

Regulatory Impact Statement – Regulations for Cost Recovery for Police Vetting Services – Policy Approval

Agency Disclosure Statement

This Regulatory Impact Statement (RIS) has been prepared by New Zealand Police.

It provides an analysis of options for applying cost recovery so that the Police Vetting Service can manage volume risk and become largely self-sustaining.

The analysis in this RIS focuses on:

- how different waivers could keep Police's and agencies' costs to a minimum, reduce administrative complexity, and increase community acceptability of cost recovery; and
- the policy rationale for any wider exemptions from charging for Police vetting.

There has been extensive policy analysis and widespread consultation on the effect of cost recovery, and financial modelling has been undertaken on the effect of different waivers.

The preferred option is a combination of a low user agency waiver for agencies that have 20 or fewer vetting requests per annum, the power to issue waivers for extreme hardship and exceptional circumstances, and a waiver for registered charities making more than 20 vetting requests per annum. The fee will be set in regulations, using a memorandum account to address any over or under-recovery of the fully attributed cost of running the Police Vetting Service. Technical Guidelines on how the waivers will be applied will be reviewed after 18 months.

None of the options considered in this RIS impair on property rights or override fundamental common law principles.

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Executive summary

1. Cost recovery for selected policing services such as vetting was originally agreed to so that Police resources would not need to be diverted from frontline into ancillary services. The Police Vetting Service is currently funded through Vote Police under General Crime Prevention Services (\$3,947,000¹ in 2015/16). Revenue for this appropriation comes from Revenue from the Crown and Revenue from Others, including fees from the NZ Transport Agency (NZTA) for commercial vehicle driver licensing, and fees for vetting requests from overseas approved agencies. The Police Vetting Service is facing significant growth (there was an 8.9 percent increase in 2015/16). This growth is forecast to continue, particularly now that workforce safety checks under the Vulnerable Children Act 2014 are being phased in. Cost recovery manages this risk by making the Police Vetting Service largely self-sustaining.
2. This paper presents the rationale for moving from status quo to a cost recovery model. It then compares a regime with no waivers with a range of targeted waivers that may be justified on administrative grounds. These include waivers for:
 - low user agencies
 - an initial number of vetting requests for all agencies
 - extreme hardship and exceptional circumstances.
3. The paper then reviews whether, in addition to waivers justified on administrative grounds, there are policy grounds for wider waivers including waivers for:
 - registered charities
 - volunteers
 - defined activities
 - a limited time period, for example to allow agencies to implement the first phase of the workforce safety checking requirements of the Vulnerable Children Act.
4. The preferred option is a combination of a low user agency waiver for agencies that have 20 or fewer vetting requests per annum, the power to issue waivers for extreme hardship and exceptional circumstances, and a waiver for registered charities making more than 20 vetting requests per annum. A low user agency waiver is preferred because it will minimise costs for the large number of low user agencies (no vetting fees and therefore minimal administrative compliance costs) while also reducing the cost to Police of administering the scheme. A waiver for registered charities making more than 20 vetting requests per annum, coupled with the low user agency waiver, will ensure that registered charities are not required to pay for vetting requests. The proposed waivers should also improve the acceptability of cost recovery to the wider community.

¹ This includes \$722,000 to support the operating expenses of the Vulnerable Children's legislation [CAB Min (14) 25/17 refers].

5. Skewed demand for Police vetting means that the cost of providing these waivers can be recovered from the agencies that make the vast bulk of the vetting requests by some minor reappportioning of costs. Based on 2016/17 forecasts, this would add \$1.47 per vetting check (onto the \$7 per vetting check it would cost if all agencies paid) for those agencies that make 83 percent of the vetting requests.
6. This would enable the cost of these waivers to be met within a proposed fee of \$8.50 (GST exclusive) per vetting request.
7. The cost of some vetting requests will continue to be funded by Police. This includes vetting checks of Police staff and vetting checks for private security personnel and private investigators, secondhand dealers and pawnbrokers, and special events (such as next year's World Masters Games and British and Irish Lions Tour). This will require Crown funding of \$240,278 (GST exclusive).

Background

8. This section provides the context and background to cost recovery by Police, and in particular the Police Vetting Service.
9. Currently the Policing Act does not explicitly provide for cost recovery by Police. As a result:
 - all policing services are (with minor exceptions) currently provided free of charge, regardless of the levels of private and public benefit, creating inequity between users and taxpayers
 - current resource constraints hinder Police from fully meeting its objectives of maintaining excellence in policing services so Police must make changes to how services are provided
 - the allocation of resources across competing services is finely balanced. The future sustainability of policing services depends on there being room for improvements or investment in new areas requiring additional Police resources.
10. In October 2013, the Cabinet Social Policy Committee (SOC) agreed to the Policing (Cost Recovery) Amendment Bill (the Bill). It also agreed in-principle to cost recovery for the Police Vetting Service, subject to final approval by Cabinet of regulations setting fees for vetting, which would be submitted following the passage of the Bill. SOC noted that cost recovery for certain policing services will contribute to improving the way that Police resources are used, enhancing service delivery and providing better value for money within Police [SOC Min (13) 23/2 refers].
11. The Police Vetting Service is facing significant growth. With demand for vetting services increasing there is a need for additional resourcing. Cost recovery manages the risk of increasing demand for vetting requests by ensuring that adequate resourcing is available for the service. This will, in turn, help protect the reputation of Police as well as ensure funds do not need to be reallocated from priority frontline and preventative policing services.
12. The Bill was introduced in May 2014. In November 2014 the Bill received its First Reading and was referred to the Law and Order Committee. The Committee reported

back on 29 June 2015. The Committee recommended the Bill be passed with amendments (these were of a technical nature). The Labour Party, Green Party and New Zealand First Party opposed the Bill and had minority views recorded. The Bill passed its Second Reading on 15 September 2016 and consideration by the Committee of the whole House was completed on 12 October 2016.

13. The Police Vetting Service is the only policing service currently being considered for cost recovery.

The Policing (Cost Recovery) Amendment Bill

14. The Bill provides that the Governor-General may, by Order in Council, and on the recommendation of the Minister of Police, make regulations prescribing fees or charges for certain policing services that fall within the definition of a “demand service”.
15. Under the Bill, the Minister can recommend regulations prescribing fees or charges for certain policing services, if the Minister is satisfied:
 - a. the policing service is a demand service; and
 - b. the fee or charge is consistent with specified cost recovery criteria; and
 - c. the Commissioner of Police has done everything reasonable to consult the persons or organisations affected or likely to be affected by the fee or charge.

Demand service

16. Section 79B(2) of the Bill defines a demand service as:
 - a. a service that:
 - constitutes policing; and
 - is provided only on the request of an individual or organisation; and
 - is provided to the individual or organisation requesting it and is of direct benefit to that individual or organisation (even though provision of the service may also be of indirect benefit to the public as a whole); but
 - b. does not include:
 - the response of the Police to calls for service relating to potential offending;
 - the conduct of criminal investigations;
 - the prosecution of criminal offences.
17. Section 79B(3) of the Bill lists the provision of vetting services by Police as an example of a demand service.
18. Only approved agencies that are registered with Police can use the Police Vetting Service. To become approved, agencies must meet one or more specified criteria. One criteria is that the agency has functions that involve community safety and security, for example, the care, protection, education or training of vulnerable members of society

such as children, young persons, elderly, disabled, and animals. Other criteria include national security, legislative obligations, and New Zealand immigration purposes. Agencies registered with Police include government departments, schools, District Health Boards, non-government organisations (for example IHC New Zealand), and private sector organisations (for example rest homes and retirement villages).

