

QLDC Council
18 March 2021

Report for Agenda Item | Rīpoata moto e Rāraki take : 6

Department: Planning & Development

Title | Taitara Proposal to amend the fees and charges schedule used for resource consents, building consents, resource management engineering and other matters

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

- 1 The purpose of this report is to recommend changes to the fees and charges schedules for resource consents, building consents, resource management engineering and other matters to be consulted on through a special consultative procedure.

EXECUTIVE SUMMARY | WHAKARĀPOPOTOTANGA MATUA

- 2 The recommendation is to adopt a Statement of Proposal to be consulted on through a special consultative procedure, to increase the fees and charges associated with the processing of building and resource consents, resource management engineering processes, and other matters. Fees were last increased in July 2018.
- 3 The increase arises from the need to maintain the 80%/20% private / public funding policy, and to ensure the Council recovers the reasonable costs incurred by the local authority in respect of the activity to which the charge relates. The primary change is through an increase to the hourly charge out rates for Council officers.
- 4 The changes will also simplify the Resource Management Act fee schedule to reflect the new categories of consent apparent under the Proposed District Plan and the Resource Management Act, and to address the high number of resource consent fee queries being received due to the current initial fee paid at the time of lodgement not aligning well with the actual costs of processing an application.

RECOMMENDATION | NGĀ TŪTOHUNGA

That Council:

1. **Note** the contents of this report and in particular the Statement of Proposal and proposed changes to the fees and charges schedule used for resource consents, building consents, resource management engineering and other matters; and
2. **Adopt** the Statement of Proposal including proposed amendments to the fee schedules used for resource consents, building consents, resource management engineering and other matters contained in **Attachment A** as part of a special consultative procedure; and
3. **Authorise** the public notification of the Statement of Proposal as part of a special consultative procedure; and

4. **Appoint** a hearings panel to consider submissions prior to the Council consideration of submissions on the Long Term Plan.

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4/03/2021

Reviewed and Authorised by:



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4/03/2021

CONTEXT | HOROPAKI

- 5 Council last increased its resource consents, building consents, resource management engineering and other fees and charges from 1 July 2018. That change adjusted the fixed fees and initial fees payable, and also the hourly rates of most Council officers, with the notable exception of the RM Engineering officers. The revised charges then became part of the 2018/19 Annual Plan. No further changes to the fee schedule or hourly rates have been made in the three years since that time. Note that the hourly rates shown in the fees and charges schedules reflect the total costs of providing the services, including all costs and overheads.
- 6 Within the Planning and Development department, three teams (building consents, resource consents and resource management engineering) operate under the Council's 80/20 funding policy. The Funding Policy is that 80% of the costs of providing the regulatory services is met by the applicant, with 20% being covered out of general rates for public good reasons.
- 7 The private portion of the funding policy (80%) is entirely raised through charges on consent processing and other approvals.
- 8 With regard to the public portion (20%), Council maintains a free 40 hours per week planning and building enquiries service, and also cannot recover its time on certain matters, for example Resource Management Act (RMA) appeals and objections. Other non-chargeable time, such as for staff training, team meetings, involvement in other council activities and other matters are funded through the 20% that comes from rates.
- 9 It is recognised that the district is facing economic uncertainty as a result of the Covid-19 and that the proposed increase in fees at this time will be unwelcome. However fees have not been increased for three years and as a result if an increase is not provided for as part of the Long Term Plan, a further increase in rates would be required which would have an impact on the wider community.

