with the workstreams and the transition cost model, an indicative delivery timeline for establishing and transitioning to the new Crown Agent is included below.

Additional work would be required to implement the arms registry and digital interface for licensing. The detailed operating model design would need to be developed hand in hand with the registry and interface. Further discussion of the arms registry and digital interface development is included in the [Key considerations](#) section.

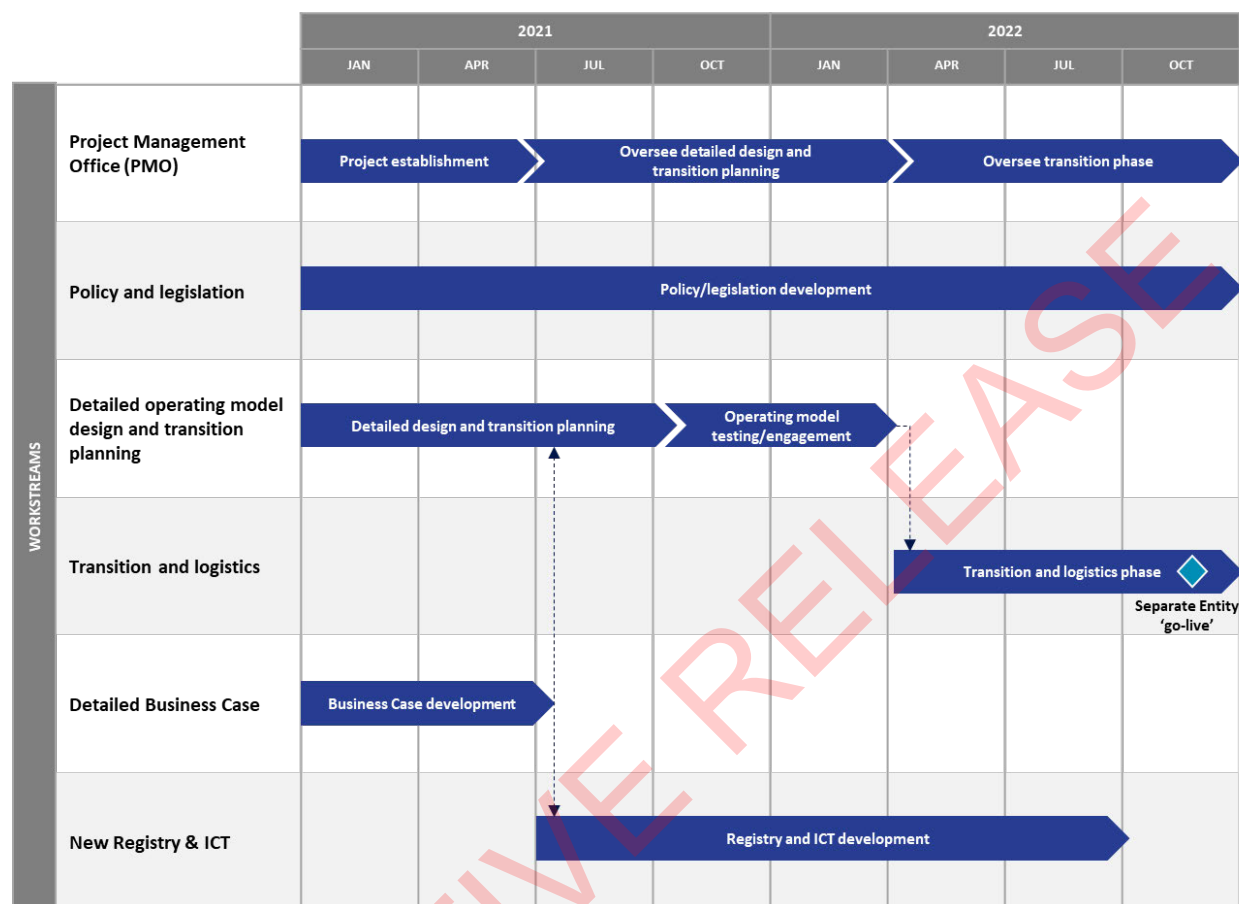


Figure 13: Crown Agent establishment and transition timeline

Key considerations

Below are several establishment and transition considerations that would need further exploration at the Detailed Business Case stage.

- Police involvement.** The establishment and transition delivery plan and cost model assume the Police would have significant involvement throughout. This is due to the integration requirements, institutional and technical knowledge requirements, potential impact on Police operations, and likelihood of parts of the Police workforce transitioning to the Crown Agent.
- Legislation timeline.** The timeframe for amending the Arms Act and creating legislation to establish a new Crown Agent is estimated to last 18 months. Notable amendments may garner public and judicial attention, such as enabling the transfer of private information between the Agent and the Police. Any delays to the reform timeline would impact the Crown Agent delivery timeline. Ultimately, the establishment of an Agent is reliant on successful Royal Assent of legislation.
- Detailed Business Case.** A Detailed Business Case will be required to further develop the content and costings provided within this Business Case and present detailed operating model design, including the registry.
- Early appointment of the Crown Agent's independent board.** An independent board would oversee the Crown Agent and appoint a Chief Executive. Early appointment of the board to oversee the establishment and transition process should be considered. It would be beneficial to use individuals to oversee the process who have a vested interest in the ongoing

success of the Agent. The independent board could act as the project Governance Board, outlined in the [Project governance](#) section.

- **Early appointment of key personnel.** When selecting the workforce responsible for designing and establishing the Crown Agent, workstream leads could be appointed on the basis that their tenure would continue in a senior leadership or management role once the Agent has been established.
- **Leveraging the existing workforce.** There is an opportunity to transition groups within the existing workforce from the Police to the Crown Agent, which should be explored at the Detailed Business Case stage. For example, presently there are approximately 195 vetters nationwide currently supporting District-based arms regulation. The Police is in the process of transitioning the vetters from a contracting arrangement to a permanent staffing arrangement, which may impact the nature of transition from the Police to a Crown Agent (e.g. the employee agreements will need to be novated).

Some of the operational processes included in [Appendix IV](#) involve vetters seizing arms in low-risk situations. This would reduce the amount of Police involvement, double-handling and cost of some operational processes where there is no actual or perceived risk. However, vetters do not presently have authority to seize arms. Comprehensive training would be required to enable vetters to carry out the full suite of arms regulatory operational processes (excluding high-risk scenarios). This opportunity should be further explored as part of operational process analysis at the Detailed Business Case stage.

- **Location and office space requirements.** The majority the Agent's regulatory functions would operate centrally. Specific functions requiring face to face interactions would be tasked to a nationwide, regionally based workforce²⁰ (see [Appendix IV](#) for operational and support process maps, including handoffs between the central and regional workforce and touchpoints with the Police). The Agent would require office space in a central location, opportunities to co-locate with other government entities should be explored at the Detailed Business Case stage.

The regional office space and storage requirements depend on the detailed design of operational processes. There are opportunities to co-locate with District Police Offices and utilise shared storage space for arms management purposes. Alternately, processes could be designed to enable a completely mobile workforce that utilises mobile storage units and uses Police storage space for more permanent arms storage.

Further operational process analysis is required to identify detailed workforce, office space, storage, fleet and equipment requirements. Additionally, the new status of vetters as either permanent employees will have an impact on the Agent's ability to build a fully mobile workforce. The Agent may have additional health and safety responsibilities if the vetters were permanent employees. These considerations should be explored at the Detailed Business Case stage.

Management considerations for Option 5

This section of the Management Case explores the management considerations for Option 5: regulatory functions (Arms Act administration) and policy advice and oversight functions are delivered by the Police in a branded business unit. The Government may choose to select this option as it requires less funding and has a lower risk profile.

Overview of the option

Arms regulatory delivery would occur in a branded business unit within the Police. The improvement programme already underway will need to be strengthened and enhanced (scope and resource increase) so that it can deliver the new operating model. Key aspects of the current improvement programme are already well-aligned with the recommended new operating model, such as increasing the capability and scope of central functions. An updated programme plan that fully aligns with the new operating model implementation requirements should be developed by late 2020 / early 2021.

²⁰ Note the operating model and supporting operational processes created to design and cost Option 3 include a higher level of centralisation than the existing model.

Part of the improvement programme involves increasing the amount of functions occurring centrally. Face to face interactions would be tasked to Districts and carried out by a mixture of constabulary and vetting staff.

The Police Commissioner would be accountable to the Minister for the Police's performance. The Minister would receive independent advice from the Minister's Arms Advisory Group, as stipulated by recent Arms Act amendments.

The governance, advisory and delivery arrangements are outlined below in Figure

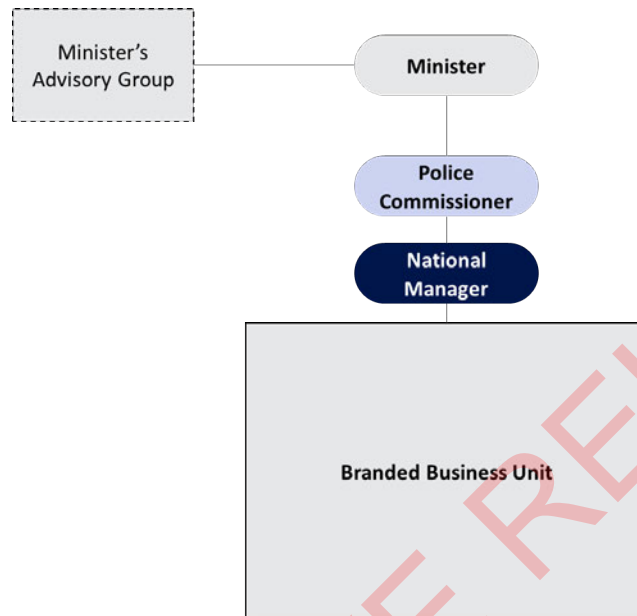


Figure 14: Governance, advisory and delivery arrangements for Option 5

The functional groupings expected within the branded business unit, along with relevant services which would be shared with the wider Police organisation, are outlined below in Figure . The activities and capabilities associated with each function are outlined in Table . The detailed view of the functions and associated processes, inputs, outputs and key features included in [Appendix V](#).

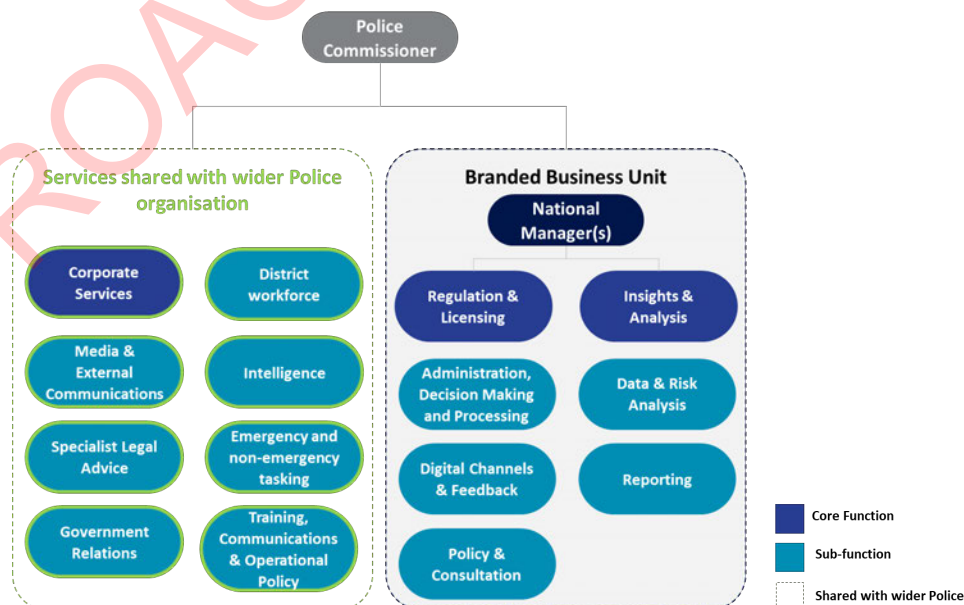


Figure 15: Police functional organisation chart

Functions	Regulation and Licensing	Insights and Analysis	Policy and Consultation	Governance ²¹
Activities (sub-functions)	Tasking and coordination. Administration, decision making and processing (centralised). Regional licensing. Services support. Channels and feedback.	Data analysis and risk management. Reporting. Intelligence (information sharing, strategic, operational and tactical intelligence).	Policy advice. Governance reporting papers (includes risk management, performance measures). Cabinet Papers. Organisational strategy and planning documents. Benefits realisation plan. Benefits measurement.	Performance monitoring.
Capabilities	Risk-based decision making. Regulation. Customer service. Continuous improvement. Digital channel design/management. Operational policy and processes. Arms subject matter expertise.	Risk analysis. Predictive analysis and insights. Data management.	Policy advice. Government/public sector management. Benefits realisation.	Governance. Risk management. Regulation. Data governance and management.
Existing / net new	Some net new staff would likely be required to service new digital channels.	Some net new staff would likely be required to service enhancements to risk analysis and reporting/dashboarding.	Additional fixed term resources may be required to respond to fluctuating policy needs.	Adjustments to existing management arrangements to enhance governance is required.

Table 23: Police core functions and associated activities and capabilities

²¹ Governance is not a core function in Figure . However, it has been included to highlight the enhancements occurring within the Police to improve internal governance arrangements.

Project governance

The existing delivery and governance arrangements within the Police would be leveraged to oversee the improvement programme. An improvement programme manager would manage the programme, reporting to the Firearms Steering Group at a monthly basis on programme status, milestones, budget, benefits realisation and risks/issues.

Group	Firearms Steering Group	Improvement Programme Manager
Description	Oversees and is accountable for the successful delivery of the improvement programme.	Responsible for overseeing day-to-day delivery of the improvement programme.
Membership	Police executive and senior leadership roles.	N/A.
Scope and decision rights	<p>Manages risks and issues escalated by the Programme Manager.</p> <p>Ensures appropriate management arrangements are in place.</p> <p>Approves requests for investment/expenditure.</p> <p>Monitor programme delivery against scope, agreed timeframe and budget.</p> <p>Provides assurance of the programme.</p>	<p>Oversees workstream leads.</p> <p>Manages and escalates risks and issues.</p> <p>Responsible for delivering the programme to scope, agreed timeframe and budget.</p> <p>Benefits management (with support from Police policy team).</p> <p>Stakeholder Management.</p> <p>Change Management.</p> <p>Quality Management.</p>

Table 24: Governance arrangements for Option 5

Delivery plan for the Police improvement programme

The various workstreams required to commence the Police improvement programme are outlined below.

Workstream	Key activities
Improvement Programme Manager	<ul style="list-style-type: none"> Responsible for overseeing day-to-day delivery of the improvement programme.
Governance and monitoring	<ul style="list-style-type: none"> Design and implement enhanced function to improve degree of governance oversight and provide a greater level of assurance to Government. Design and implement net new reporting, dashboarding and performance analytics to support enhanced governance, visibility and continuous improvement processes.
Processes and workflow	<ul style="list-style-type: none"> Streamline existing processes to create a more centralised, efficient system. Design and implement automation of some processes.
Data and risk analytics	<ul style="list-style-type: none"> Enhance existing risk analytics to improve risk monitoring and increase efficiency within the system (e.g. faster identification and response, proactive resource management proportionate to

	expected risk areas).
Detailed Business Case	<ul style="list-style-type: none"> Development of detailed business case to summarise the detailed improvement programme and provide updated costs.
Registry & ICT	<ul style="list-style-type: none"> End-to-end design of the Registry and associated ICT. Developed hand-in-hand with the improvement programme initiatives.

Table 25: Police improvement programme workstreams

In alignment with the workstreams and key activities an indicative delivery timeline for the improvement programme is included below in Figure .

Additional work would be required to implement the arms registry and digital interface for licensing. The detailed operating model design would need to include hand in hand development of the registry and interface, the dependency is included in the delivery timeline below.

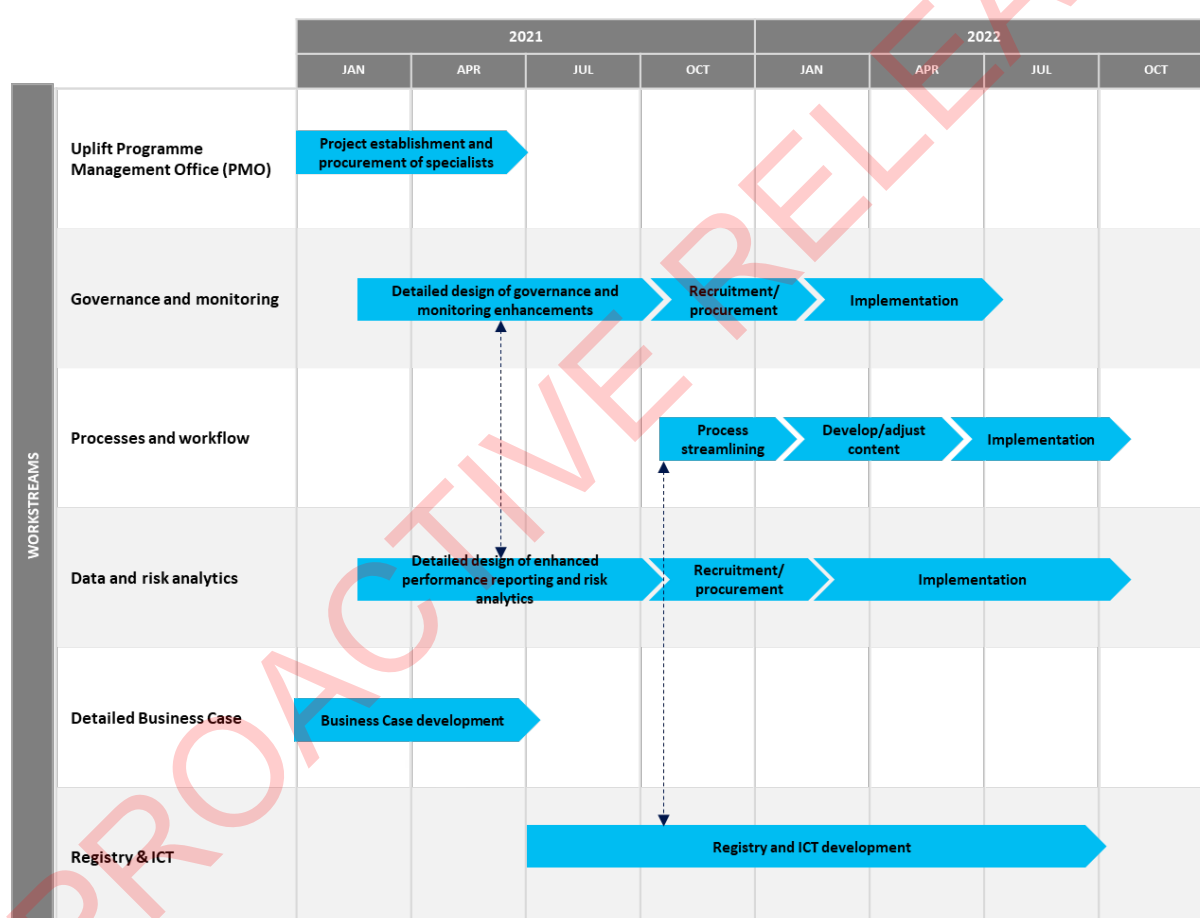


Figure 16: Police improvement programme timeline

Key considerations

- Detailed Business Case.** A Detailed Business Case will be required to further develop the content and costings provided within this Business Case and present detailed operating model design, including the registry.

Evaluating the success of investment

Given decisions are still to be made about which option best aligns with the Government's risk appetite and available funding, and detailed design of the successful option is yet to occur, specific KPIs and benefits have not been developed as part of this Business Case.

Specific KPIs and benefits should be developed in alignment with direction provided by Government on the preferred way forward. A benefits realisation plan should be developed, and benefits should be actively measured.

The selected option should be reviewed two years from the 'go-live' date of the Crown Agent (Option 3) or completion of the improvement programme within the Police (Option 5). In both options, this allows time for the arms regulatory actors and key stakeholders to fully experience the arrangements.

As required by Cabinet Office Circular CO(19)6²², this project will report back to Cabinet within 12 months of the in-service date on the actual level of benefits achieved (compared with those outlined in the Cabinet-approved investment).

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²² <https://dpmc.govt.nz/publications/co-19-6-investment-management-and-asset-performance-state-services>

The Commercial Case

The Commercial Case indicates the procurement requirements associated with the options presented in this Business Case. Further analysis is required once either Option 3 or 5 is selected, and detailed design identifies specific services, assets and staffing requirements.