19. Approved agencies can request information Police holds on a specific individual, with the authorisation of that individual. Information released may include conviction history as well as further information considered relevant to the position of the person being vetted (for example information about violent or sexual behaviour that did not result in a conviction).
20. The primary benefit of the Police Vetting Service is to the users of the service. Agencies requesting a vetting check on an individual benefit because the information supplied allows them to make informed decisions about the suitability of that individual for employment in the agency, to act as a volunteer, to gain citizenship etc. It also contributes to the reputation of the agency, for example by providing some assurance that people the agency cares for will be safe.

Cost recovery criteria

21. Section 79C of the Bill sets out the criteria cost recovery should comply with. These criteria are:
 - a. Justifiability – the fee or charge recovers no more than the actual and reasonable costs (including both direct and indirect costs) of the service to which the fee or charge relates; and
 - b. Equity – the fee or charge for the service is generally obtained from the users or beneficiaries of the service at a level commensurate with their use of the service; and
 - c. Efficiency – costs of the service are efficiently incurred (the service delivers maximum benefit at minimum cost); and
 - d. Transparency – the relationship between the costs of the service and the nature and duration of the service is clear.
22. These criteria are drawn from the framework for cost recovery set out in the Treasury's and Auditor General's guidelines for setting charges in the public sector and from current New Zealand legislation that provides for cost recovery by other agencies.
23. The proposal to recover costs from the Police Vetting Service complies with the cost recovery criteria:
 - a. Justifiability – The costs being recovered for the Police Vetting Service are the costs that are directly attributable to providing the Police Vetting Service and administering the cost recovery system. These include direct costs such as staff salaries, training and operating costs (e.g. support, maintenance and development of computer systems and billing) as well as indirect costs such as overheads. The overall cost has been calculated by identifying the resources, systems and procedures required to provide the Police Vetting Service for the volumes predicted.

- b. Equity – Police will recover the fee from agencies that are registered with them to use the Police Vetting Service. The fee will either be absorbed by the requesting agency or passed on to the individual being vetted. The fee is considered to be modest and will be set at a level that is not prohibitive for an agency needing to access the service.
- c. Efficiency – Police will actively monitor the ongoing operation of the Police Vetting Service against service standards for quantity, quality, timeliness and cost throughout the year as part of regular business monitoring and corporate reporting. This will help ensure that a good standard of vetting services is being delivered to agencies making vetting requests, at the minimum cost possible. The level of the fixed fee will be reviewed annually so that adjustments can be made when necessary. The costs of providing services are likely to vary over time due to the number of requests made, changing staff costs, new process improvements and technology changes.
- d. Transparency – Police will publish Technical Guidelines to show how the fixed fee has been calculated and how the extreme hardship and exceptional circumstances waivers will be applied. The guidelines will be reviewed after 18 months operation. A memorandum account will be used to address any under or over recovery of the cost of providing vetting services by Police and will be published in Police’s Annual Report.

Consultation

- 24. Section 79D of the Bill sets out the expectation that consultation will precede any regulations providing for cost recovery. Everything reasonable should be done to consult the persons or organisations that appear to be affected, or likely to be affected, by the fee or charge.
- 25. Police has publicly consulted on the proposal to charge for the Police Vetting Service and on the type of fee waivers that could be applied. A public consultation paper, *Cost Recovery for Certain Police Services*, was released in 2012. This included a discussion of cost recovery for the Police Vetting Service. A follow-up discussion paper on *Options for Exemptions in a Cost Recovery Regime for the Police Vetting Service* was sent in 2013 to those who made submissions on the public consultation paper. A RIS, which included a summary of previous public and agency consultation, was made publicly available with the Bill. Select committee consideration of the Bill provided further opportunity for public submissions. A summary of the main issues raised by submitters and Police’s views are provided later in this paper.

Proposals for Regulations

- 26. Under section 102A of the Bill, regulations may be made:
 - a. prescribing fees or charges for specified demand services:
 - b. prescribing the time when a fee or charge becomes payable:
 - c. providing for exemptions from, or waivers or refunds of, any fee or charge:
 - d. authorising the Commissioner to exempt, waive, or refund fees or charges in certain specified circumstances.

27. It is proposed that the regulations set a fixed fee of \$8.50 (GST exclusive) per vetting request to cover the actual and reasonable costs of the Police Vetting Service. Fixed fees or charges are provided for in section 79E(1)(a) of the Bill.
28. Police has based this fee on the forecasted costs of the Police Vetting Service, involving both direct and indirect costs, for the 2016/17 financial year², averaged by the forecasted number of vetting applications for that year³. The \$8.50 fee (GST exclusive) is expected to include the cost of any proposed waivers.
29. As the fee has been set on the basis of forecasted costs and volumes for 2016/17, there is likely to be some under or over recovery of costs in any given year. A memorandum account will be used to report any surpluses or deficits incurred in running the Police Vetting Service each year.
30. A fee of around \$7 per check was suggested during the First Reading of the Bill in 2014. The significant increase in demand for vetting services year on year means that this fee is no longer realistic if the Police Vetting Service is to meet performance standards and be largely self-sustaining. One area in which costs have increased markedly is staffing costs. This includes employing additional specialist and supervisory staff (for example file review officers, a continuous improvement advisor, a liaison officer, and a team leader) as well as increased remuneration for all vetting staff.

Status quo and problem definition

Current position

31. Currently the Policing Act does not explicitly provide for cost recovery by Police.
32. The Bill amends the Policing Act to enable cost recovery for certain policing services that fall within the definition of a demand service. Cost recovery for specified demand services was originally agreed to so that Police resources would not be diverted from frontline services. The Police Vetting Service is the only policing service currently being considered for cost recovery.
33. Under the status quo, the vast majority of users of the Police Vetting Service receive Police vetting results at no cost. This is inequitable to the taxpayer given that the service generates a predominantly private benefit.
34. The Police Vetting Service is funded through Vote Police under General Crime Prevention Services (\$3,947,000 in 2015/16). Revenue for this appropriation comes from Revenue from the Crown and Revenue from Others, including fees from NZTA for commercial vehicle driver licensing (\$28.80 per vetting request), and fees for criminal history checks from overseas approved agencies.⁴

² \$4,220,454. See Table 2 for breakdown of costs.

³ 603,171.

⁴ In April 2014, the Cabinet Legislation Committee agreed that the vetting fee set in the Transport Services Licensing Regulations 1989 “be consequentially amended to align with the fees for providing a Police vetting check set in Policing regulations” [LEG Min (14) 7/3 refers].

35. The Police Vetting Service is facing significant growth. In 2012/13 Police received 443,797 vetting requests (a 12.4 percent increase on the previous year), in 2013/14 there were 468,249 vetting requests (a 5.5 percent increase), in 2014/15 there were 504,506 requests (a 7.7 percent increase), and in 2015/16 there were 549,346 requests (an 8.9 percent increase). This growth is forecast to continue, particularly now that workforce safety checks under the Vulnerable Children Act are being phased in (beginning 1 July 2015). The growth from 2015/16 to 2016/17 has been forecast at 8.9 percent, which would increase the vetting volume to 603,171⁵.

Table 1: Growth in demand for Police vetting

| Year | Number of vetting requests | Annual growth |
|----------------------|----------------------------|---------------|
| 2012/13 | 443,797 | +12.4% |
| 2013/14 | 468,249 | +5.5% |
| 2014/15 | 504,506 | +7.7% |
| 2015/16 | 549,346 | +8.9% |
| 2016/17 ⁶ | 603,171 | +8.9% |

36. With demand for vetting services increasing there is a need for additional resourcing for the Police Vetting Service. Without further resourcing, the current quality and timeliness of the Police Vetting Service is at risk.