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 10 Changes are proposed to better align the costs of consenting and approval processes with the Council's funding policy for Planning and Development which is to achieve an 80%/20% private / public split, and to better align the initial fee with the reasonable costs of completing the work.
- 11 Based on the 2019/20 and year to date figures, Planning and Development (P&D) are not meeting its 80/20 private / public split funding policy across the three teams that can recover their time. The actual private funding ratio has been between 70% and 72% across the planning, building and resource management engineering services as shown in Figure 1 below:

	<i>2019/20 actual funding ratio</i>	<i>2020/21 YTD actual funding ratio</i>
RM Eng	68%	74%
BCs	74%	76%
RMs	68%	67%
Average	70%	72%

- 12 As part of the budget review for Planning and Development activities in the Long Term Plan, the reduction in the number of consents and other applications received in the past 12 months was analysed and the budgets for the 2021-22 year have been based on an expected overall consent reduction of 20-30% compared to previous financial years. In addition, the productivity target from each team was increased in order to reflect the need to ensure an appropriate level of charging was included in the budgets, and the budgeted use of consultants was reduced. While this reduced the proposed fee increase levels, an increase is still required in order to meet the funding policy given general increases in staff and consultants costs and wider organisational overhead costs over the past three years.
- 13 In addition, research has been undertaken as part of the Long Term Plan process to better align the initial fees with the new consent categories arising from the Proposed District Plan. The evolution of the Proposed District Plan has resulted in different types and categories of consent applications needing to be reflected in the updated fee schedule. The proposed new fees have been based on the activity status of the application, e.g. controlled, discretionary, non-complying, rather than on individual types of consent applications e.g. signs.
- 14 It is important to note if fees and charges are not increased for these activities, then the “unfunded private benefit” portion of the cost will have to be collected in rates. It is Council’s policy to review and adjust fees and charges periodically in order to maintain the existing policy settings and to minimise rates increases. While the users of the services in question will consequently have to pay more, this is preferable to funding them through rates. The impact of the proposed fee increase has been calculated as shown in the following table. If fees are not increased, then an increase in rates equivalent to the \$1.1M (1.2% rate increase) would be required.

Activity	2021 – 2022 Revenue with existing fee (\$)	2021 – 2022 Revenue with proposed fee (\$)	\$ increase	% increase
Resource Consents	5,587,501	6,230,922	643,421	12%
Building Consents	4,478,581	4,926,439	447,858	10%
Total	10,066,082	11,157,361	1,091,279	11%

- 15 The proposed amendments to the fee schedules will therefore achieve four objectives:
- a) It will help ensure the Council recovers the reasonable costs incurred by the local authority in respect of the activity to which the charge relates;
 - b) It will mean Planning and Development achieve the 80%/20% private/public funding ratio;
 - c) It will enable the fee schedule to reflect a simplified list of resource consent categories in line with the Proposed District Plan and the activity status of a consent under the RMA.
 - d) It will address the high number of resource consent fee queries being received due to the current initial fee that is paid at the time of lodgement not aligning well with the actual costs of processing an application;
- 16 With regard to (c) and (d) above, at present, most resource consent categories have an initial fee that is paid when the consent is lodged. Time is then recorded against the consent, and should that initial fee be used up, further invoices are issued on a monthly basis. This is a user pays system in that the actual cost of processing the consent is charged to the applicant, rather than being paid for by the ratepayer.
- 17 Officers are experiencing a high number of fee queries as in many cases the initial fee is less than the actual cost of processing the application, and customers are often surprised to receive further invoices having paid the initial fee. It is therefore proposed to adjust the initial charges to better reflect the actual cost of processing the consents, using the new resource consent categories.
- 18 As three years has passed since the last fee review, an analysis has been undertaken looking at each category of resource consent, and what the actual cost of processing is compared to the initial fee.
- 19 The assessment has shown that in many instances the initial fee paid is unrealistically low for the actual number of hours required to process the consent, including a thorough review of application documents, undertaking a site visit and writing up a decision.
- 20 **Attachment A (Statement of Proposal)** sets out the proposed changes to the following two fee schedules:
- Building Consent Initial Fees and Other Charges
 - Resource Consent and Engineering Fees and Other Charges, and
- 21 These changes are best summarised into three categories:
- a) Proposed amendments to hourly charge out rates for officers
 - b) Proposed changes to building consent related fees
 - c) Proposed changes to resource management, engineering and other related fees