The Commercial Case:

- Outlines the services and next steps required to progress the development of an arms registry and digital licensing interface. The technology platforms are required regardless of the option selected.
- Indicates the services, assets and permanent staff required to establish a new Crown Agent (Option 3).
- Indicates the services, assets and permanent staff required to improve the existing regulatory functions within the Police (Option 5).
- Briefly outlines the available approaches for procuring specialist services, contractors and recruiting permanent staff.

A Detailed Business Case will be developed to present a detailed Commercial Case once a decision is made to implement either Option 3 or Option 5, and detailed operating model design has been completed to outline the services and assets required to deliver Option.

Commercial considerations for Option 3

Specialist services

The following specialist services would be required to assist constabulary and civilian Police staff to design and establish the Crown Agent:

- **Project management specialists**, who would work with a member of Constabulary to form the Project Management Office and oversee the project.
- **Operating model design specialists**, who would work with constabulary and civilian Police staff to create a detailed functional model for the Crown Agent.
- **Technology system specialists**, who would work with constabulary and civilian Police staff to create detailed requirements for the Crown Agent's IT systems, including the registry.
- **Business change specialists**, who would work with constabulary and civilian Police staff to identify the expected impact of change, and design and manage a transition plan.

The Police may choose to recruit contractors or consultants to fulfil these roles depending on its available capabilities. As discussed in the Management Case, there is an opportunity to select contractors to support the workstreams, and transition into permanent roles within the established Crown Agent.

Property and assets

As discussed in the Management Case, the Crown Agent would require office space and equipment for its centralised functions. There may be opportunities to share office space with other public entities (through a rental arrangement), rather than procuring new office space and equipment.

There may be an opportunity to form an agreement with the Police and use a small amount of space in District Offices to house the regional workforce. Alternately, if a mobile arrangement were possible, the Crown Agent might provide the regional workforce with vehicles, secure transportable storage units and IT equipment. In this instance, the Agent would need to agree a storage arrangement with the Police so that arms seized by the regional workforce could be safely stored.

Technology

The Crown Agent would require the following systems to support regulatory and corporate processes:

- Core IT systems.

- HR system.
- Finance system.
- IT support system.
- Facilities management system.
- Process management system.
- Communications system.
- Governance system.
- Arms Registry.

Technology system specialists would assist with detailed design and procurement of the systems.

Permanent staff

The staff responsible for detailed operating model design would outline the detailed set of capabilities and roles required within the Crown Agent. High-level capabilities required to fulfil the core regulatory functions are outlined below. Per the Management Case, there are opportunities to transition existing Police staff to the Crown Agent to fill key roles and enable retention of institutional knowledge.

Functions	Capabilities
Insights and Analysis	<ul style="list-style-type: none"> • Risk analysis. • Predictive analysis and insights. • Data management.
Regulation and Licensing	<ul style="list-style-type: none"> • Risk-based decision making. • Regulation. • Customer service. • Continuous improvement. • Digital channel design/management. • Operational policy and processes. • Arms subject matter expertise (may be outsourced). • Legal expertise (may be outsourced).
Sector and Stakeholder Support	<ul style="list-style-type: none"> • Inter-agency collaboration. • Stakeholder engagement and communications. • Education and training.
Corporate Services	<ul style="list-style-type: none"> • HR. • IT. • AM/FM (Asset Management and Facilities Management). • Finance.
Governance	<ul style="list-style-type: none"> • Governance. • Risk management. • Regulation. • Data governance and management.

Table 26: Crown Agent capability requirements

Commercial considerations for Option 5

Specialist services

The following specialist services would be required to assist the Police to deliver the improvement programme:

- **Operating model transformation specialists**, who would work with the Police to design and implement the proposed enhancements within the improvement programme.
- **Risk and analytics specialists**, who would work with the Police to design and implement the proposed enhancements to the data and risk analytics regulatory function.
- **Technology system specialists**, who would work with constabulary and civilian Police staff to create detailed requirements for the registry.
- **Business change specialists**, who would work with the Police to implement improvements across the organisation.

The Police may choose to procure contractors or consultants to fulfil these roles depending on its available capabilities.

Additional permanent staff

The Police would need to recruit the following capabilities to deliver the data and risk analytics enhancements proposed in the improvement programme:

- Risk analysis.
- Predictive analysis and insights.
- Data management.

Procurement approach

At this stage, specialist services, contractors and staff are the only certain elements requiring procurement under Options 3 and 5. A detailed procurement analysis should be completed at the Detailed Business Case stage.

The following approaches have been identified for the procurement of specialist services and contractors:

- An open competitive process. This approach may be appropriate if services of significant value are required, and the Police is seeking to explore various suppliers and retain competitive tension between suppliers within the selection process.
- A closed competitive process. This approach may be appropriate if the services required fall under a specific value and do not require open advertisement. The Police can select a small cohort of suppliers that meet specific requirements to respond to the opportunity. A degree of competitive tension would be retained since more than one supplier would provide a proposal.
- Direct sourcing. The Police can select a supplier directly using the All of Government (AoG) Panel for specific specialist services. Specific AoG requirements will be applicable. Alternately, the police will be able to directly select a suitable supplier if services fall under a specific value, and do not require an open or closed procurement process. Direct sourcing avoids often time-consuming procurement processes.

Finally, permanent staff and contractors may be recruited to fulfil key roles outlined in the Commercial Case, such as PMO roles.

Appendices

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Appendix I



Option 1: Emphasised Risk Mitigation, Insights and Intelligence

Investment is focused on mitigating risk and using information to inform proactive enforcement and intelligence functions.

Core Features

- Risk framework is well documented and universally understood.
- Risk-based segmentation can successfully identify high risk cohorts.
- Within the risk framework:
 - Risk tolerance is clear (and documented) and used to inform risk management practices across the organisation.
 - Risk identification and assessment practices are prevalent in all relevant operations and applied consistently across the organisation.
 - Risk response and management is consistently executed.
- Data is accurate, consistent and secure.
- Data is used to measure, quantify and predict risk, aiding risk response and management.
- There is integration and visibility between constabulary and regulatory workstreams.
- There is integration and visibility between operations and tactical, operational and strategic intelligence functions.
- Regulatory effectiveness (e.g. rate of compliance within specific population segments) and constabulary effectiveness (e.g. successful arms intelligence operations) is measured to assess performance.
- Regulatory outcomes are measured to ensure the workforce is consistently applying the risk framework (e.g. the same responses are deployed for the same set of circumstances across the organisation).



Technology and Information

- Quality information is captured and entered into systems.
- Data capture is near real-time: Key information held by the regulator is available to Constabulary in 24 hours (used for intelligence and operation risk decision making).
- Systems provide instant, secure access to near real-time data.
- Data is used to identify non-compliance, outliers, exceptions, and future risks before they become a reality.
- Risk information, including flags and exceptions, is used in frontline decision making and regulatory activities.
- Risk insights and analysis are used to drive resourcing (e.g. the right resources are allocated based on risk and likelihood).
- Systems make it easy for regulators to share relevant information with Intelligence.
- Information sharing protocols are in place.



Processes

- Risk controls are built into processes.
- Business rules are aligned to the risk framework and updated in line with feedback loops and analysis.
- Regulators and enforcers are prompted to use the risk framework by systems, guides and templates.
- Touchpoints between constabulary and regulatory processes are integrated (e.g. parties are prompted to engage with each other).
- Integration between regulatory processes and high-risk frontline processes enables near real-time exchange of information.



Services and Channels

- Channels collect quality data, structured to easily identify risk.
- Quality controls ensure data integrity (e.g. use of autocorrect to prevent errors).
- Risk indicators collected on channels is flagged to the regulators and enforcers.



Roles and Structure

- The Regulator has a nation-wide workforce to enable relationship-based and face to face interactions
- Service centre support is provided centrally.
- Risk tolerances are clearly aligned with organisational hierarchy to enable escalation.
- Specified individuals at the management level ensure integration between daily operations (regulation and constabulary) and external agencies.
- Specified individuals ensure security of information (e.g. CISO roles).
- Regulators and enforcers engage in cross agency risk analysis forums.



People Competencies and Skills

- Apply the risk framework to decision making.
- Accurate data capture (e.g. recognising and correctly labelling arms and ammunition).
- Research, analysis and Intelligence.
- Data governance and management



Organisational Capabilities

- Functional investment is focused on risk analysis capability (dedicated risk monitoring and reporting capability).
- Governance capability includes risk management and data/analytics expertise.
- Predictive analysis and insights capability to build and manage analytics and reporting functions.
- Risk based decision making for frontline staff.



Option 2: Efficient Automation and Delivery

Investment is focused on increasing efficiency, automating processes and reducing human error.

Core Features

- Business rules are clear and inform the use of streamlining and automation.
- Workflow steps and interdependencies across workflows are clearly defined and well understood.
- Data is accurate, consistent and secure.
- Data capture, use and storage enables use by Artificial Intelligence (AI) to create insights.
- The risk framework is clear and used to inform business change and use of Robotic Process Automation (RPA).
- There is integration and visibility between constabulary and regulatory workstreams.
- Process speed and accuracy is measured to assess performance.



Technology and Information

- Quality information is captured and entered into systems.
- Quality controls are in place to maintain data integrity (e.g. AI is used to support Police to recognise and document types of arms).
- Data capture is near real-time: Key information held by the regulator is available to Constabulary in 24 hours (to enable automation. Use of batch/overnight system integration).
- Systems provide instant, secure access to near real-time data.
- AI detects and flags risk. (e.g. AI leverages past cases of manually identified risk).
- AI flags relevant interdependencies to ensure constabulary and regulatory workstreams are integrated.
- Performance and benefits realisation is automatically measured and reported on (e.g. performance dashboards).



Processes

- Business rules, aligned to the risk framework, inform policies for RPA and AI.
- Templates, guides, RPA and AI improve process speed and accuracy (e.g. prompts for regulators/enforcers).
- Workflows and interdependencies are streamlined and automated where appropriate.



Services and Channels

- AI ensures accurate data collection (e.g. AI recognises arms based on picture uploaded to register, AI can process unstructured text to gain insights).
- Interactions/processes are as efficient as possible and the licence holder is kept up to date (e.g. automatic notifications).



Roles and Structure

- The Regulator has a nation-wide workforce to enable relationship-based and face to face interactions.
- Service centre support is provided centrally.
- Use of RPA reduces the amount of human administrative support required.
- Use of RPA/AI enables capabilities to spend time on higher value activities.
- Streamlined processes may reduce overall headcount of regulatory functions.



People Competencies and Skills

- Data governance and management.
- Technology enabled process management.
- Apply the risk framework to decision making.



Organisational Capabilities

- Functional investment is focused on process optimisation capability, including:
- Data management capability.
- RPA capability.
- AI capability.
- Change management/Agile capability to support streamlining of processes and continuous improvement.



Option 3: Exceptional Experience for Compliant Licence Holders

Investment is focused on the experience for compliant licence holders (individuals/dealers) while ensuring appropriate controls are in place to mitigate risk.

Core Features

- Arms Act requirements and compliant licence holders' needs are documented and inform operational decision making.
- Effective relationships with licence holders is considered a driver for compliance.
- Data is accurate, consistent and secure.
- A clear risk framework is documented to ensure risk is adequately mitigated in daily operations.
- There is integration and visibility between constabulary and regulatory workstreams.
- Process speed and compliant licence holder sentiment is measured to assess performance.



Technology and Information

- Quality information is captured and entered into systems.
- Quality controls are in place to maintain data integrity (e.g. AI is used to support Police to recognise and document types of arms).
- Data capture is near real-time: Key information held by the regulator is available to Constabulary in 24 hours (to enable end-to-end process visibility and ensure licence holder information is current and accurate).
- Systems provide instant, secure access to near real-time data to enhance frontline safety and mitigate risk.
- Systems enable regulators to deliver personalised, exceptional experiences for compliant licence holders (e.g. service centre is prompted to proactively support licence holders appearing to struggle on customer channels).



Processes

- Processes ensure risks are mitigated and compliant licence holders are delivered an exceptional experience.
- A mix of technology and templates/guides support regulators to deliver exceptional experiences for compliance licence holders.
- Feedback loops from licence holders to inform services and processes.



Services and Channels

- Consistent, personalised and seamless support across all channels.
- Easy to use customer channels (e.g. mobile app and regional kiosks).
- Customer channels measure customer sentiment.
- Messaging clearly communicates expectations and builds collective responsibility.
- Licence holders feel informed and involved (e.g. relevant information and regular updates are provided to licence holders interacting with the system).
- Quality controls ensure data integrity.



Roles and Structure

- Mixture of centrally and regionally based functions. Centralised functions provide service centre support, regional functions enable relationship-based interactions (e.g. the Regulator has a nation-wide workforce).



People Competencies and Skills

- Customer-centric service delivery.
- Relationship management.
- Apply the risk framework to decision making.



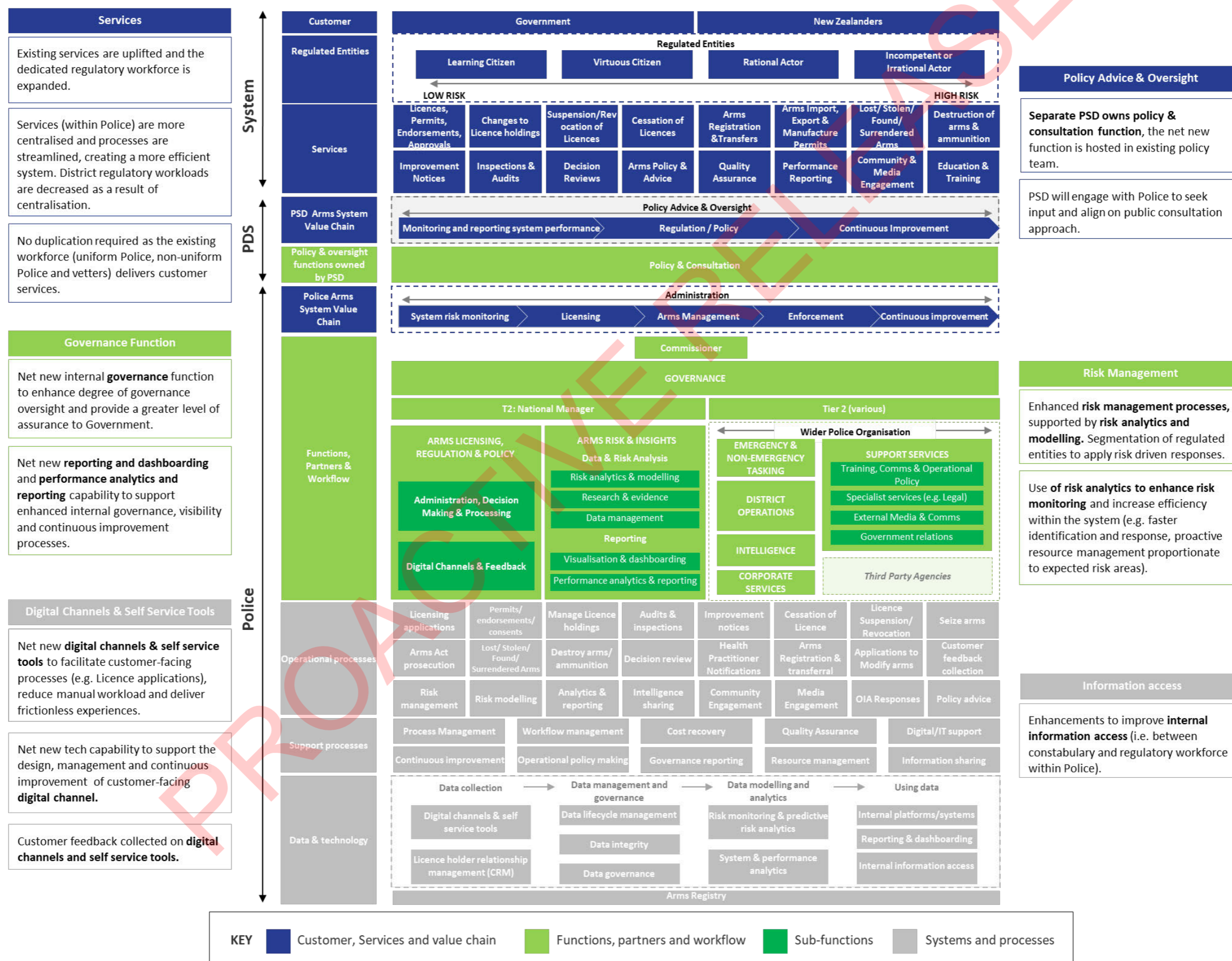
Organisational Capabilities

- Functional investment is focused on relationship/regional delivery capability.
- Service centre/customer experience capability.
- Human centred-design capability.