37. Police was allocated \$3,186,000 for 2014/15 under Output 2.3 Vetting Services. The actual cost of running the Police Vetting Service was \$3,240,000 for 2014/15. This figure covers direct and indirect costs. The Police Vetting Service was therefore underfunded during this period and as a result did not meet the performance standard of 90 percent of vetting requests processed within the Service Level Agreement timeframe of 20 working days.⁷ In 2015/16 Police was allocated \$3,947,000. Again, this level of funding was insufficient to adequately resource the service, meaning that in 2015/16 the performance standard was not met for 9 out of 12 months. In 2016/17 Police has been allocated \$4,079,000 for vetting services.⁸ Forecasted costs of the Police Vetting Service, involving both direct and indirect costs, for the 2016/17 financial year are \$4,220,454 (see Table 2 below).

⁵ This figure includes an additional 5,000 vetting checks for secondhand dealers (these vetting checks were not included in vetting volumes for previous years).

⁶ Forecast.

⁷ This is the same period in which agencies must respond to Official Information Act requests.

⁸ This includes \$722,000 to support the operating expenses of the Vulnerable Children’s legislation [CAB Min (14) 25/17 refers].

Table 2: Forecasted costs of Police Vetting Service 2016/17

| | |
|--|------------------|
| ONGOING COSTS | |
| Application and infrastructure costs | 558,745 |
| Employee related costs | 3,146,167 |
| Banking costs | 30,000 |
| Training costs | 37,234 |
| TOTAL ONGOING COSTS | 3,772,146 |
| DEPRECIATION AND CAPITAL CHARGE | |
| Depreciation – Application | 320,220 |
| Capital Charge – Application | 128,088 |
| TOTAL DEPRECIATION AND CAPITAL CHARGE | 448,308 |
| TOTAL EXPENDITURE (including depreciation and capital charge) | 4,220,454 |

38. Cost recovery manages the risk of increasing demand for vetting requests by ensuring that adequate resourcing is available for the service. This will, in turn, help protect the reputation of Police as well as ensure funds do not need to be reallocated from priority frontline and preventative policing services.

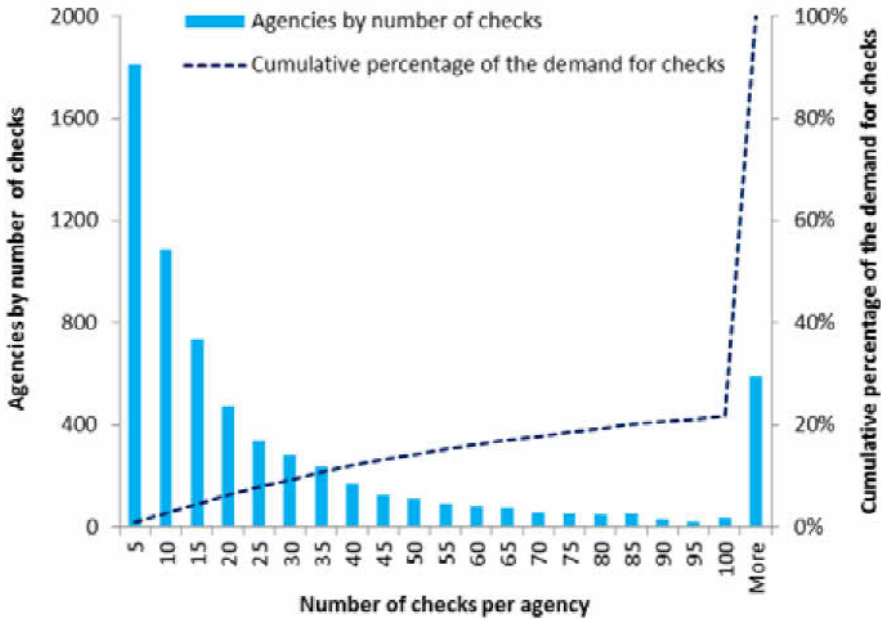
The design of a fee waiver regime

39. Under the Bill, regulations may be made providing for exemptions from, or waivers or refunds of, any fee or charge prescribed by regulations made under the proposed Act. Regulations may also be made authorising the Commissioner to exempt, waive, or refund fees or charges in certain specified circumstances.

40. There is no perfect solution to the design of a fee waiver regime. The challenge is to come up with a regime that strikes a balance between ensuring that agencies with limited income streams continue to use the Police Vetting Service and Police being able to cover the costs of providing a quality and timely vetting service. Keeping compliance costs to a minimum, reducing administrative complexity, and increasing community acceptability of cost recovery are further challenges.

41. One of the difficulties in designing a waiver regime is the fact that the distribution of the demand for Police vetting is skewed as shown in Figure 1. A small number of agencies make the vast majority of vetting requests, and a large group of agencies make very few vetting requests. In 2015/16 the top six agencies generated 34 percent of the vetting requests, while 4,850 (of the 7,673 agencies who submitted at least one request in 2015/16) had 20 or fewer requests and generated 7 percent of total vetting requests. In 2015/16 the largest number of vetting requests came from Immigration New Zealand, New Zealand Teachers Council (now the Education Council), NZTA, Department of Internal Affairs, Real Estate Agents Authority, and the Private Security Personnel Licensing Authority.

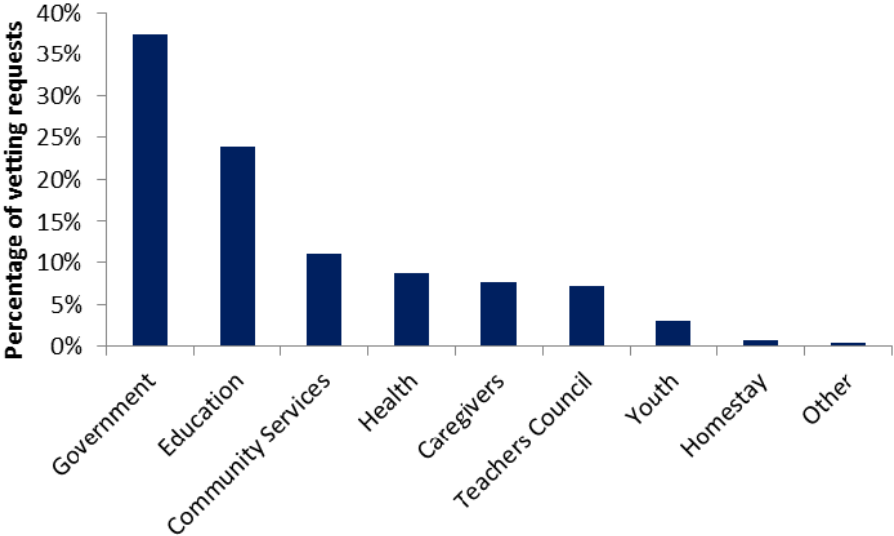
Figure 1: Police vetting requests by agency size in 2014/15⁹



42. Figure 2 shows the distribution of requests by different agency types. It shows that a high proportion of requests for vetting checks come from within government or publicly-funded services such as health and education.

⁹ Although this figure is based on 2014/15 data, the distribution shown is very similar to 2015/16.

Figure 2: The demand for vetting checks by agency type in 2013/14¹⁰



- 43. The cost of some vetting requests will continue to be funded by Police. This includes vetting checks initiated by Police for its own recruitment purposes, and workforce safety checks of Police staff under the Vulnerable Children Act. Also excluded from cost recovery measures would be vetting checks required by Police for national security purposes (such as next year’s World Masters Games and British and Irish Lions Tour), and vetting checks that enable Police to object to licences or certificates being issued for private security personnel and private investigators, and secondhand dealers and pawnbrokers. These latter requests are initially processed by the Police Vetting Service and then forwarded on to district staff for a response, if required. None of the above vetting requests involve results being released to external agencies.
- 44. The number of vetting requests requiring Crown funding is forecast to be 28,268 in 2016/17. At \$8.50 (GST exclusive) per vetting request, the cost to the Crown would be \$240,278 (GST exclusive).