22 These categories are described below:

A. Proposed Charges to hourly charge out rates

23 It is proposed to change the hourly charge out rates of certain officers as follows:

Position	Current hourly rate	Proposed hourly rate	% increase
Senior Planner	\$185	\$204	10%
Planner	\$165	\$182	10%
Planning Officer	\$145	\$160	10%
Monitoring / Compliance	\$145	\$160	10%
Subdivision / Development Contributions Officer	\$145	\$160	10%
Engineering	\$185	\$212	15%
Environmental Health	\$125	\$125	0%
Administration Support	\$100	\$110	10%
Infrastructure & Parks			
Senior Infrastructure Engineer	\$185	\$212	15%
Infrastructure Engineer / Logistics	\$165	\$190	15%
Infrastructure Other	\$145	\$160	10%
Parks & Reserves Senior Planner / Planning Manager	\$185	\$204	10%
Parks & Reserves Planner / Officer	\$145	\$160	10%

Table 1: Comparison of existing and proposed hourly rates

24 The hourly rate of the Resource Management Engineers and the fees for delivering services from the Team were last increased in September 2017 and were not updated in July 2018 along with the other fees and charges across Planning and Development. The costs of providing these services have increased since September 2017 both as a result of the recognised national and local shortages in engineers driving up the cost of engineering related services, as well as general cost increases across the Council. This is reflected in the proposed 15% increase to the hourly rate, which ensures that the increased costs are fairly apportioned to the time spent in processing applications and approvals.

25 Across the building consent and resource consent areas, general cost increases including the cost of staff and external consultants used in the processing of consents and the provision of technical advice experienced over the past 3 years have resulted in the need to increase fees by 10% in order to be able to achieve the funding policy requirements. The decrease in consent applications and other approval requests currently being experienced as a result of the Covid-19 has been taken into account in the financial model which considers the total cost of providing services when considering the portion that is required to be paid by applicants.

26 In addition, the Building Control Officers require significant training in order to be able to achieve and maintain the Building Regulation requirements to be able to process applications and to undertake inspections and this places additional funding pressure, in

the medium term, on the ability of the Building Control function to meet the public-private funding policy.

- 27 A comparison has been undertaken with regard to the hourly rates charged by the larger metropolitan councils. While a comparison with other Councils should not be justification to increase fees, it provides a useful benchmark for comparison purposes:

	BCO Rates \$	Admin rates \$
Auckland	197	111
Hamilton CC	200	100
Tauranga CC	231	147
Wellington CC	163.50	103
Christchurch CC	210	120
Dunedin CC	190	108
Metro Average	199	115
Central Otago DC	140	100
Southland DC	185	120
Local Average	163	110
Proposed QLDC	189	110

Table 2: Comparison of Building Control Officer / Administration hourly rates

	Planner \$	Senior Planner \$	Admin rates \$
Auckland	170	197	111
Tauranga CC	186	197	109
Hamilton CC	175	190	88
Wellington CC	155	-	90
Christchurch CC	185	205	105
Dunedin CC	158	174	97
Metro Average	172	193	100
Central Otago DC	140	140	100
Southland DC	160	160	160
Local Average	150	150	120
Proposed QLDC	182	204	110

Table 3: Comparison of Planner / Senior Planner / Administration hourly rates

- 28 These tables also form part of the Statement of Proposal in **Attachment A**. The table illustrates that the proposed changes are comparable to the larger local authorities that are similar to Queenstown in terms of the volume and complexity of applications received. For example, for building consents, the average metropolitan hourly rate for a Building Control Officer is \$199 and the proposed hourly rate for QLDC is \$189. The average administration hourly rate is \$115, whereas the QLDC proposal is for \$110.
- 29 For resource consents, the average metropolitan hourly rate for a planner is \$172 and the proposed hourly rate for QLDC is \$182. The average metropolitan hourly rate for a senior

planner is \$193, whereas the QLDC proposal is for \$204. The average administration hourly rate is \$100, whereas the QLDC proposal is for \$110.