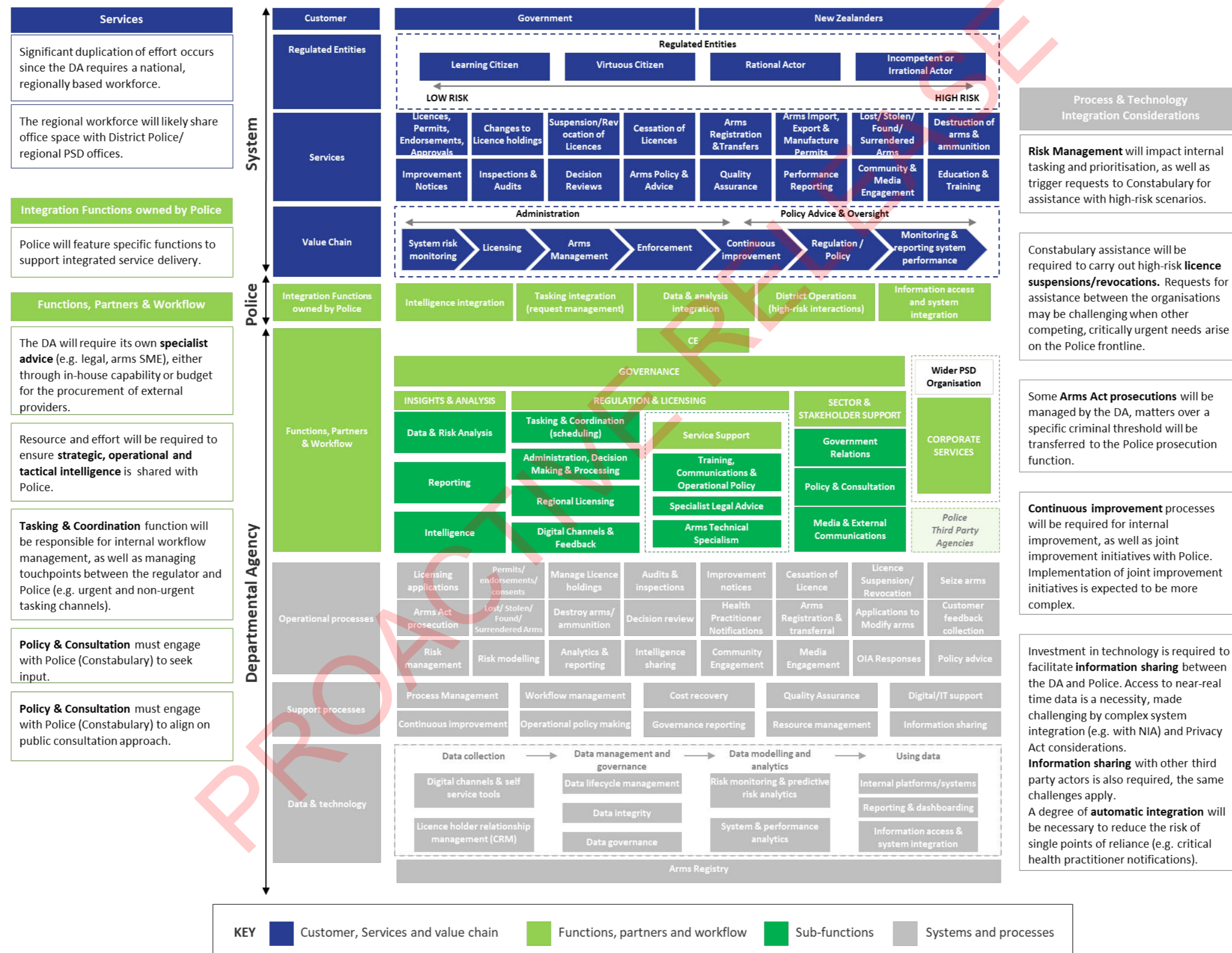
Appendix II

The Five Operating Models, and the Benefits and Risks of Each

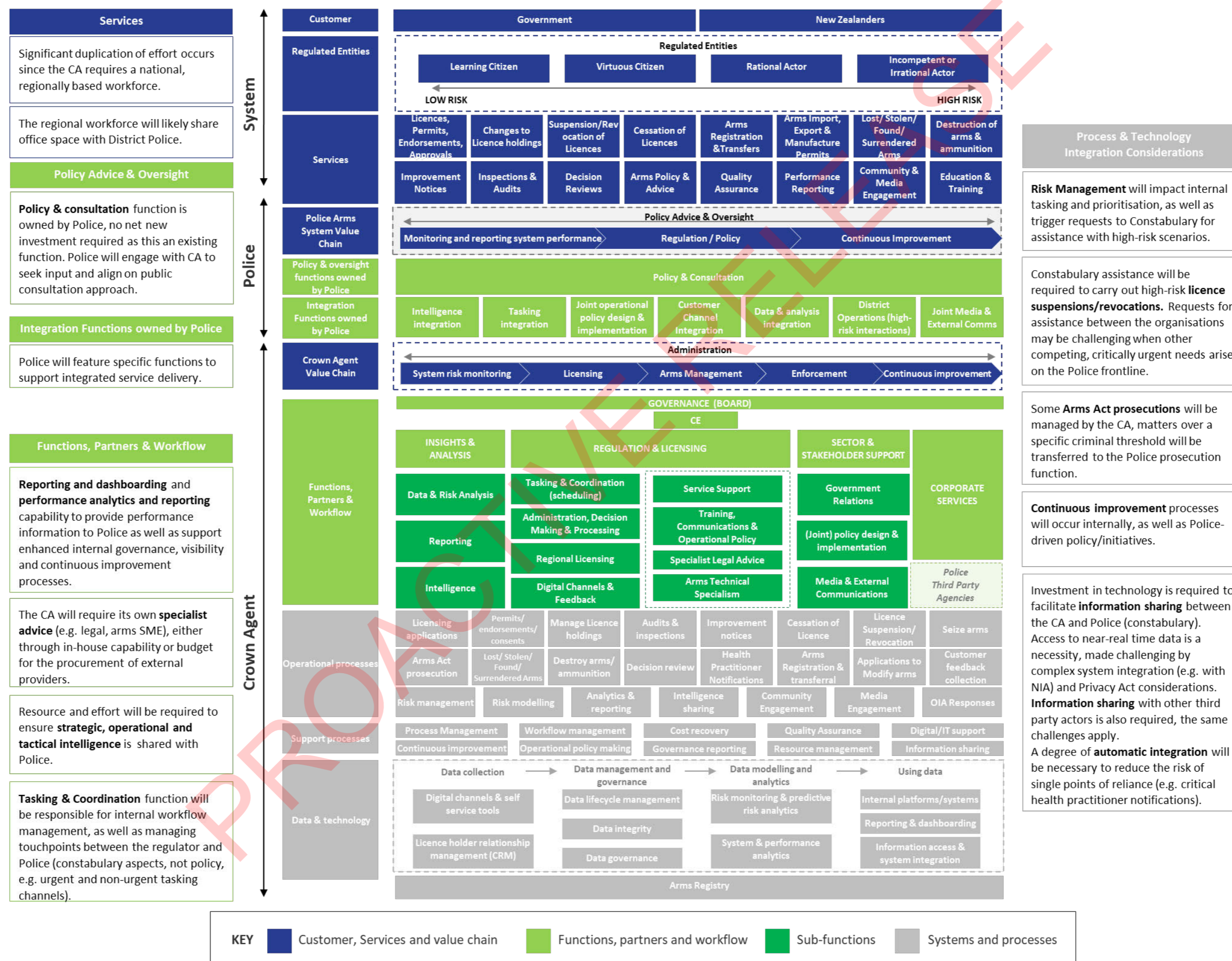
Option 1: Administration within the Police and policy/oversight within a Public Service Department



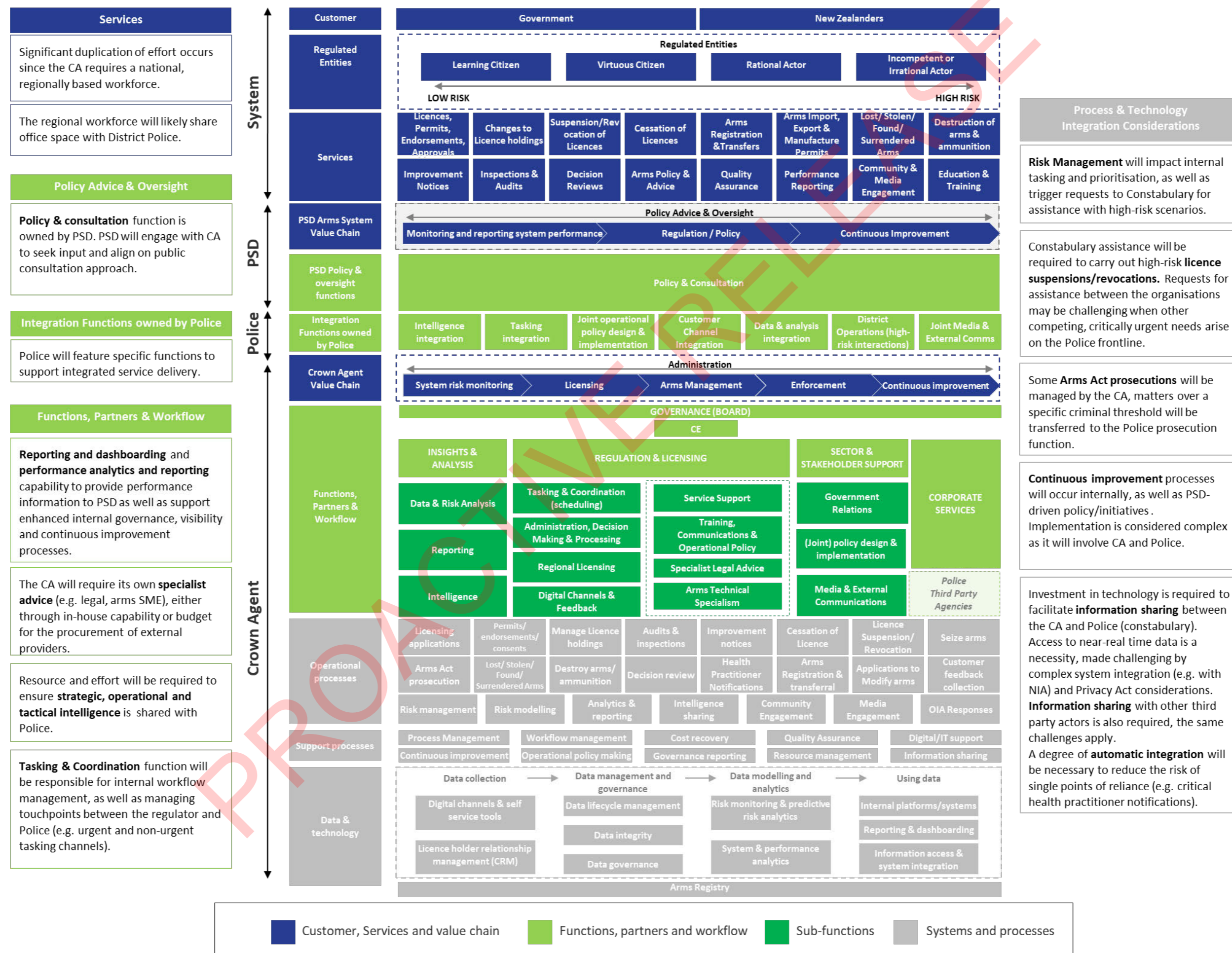
Option 2: Administration and policy/oversight within a Departmental Agency in a Public Service Department



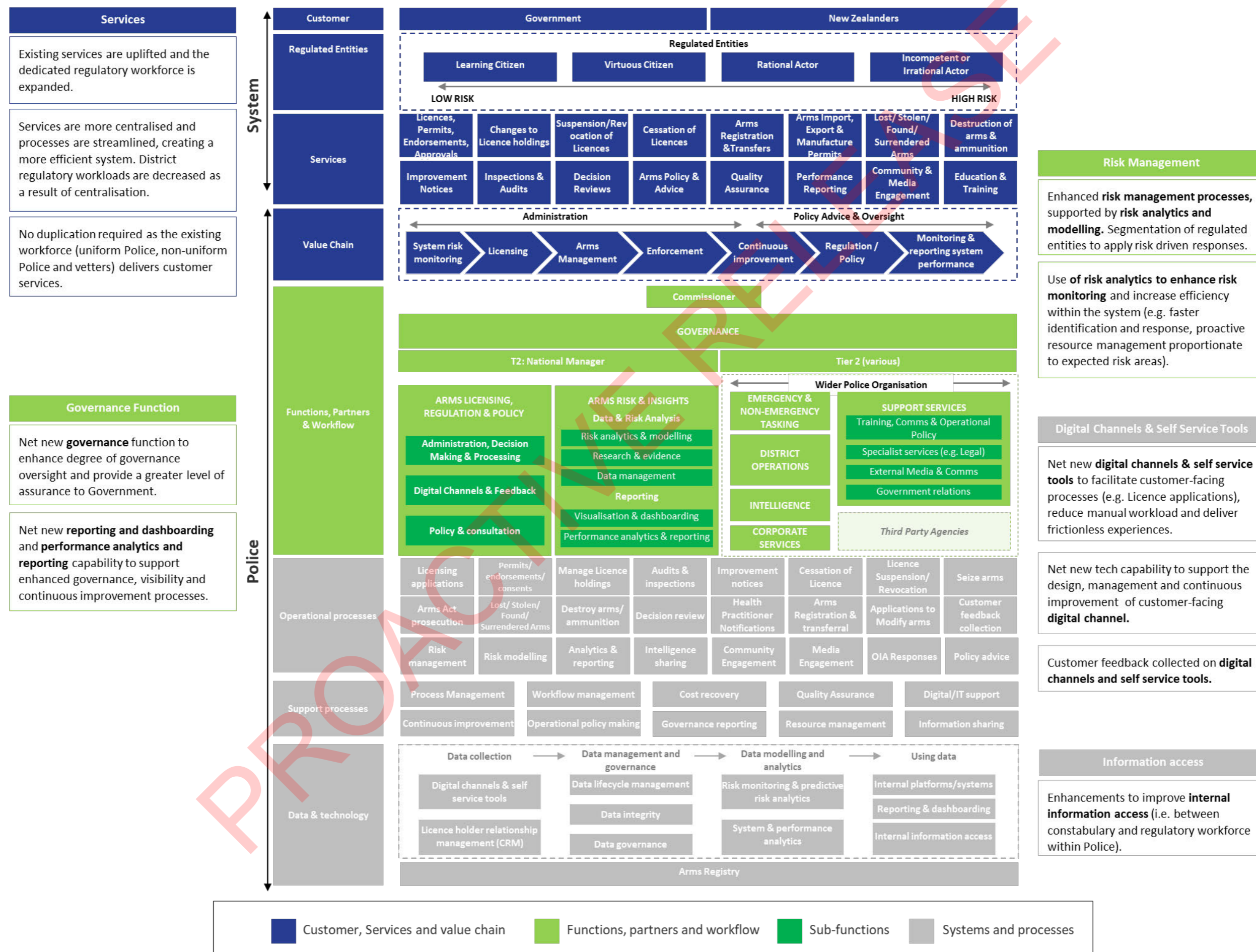
Option 3: Administration within new Crown Agent and policy/oversight within the Police



Option 4: Administration within new Crown Agent and policy/oversight within a Public Service Department



Option 5: Administration and policy/oversight remains with the Police



Option 1: Administration within the Police and policy/oversight within a Public Service Department

Benefits	Risks
Leverages existing arrangements <ul style="list-style-type: none"> Less investment required (in comparison with options 2,3 and 4) to deliver regulatory functions as existing workforce, systems, processes and infrastructure is leveraged. Enhanced public and frontline workforce safety due to straightforward integration requirements. Significantly less investment required to meet integration requirements within the system. Internal integration improvement is straightforward and interagency collaboration is pre-existing. The arms registry may introduce some access/information sharing requirements between the Police and third-party actors (e.g. Customs), however, the integration is much smaller in scale and complexity than those associated with the divestment of small functions away from the Police. 	Lack of agency/separation <ul style="list-style-type: none"> Fewer functions are divested in comparison with options 2, 3 and 4. Elements of Government/the arms community/general public may not perceive this option as creating a sufficient level of independence (from the Police) within the regulatory system.
Improved government/public perception <ul style="list-style-type: none"> Investment is targeted to provide greater transparency within the system, this may improve public perception/level of trust and confidence in the system. 	Divestment causes complexity/inefficiency <ul style="list-style-type: none"> There may be a loss of general information, expertise, understanding of operational impacts and frontline exposure necessary in the development of policy advice and legislation. It may be difficult to foster an effective working relationship between the PSD and the Police, particularly due to the PSD's lack of exposure to operational impacts and frontline safety considerations.
Enhanced independence within the system <ul style="list-style-type: none"> Provision of policy advice and legislative development by a PSD may provide a greater degree of independence and impartiality than the existing arrangement. 	Lack of responsiveness <ul style="list-style-type: none"> At times, there may be competing asks of district-based resources leading to reprioritisation of regulatory activities - impacting performance and strengthening the perception that arms tasks are reprioritised within the Police. Enhanced internal performance monitoring may reveal further unforeseen issues within the system and exacerbate the existing perceptions (lack of trust and confidence in the existing arrangement).
Enhanced governance and accountability <ul style="list-style-type: none"> Enhanced governance and reporting arrangements within the Police is likely to significantly improve transparency within the system. 	

Option 2: Administration and policy/oversight within a Departmental Agency in a PSD

Benefits	Risks
Enhanced independence within the system <ul style="list-style-type: none"> Greater degree of independence from the Police created through divestment of all regulatory and policy/oversight functions away from the Police and creating a dedicated, independent workforce. Minister receives policy advice without the real or perceived 'police' filter. 	Divestment causes complexity/inefficiency <ul style="list-style-type: none"> Integration with Police IT systems is complex and costly. Duplication of national workforce is costly. There may be a loss of general information, expertise, understanding of operational (policing) impacts and frontline exposure necessary in the development of policy advice and legislation. Transition and establishment is likely to require significant investment. Shared services (e.g. IT infrastructure) may not be fit for purpose for the DA. The DA may need to contribute to PSD-wide shared services improvements that do not benefit the DA (e.g. IT system upgrades that are superfluous).
Enhanced governance and accountability <ul style="list-style-type: none"> Additional degree of accountability introduced (in comparison with options 1 and 5) through appointment of an independent CE to oversee the DA. 	
Opportunities presented through divestment <ul style="list-style-type: none"> Presents opportunities to introduce new ways of working and organisational culture which may be difficult to grow in existing organisations. 	Lack of agency/separation <ul style="list-style-type: none"> The DA may not be perceived as independent from the existing PSD (consistent with feedback from MoJ).
	Lack of responsiveness <ul style="list-style-type: none"> Some operational processes will require Police assistance in high-risk/urgent scenarios. There is a risk of reprioritisation by the Police due to other, critically urgent priorities arising.
	Legislative reform <ul style="list-style-type: none"> Necessary amendments to the Arms Act to vest statutory roles in DA are complex and costly to complete.
	Intelligence failure <ul style="list-style-type: none"> There are Privacy Act limitations which may inhibit the sharing of information which the Police collect/own, central to the fit and proper assessment (e.g. family violence incident reports). There are Privacy Act limitations which may inhibit the sharing of forensic and intelligence information which the Police collect/own. The DA would need access to such information to gain insights regarding illegal use of arms. Integration failure, impacting community safety/frontline Police or the regulator to enter a high-risk scenario ill-prepared.

Option 3: Administration within new Crown Agent and policy/oversight within the Police

Benefits	Risks
Leverages existing arrangements <ul style="list-style-type: none"> Leverages general information, expertise, understanding of operational (policing) impacts and frontline exposure to criminal activities held by the Police to create informed policy advice. 	Divestment causes complexity/inefficiency <ul style="list-style-type: none"> Integration with Police IT systems is complex and costly. Duplication of national workforce is costly (office and arms storage space requirements tbc).
Enhanced independence within the system <ul style="list-style-type: none"> Regulatory independence created through divestment of all regulatory functions away from the Police. Greater degree of independence from Minister compared with option 2. Per SSC advice, operations with CA implements Government Policy 'at arms length' from Ministers. Elements of the arms community/general public may perceive this to create a greater level of independence within the system. 	Lack of agency/separation <ul style="list-style-type: none"> Elements of Government/the arms community/general public do not perceive the provision of policy advice by the Police as independent.
Opportunities presented through divestment <ul style="list-style-type: none"> Presents opportunities to introduce new ways of working and organisational culture which may be difficult to grow in existing organisations. Ability to adjust policy/oversight arrangements (i.e. divestment from the Police) if investment is not considered successful in the future. 	Lack of responsiveness <ul style="list-style-type: none"> A small number of operational processes will require Police assistance in high-risk/urgent scenarios. There is a risk of reprioritisation by the Police due to other, critically urgent priorities arising.
	Intelligence failure <ul style="list-style-type: none"> Integration failure, impacting community safety/frontline Police or the regulator to enter a high-risk scenario ill-prepared. There are Privacy Act limitations which may inhibit the sharing of information which the Police collect/own, central to the fit and proper assessment required to grant an individual a licence (e.g. family violence incident reports). <p>There are Privacy Act limitations which may inhibit the sharing of forensic and intelligence information which Police collect/own. The CA would likely need access to such information to gain insights regarding trends in the illegal use of arms.</p>
	Legislative reform <ul style="list-style-type: none"> Necessary amendments to the Arms Act to vest statutory roles in CA are complex and costly to complete.

Option 4: Administration within new Crown Agent policy/oversight within a PSD

Benefits	Risks
Enhanced independence within the system <ul style="list-style-type: none"> Greater degree of independence from the Police created through divestment of all regulatory and policy/oversight functions away from the Police. Minister receives policy advice without the real or perceived 'police' filter. Greater degree of independence from Minister compared with option 2. Per SSC advice, operations with CA implements Government Policy 'at arms length' from Ministers. Elements of the arms community/general public may perceive this to create a greater level of independence within the system. 	Divestment causes complexity/inefficiency <ul style="list-style-type: none"> Duplication of national workforce is costly. Integration with Police IT systems is complex and costly. There may be a loss of general information, expertise, understanding of operational (policing) impacts and frontline exposure necessary in the development of policy advice and legislation. Implementation of policy/regulatory change is more costly and complex (in comparison with other options) due to there being three actors in the regulatory system (PSD, CA, the Police).
Opportunities presented through divestment <ul style="list-style-type: none"> Presents opportunities to introduce new ways of working and organisational culture which may be difficult to grow in existing organisations. 	Intelligence failure <ul style="list-style-type: none"> There are Privacy Act limitations which may inhibit the sharing of information which the Police collect/own, central to the fit and proper assessment required to grant an individual a licence (e.g. family violence incident reports). There are Privacy Act limitations which may inhibit the sharing of forensic and intelligence information which the Police collect/own. The CA would likely need access to such information to gain insights regarding illegal use of arms. Integration failure, impacting community safety/frontline Police or the regulator to enter a high-risk scenario ill-prepared.
	Legislative reform <ul style="list-style-type: none"> Necessary amendments to the Arms Act are complex and costly,
	Lack of responsiveness <ul style="list-style-type: none"> A small number of operational processes will require Police assistance in high-risk/urgent scenarios. There is a risk of reprioritisation by the Police due to other, critically urgent priorities arising.
	Complex arrangements due to three actors within the system <ul style="list-style-type: none"> Three separate organisations are responsible for functions within the system, clarity of responsibility may be reduced, and integration will be the most challenging (in comparison with the other options).