Objectives

- 45. As outlined in the *Policing (Cost Recovery) Amendment Bill: Policy Approval* Cabinet paper [SOC Min (13) 23/2 refers] and the General Policy Statement in the Explanatory Note to the Bill, Police’s key policy objectives in implementing cost recovery for certain ‘demand’ services (as defined in the Bill) are to help Police achieve:
 - Efficiency in consumption - Users of certain Police services that deliver direct benefits will pay prices that reflect the costs of delivering those services. This should ensure a more efficient allocation of resources, as demand that is not strictly necessary, but which occurs due to a zero nominal price, should be eliminated. Increases in demand for certain services can be better managed

¹⁰ Although this figure is based on 2013/14 data, the distribution shown has continued and is therefore still applicable. It is likely that the number of vetting requests from the health sector will increase significantly when safety checking requirements under the Vulnerable Children Act come into effect for existing children’s workers (1 July 2018 for core, and 1 July 2019 for non-core).

because of the additional revenue that will self-fund those services. This avoids placing additional strain on the public purse or shifting resources towards those services at the expense of core policing activities.

- Efficiency in production - Users facing a nominal price will demand high-quality services from Police. This transparency around costs will drive Police to be innovative and seek production efficiencies.
- Resources directed to priority areas - Cost recovery for services that directly benefit individuals potentially frees up resources for the delivery of frontline and preventative services across the whole community.

46. Police considers that cost recovery for the Police Vetting Service would contribute to Police achieving these policy objectives in three ways. Cost recovery would reduce the level of demand for vetting, improve the overall quality of the vetting services that Police provides, and self-fund ongoing demand for Police vetting checks.

Efficiency in consumption

47. There is a 'free rider problem' with the status quo. Police is aware from its consultation with service users that agencies apply different policies with respect to how frequently they require vetting checks to be obtained for current employees or volunteers. If a fee were to be introduced for vetting requests, this would require agencies to more carefully analyse their requirements for vetting and potentially reduce demand where vetting checks are not strictly necessary (thereby contributing to the objective of achieving 'efficiency in consumption').

48. It is impossible to say what reduction in demand will result from the introduction of a fee for vetting checks. A large number of checks are made because of statutory requirements. Any reduction in demand for Police vetting will be limited to roles where legislation does not prescribe the need for Police vetting or its frequency.

Efficiency in production

49. The last section of this RIS (Monitoring, evaluation and review) discusses in detail how cost recovery will increase the level of internal and external scrutiny of the financial and non-financial performance of the Police Vetting Service. This increased scrutiny includes ongoing monitoring throughout the year of the Police Vetting Service's performance against service level standards, disclosure at the end of the year in the annual report of the performance against service standards and a formative review of the operation of the regime after 18 months.

50. Cost recovery will enable investment in the business process design and support system improvements required for continual performance and quality improvements.

Resources directed to priority areas

51. Cost recovery would fund the ongoing demand for Police vetting and avoid the redirection of Police funds away from core policing services. This would help support the prioritisation of frontline and crime prevention services (thereby contributing to the objective of achieving 'resources directed to priority areas').

Options and impact analysis

52. The Bill provides that regulations made under the proposed Act may provide for exemptions from, or waivers or refunds of, any fee or charge prescribed under the proposed legislation. Regulations may also be made authorising the Commissioner to exempt, waive, or refund fees or charges in certain specified circumstances.
53. The focus of the options identified in this RIS is on options for fee waiver provisions to be included in the regulations. Waivers have been considered on the basis of 'administrative grounds' and 'policy grounds'.
54. Public consultation by Police has included the 2013 discussion paper *Options for Exemptions in a Cost Recovery Regime for the Police Vetting Service*. The paper canvassed a range of options for fee waivers including an exemption for volunteers, a threshold exemption, an exemption for defined activities (e.g. dealing with children or vulnerable persons), and a hardship exemption. Select committee consideration of the Bill has given further opportunity for public comment and submissions.
55. Following public consultation it was determined that fee waivers would increase the community acceptability of cost recovery for the Police Vetting Service. Waivers were seen as a way to minimise costs for certain agencies (no vetting fees and therefore minimal administrative compliance costs) while also reducing the cost to Police of administering the scheme.

Administrative waivers

56. A range of targeted waiver options that may be justified on administrative grounds have been identified as feasible, and evaluated against the criteria set out in Table 6 (below). These are:
 - Option One - no waivers
 - Option Two - a waiver for low user agencies (i.e. no charge for agencies making 20 or fewer vetting requests)
 - Option Three - a waiver for an initial number of requests for all agencies (i.e. the first 20 vetting requests for all agencies are free of charge)
 - Option Four - waivers for extreme hardship and exceptional circumstances.

Option One: Full cost recovery with no waivers

57. Under the no waivers option the overall cost of providing Police vetting will be averaged across all vetting checks. In this case the immediate cost of Police vetting will be paid by the agencies who request the vetting service, instead of by taxpayers. The benefits will be shared between those involved in the request, and indirectly by the wider public because of the assurance that people have been adequately vetted by Police. This will potentially free up Police resources for funding frontline policing services and for investment in improving the performance of the Police Vetting Service. A disadvantage with this option is that it could work against wider community acceptance of cost recovery for Police vetting.

58. As shown in Table 3, the cost to agencies of full cost recovery with no waivers would be \$7.00 (GST exclusive) per vetting request.

Options Two and Three: Full cost recovery with either a low user agency waiver or a threshold waiver for all agencies

59. As discussed previously, the distribution of the demand for Police vetting is skewed. A small number of agencies make a large number of vetting requests, and a large number of agencies make very few requests. In 2015/16 almost two-thirds of agencies who used the Police Vetting Service made 20 or fewer vetting requests (7 percent of all vetting requests). This raises the question of whether there should be some kind of low-volume waiver.
60. Options Two and Three are based on the number of vetting requests made each year. Option Two takes an agency-based threshold approach, while Option Three takes a volume-based threshold approach. Under the agency-based approach, a waiver is provided for agencies with low annual numbers of vetting requests (low user agencies). Under the volume-based approach, a waiver is provided for an initial number of vetting requests for all agencies (regardless of how many total vetting requests they make).
61. Taking into consideration the criteria set out in Table 6 (including questions of fairness and cost effectiveness), there are two key design questions for a low-volume waiver:
- should the waiver be agency based (limited to agencies with a low use) or number based (fees be waived for the first tranche of transactions for all agencies)?
 - where should the threshold be set?
62. Table 3 shows the impact of different thresholds if the waiver is agency based, while Table 4 shows the impact if the waiver is volume based. What is clear from both tables is that as the 'free checks' threshold is increased, the number of agencies that are exempt from vetting charges increases but so do average charges faced by the higher user agencies. This is because the total cost of the Police Vetting Service is recovered from a narrower base of agency transactions.
63. Table 3 suggests that an agency-based free check threshold of 20 vetting checks per annum can be sustained at a cost per check of \$7.50 (GST exclusive). Alternatively, Table 4 shows that a threshold for all agencies of only 5 free checks per annum can be sustained at a similar cost (\$7.49 GST exclusive). Allowing all agencies to have 20 free checks would increase the cost to \$8.42 for every vetting check above this threshold. This does not include the cost of any other proposed waivers.