- 30 When comparing QLDC to our neighbours at Southland and Central Otago district Councils, **Attachment A** shows that QLDC rates are higher. As noted above, the sheer volume and complexity of some applications in Queenstown and Wanaka compares better with the larger metropolitan councils than our immediate neighbours.

B. Proposed Changes to building consent related fees

- 31 Changes to the building fee schedule are shown in **Attachment A**. The changes proposed are purely as a result of the 10% increase to the hourly rate for Building Control Officers (BCO) being applied to the initial fee required (based on the value of the building work). This will better reflect the actual cost of completing the work and achieve the funding policy.
- 32 The reasoning for concentrating on the hourly rate for BCO work, and less on the incidental fees and charges, is that the hourly rate for processing consents and undertaking inspections for consents will have by far the most significant impact in achieving the 80/20 funding policy.
- 33 It is proposed that a new Building Consent Authority Accreditation Levy be implemented to recover the cost of Council's accreditation programme that is required to be maintained by Building Accreditation Regulations. The proposed levy is \$0.20 per \$1000 of consented work. This activity does not generate revenue and so the purpose if the levy is to shift the cost of that work from ratepayers to service users (building consent applicants).
- 34 There are significant costs in maintaining accreditation which is assessed every two years by International Accreditation of New Zealand (IANZ). With projected consenting work in 2020/2021 year being \$700m, the levy would generate \$140,000. Dunedin City Council has a similar type levy but its levy is \$0.40 per \$1000 of consented work.

C. Proposed Changes to resource consent and engineering related fees

- 35 Changes to the resource management and engineering related fee schedule are shown in **Attachment A**. Charges for Road Naming and Building Over or Relocating Council Services are proposed to increase to cover the cost of processing these applications so those costs are not borne by the ratepayer. The proposed fee structure promotes naming roads from Councils approved road name list but allows for applicants to apply for other names with a higher associated assessment cost.
- 36 The new proposed fee for processing an application for Building Over Council Infrastructure reasonably reflects the value of the time expended processing these applications to ensure that cost is not borne by the ratepayer.
- 37 The initial fee for Engineering Acceptance (EA) is proposed to increase to \$500 from \$412.50. Almost all EA application cost at least this amount during the processing of an application so this initial fee increase more accurately reflects that, with any additional costs being charged to the applicant at the proposed hourly rate.

- 38 Initial fees for work on Licence to Occupy (LTO) and Temporary Road Closure (TRC) applications have also been amended to \$640 to better reflect the actual cost of processing these applications.
- 39 As fees have not been increased since 2016, and based on reasonable cost recovery from applicants, all other existing fixed fees for Subdivision activities, Road Corridor Engineering and Connection to Council Services are proposed to increase by 10% to recognise the increased cost over time of processing these applications and to adjust for inflation.
- 40 With regard to resource consent and engineering related fees, as noted above officers are experiencing a high number of fee queries as in most cases the initial fee is not reflective of the actual cost of processing the application. While the application forms and fee schedule are clear it is only an *initial fee*, and time is recorded and charged to each consent, customers are often surprised to receive additional invoices having paid the initial fee.
- 41 The current fee schedule is also complex and reflects some categories that were specific to the Operative District Plan. It is proposed that the large number of categories be reduced and simplified from 24 categories to ten. This is to be achieved by using both the activity status of the consent and some activity types (e.g. visitor accommodation) to determine the lodgement fee.
- 42 A review was undertaken of the past two years of charges to determine what the actual costs of processing the different types of consent by activity status, e.g. controlled, restricted discretionary, discretionary and non-complying activities. The revised fee schedule appended to the Statement of Proposal in **Attachment A** has been based on the results of that review, with the initial fee being based on the historic median for each category with an increase of 10% then being applied to reflect the increased hourly rates for planning staff. The proposed fee schedule now better reflects the actual cost of processing the consent based on its activity status. To be consistent with the Building Services fees, Planning and Engineering fees will also be non-refundable.
- 43 The increase of 32% in the initial fee for a section 127 change of condition resource consent reflects that these applications are a discretionary activity and are more complex than the current initial fee reflects. These applications require an assessment of the change proposed, an assessment of any new rule breaches as a result of the change, a notification assessment, and the substantive assessment as to whether or not the application should be approved or declined. The proposed fee recognises that the majority of section 127 applications received result in fees similar to a discretionary activity consent.