Option 5: Administration and policy/oversight remains with the Police

Benefits	Risks
<p>Leverages existing arrangements</p> <ul style="list-style-type: none"> Existing processes and functions (i.e. processes are streamlined, there are adequate resources and supporting information and technology to enable effective delivery) are improved, resulting in quality, timely delivery of regulatory services. Significant cost savings (compared with options 1-4) as the Police's existing nationwide workforce is leveraged. Significantly less investment required to meet integration requirements within the system. Internal integration improvement is straightforward and interagency collaboration is pre-existing. The arms registry may introduce some access/information sharing requirements between the Police and third-party actors (e.g. Customs), however, the integration is much smaller in scale and complexity than those associated with the divestment of small functions away from the Police. Enhanced public and frontline workforce safety due to straightforward integration requirements. Existing general information, expertise, understanding of operational (policing) impacts and frontline exposure is leveraged in delivery of regulatory and Policy advice/oversight functions. There is a single point of contact for customers and third-party actors within the system – only one set of channels is required and there is no confusion about which organisation to contact in certain situations. 	<p>Lack of agency/separation</p> <ul style="list-style-type: none"> Existing negative perceptions (e.g. lack of trust and confidence in existing administration) may remain unchanged despite improvements, since no structural changes/divestment occurs within this option. <p>Lack of responsiveness</p> <ul style="list-style-type: none"> At times, there may be competing asks of district-based resources leading to reprioritisation of regulatory activities - impacting performance and strengthening the perception that arms tasks are reprioritised within the Police. Enhanced internal performance monitoring may reveal further unforeseen issues within the system and exacerbate the existing perceptions (lack of trust and confidence in the existing arrangement).
<p>Enhanced governance and accountability</p> <ul style="list-style-type: none"> (Despite the lack of divestment), enhanced governance and reporting arrangements are likely to significantly improve transparency within the system. 	

Appendix III

Detailed Options Analysis against the Critical Success Factors

CSFs	Relevant Design Principles	Rankings and rationale
Deliver effective arms regulatory function	<p>Risk by design. Create controls within the system that are proportionate to the risks and apply effort where there is opportunity to mitigate risk.</p> <p>Relationship-based licensing and interventions balanced with clear regulatory controls. Engagement with the arms community and strong personal contact to build collective responsibility for arms safety and control.</p>	<p><u>Options receive the same rank.</u></p> <p>All options would deliver an effective regulatory function (due to the inclusion of the core and common features in each).</p>
Support effective arms policing	<p>Insight-driven regulation. Collect quality data and create insights to drive decision making and support enforcement.</p>	<p><u>Option 5 ranks the highest.</u></p> <p>There would be fewer integration challenges inhibiting Policing delivery within Options 1 and 5. Policy advice provided by the Police (Option 5) would be more likely to ensure operations are not impacted by changes to policy.</p>
Regulatory processes are clear and easy to comply with for licence holders	<p>A frictionless experience for licence holders. Actions and interactions occurring within regulations are easy to complete and progress.</p> <p>Privacy by Design. Systems handling personal information meet the principles of the Privacy Act.</p>	<p><u>Options 3 and 4 rank the highest.</u></p> <p>Options 3 and 4 present an opportunity to create bespoke systems and platforms and build a workforce with specific tech and customer-based skills. Creation of such platforms may be somewhat limited by existing shared systems and processes within Option 2 (i.e. those owned by the host PSD). Within Options 1 and 5, the Police may be somewhat limited by existing systems and platforms, and there would be less freedom to adjust workforce capability.</p>

A dedicated focus on arms regulatory activity	<p>Dedicated resource. Regulatory activities are not traded off against competing demands.</p>	<p><u>Option 3 ranks the highest.</u></p> <p>Option 3 ranks the highest as it would require a ring-fenced workforce and there would not be competing demands or a risk of reprioritisation within the dedicated agent. Option 4 cannot achieve the same score due to the risk of policy and oversight functions within the PSD facing competing demands and reprioritisation. Option 2 may carry the perception that the DA is not truly independent from the host PSD. The risk of perceived or actual competing demands and reprioritisation remain within Options 1 and 5.</p>
Effective relationships with the licence holders and businesses	<p>Privacy by Design. Systems handling personal information meet the principles of the Privacy Act.</p>	<p><u>Options receive the same rank.</u></p> <p>The options achieve the same scores for different reasons. Options 1 and 5 inherit existing relationships, noting a small minority of licence holders criticise the regime. New entities may have greater liberty to improve licence holder experience, however they must build relationships from scratch. There is an inherent degree of uncertainty in the success of relationship building and it will take time.</p>
Contribute to an integrated and collaborative arms system	<p>Integrated information. Integration of key systems and technology to support regulatory controls, administration and enforcement.</p> <p>Leverage existing capabilities. Make best use of people, systems and processes within the arms system; minimise duplication of effort and/or double-handling.</p>	<p><u>Options 1 and 5 rank the highest.</u></p> <p>Within Options 1 and 5 there would be a higher level of integration between regulatory and constabulary functions, as few barriers exist to prevent internal integration within the Police, and existing people, systems and processes are leveraged. Separate Entity options leverage existing capabilities to a lesser extent than Options 1 and 5, noting Option 3 retains knowledge through use of the Police for policy and oversight functions. Achieving integration and collaboration is considered the most difficult under Option 2 due to limits created by existing host systems which may inhibit integration.</p>

Clear system roles and accountabilities	<p>Clarity of accountability. Operational and governance accountabilities are clear, performance is measured and there are mechanisms for addressing non-performance.</p>	<p><u>Options 3 and 4 rank the highest.</u> Investment would be made to improve internal monitoring, reporting and governance arrangements in all options. Option 2 is considered flexible to make changes and enable government to deal with no- performance. An additional level of accountability would be created through the appointment of an independent board in Options 3 and 4.</p>
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PROACTIVE RELEASE

Appendix IV

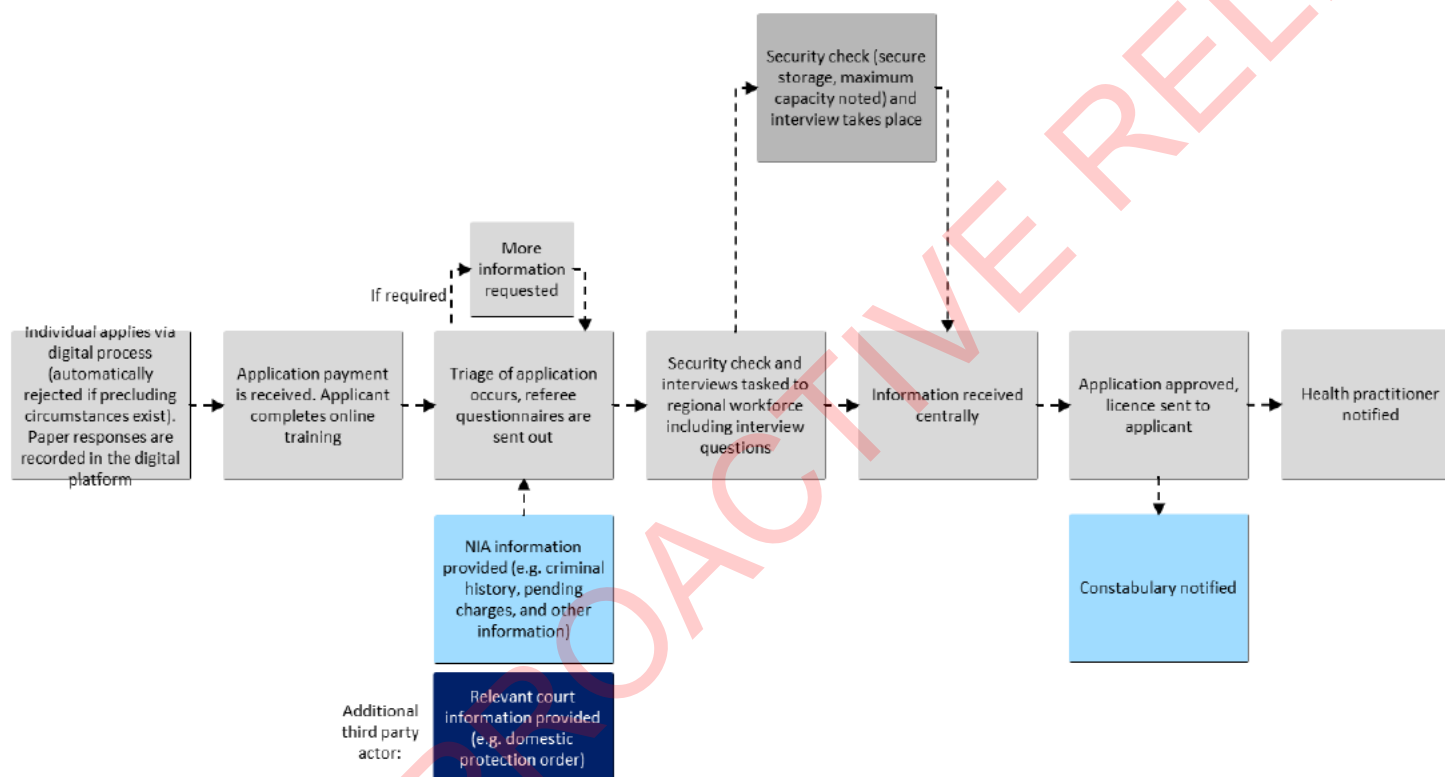
Option 3: Operational Processes (Crown Agent/Police)

PROACTIVE RELEASE

Licences & Endorsements

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION

Regional regulatory function
Central regulatory function
Constabulary function



Considerations:

Risks

Benefits/opportunities

- **Digital application process automatically verifies applicant and completes minor triage (applicants that do not meet certain requirements are precluded from applying).**
- **Automatic notification to constabulary and health practitioners reduces effort and process time.**
- **Highly centralised, efficient process.**

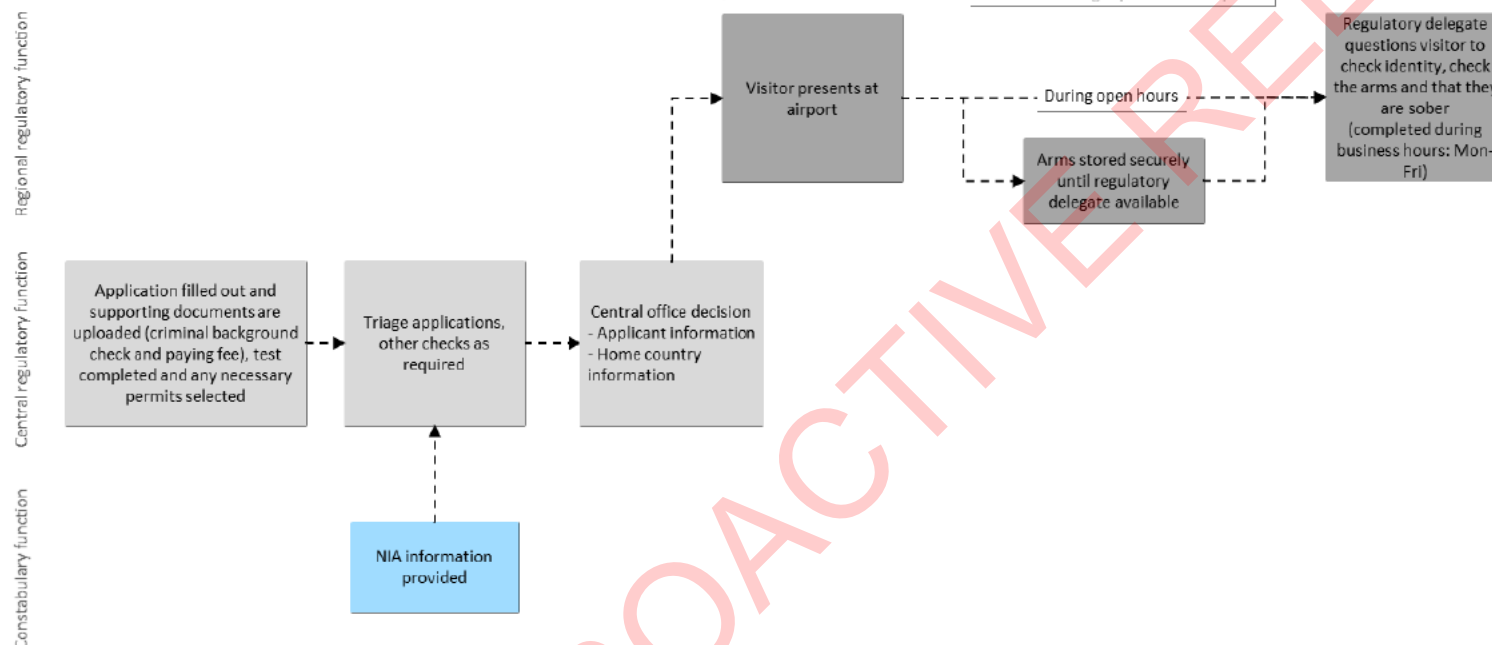
Implementation challenges

- Exchange of information from Police/the Courts to the regulator may be challenging due to privacy considerations.

Core and common considerations are in **bold**.

Visitor Licences & Permits

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

- Significant duplication is likely, Police currently have 24/7 presence at international airports.
- Visitors may arrive after hours, in which case their arms will be securely stored until the regulator's operating hours. The visitor will have to return to collect the arms. This may lead to poor feedback, as this is not a frictionless user experience.

Benefits/opportunities

- Reduction in demands on airport-based Constabulary workforce provides greater amount of time to spend on other matters/ an opportunity to reduce staffing arrangements.

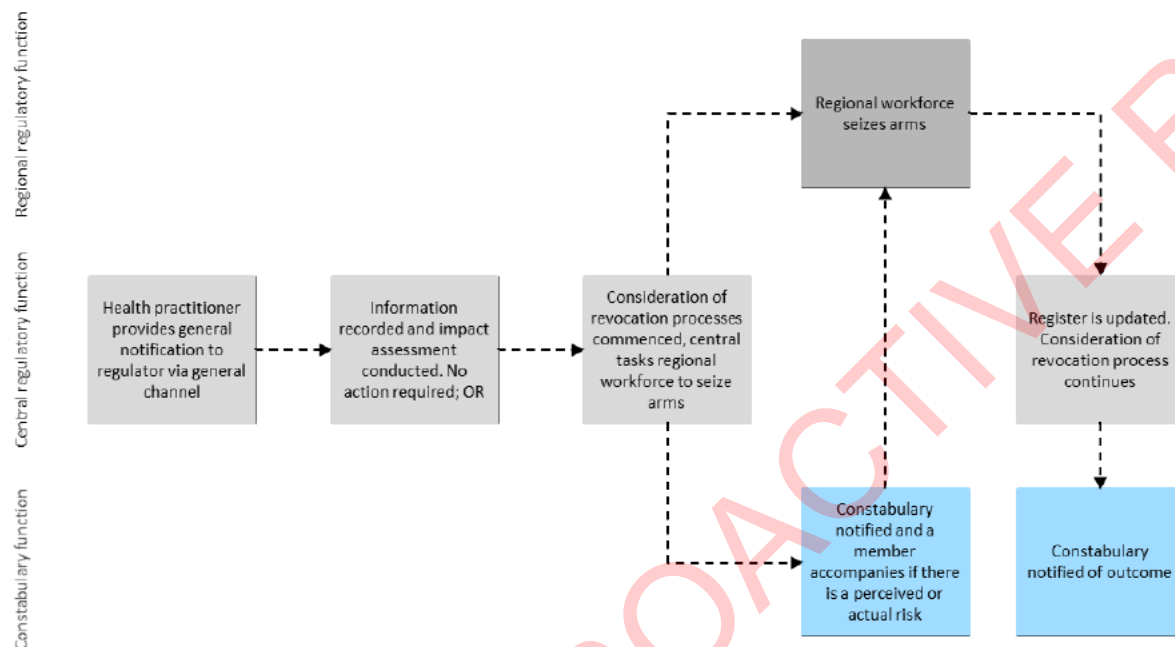
Implementation challenges

- Costly approach due to office space, storage and resource requirements across the four international airports (AKL, CHC, WLG, ZQN).
- Customs manage the process at sea ports. The regulatory entity will need to liaise with Customs to communicate process changes.

Core and common considerations are in **bold**.

Non-critical Health Practitioner Notifications

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

- Health practitioner may contact Police in non-emergency circumstances.
- Subject to prioritisation against other demands on constabulary time.

Benefits/opportunities

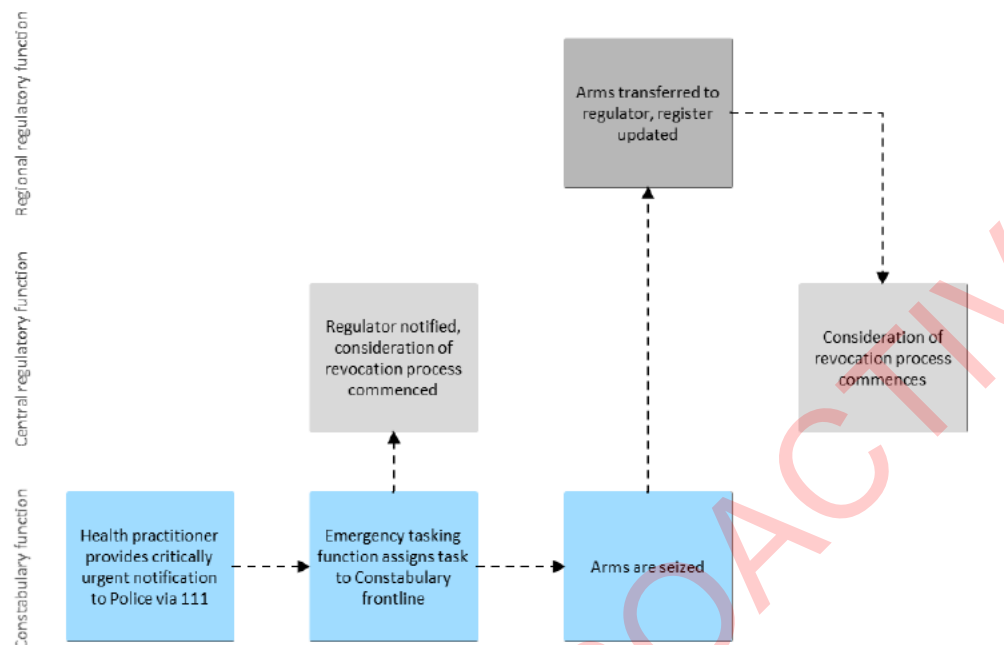
Implementation challenges

- Significant legislative change required to vest the ability to seize arms in a regulatory workforce.
- It may be difficult to ensure health practitioners understand notification channels and obligations with the introduction of an additional actor/channel.

Core and common considerations are in **bold**.

Critical Health Practitioner Notifications

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

- Health practitioner may incorrectly contact regulator in emergency circumstances.
- Single points of reliance – constabulary must notify Police regarding the emergency seizure taking place.

Benefits/opportunities

- Leverages existing 111 channel rather than duplicating an emergency channel within the regulator.
- Automatic notification of emergency seizure from constabulary to regulator enhances safety, reduces effort and increases process speed.

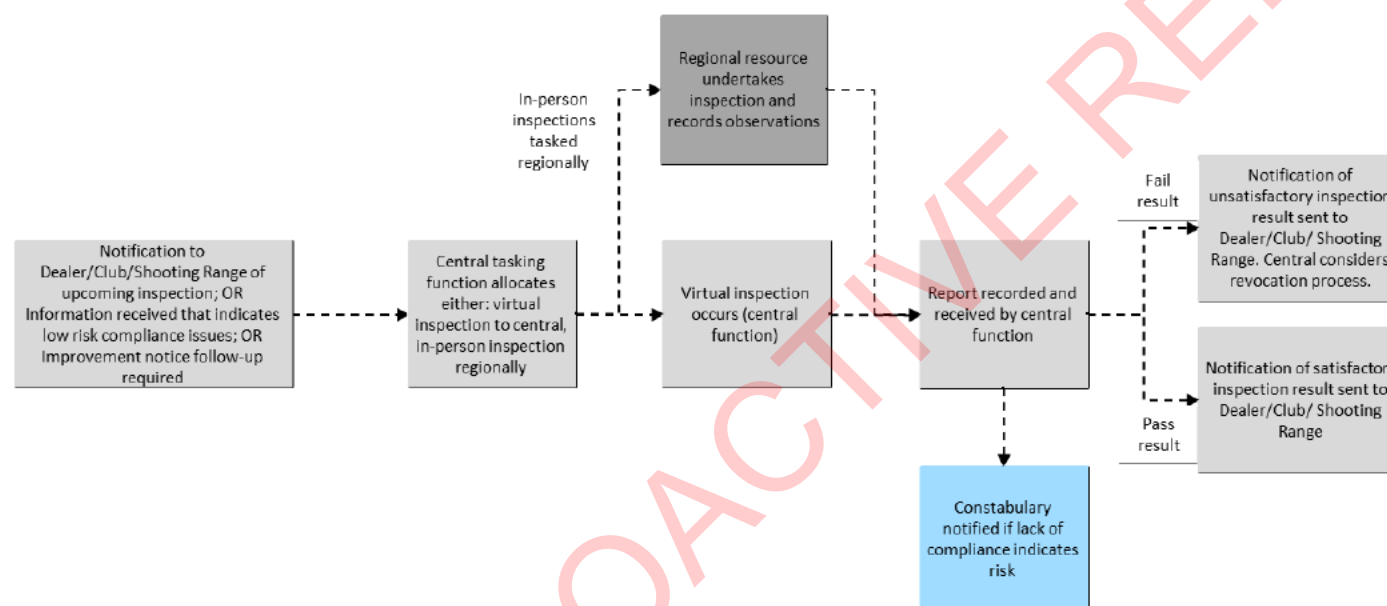
Implementation challenges

- It may be difficult to ensure health practitioners understand notification channels and obligations with the introduction of an additional actor/channel.