Table 3: Agency-based threshold approach

| The effect of agency-based threshold for waivers | | | | | | | | | |
|--|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Checks p.a. less than or equal to | 0 | 5 | 10 | 15 | 20 | 30 | 40 | 50 | 100 |
| 2016/17 | | | | | | | | | |
| Waivered checks | 0 | 6,141 | 17,271 | 29,510 | 40,571 | 60,855 | 77,278 | 93,776 | 142,845 |
| Paid checks | 603,171 ¹¹ | 597,030 | 585,901 | 573,662 | 562,601 | 542,316 | 525,894 | 509,395 | 460,327 |
| Cost per check | \$7.00 | \$7.07 | \$7.20 | \$7.36 | \$7.50 | \$7.78 | \$8.03 | \$8.29 | \$9.17 |
| Percentage of checks waived | 0% | 1% | 3% | 5% | 7% | 10% | 13% | 16% | 24% |
| Percentage of agencies waived | 0% | 27% | 44% | 56% | 63% | 73% | 78% | 83% | 91% |
| Agencies waived | 0 | 2,092 | 3,406 | 4,278 | 4,850 | 5,593 | 6,022 | 6,357 | 6,990 |

Table 4: Volume-based threshold approach

| The effect of volume-based threshold for waivers | | | | | | | | | |
|--|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Number of waived checks | 0 | 5 | 10 | 15 | 20 | 30 | 40 | 50 | 100 |
| 2016/17 | | | | | | | | | |
| Waivered checks | 0 | 39,861 | 63,743 | 84,976 | 102,069 | 128,831 | 149,227 | 165,475 | 217,315 |
| Paid checks | 603,171 ¹² | 563,310 | 539,428 | 518,195 | 501,103 | 474,340 | 453,944 | 437,697 | 385,856 |
| Cost per check | \$7.00 | \$7.49 | \$7.82 | \$8.14 | \$8.42 | \$8.90 | \$9.30 | \$9.64 | \$10.94 |
| Percentage of checks waived | 0% | 7% | 11% | 14% | 17% | 21% | 25% | 27% | 36% |

64. The low user agency waiver (Option Two) can more readily be justified on the basis that it keeps costs to a minimum for a large number of agencies. There would be no vetting fees and little, if any, change from the status quo in terms of administrative compliance costs. The waiver would also make the cost recovery scheme less expensive to administer as the Police Vetting Service would not be collecting fees from

¹¹ Variance in totals is due to rounding.

¹² Variance in totals is due to rounding.

the many agencies who only make a few vetting requests per year. Setting an agency-based free check threshold of 20 vetting checks per annum is likely to increase the acceptability of charging for Police vetting. It may also reduce the need for low user agencies to apply for an extreme hardship waiver.

65. However, having an agency-based threshold (Option Two) creates a ‘tipping point’ where an agency moves from free checks to having to pay not only for additional transactions, but for the initial tranche of transactions as well. To mitigate this, the proposed Police automated billing system can be designed to generate a warning advising that an agency is approaching the top of the threshold for free vetting checks (this is similar to an Internet service provider warning customers that their bandwidth usage is approaching their data cap). Some affected agencies may be eligible for an extreme hardship waiver.
66. The main drawback for Option Three, under which all agencies have their fees waived for a fixed number of vetting requests, is that every agency (including the largest users of the vetting service) would get these checks for free, regardless of their financial need. A lower threshold for free vetting checks (i.e. fewer free checks), higher compliance costs, and increased fees are all likely to act as a burden on, or barrier to, small agencies using the Police Vetting Service.
67. In conclusion, Option Two (an agency-based exemption of 20) dominates Option Three (a free zone of 5). Under a low user agency waiver, 63 percent of agencies would have their fees waived in 2016/17. The cost of the waived vetting requests would be recovered from the agencies that make the vast bulk of the vetting requests. As shown in Table 3, the cost of providing a waiver for low user agencies making 20 vetting requests or fewer per annum would add 50 cents per vetting request to the remaining vetting checks. This cost has been included in the proposed fee of \$8.50 (GST exclusive).

Option Four: Full cost recovery with power to issue waivers for extreme hardship and exceptional circumstances

68. Option Four would provide the Commissioner with discretionary power to grant:
 - an extreme hardship waiver
 - an exceptional circumstances waiver.
69. The extreme hardship waiver would be limited to agencies who can demonstrate that the cost of vetting requests would create a barrier to their use of the Police Vetting Service. This could occur, for example, if paying vetting fees came at the expense of maintaining some of their key services or being able to employ the minimum number of staff.
70. An exceptional circumstances waiver would give the Commissioner the ability to waive vetting fees in response to extreme events like national security emergencies or natural disasters and pandemics.
71. The extreme hardship and exceptional circumstances waivers are likely to be needed relatively rarely. As such their costs should be able to be absorbed by Police.

Preferred administrative option

72. In summary, the most administratively effective way to give effect to cost recovery is by combining Options Two and Four, so that there is a low user agency waiver with discretionary Commissioner waivers for extreme hardship and exceptional circumstances.
73. This approach keeps costs to a minimum for the large number of low user agencies (no vetting fees and therefore minimal administrative compliance costs). It also reduces the cost to Police of administering the scheme, increases the acceptability of cost recovery for vetting services, reduces the potential for reputational damage to Police, and contributes to the state sector goal of delivering better public services (Result 9: Better for Business) by making it easier and more efficient for business customers to deal with government.

Wider policy waivers

74. Police has identified four main wider policy waiver options that would, if selected, apply over and above the preferred administrative waiver option. These are:
 - Option A – a waiver for registered charities
 - Option B – a waiver for all volunteers or volunteers undertaking public benefit activities
 - Option C – a waiver for defined activities (such as the protection of vulnerable children)
 - Option D – a waiver for a limited time period, for example to allow agencies to implement the workforce safety checking components of the Vulnerable Children Act.

Option A – Partial cost recovery with a waiver for registered charities

75. Some submissions to Police and the select committee advocated for a general exemption from vetting fees for registered charities. It was argued that registered charities should be exempt from vetting fees in recognition of their service to the community.
76. This option would provide for registered charities making more than 20 vetting requests per annum to have their fees waived. Only charities that are a “charitable entity” as defined in section 4 of the Charities Act 2005 would be eligible. This option in combination with Option Two (low user agency waiver) would mean that registered charities are not required to use their resources to pay for vetting requests.
77. Analysis by the New Zealand Institute of Economic Research (NZIER), on contract to Police, identified 419 agencies as registered charities requesting more than 20 vetting checks per annum in 2014/15. The total number of vetting checks above the 20 request threshold by these charities was 54,289. This figure was estimated to be 59,114 in 2015/16. Based on forecasted growth, registered charities are expected to account for 64,368 vetting checks above the 20 request threshold in 2016/17 (11 percent of all vetting requests).

- 78. Under cost recovery, the onus would be on the approved agency to provide the Police Vetting Service with the actual name of the charity and the charity’s complete registration number. This would make it relatively simple to verify an approved agency’s status as a registered charity.
- 79. This waiver acknowledges the concerns the public have about charging registered charities (as evidenced during the consultation process). Not being required to pay for vetting requests will mean that registered charities will potentially have more funds available for charitable purposes. The waiver is also partially in line with a Supplementary Order Paper submitted by a member of the Labour Party (the SOP seeks to exempt charitable entities from all cost recovery measures).
- 80. The cost of the charities exemption would be borne by other agencies making more than 20 vetting requests per annum. Based on 2016/17 forecasts, this would increase the cost per vetting check by 97 cents to \$8.47 (see Table 5 below).