Core and common considerations are in **bold**.

Inspections & Audits

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

- Risk of inspection occurring in the course of a covert Police operation (e.g. investigation of arms dealership), as information regarding covert operations cannot be shared with the regulator.

Benefits/opportunities

- **Use of virtual platform reduces the amount time and effort required to complete the process.**

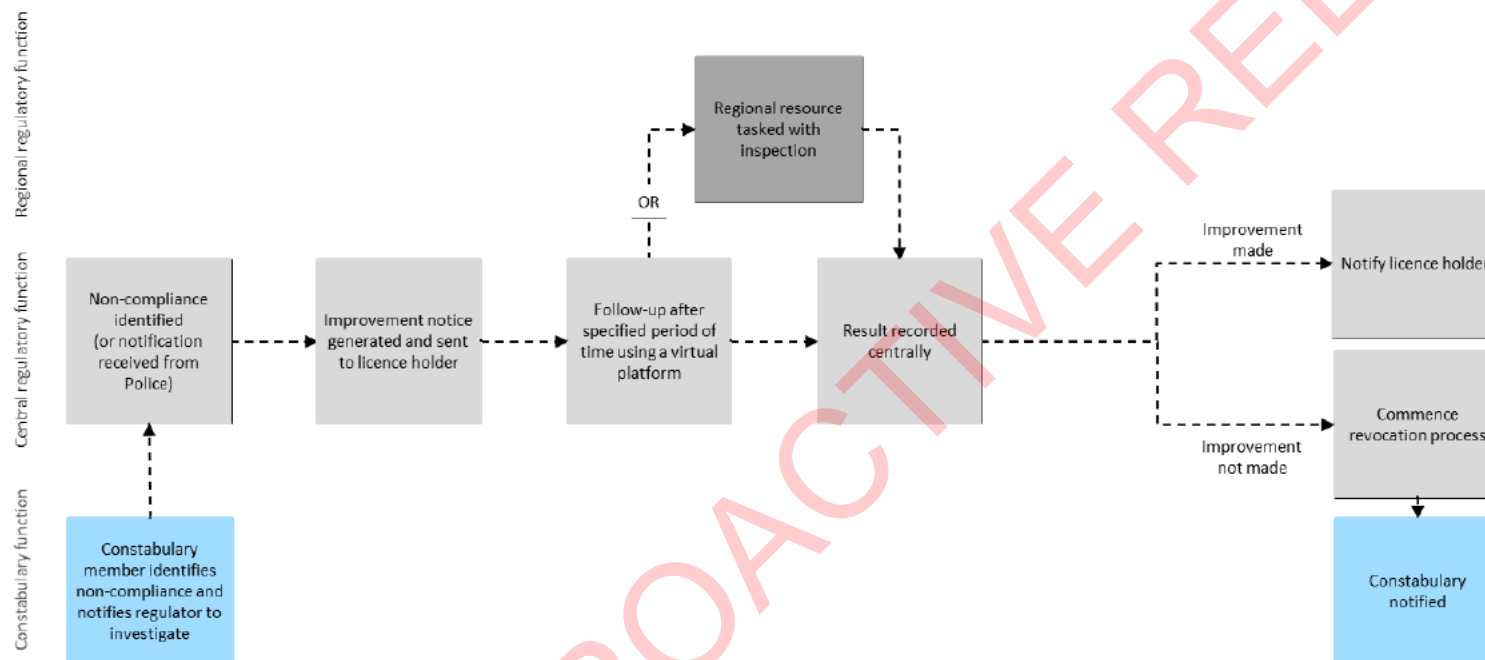
Implementation challenges

- **Use of virtual platform is a change in approach, it will require buy-in from a range of stakeholders.**
- **Need to ensure virtual inspection process is robust and the regulatory workforce knows when an in-person inspection is necessary.**

Core and common considerations are in **bold**.

Improvement Notices

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

- Constabulary will not issue improvement notices when non-compliance is observed in the course of day-to-day policing. This may result in inefficiencies within the system.

Benefits/opportunities

- Use of virtual platform reduces the amount time and effort required to complete the process.

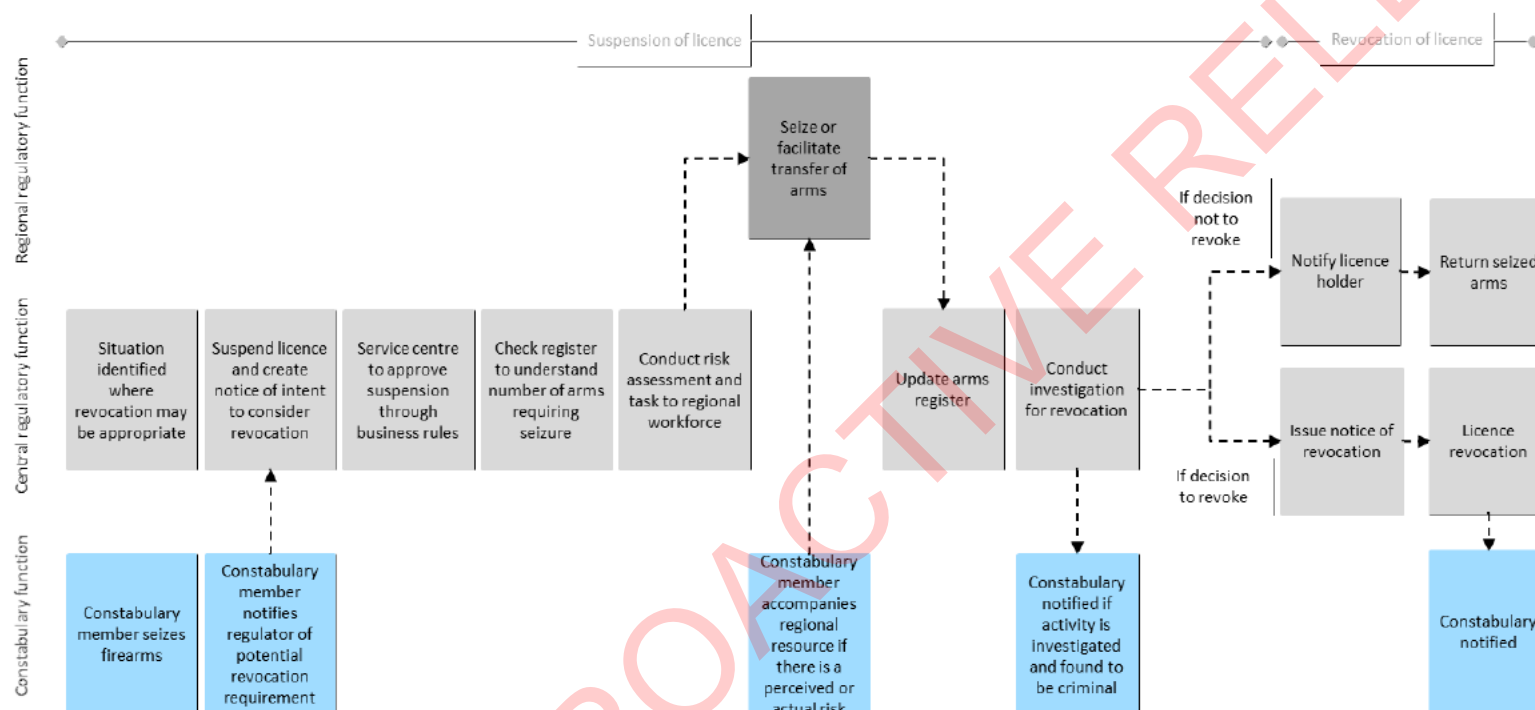
Implementation challenges

- Not all staff should be authorised to issue improvement notices at first to ensure consistency. This may cause resourcing challenges.

Core and common considerations are in **bold**.

Consideration of Licence Revocation (with or without suspension)

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

- Subject to prioritisation against other demands on constabulary time.

Benefits/opportunities

- There is little risk of reprioritisation within the regulatory workforce. When constabulary assistance is not required there are no competing priorities.

Implementation challenges

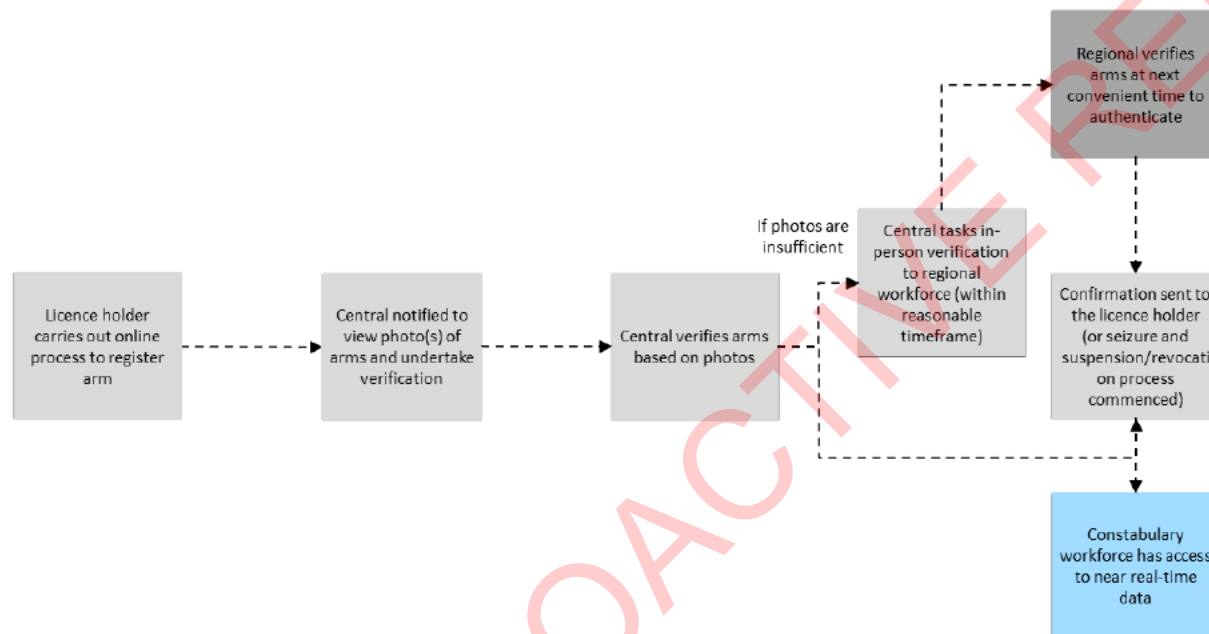
- Significant legislative change is required to vest the ability to seize arms in a regulatory workforce.

Core and common considerations are in **bold**.

Arms Registration

KEY ■ REGIONAL REGULATORY FUNCTION ■ CENTRAL REGULATORY FUNCTION ■ CONSTABULARY FUNCTION

Regional regulatory function
Central regulatory function
Constabulary function



Considerations:

Risks

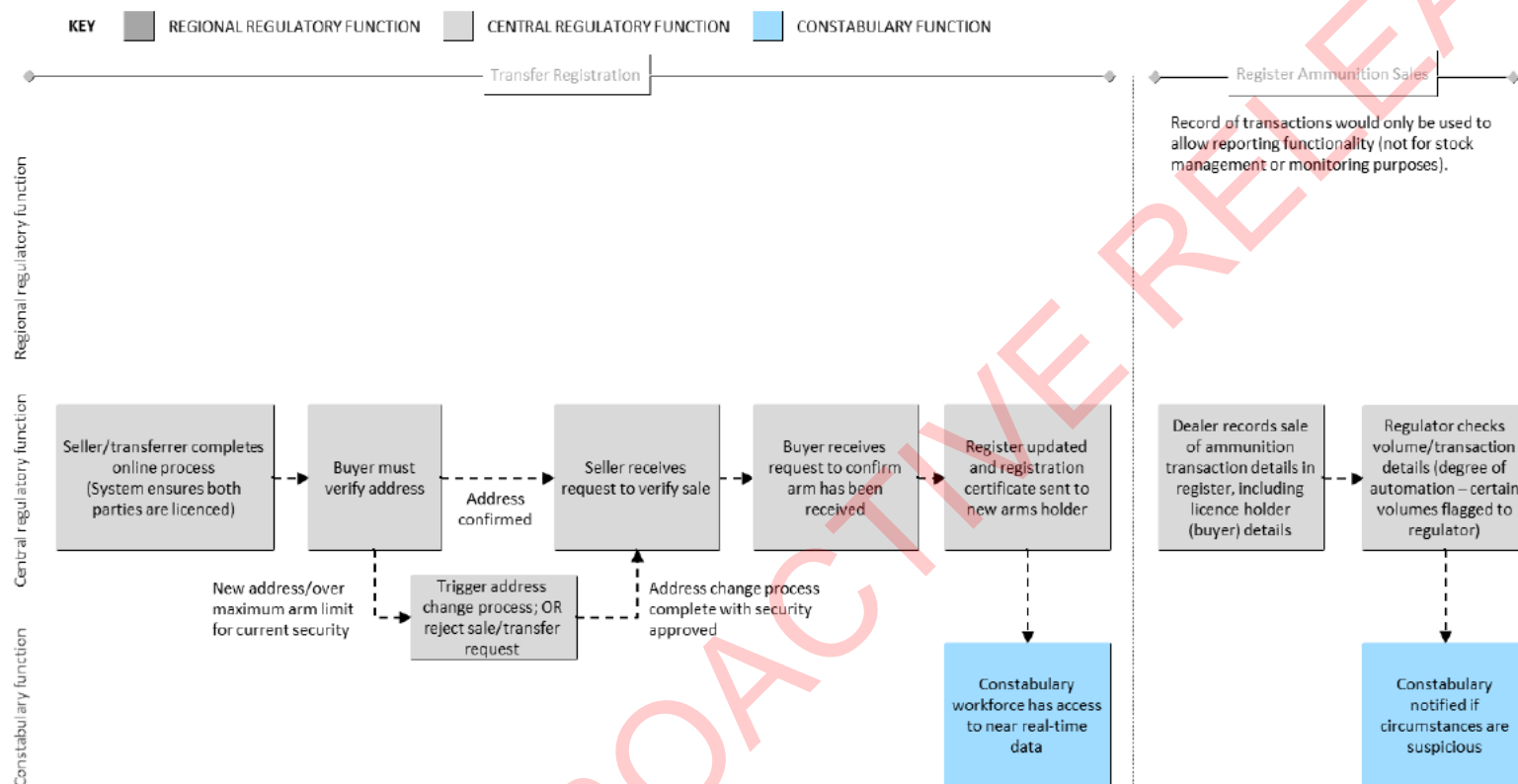
Benefits/opportunities

Implementation challenges

- Complex system integration required to ensure constabulary workforce has access to near real-time data.

Core and common considerations are in **bold**.

Sales/Transfer of Possession of Arms & Ammunition



Considerations:

Risks

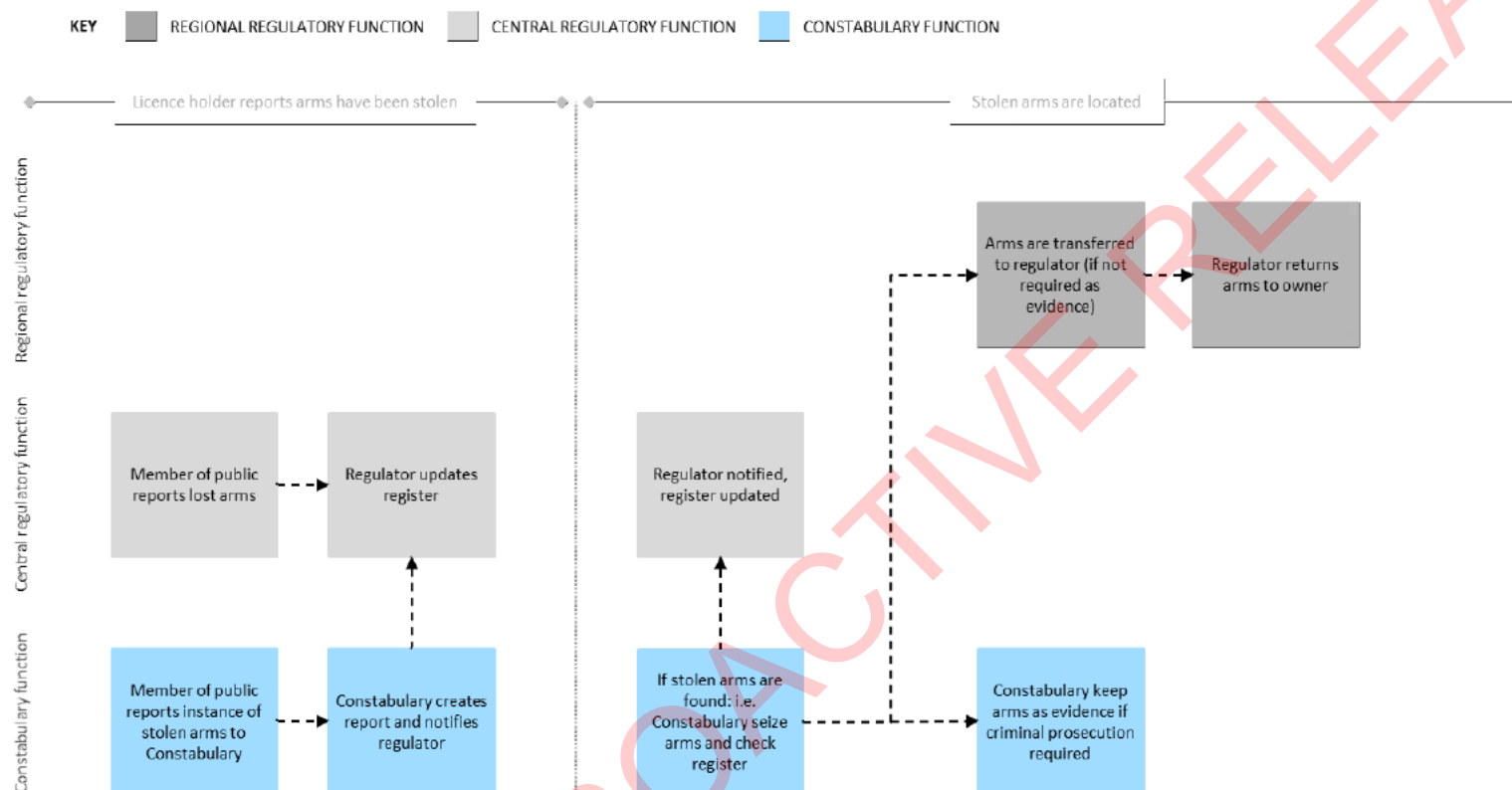
Benefits/opportunities

Implementation challenges

- Complex system integration required to ensure constabulary workforce has access to near real-time data.

Core and common considerations are in **bold**.

Stolen/Lost Arms



Considerations:

Risks

- Licence holders are expected to contact Police for stolen arms only – lost arms should be directed to regulator. This may be confusing for licence holders and lead to poor experiences.

Benefits/opportunities

- Automatic notification of stolen arms report from constabulary to regulator would reduce effort and increase process speed.

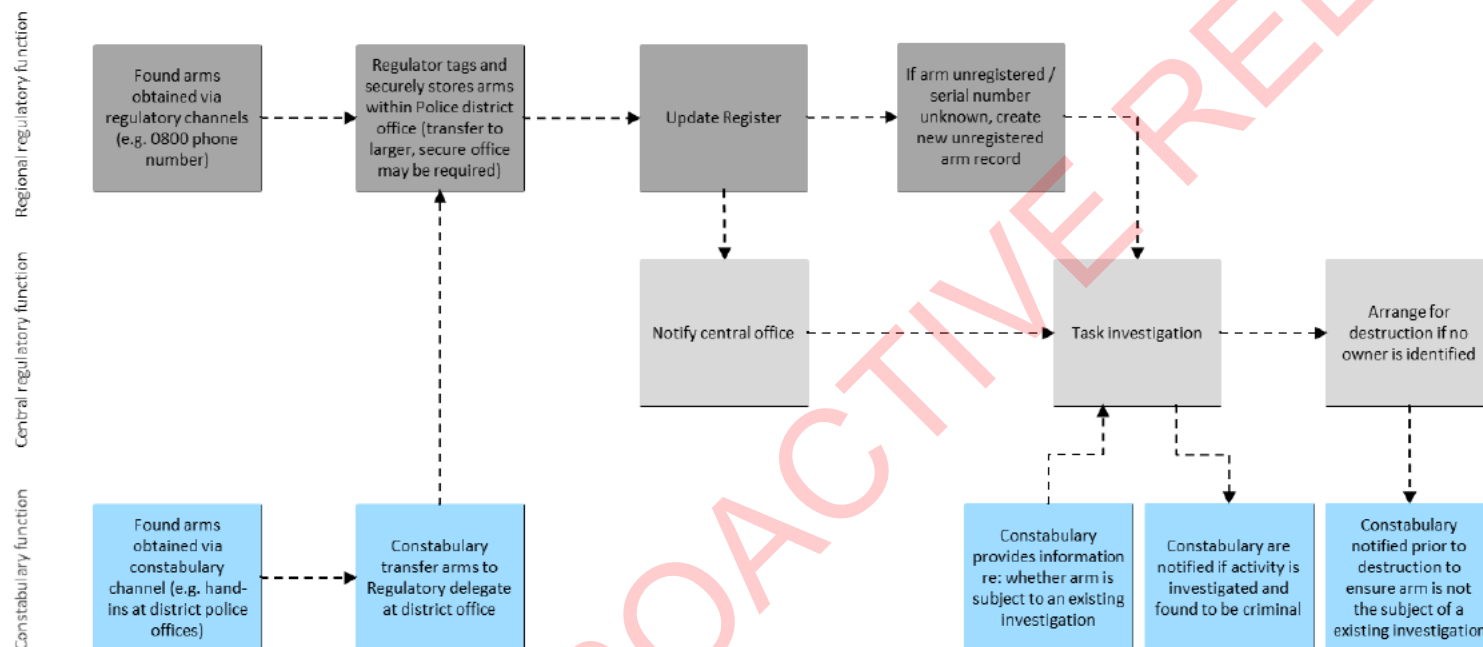
Implementation challenges

- Requires clear process rules for arms transfer within Police storage space, may be difficult to ensure inventory is kept accurate.

Core and common considerations are in **bold**.

Found Arms

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

- Inventory of arms within regional offices becomes inaccurate due to double-handling by constabulary and regulatory workforce.
- Duplication of found channels leads to inefficiencies.

Benefits/opportunities

- Cost efficient approach as existing Police storage space is used to provide secure storage arrangements.

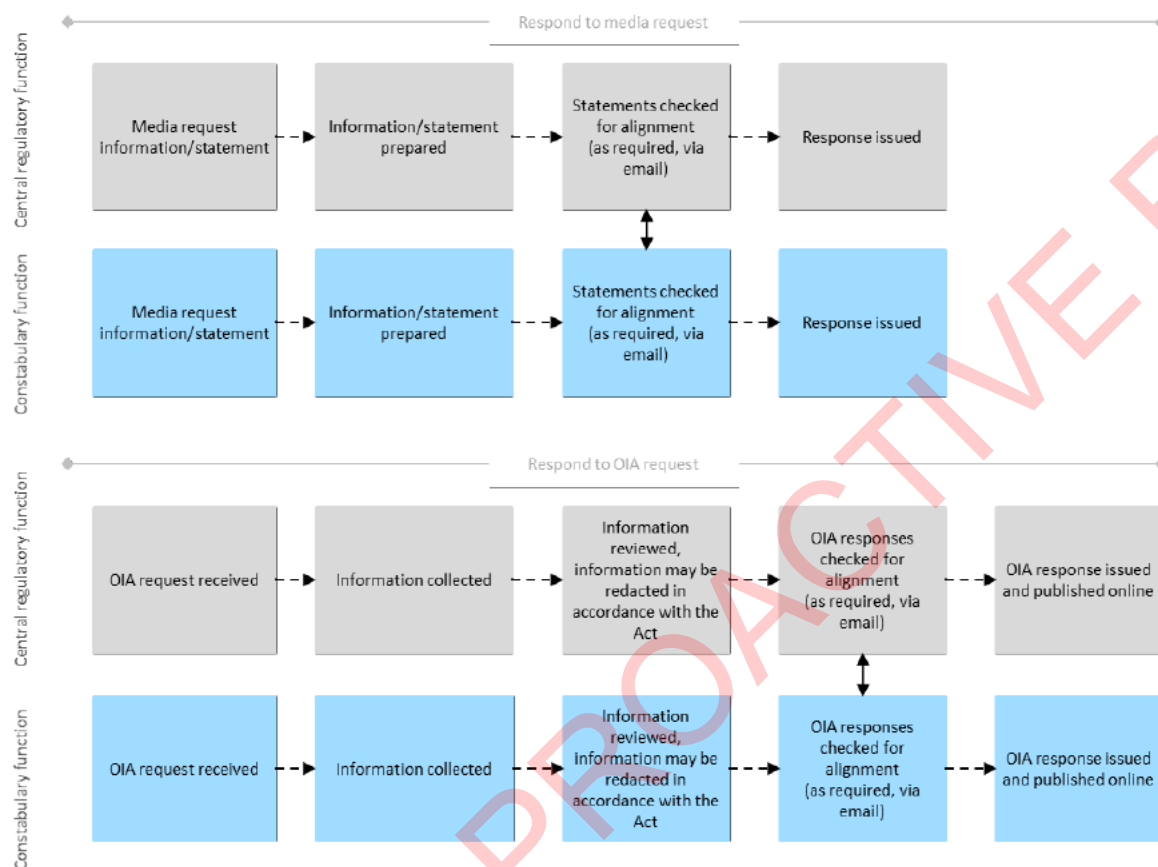
Implementation challenges

- Requires clear process rules for arms transfer within Police storage space, may be difficult to ensure inventory is kept accurate.

Core and common considerations are in **bold**.

Responding to Media & OIA Requests

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

- Regulatory and constabulary functions are not willing to align statements and publicly demonstrate a lack of partnership and cohesion, negatively impacting public and Government trust and confidence in the system.

Benefits/opportunities

Implementation challenges

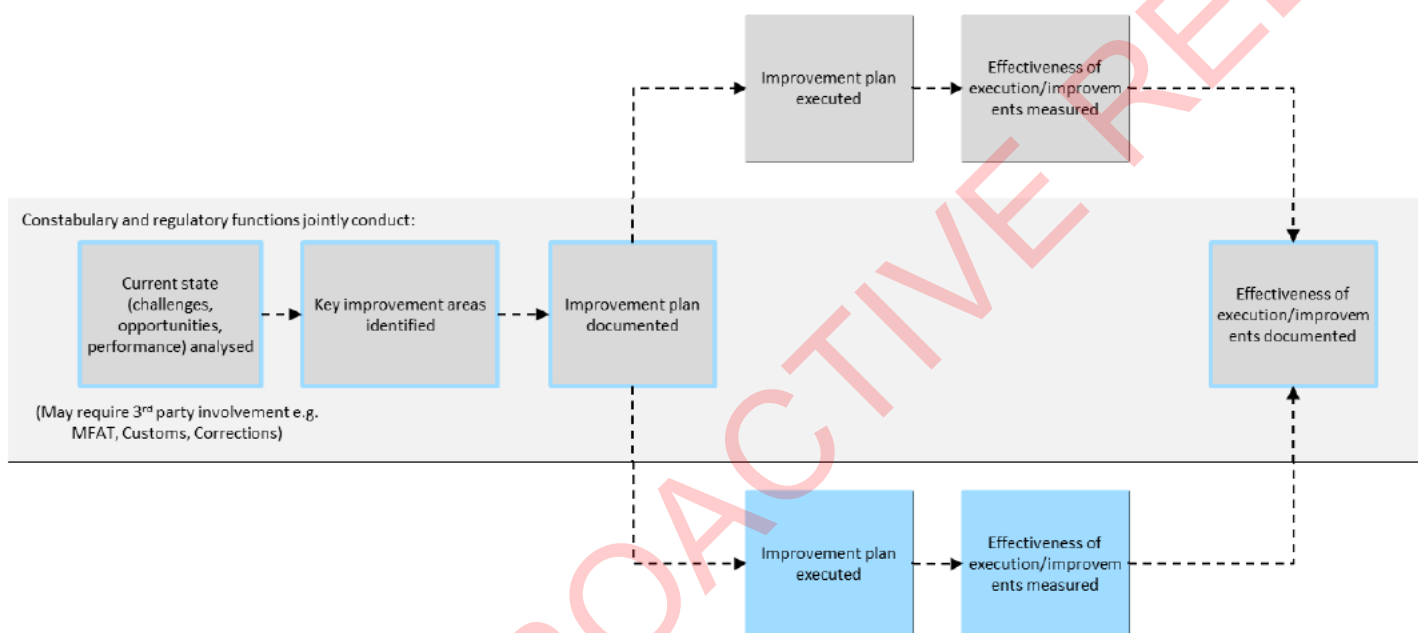
Core and common considerations are in **bold**.

Continuous Improvement (operational processes)

KEY REGIONAL REGULATORY FUNCTION CENTRAL REGULATORY FUNCTION CONSTABULARY FUNCTION

Central regulatory function

Constabulary function



Considerations:

Risks

- Competing priorities at individual implementation stage (e.g. regulatory improvements may not be a priority within Police).

Benefits/opportunities

- Inter-agency collaboration may deliver a greater degree of improvement within the system.

Implementation challenges

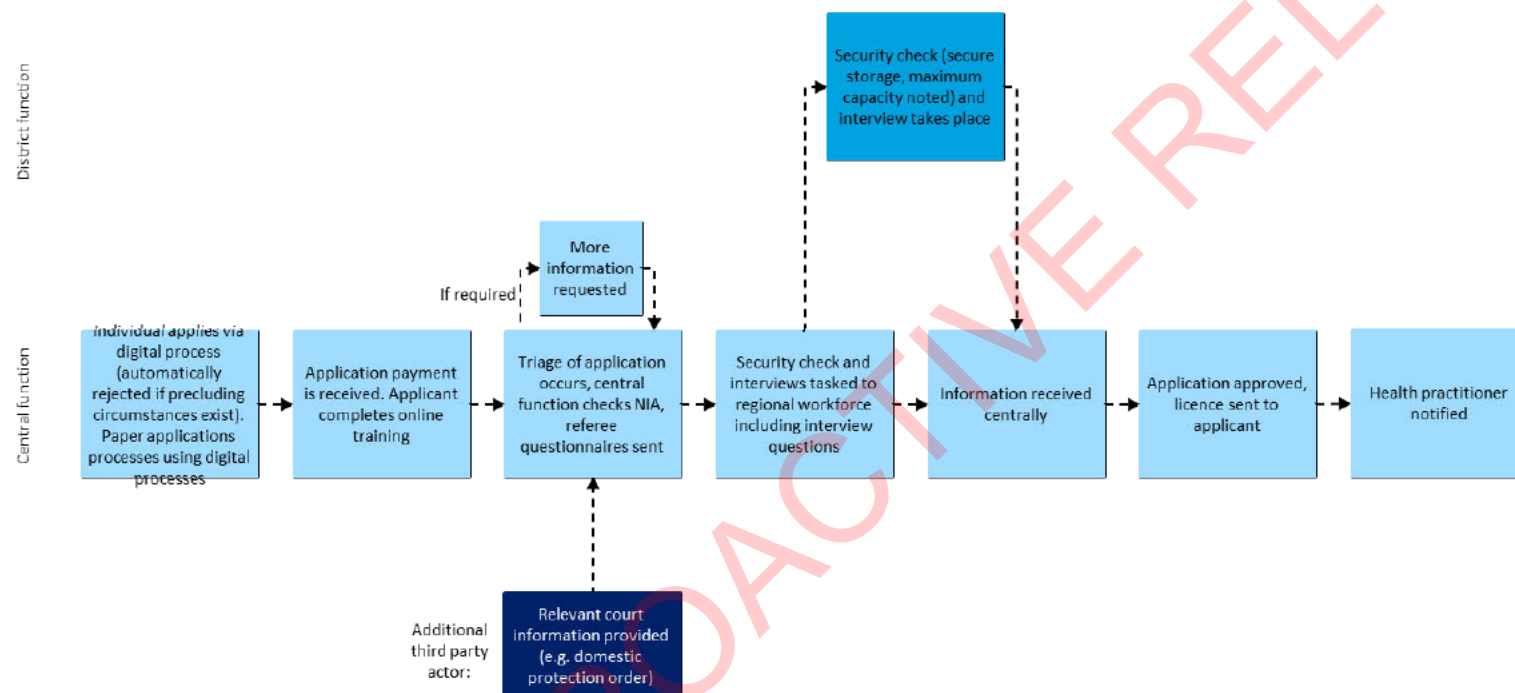
Core and common considerations are in **bold**.

Option 5: Operational Processes (Police)

PROACTIVE RELEASE

Licences & Endorsements

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION □ CONSTABULARY FUNCTION



Considerations:

Risks

Benefits/opportunities

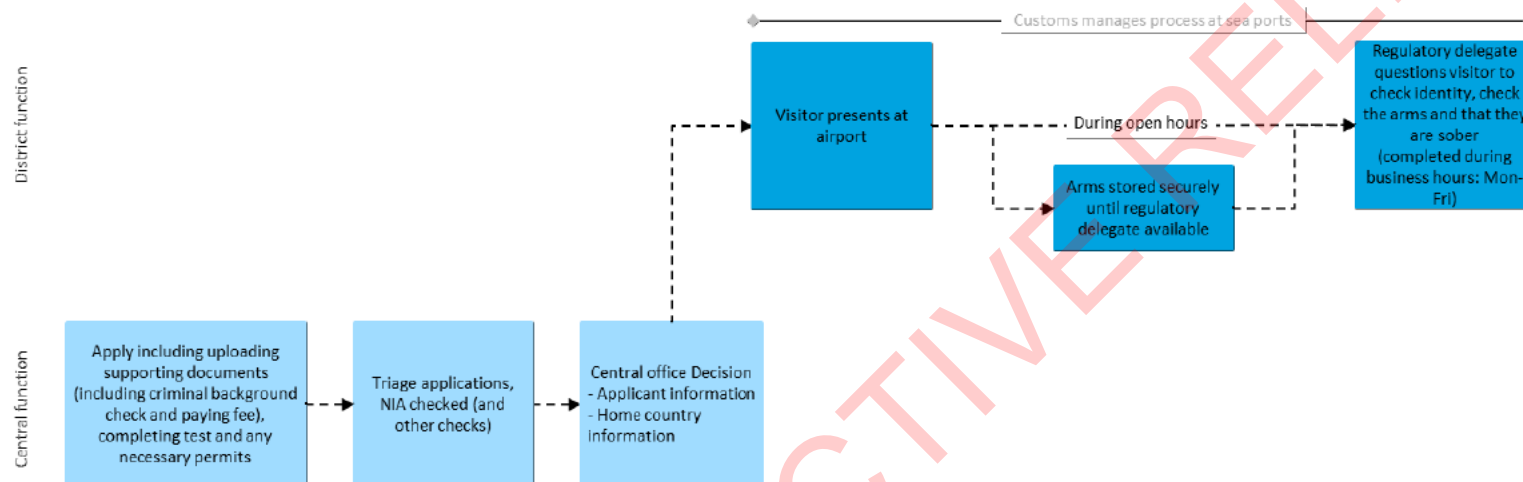
- **Digital application process automatically verifies applicant and completes minor triage (applicants that do not meet certain requirements are precluded from applying).**
- **Automatic notification to health practitioners reduces effort and process time.**
- **Highly centralised, efficient process.**

Implementation challenges

Core and common considerations are in **bold**.

Visitor Licences & Permits

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION □ CONSTABULARY FUNCTION



Considerations:

Risks

Benefits/opportunities

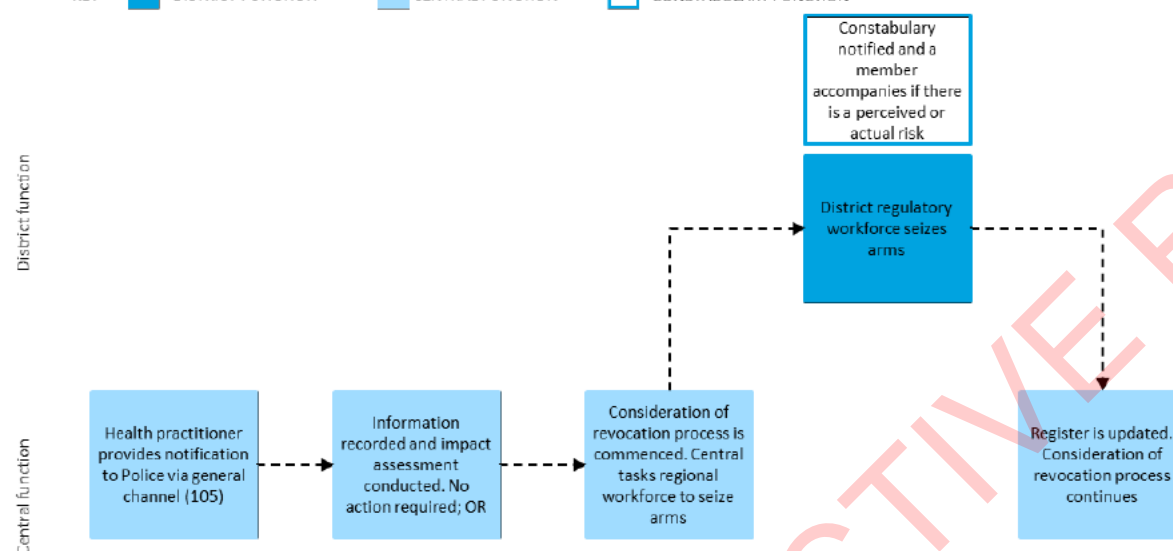
- No duplication of effort, existing arrangements leveraged.
- Police reduce availability for airport checks (i.e. from 24/7 to Mon-Fri business hours) to decrease demand on airport Police staff.

Implementation challenges

Core and common considerations are in **bold**.

Non-critical Health Practitioner Notifications

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION □ CONSTABULARY FUNCTION



Considerations:

Risks

- Non-urgent tasks reprioritised (within constabulary) due to other competing, critically urgent priorities.

Benefits/opportunities

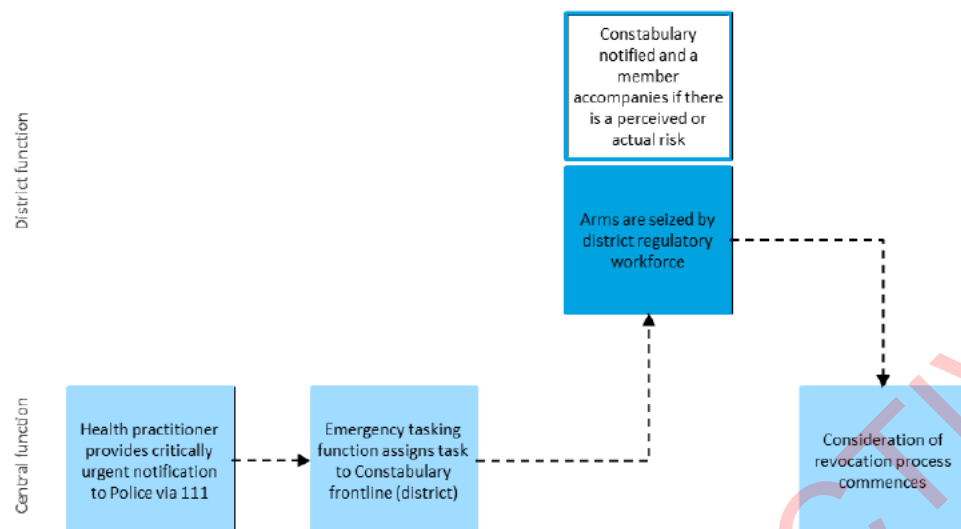
- No duplication of effort to seize arms as uniformed Police officer attends in all situations.
- Single actor/channel eliminates potential health practitioner confusion about who to contact and notify.