Table 5: Waiver for registered charities

| The effect of low user agency waiver <u>plus</u> waiver for registered charities | | | |
|--|-----------------------|--|--|
| Waiver | No waivers | Low user agency waiver (20 or fewer requests p.a.) | Low user agency waiver <u>plus</u> waiver for registered charities making more than 20 requests p.a. |
| 2016/17 | | | |
| Waivered checks | 0 | 40,571 | 104,939 (40,571+64,368) |
| Paid checks | 603,171 ¹³ | 562,601 | 498,232 |
| Cost per check | \$7.00 | \$7.50 | \$8.47 |
| Percentage of checks waived | 0% | 7% | 17% |

- 81. In terms of efficiency in consumption, it should be noted that blanket waivers (such as the one proposed for registered charities) do not provide agencies with the same incentives to analyse their vetting needs and potentially reduce demand where vetting checks are not strictly necessary.

Option B – Partial cost recovery with a waiver for volunteers

- 82. As with registered charities, some of the submissions to Police and to the select committee suggested a general exemption from vetting fees for all volunteers. Volunteering New Zealand defines volunteering as work done of one’s own free will, unpaid for the common good. New Zealand has high rates of volunteering with

¹³ Variance in totals is due to rounding.

volunteers making a significant contribution to the non-profit sector in New Zealand every year. Volunteering is undertaken for a wide range of reasons including contributing to the community, self-fulfilment, a desire for social engagement and skills and career development.

83. It is not clear that a small charge for Police vetting would have any significant negative impact on the level of volunteering. The proposed cost of a vetting check is small compared to the benefits reaped by the organisations engaging the volunteer workforce. A number of agencies that use volunteers will have sufficient funding sources to cover the cost of vetting. In some instances volunteers, who are largely driven by non-financial motivations, may be happy to pay for their own vetting checks. The proposed fee is small compared to the opportunity cost of time forgone by volunteers.
84. Such a waiver would be administratively difficult. For example, how would a “volunteer” be defined? Would it include interns?
85. Most significantly, many volunteer-based agencies will benefit from the other waivers already being proposed. Volunteer-based agencies making 20 or fewer vetting requests per annum will have their fees waived under the low user agency waiver. In circumstances where financial hardship is a barrier to vet checking volunteer agencies will be eligible to apply for an extreme hardship waiver. Finally, the charities exemption will benefit the many volunteer-based agencies that are also registered charities. Consequently a blanket exemption from vetting charges for all volunteers is unnecessary.

Option C – Partial cost recovery with a waiver for defined activities (such as the protection of vulnerable people)

86. This option would provide for a general exemption from vetting fees for defined activities such as the protection of vulnerable people including children, those with disabilities and the aged.
87. This option is very wide ranging and would essentially defeat the purpose of cost recovery for Police vetting as the majority of vetting transactions are for agencies dealing with potentially vulnerable people. It would also mean increased complexity and perceived unfairness depending on which activities were chosen. The extreme hardship waiver provides a better targeted means of addressing the issue of charging creating a barrier to the use of the Police Vetting Service.

Option D: Partial cost recovery with a waiver for a limited time period (for example to allow agencies to implement the new children’s worker safety checking requirements in the Vulnerable Children Act)

88. Another option is to allow for a transitional non-payment period for agencies required to undertake mandatory Police vetting on their workers under the Vulnerable Children Act. A temporary exemption would allow agencies to adjust to the charging regime.
89. The need for a transitional waiver period is doubtful. Safety checks are being phased in over a number of years (ending 1 July 2019) in order to give organisations time to comply with the new requirements. Transitional waivers will also favour agencies with paid workers, as opposed to volunteers who are not covered by the legislation, and

agencies that have higher volume vetting requirements during the waiver period. A further difficulty with time limited exemptions is managing the pressure to widen the exemption and make it permanent at the end of the time period.

90. The extreme hardship waiver provides a better targeted means of dealing with financial hardship caused by the cost of mandatory vetting checks. Considerations are likely to include whether the payment of vetting fees would come at the expense of maintaining key services or being able to employ key staff.
91. In more general terms, agencies registered with the Police Vetting Service will be advised at least three months prior to the commencement of cost recovery. This will give approved agencies plenty of time to ensure that they are up to date with their vetting checks.

Preferred wider policy option

92. The preferred wider policy waiver option is Option A (registered charities waiver). This option would apply in addition to the preferred administrative waiver option.
93. Registered charities are listed in the Charities Register and are therefore relatively easy to verify. The onus would be on the approved agency to make sure that the Police Vetting Service was provided with the relevant information to assist this matching process.
94. This approach will increase the acceptability of cost recovery for vetting services and reduce the potential for reputational damage to Police.

Cost recovery design and administration principles

95. The options for administrative and wider policy waivers have been assessed against a detailed set of fee waiver criteria set out in Table 6 (below).
96. Six key criteria underpin this analysis: a self-sustaining vetting service, efficiency, fairness, legitimacy, cost effectiveness and community acceptability. The criteria are based on NZIER analysis, which used principles developed by the American Institute of Certified Public Accountants. Additional criteria have been incorporated to provide a means of assessing the options against Police's overall policy objectives for cost recovery, the criteria set out in the Bill and information gathered from consultation and other sources. This framework has been used to analyse and compare the different waiver options, and identify the preferred approach.

Table 6: Cost recovery design and administration principles

| Criteria | Principle | Explanation |
|---------------------------------|--------------------------------|---|
| Self-sustaining vetting service | Resilience | Charging for vetting enables the service to be self-sustaining |
| Efficiency | Consumption | Discourages unnecessary consumption and does not lead to undesirable changes in behaviour |
| | Production | Minimises the cost of supply over time including the search for new ways to provide vetting |
| Fairness | Horizontal equity | Agencies with similar circumstances are treated the same |
| Legitimacy | Transparency and visibility | Liable parties are aware of charges and means of collection |
| | Certainty and clarity of rules | Basis of assessment is widely known and understood |
| Cost effectiveness | Minimal scope for avoidance | Avoidance is difficult |
| | Ease and cost of collection | Revenue can be collected with compliance costs for agencies and administrative effort for Police kept to a minimum and with easy enforcement of payment |
| Community acceptability | Sustainability | Regime design increases the acceptability of charging to agencies and the wider community |

Source: NZIER, based upon American Institute of Certified Public Accountants

Applying the principles

97. All administrative and wider policy waiver options were assessed against each of the principles in Table 6 on a simple three point scale – high, medium and low – where high means highly consistent and low means inconsistent with that principle. Ranking for individual principles were summed to aggregate criteria on a simple unweighted basis. The assessments by criteria are shown in Table 7 (administrative options) and Table 8 (policy options).

98. With regard to Table 7 and Table 8, assumptions are as follows:

- the extreme hardship and exceptional circumstances waivers will operate alongside other administrative waivers
- any policy waivers (Options A to D) will operate in addition to the preferred administrative waiver option.

Table 7: Comparison of administrative waiver options

| Options | Self-sustaining | Efficiency | Fairness | Legitimacy | Cost effectiveness | Community acceptability | Comment |
|--|-----------------|------------|----------|------------|--------------------|-------------------------|---|
| <i>Status quo i.e. Crown funding (no cost recovery)</i> | L | L | M | N/A | N/A | H | Risk of increased diversion of resources from frontline services and dilution of service quality. |
| <i>Option One – Cost recovery with no waivers</i> | H | H | M | L | M | L | Without administrative discretion for some waivers the legitimacy of the regime would be eroded. |
| <i>Options Two and Four – Low user agency waiver with Commissioner waivers for extreme hardship and exceptional circumstances¹⁴</i> | H | H | M | H | H | M | <p>Basis of assessment widely known and understood. Enables vetting service to be largely self-sustaining. Minimises compliance costs for large number of agencies. Less expensive to administer. Increases community acceptability.</p> <p>Only medium on fairness as agencies with 21 vets p.a. are treated differently to those with 20, and high user agencies face increased costs (50 cents per vet).</p> |
| <i>Options Three and Four – Volume waiver for all agencies with Commissioner waivers for extreme hardship and exceptional circumstances</i> | H | M | M | M | H | M | <p>Basis of assessment widely known and understood. Enables vetting service to be largely self-sustaining.</p> <p>Giving waiver to all agencies difficult to justify, particularly as compliance costs not reduced. Means fewer free vetting checks and higher compliance costs for low user agencies (compared to low user agency waiver).</p> |

Source: New Zealand Police based on advice from NZIER

¹⁴ Previously identified as “preferred administrative option”.