Implementation challenges

Core and common considerations are in **bold**.

Critical Health Practitioner Notifications

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION □ CONSTABULARY FUNCTION



Considerations:

Risks

Benefits/opportunities

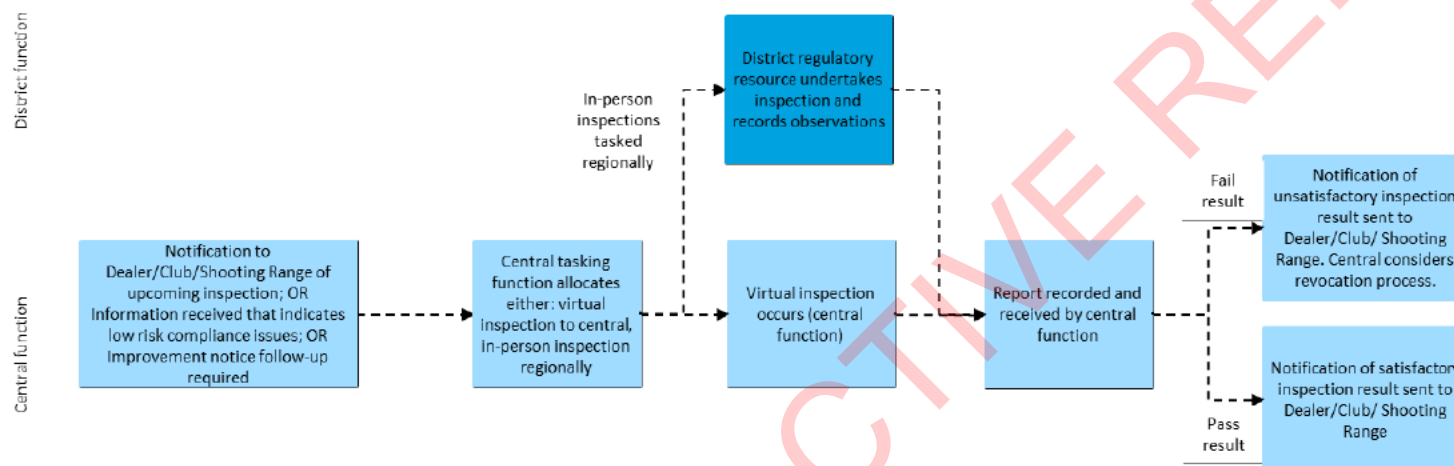
- No additional notification requirement (i.e. between Police and separate entity).
- Single actor reduces confusion regarding who to call for critical vs non-critical notifications.

Implementation challenges

Core and common considerations are in **bold**.

Inspections & Audits

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION ■ CONSTABULARY FUNCTION



Considerations:

Risks

Benefits/opportunities

- **Use of virtual platform reduces the amount time and effort required to complete the process which are low risk.**

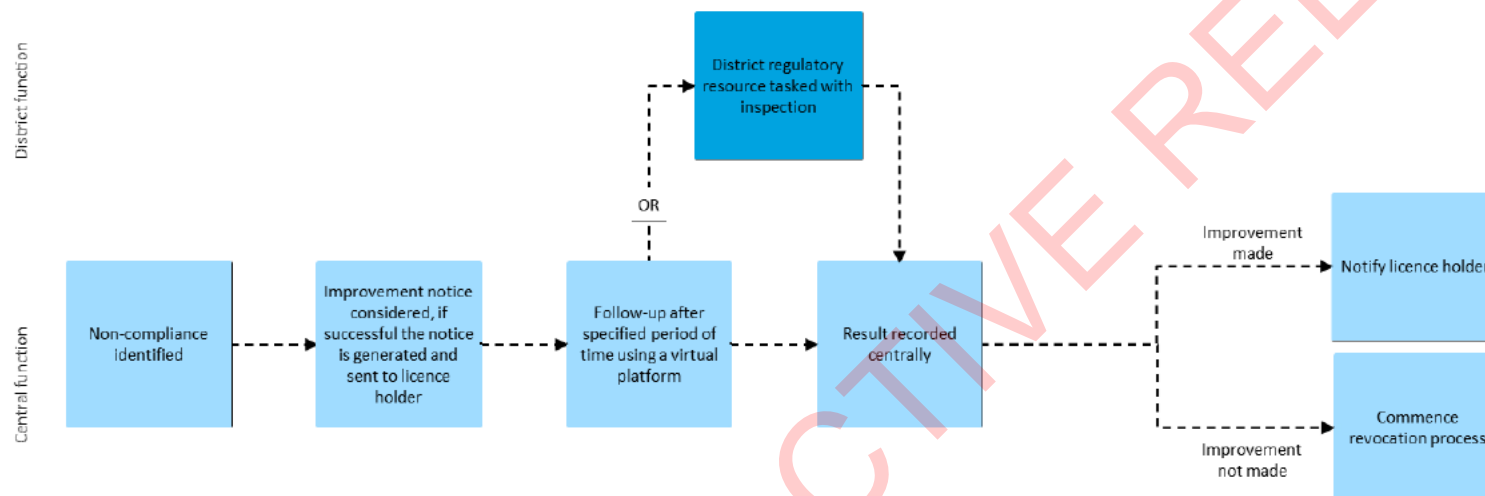
Implementation challenges

- **Use of virtual platform is a change in approach, it will require buy-in from a range of stakeholders.**
- **Need to ensure virtual inspection process is robust and the workforce knows when an in-person inspection is necessary.**

Core and common considerations are in **bold**.

Improvement Notices

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION □ CONSTABULARY FUNCTION



Considerations:

Risks

Benefits/opportunities

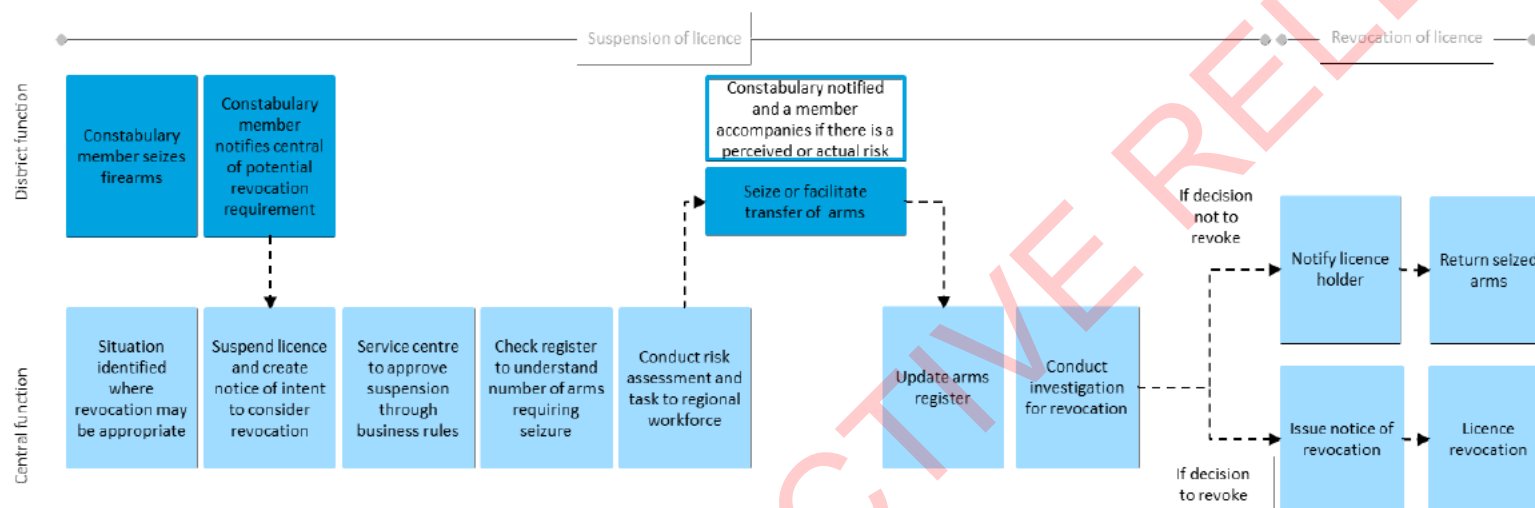
- **Use of virtual platform reduces the amount time and effort required to complete the process.**

Implementation challenges

- Improvement notices are a new requirement under the Arms Act, only trained and approved staff will be able to issue the notices.

Core and common considerations are in **bold**.

Consideration of Licence Revocation (with or without suspension)

KEY ■ DISTRICT FUNCTION■ CENTRAL FUNCTION□ CONSTABULARY FUNCTION

Considerations:

Risks

- Seizure of arms (by constabulary) may be reprioritised within Police due to other, critically urgent needs arising.

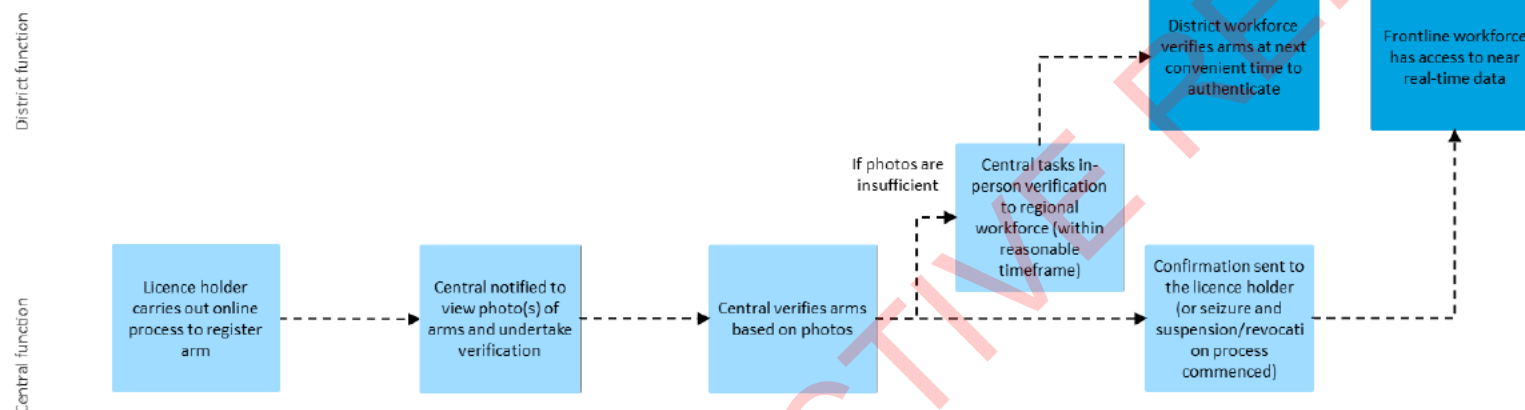
Benefits/opportunities

Implementation challenges

Core and common considerations are in **bold**.

Arms Registration

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION □ CONSTABULARY FUNCTION



Considerations:

Risks

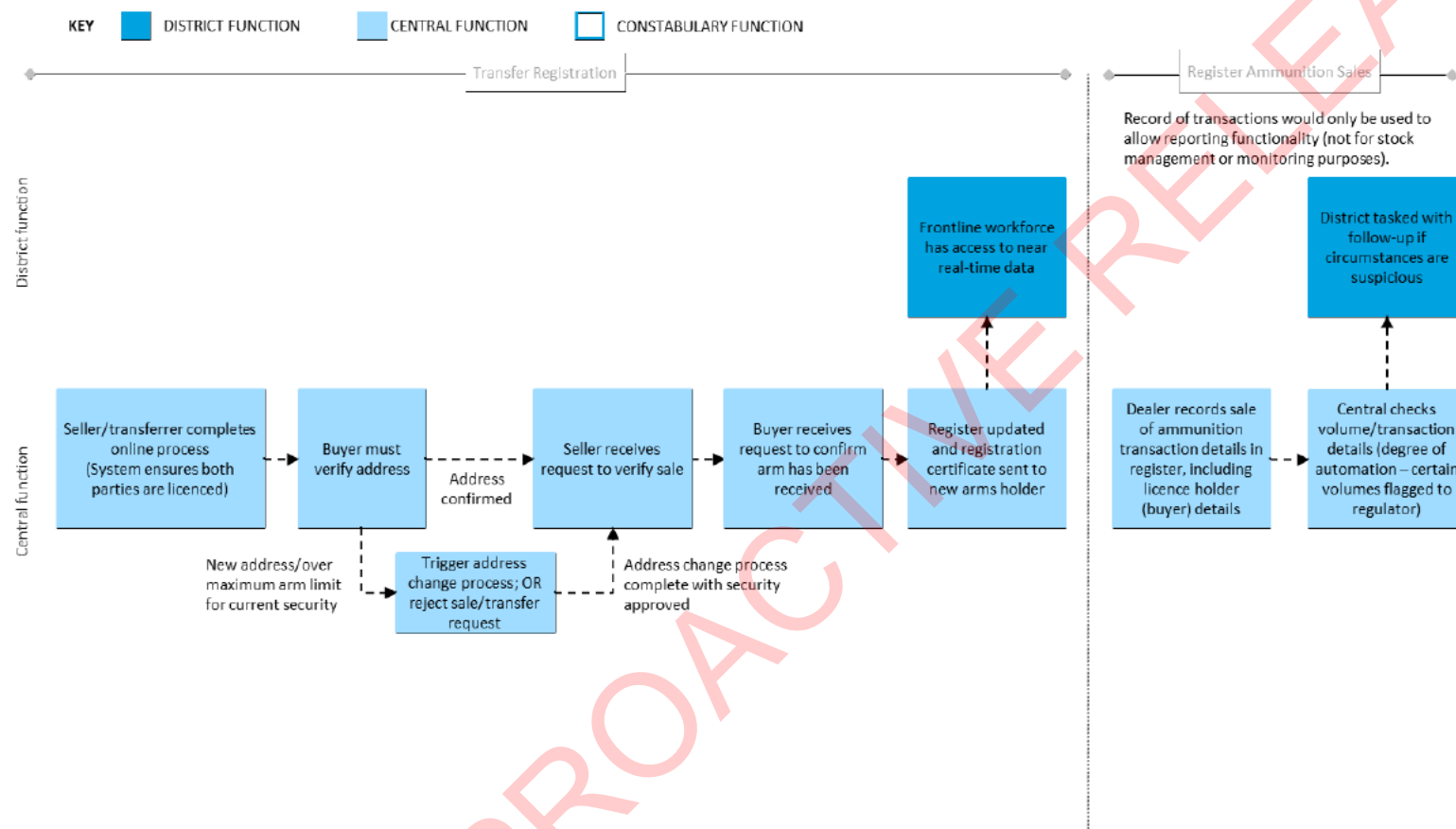
Benefits/opportunities

- No external system integration requirements to ensure frontline has access to near-real time data.

Implementation challenges

Core and common considerations are in **bold**.

Sales/Transfer of Possession of Arms & Ammunition



Considerations:

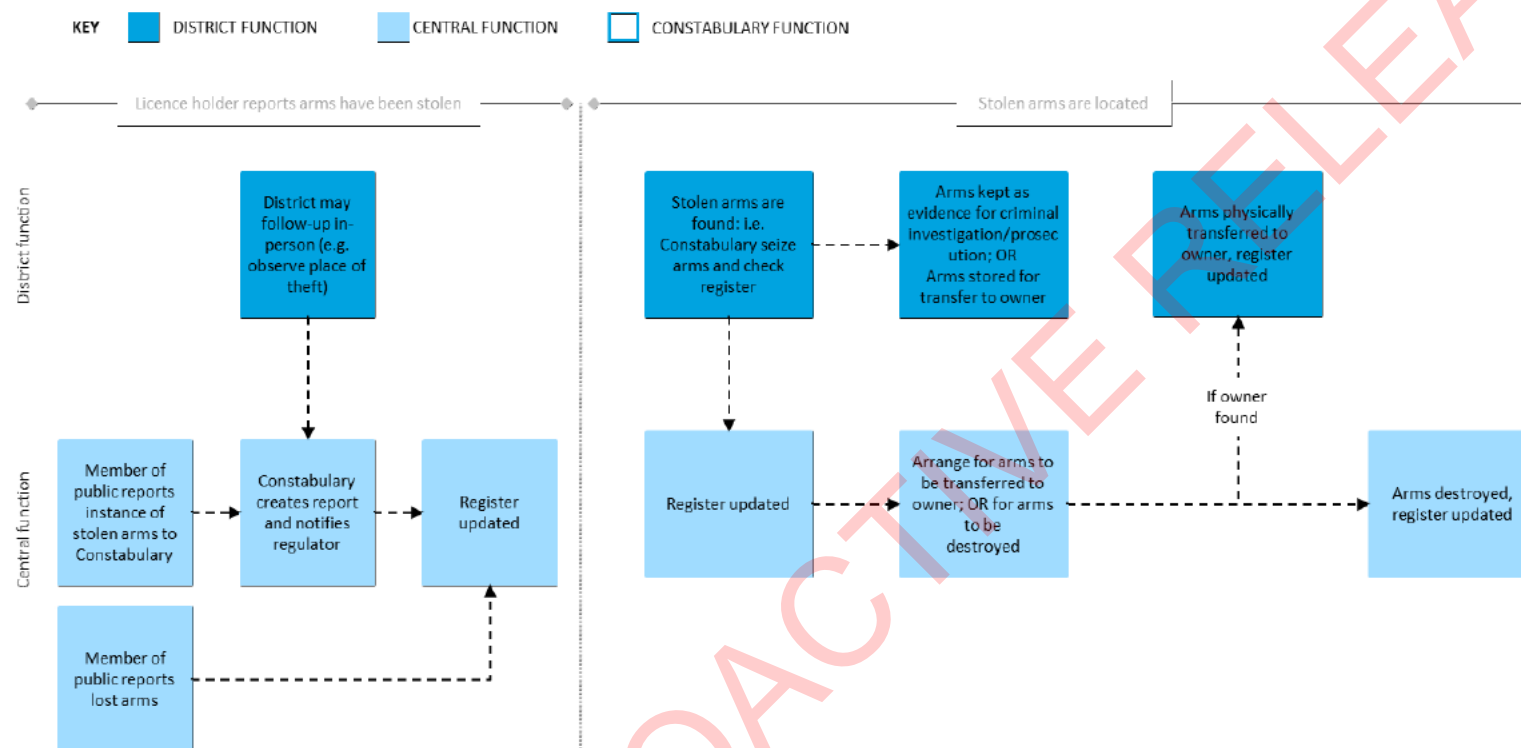
Risks

Benefits/opportunities

Implementation challenges

Core and common considerations are in **bold**.

Stolen/Lost Arms



Considerations:

Risks

Benefits/opportunities

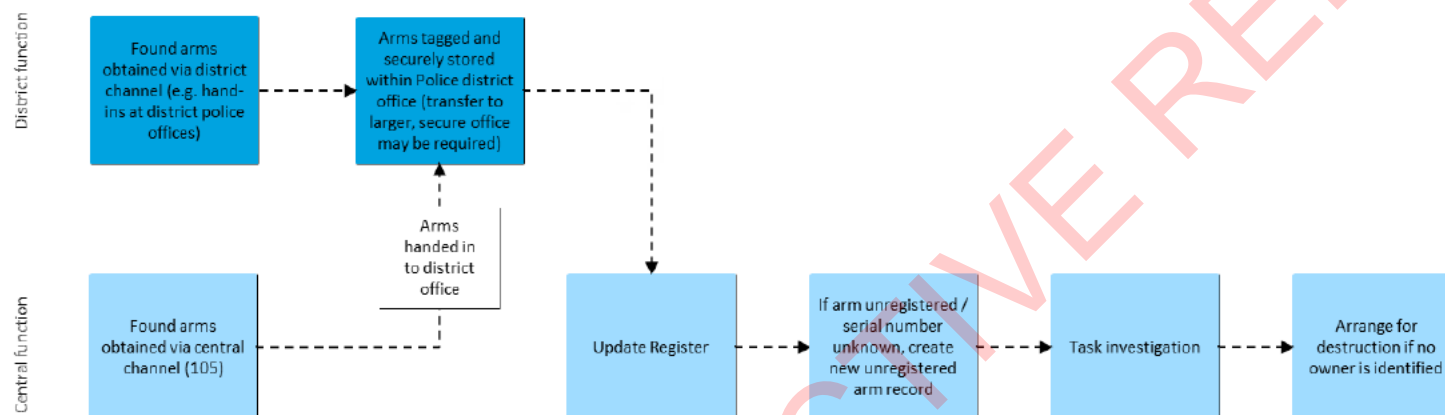
- Single actor within the system reduces risk of licence holders becoming confused about who to contact regarding lost vs stolen arms.
- No duplication of effort required, arms are managed and stored within existing arrangements.
- Less risk of inventory inaccuracy as Police are the only steward of arms.