Table 8: Comparison of additional policy waiver options

| Options | Self-sustaining | Efficiency | Fairness | Legitimacy | Cost effectiveness | Community acceptability | Comment |
|--|-----------------|------------|----------|------------|--------------------|-------------------------|---|
| <i>Option A – Registered charities waiver¹⁵</i> | H | M | M | H | H | H | High level of community acceptability. Administratively straightforward due to Charities Register. Only medium on efficiency in consumption. |
| <i>Option B – Volunteers waiver</i> | M | M | M | H | M | M | Poorly targeted as small charge will have limited effect on level of volunteering. Administrative complexity of working this out. Unnecessary due to other waivers. |
| <i>Option C – Defined activities waiver</i> | M | L | L | M | M | M | Increased complexity and perceived unfairness depending on which activities chosen. Could defeat purpose of cost recovery. |
| <i>Option D – Limited time period waiver</i> | M | L | L | M | M | M | Pressure to make exemption permanent at end of time limit. Favours agencies that have higher user requirements during waiver period. |

Source: New Zealand Police based on advice from NZIER

The preferred option

99. The preferred cost recovery approach features a combination of administrative and policy waivers. This takes the form of a low user agency waiver of 20 vetting requests or fewer per annum with discretionary Commissioner waivers for extreme hardship and exceptional circumstances (Options Two and Four combined), and a waiver for registered charities making more than 20 vetting requests per annum (Option A). These options dominate Table 7 and Table 8, scoring higher across the board than any of the other options considered.

100. Under a low user agency waiver, 63 percent of agencies would not be required to pay vetting fees. Owing to the skewed distribution, these agencies are expected to account

¹⁵ Previously identified as “preferred wider policy option”.

for only 7 percent of the total number of vetting requests in 2016/17. The waiver would minimise administrative compliance costs for these agencies, reduce the cost to Police of administering the scheme, and increase the public acceptability of charging for vetting services.

101. Under a registered charities waiver, 11 percent of vetting requests would not be subject to cost recovery measures. The registered charities waiver scores particularly highly on community acceptability. This is largely in recognition of the valuable contribution charities make to society. The waiver would also be relatively simple to administer with registered charities easily verified through the Charities Register.
102. The cost of providing the waivers would add \$1.47 per vetting request to the remaining vetting checks (50 cents for the low user agency waiver and a further 97 cents for the registered charities waiver). The cost of the waived vetting requests would be recovered from the agencies that make 83 percent¹⁶ of the vetting requests. This cost has been included in the proposed fee of \$8.50 (GST exclusive).¹⁷
103. Other policy waivers were dismissed due to factors including administrative complexity, potential unfairness and lower levels of community acceptability.
104. The preferred combination of waivers would mean that the cost of the Police Vetting Service is recovered, in the main, from the agencies that make the bulk of the vetting requests.
105. This approach will potentially free up resources for frontline policing services and enable the Police Vetting Service to be largely self-sustaining. It should also allow for investment in improving the performance of the Police Vetting Service and improve the acceptability of cost recovery to the wider community.

Consultation

Public consultation

106. There has been widespread public consultation by Police on cost recovery generally, and on the proposal to charge for vetting checks by the Police Vetting Service, including the type of fee waivers that could be applied. A public consultation paper, *Cost Recovery for Certain Police Services* (which included a section on possible cost recovery for the Police Vetting Service) was released in 2012. A follow-up discussion paper on *Options for Exemptions in a Cost Recovery Regime for the Police Vetting Service* was sent in 2013 to those who made submissions on the public consultation paper. A RIS was made publicly available with the Bill. This included a summary of previous public and agency consultation. Select committee consideration of the Bill provided further opportunity for public comment and submissions.

¹⁶ When added together, low user agencies and registered charities make 17 percent of vetting requests. Any discrepancy in totals is due to rounding.

¹⁷ As shown in Table 5, the cost to agencies of full cost recovery with no waivers would be \$7.00 (GST exclusive) per vetting request. $\$7.00 + \$1.47 = \$8.47$ (GST exclusive).

Issues raised

107. In the 2012 public consultation paper, members of the public were asked whether Police should be able to recover all or some of the costs of providing certain services. Of the submitters who responded to the question, 66 percent broadly supported the proposal. When specifically asked whether the Police Vetting Service was suitable for cost recovery, support dropped to 42 percent.
108. Objections to, or concerns about, cost recovery for the Police Vetting Service were raised by a number of submitters during both the initial consultation process and subsequent select committee process. The key objections were:
- Police vetting should not be considered a demand service. Vetting protects vulnerable people and the wider community and is a public rather than private good
 - the provision of vetting services by Police is consistent with the core functions of Police as set out in section 9 of the Policing Act, namely maintaining public safety, crime prevention, and community support and reassurance. As such, the cost of vetting should be covered by general taxation
 - agencies should not be charged where there is a legislative requirement for Police vetting checks, such as under the Vulnerable Children Act
 - it was not appropriate to charge volunteers or non-government agencies or charities which rely on membership fees, charitable donations and external funding to provide social services for the benefit of communities.
109. Public concerns were also raised about the implications for agencies of charging for the Police Vetting Service. The main concerns raised were:
- charging would simply transfer the cost of vetting from Police to others
 - to pay for fees agencies would have to either make savings in other areas (potentially providing less services) or pass fees on to the person being vetted
 - cost recovery would place considerable compliance and administration costs on agencies
 - charging could increase non-compliance with vetting requirements or be a barrier to agencies vetting their staff. This would increase the risk to vulnerable people
 - charging could affect goodwill towards Police
 - charging could discourage volunteers from volunteering.
110. Public feedback was sought on possible fee exemptions to apply to any cost recovery regime. Analysis of the 2013 follow-up discussion paper showed broad support from submitters for regulations giving the Commissioner the discretion to waive fees on a case-by-case basis. Feedback was also specifically sought on exempting volunteers. The majority of submitters favoured exempting the vetting of all volunteers. Feedback was not sought on exempting other groups. During the select committee process a number of submissions commented that there should be exemptions provided for

specific categories of individuals and/or organisations. The categories were wide ranging and included not-for-profit services, registered charities, teachers and other school employees, volunteers and voluntary organisations.

Comment

111. In terms of the consultation process it is important to note that those who provided feedback to Police are not a representative sample of the population, so the above results are not complete indicators of public acceptance of the idea of cost recovery for the Police Vetting Service. A selection bias was always likely to exist, with those most likely to be affected by the changes going to the effort of responding (and particularly those who felt that they would be adversely impacted).
112. Police expected that cost recovery for vetting services would generate some adverse stakeholder attention, since agencies were being asked to consider paying for a service that they were currently receiving for free.
113. A number of the above objections or concerns have been directly addressed by way of the design of the proposed waiver regime. The low user agency waiver keeps costs to a minimum for a large number of agencies (no vetting fees and therefore minimal administrative compliance costs). The registered charities waiver alleviates concerns about charging charities and increases the public acceptability of charging for vetting services. The extreme hardship waiver provides a targeted means of dealing with financial hardship caused by the cost of vetting checks.
114. The Bill includes the provision of vetting services by Police as an example of a demand service (it is a service driven by demand from other organisations). The Police Vetting Service provides vetting checks on potential and current employees or volunteers to agencies that work with vulnerable members of society. Police recognises that while there is an element of indirect public benefit resulting from employers obtaining vetting checks, there is also direct private benefit to these agencies in that the information they receive helps them decide whether staff or volunteers are safe to employ or engage. For some occupations being vetted by Police is a statutory requirement for employment (e.g. security staff and taxi drivers). Other reasons for vetting include immigration applications.
115. Cost recovery between government agencies already occurs. It leads to a better allocation of taxpayer resources overall, greater transparency regarding the use of public money and makes agencies consider their use of services more carefully. Transparency is also an incentive for service providers to be as efficient as possible.
116. Police is of the view that agencies currently using the Police Vetting Service will continue to be risk averse and conscious of their public reputations. Consequently, it is thought that agencies would not forego Police vetting of their workforce (where this is an option) on the basis of a comparatively minor cost. Furthermore, many agencies may be able to pass on the costs, which are very modest per individual vetting check.
117. Any adverse public reaction is likely to be greatest in the initial stages of implementation of any charging regime, and would be likely to reduce over time. At present it is unclear what practical implications are likely to result from the introduction of cost recovery in terms of agencies' willingness to engage and cooperate with Police. There is likely to be some positive reaction to Police increasing the sustainability and

efficiency of its vetting services. Over the longer term, this will lead to an increase in public confidence in the quality of service.

118. Public acceptance does not appear to be an issue for police services in the Australian jurisdictions where cost recovery for Police vetting has been operating for some years, and where the fees are significantly higher than those being proposed here.
119. Police does not consider cost recovery to be inconsistent with the intent of the Vulnerable Children Act. Although Police vetting is mandatory under the legislation, it is up to the individual to decide whether or not they want to be a member of the children's workforce. In many ways Police vetting is a cost of doing business in this sector. The extreme hardship waiver provides a targeted means of dealing with financial hardship caused by the cost of mandatory vetting checks. Another option is for agencies to pass on the cost to the individual being vetted.

Consultation with government agencies

120. The following government agencies were consulted on this RIS: Treasury; State Services Commission; Ministry of Education; Ministry of Justice; Ministry of Social Development (including Child, Youth and Family); Ministry of Health; Ministry of Business, Innovation and Employment; Ministry for Women; Department of Corrections; Department of Internal Affairs; NZTA; Te Puni Kōkiri; New Zealand Security Intelligence Service; Office of the Privacy Commissioner; Parliamentary Counsel Office; New Zealand Defence Force; Sport New Zealand; Education Council; Real Estate Agents Authority; and the Independent Police Conduct Authority. The Department of the Prime Minister and Cabinet has been informed.

Conclusions and recommendations

121. It is proposed that fees set in regulations for the Police Vetting Service are waived for agencies who apply for 20 vetting requests or fewer per annum, that provision is made for discretionary Commissioner waivers for extreme hardship and exceptional circumstances, and that there is a waiver for registered charities making more than 20 vetting requests per annum.
122. This option will minimise compliance costs for the large number of low user agencies not required to pay vetting fees, reduce the cost to Police of administering the scheme, and increase the public acceptability of charging for vetting services. It will also enable the Police Vetting Service to be largely self-sustaining, potentially free up resources for frontline policing services, and allow for investment in improving the performance of the Police Vetting Service.
123. It is proposed that the regulations set a fixed fee of \$8.50 (GST exclusive) per vetting request to cover the actual and reasonable costs of the Police Vetting Service.
124. The \$8.50 fee (GST exclusive) has been calculated to include the cost of any proposed waivers.
125. The cost of some vetting requests will continue to be funded by Police (vetting checks of Police staff and vetting checks for private security personnel and private investigators, secondhand dealers and pawnbrokers, and special events). This will require Crown funding of \$240,278 (GST exclusive).

Implementation plan

126. Police is working towards a start date for cost recovery of no earlier than 1 July 2017.

127. Police has a well-developed implementation plan that includes:

- development of an automated billing system that includes the generation of a threshold warning advising that an agency is approaching the top of the threshold for free vetting requests (20)
- payment options for agencies
- enhancements to the Police vetting system to ensure efficiency and help keep the cost of vetting as low as possible, including enhanced use of QueryME¹⁸ and RealMe¹⁹
- a communications plan to provide agencies and the public with information about Police vetting, cost recovery, and the waiver regime
- the development of Technical Guidelines to support the operation of the cost recovery regime, including the circumstances in which the Commissioner may grant a fee waiver on the grounds of extreme hardship and exceptional circumstances. These guidelines would be publicly available on the Police website
- the implementation of business process changes, including notifying agencies registered with the Police Vetting Service of the change in fees for Police vetting requests from \$0 to \$8.50 plus GST. This notice must be given at least three months prior to the commencement of cost recovery.

Monitoring, evaluation and review

128. Scrutiny of the new cost recovery regime will be via a number of mechanisms. These mechanisms include:

- ongoing monitoring of the Police Vetting Service's performance against service level standards, with results disclosed in the Police Annual Report
- the use of a memorandum account, with disclosure at the end of each year in the Police Annual Report of the expenses, receipts, and opening and closing accumulated balances of the account
- annual consideration of the appropriate level of vetting fees
- publication of Technical Guidelines
- a formative review of the operation of the cost recovery regime after 18 months

¹⁸ The Police Vetting Service is delivered through QueryME, an electronic (web-based) application for transmitting vetting requests and results.

¹⁹ To access the Police Vetting Service an agency needs to be a registered RealMe user.

- a financial review every three years of the overall cost of the regime.
129. The ongoing operation of the Police Vetting Service will be actively monitored against service level standards for quantity, quality, timeliness and cost throughout the year as part of regular business monitoring and corporate reporting. This will help ensure that a high standard of vetting services are being delivered to agencies making vetting requests, at the minimum cost possible. A performance summary for vetting services will continue to be provided in the Annual Report.
 130. A memorandum account will be used to address any under or over recovery of the cost of providing the Police Vetting Service. A summary of movements in the memorandum account (expenses, receipts), the opening and closing accumulated balances of the account, and comparative information will be published in Police's Annual Report. Police will ensure that there is regular monitoring of the memorandum account balance (at least quarterly).
 131. The costs of providing vetting services vary over time due to factors including the number of vetting requests made, changing staff levels and costs, new process improvements, and technology changes. The level of the fixed fee will be reviewed annually before the start of the financial year as part of the March Baseline Update. This review will enable the memorandum account to trend towards a zero balance over time.
 132. There will be no increase to vetting fees during the first 18 months of cost recovery for the Police Vetting Service. Agencies will be given at least 3 months notice of any subsequent increase to vetting fees.
 133. Technical Guidelines will be published on the Police website. Amongst other things, the guidelines will outline how the fixed fee has been calculated, and how the extreme hardship and exceptional circumstances waivers will be applied.
 134. A formative review, focused on the adequacy of the Technical Guidelines, will occur after the cost recovery regime has been operating for 18 months. The results of this review will be made publicly available.
 135. In addition, it is proposed to undertake a financial review every three years of the overall cost of the charging regime. This will cover issues such as allocating direct and indirect costs, forecasting volumes, estimating future costs, and considering whether underlying assumptions about cost drivers remain valid. The review will also look at the overall performance of the Police Vetting Service against performance standards and the Service Level Agreement.