Implementation challenges

Core and common considerations are in **bold**.

Found Arms

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION □ CONSTABULARY FUNCTION



Considerations:

Risks

Benefits/opportunities

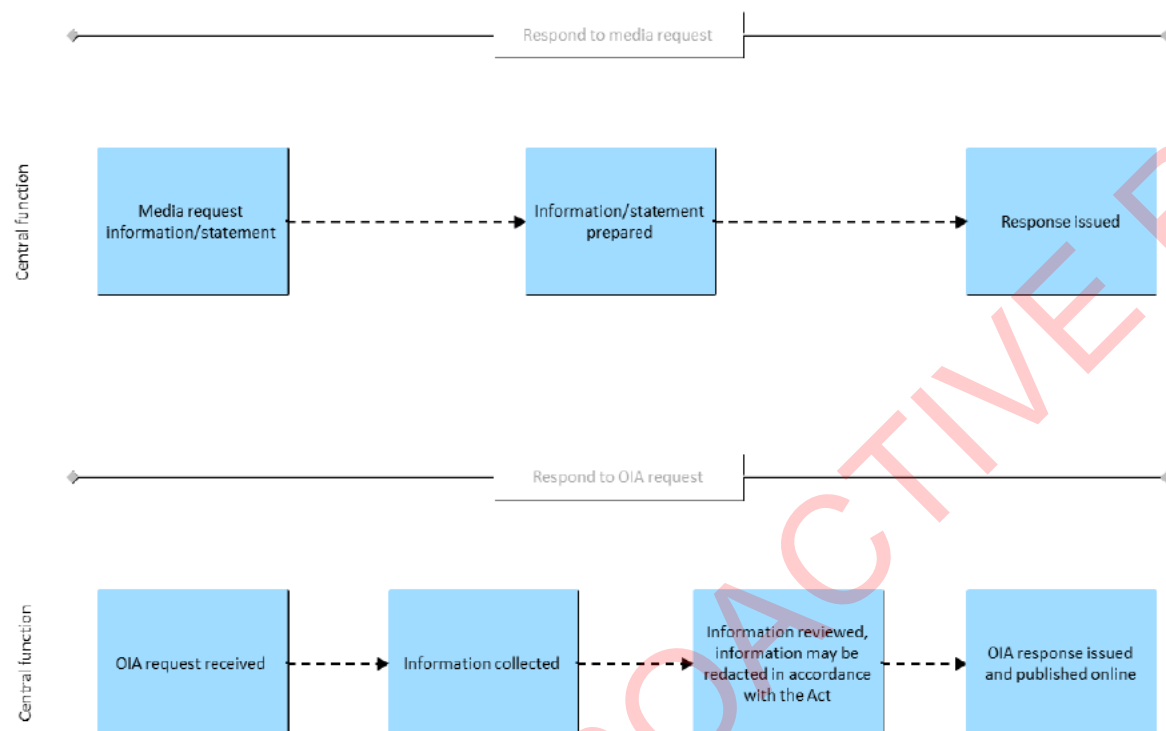
- No duplication of effort required, arms are managed and stored within existing arrangements.
- Less risk of inventory inaccuracy as Police are the only steward of arms.

Implementation challenges

Core and common considerations are in **bold**.

Responding to Media & OIA Requests

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION CONSTABULARY FUNCTION



Considerations:

Risks

Benefits/opportunities

- Streamlined process with single actor, no integration challenges.

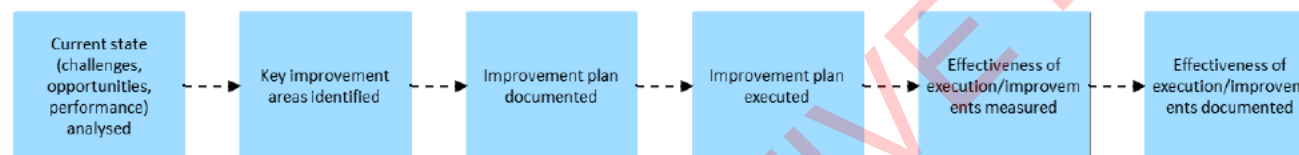
Implementation challenges

Core and common considerations are in **bold**.

Continuous Improvement (operational processes)

KEY ■ DISTRICT FUNCTION ■ CENTRAL FUNCTION □ CONSTABULARY FUNCTION

Central function



(May require 3rd party involvement e.g. MFAT, Customs)

Considerations:

Risks

Benefits/opportunities

- Fewer implementation challenges, competing priorities which may arise are internal only rather than across two separate organisations.

Implementation challenges

- Implementing change in District offices may be challenging due to other competing priorities.

Core and common considerations are in **bold**.

Appendix V

Crown Agent Detailed Functional View (Option 3)

Function	INSIGHTS & ANALYSIS		
Sub-function	DATA ANALYSIS & RISK MANAGEMENT	REPORTING	INTELLIGENCE
Processes	Risk modelling and analytics. Risk management. Data management.	Analytics and reporting (visualisation and dashboarding).	Information sharing (internal). Information sharing (external). Strategic intelligence. Operational intelligence. Tactical intelligence.
Inputs	Licence-holder information Licensing information. Arms information. Compliance (enforcement) activity. Relevant Constabulary (Policing) activity. Information provided by third party actors (e.g. MFAT, Customs, Doc).	Information from the Data Analysis & Risk Management function to measure performance (e.g. Licensing information Arms information, compliance (enforcement) activity).	Risk information from Data Analysis & Risk Management sub-function. Risk information from Police/Constabulary.
Outputs	Risk-based segmentation to inform operational response. Risk information to inform tasking/prioritisation of licensing and regulation activity. Strategic intelligence for policy/ research activity (e.g. marketplace trends).	Analysis of raw data to observe trends and indicate performance. Performance reporting for governance/monitoring and continuous improvement.	Strategic intelligence insights transferred to Policy sub-function. Operational and tactical intelligence transferred to Tasking and Coordination function for execution by the regulatory or constabulary workstreams. Transfers relevant insights to government relations sub-function for cross agency intelligence activities.
Key features	Centralised.	Centralised.	Centralised.
Police resource	Develop, manage and review MOUs. Nominated information, data and analysis roles (privacy, CISO).		Request and receive information for intelligence purposes (information sharing – external).

Function	REGULATION & LICENSING				
Sub-function	TASKING & COORDINATION	ADMINISTRATION, DECISION MAKING AND PROCESSING	REGIONAL LICENSING	SERVICES SUPPORT	CHANNELS & FEEDBACK
Processes	<p>Risk management.</p> <p>Workflow management.</p> <p>Resource management.</p>	<p>Licensing applications.</p> <p>Permits.</p> <p>Endorsements.</p> <p>Managing licence holdings (change of information).</p> <p>Cessation of licence (surrender, suspend, death, expiry, revocation/suspension).</p> <p>Auction approvals.</p> <p>Club and range inspections.</p> <p>Dealer audits.</p> <p>Improvement notices.</p> <p>Health practitioner notifications.</p> <p>Arms registration and transferral (sales and registration).</p> <p>Import/export/manufacture/modification applications.</p> <p>Lost/found/stolen/surrendered arms.</p> <p>Seize arms.</p> <p>Destroy arms.</p> <p>Cost recovery.</p>	<p>Interviews, inspections, audits and seizure of arms activity, that cannot occur virtually, within the following processes:</p> <ul style="list-style-type: none"> Licensing applications. Permits. Endorsements. Licence Revocation/suspension. Auction approvals. Club and range inspections. Dealer audits. Improvement notices. <p>Verification of arms as part of registration.</p> <p>Collect and store: lost/found/surrendered/seized arms that are acquired regionally.</p> <p>May assist with regional community engagement.</p>	<p>Education, training and communications (internal, to ensure Administration, Decision making & Processing and Regional Licensing workforce is capable and equipped to carry out role accurately and consistently).</p> <p>Provision of specialist legal advice to support Administration, Decision making and Processing processes (e.g. test cases).</p> <p>Provision of specialist Arms technical advice to support Administration, Decision making and Processing processes (e.g. to inform application to import).</p> <p>Operational policy design and implementation.</p> <p>Continuous improvement (by way of operational policy change).</p> <p>Arms Act related prosecution.</p> <p>Quality assurance/decision review.</p>	<p>Design and manage digital channels (i.e. IT management of the digital channel).</p> <p>Manage customer feedback.</p> <p>Manage continuous improvement of the channels.</p> <p>Publish information and guidance.</p> <p>Provide training for users.</p>
Inputs	<p>Insights (risk information).</p> <p>Risk information/non-critical requests from third parties (health practitioner notifications).</p> <p>Demand/volume information.</p>	<p>Tasking requests from Tasking & Coordination</p> <p>Information and notifications from digital customer channel</p>	<p>Requests from Tasking & Coordination sub-function.</p>	<p>Requests from Administration, Decision Making & Processing for support.</p> <p>Management requests for education and training.</p>	<p>Digital channel queries/requests from Administration, Decision Making and Processing and Regional Licensing sub-functions.</p> <p>Customer feedback (digital channel).</p> <p>Customer feedback (other).</p>
Outputs	<p>Requests to central and district licensing and regulatory workforce to carry out activities.</p> <p>Requests to Constabulary workforce to carry out/assist with compliance (enforcement) activity (BAU).</p> <p>Requests to Constabulary to carry out/assist with critical activities.</p>	<p>Licences, permits, endorsements, improvement notices, revocations and suspensions, audits, inspections, approvals.</p> <p>Management of arms holdings (store/return/destroy/arms as evidence).</p> <p>Notifications from/to Constabulary regarding notable outcomes (e.g. licence revocation).</p>	<p>Interview/inspection/audit notes and recommendations to central Administration, Decision Making and Processing sub-function.</p> <p>Seize arms.</p>	<p>Arms technical specialism.</p> <p>Specialist legal advice.</p> <p>Training and education.</p> <p>Operational policy and processes.</p>	<p>L1/L2 digital channel support (internal).</p> <p>Customer support.</p> <p>Performance monitoring (capture issues within the system and share with Reporting sub-function).</p> <p>Contribute to continuous improvement processes.</p> <p>Content for digital channel (e.g. webpages).</p>

Sub-function	TASKING & COORDINATION	ADMINISTRATION, DECISION MAKING AND PROCESSING	REGIONAL LICENSING	SERVICES SUPPORT	CHANNELS & FEEDBACK
Key features	Centralised.	Centralised. Some 'face to face' interactions occur virtually via the central office (e.g. interviews)	Regionally based.	Centralised.	Centralised. Possibly embedded in technology and digital (corporate services).
Police resource	Manage centralised requests from regulator. Manage centralised requests to regulator. Manage inter-agency request channels (urgent and non-urgent).		Constabulary support for unsafe/high risk interactions.	Manage joint operational policy design/implementation.	Manage and re-direct regulatory requests/feedback.

Function	SECTOR & STAKEHOLDER SUPPORT		
Sub-function	GOVERNMENT RELATIONS	POLICY & CONSULTATION	MEDIA & EXTERNAL COMMUNICATIONS
Processes	Information sharing. Manage government requests and Ministerials.	Design and implement cost recovery. Design and implement policy. Manage public consultation. Governance reporting. Strategy and business planning. Benefits realisation/measurement.	Media engagement. Community engagement. OIA responses.
Inputs	Insights and information from Data Analysis & Risk Management and Intelligence sub-functions (e.g. trends requiring inter-agency response). Requests for information (e.g. from Minister).	Stakeholder inputs via consultation. Insights and information from Data Analysis & Risk Management and Intelligence sub-functions (e.g. marketplace trends).	Media/Community requests. OIA requests.
Outputs	Inter-agency collaborative initiatives. Sharing of information with third party actors in the system. Ministerials.	Policy advice/Policy making. Governance reporting papers (includes risk management, performance measures). Cabinet Papers. Organisational strategy and planning documents. Benefits realisation plan. Benefits measurement.	Press Release/Statements. Media campaigns. Engagement events. OIA responses.
Key features	Centralised.	Centralised.	Centralised.
Police Resource	Manage joint responses.	Manage joint policy design/implementation.	Manage joint responses.

Function	GOVERNANCE	CORPORATE SERVICES
Processes	Performance reporting (from a 'monitoring' perspective, and to the general public).	HR lifecycle management. Finance lifecycle management. IT lifecycle management. Asset and facilities lifecycle management.
Inputs	Governance reports (performance).	
Outputs	Monitors system performance. Implements accountability mechanism when required.	Human Resource support. Finance support (organisational invoicing, payroll). IT (general support). Assets and Facilities Management.
Key features	Centralised.	Centralised, some district based services (facilities management).

Police Detailed Functional View (Option 5)

Function	INSIGHTS & ANALYSIS		
Sub-function	DATA ANALYSIS & RISK MANAGEMENT	REPORTING	INTELLIGENCE
Processes	Risk modelling and analytics. Risk management. Data management.	Analytics and reporting. Visualisation and dashboarding.	Information sharing (internal). Information sharing (external).
Inputs	Licence-holder information. Licensing information. Arms information. Enforcement activity. Relevant Constabulary (Policing) activity. Information provided by third party actors (e.g. MFAT, Customs, Doc).	Information from the Data Analysis & Risk Management function to measure performance (e.g. Licensing information Arms information, compliance (enforcement) activity).	Risk information from Data Analysis & Risk Management sub-function.
Outputs	Risk-based segmentation to inform operational response. Risk information to inform tasking/prioritisation of licensing and regulation activity. Strategic intelligence for policy/ research activity (e.g. marketplace trends).	Analysis of raw data to observe trends and indicate performance. Performance reporting for governance/monitoring and continuous improvement.	Strategic intelligence insights transferred to Policy sub-function. Operational and tactical intelligence transferred to Tasking and Coordination function for execution by regulatory or constabulary workstreams. Transfers relevant insights to government relations sub-function for cross agency intelligence activities.
Key features	Centralised. Leverages existing analytics and modelling capability.	Centralised. Likely a net new function.	Centralised. Leverages existing intelligence and information sharing processes.

Function	REGULATION & LICENSING				
Sub-function	TASKING & COORDINATION	ADMINISTRATION, DECISION MAKING AND PROCESSING	DISTRICT LICENSING	SERVICES SUPPORT	CHANNELS & FEEDBACK
Processes	<p>Risk management.</p> <p>Workflow management.</p> <p>Resource management.</p>	<p>Licensing applications.</p> <p>Permits.</p> <p>Endorsements.</p> <p>Managing licence holdings (change of information).</p> <p>Cessation of licence (surrender, suspend, death, expiry, revocation/suspension).</p> <p>Auction approvals.</p> <p>Club and range inspections.</p> <p>Dealer audits.</p> <p>Improvement notices.</p> <p>Health practitioner notifications.</p> <p>Arms registration and transferral (sales and registration).</p> <p>Import/export/manufacture/modification applications.</p> <p>Lost/found/stolen/surrendered arms.</p> <p>Seize arms.</p> <p>Destroy arms.</p> <p>Cost recovery.</p>	<p>Interviews, inspections, audits and seizure of arms activity, that cannot occur virtually, within the following processes:</p> <ul style="list-style-type: none"> Licensing applications. Permits. Endorsements. Licence Revocation/suspension. Auction approvals. Club and range inspections. Dealer audits. Improvement notices. <p>Verification of arms as part of registration.</p> <p>Collect and store: lost/found/surrendered/seized arms that are acquired regionally.</p> <p>May assist with district community engagement.</p>	<p>Education, training and communications (internal, to ensure Administration, Decision making & Processing and District Licensing workforce is capable and equipped to carry out role accurately and consistently).</p> <p>Provision of specialist legal advice to support Administration, Decision making and Processing processes (e.g. test cases).</p> <p>Provision of specialist Arms technical advice to support Administration, Decision making and Processing processes (e.g. to inform application to import).</p> <p>Operational policy design and implementation.</p> <p>Continuous improvement (by way of operational policy change).</p> <p>Arms Act related prosecution.</p> <p>Quality assurance/decision review.</p>	<p>Design and manage digital channels (i.e. IT management of the digital channel).</p> <p>Manage customer feedback.</p> <p>Manage continuous improvement of the channels.</p> <p>Publish information and guidance.</p> <p>Provide training for users.</p>
Inputs	<p>Insights (risk information).</p> <p>Risk information and non-critical requests from third parties (health practitioner notifications).</p> <p>Demand/volume information.</p>	<p>Tasking requests from Tasking & Coordination.</p> <p>Information and notifications from digital customer channel.</p>	<p>Requests from Tasking & Coordination.</p>	<p>Requests from Administration, Decision Making & Processing for support.</p> <p>Management requests for education and training.</p>	<p>Digital channel queries/requests from Administration, Decision Making and Processing and District Licensing sub-functions.</p> <p>Customer feedback (digital channel).</p> <p>Customer feedback (other).</p>
Outputs	<p>Requests to central and district licensing and regulatory workforce to carry out activities.</p> <p>Requests to Constabulary workforce to carry out/assist with compliance (enforcement) activity.</p>	<p>Licences, permits, endorsements, improvement notices, revocations and suspensions, audits, inspections, approvals.</p> <p>Management of arms holdings (store/return/destroy/ arms as evidence).</p>	<p>Interview/inspection/audit notes and recommendations to central Administration, Decision Making and Processing function.</p> <p>Seize arms.</p>	<p>Arms technical specialism.</p> <p>Specialist legal advice.</p> <p>Training and education.</p> <p>Operational policy and processes.</p>	<p>L1/L2 digital channel support (internal).</p> <p>Customer support.</p> <p>Performance monitoring (capture issues within the system and share with Reporting sub-function).</p> <p>Contribute to continuous improvement processes.</p> <p>Content for digital channel (e.g. webpages).</p>

Sub-function	TASKING & COORDINATION	ADMINISTRATION, DECISION MAKING AND PROCESSING	DISTRICT LICENSING	SERVICES SUPPORT	CHANNELS & FEEDBACK
Key features	Centralised. Leverages existing tasking functions which service wider Police workforce.	Centralised. Leverages existing workforce. Some functions previously tasked to districts will occur via virtual platforms (e.g. interviews).	District based. Leverages existing district workforce.	Centralised.	Centralised. Net new function. Significant tech capability. Possibly embedded in technology and digital (corporate services).

Function	SECTOR & STAKEHOLDER SUPPORT		
Sub-function	GOVERNMENT RELATIONS	POLICY & CONSULTATION	MEDIA & EXTERNAL COMMUNICATIONS
Processes	Information sharing. Manage government requests and Ministerials.	Design and implement cost recovery. Design and implement policy. Manage public consultation. Governance reporting. Strategy and business planning. Benefits realisation/measurement.	Media engagement. Community engagement. OIA responses.
Inputs	Insights and information from Data Analysis & Risk Management and Intelligence sub-functions (e.g. trends requiring inter-agency response). Requests for information (e.g. from Minister).	Stakeholder inputs via consultation. Insights and information from Data Analysis & Risk Management and Intelligence sub-functions (e.g. marketplace trends).	Media/Community requests. OIA requests.
Outputs	Inter-agency collaborative initiatives. Sharing of information with third party actors in the system. Ministerials.	Policy advice/Policy making. Governance reporting papers (includes risk management, performance measures). Cabinet Papers. Organisational strategy and planning documents. Benefits realisation plan. Benefits measurement.	Press Release/Statements. Campaigns. Engagement events. OIA responses.
Key features	Centralised. Leverages existing government relations/inter-agency collaboration functions.	Centralised. Leverages existing policy (firearms) function. (Additional fixed term resources may be required to respond to fluctuating policy needs).	Centralised. Leverages existing media and communications function (services wider Police workforce).

Function	GOVERNANCE	CORPORATE SERVICES
Processes	Performance reporting (from a 'monitoring' perspective, and to the general public).	HR lifecycle management. Finance lifecycle management. IT lifecycle management. Asset and facilities lifecycle management.
Inputs	Governance reports (performance).	
Outputs	Monitors system performance. Implements accountability mechanism when required.	Human Resource support. Finance support (organisational invoicing, payroll). IT (general support). Assets and Facilities Management.
Key features	Centralised. Net new forum. Adjustments to existing management arrangements to enhance governance is required.	Centralised, some district based services (facilities management). Leverages existing corporate services.