Options

- 44 Option 1 - Retain the status quo and make no changes to the fee schedules.
- 45 Advantages:
- Retains existing approach to fees that applicants / the public is familiar with.

- Customers will continue to be invoiced when the initial fee is exceeded, ensuring actual costs are recovered.

46 Disadvantages:

- If fees are not increased, then an increase in rates equivalent to the \$1.1M (1.2% rate increase) would be required.
- Does not achieve the 80/20 private / public funding policy, meaning ratepayers are paying a larger proportion of the cost of the Planning and Development team than desired through the Funding Policy.
- Does not update the schedules to better align the initial fee with the actual costs of providing the service.
- Does not update the fee schedule to make it simpler for applicant's to use and understand, and to better align with PDP and RMA consent categories.
- Officers will continue to receive a large number of fee queries where the initial fee is insufficient to cover the actual costs of processing the application and the customer is receiving subsequent invoices.
- Administrative costs associated with invoicing for additional charges for most applications will increase.

47 Option 2 - Update the fee schedule

48 Advantages:

- Achieves the 80/20 private / public funding ratio.
- Updates the schedules to better reflect the actual costs of delivering the services.
- Will reduce fee queries as in most cases the initial fee will better match the final charge.
- Reduces administrative costs associated with having to prepare additional invoices for most consents.
- Reduces cost to ratepayers by ensuring customers pay the reasonable cost of the services provided to them.

49 Disadvantages:

- Increases the initial lodgement costs to the construction / development industry in that the initial fee will increase, and increases the total cost due to increase in hourly rates for Council officers.
- Increases costs to applicants through higher hourly rates.

- Amends fees that applicants / the public are now familiar with.

50 Advice - This report recommends Option 2 for addressing the matter because it will achieve the funding policy and better align initial fees with what research shows the actual costs to be.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

- 51 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because it affects every user of the regulatory services performed by the Planning & Development team.
- 52 The persons who are affected by or interested in this matter are any person applying for a building or resource consent. This includes regular applicants such as house builders / property developers as well as 'mum & dad' applicants who are simply adding or altering a house or seeking resource consent for visitor accommodation or another activity.
- 53 The Council has not specifically consulted on these proposals with any person at this time. Consultation is proposed to be through the special consultative procedure.

> MĀORI CONSULTATION | IWI RŪNANGA

- 54 The Council has not specifically consulted with iwi on this matter.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

- 55 This matter relates to the Environmental risk category. It is associated with Risk 00056 - Ineffective provision for the future planning and development needs of the district within the QLDC Risk Register. This risk has been assessed as having a moderate inherent risk rating.
- 56 The approval of the recommended option will support the Council by allowing us to retain the risk at its current level. This shall be achieved by funding the Planning and Development regulatory function in accordance with the Funding Policy.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

- 57 Financial implications for the Council are that the proposed adjustment to the fee schedules will achieve the 80%/20% private / public funding ratio for delivering the building, resource consent and resource management engineering services.
- 58 It is important to note that if the recommendation is not accepted, then the unfunded 'private' portion of the costs will have to be collected in rates. While the users of the services in question will consequently have to pay more, this is preferable to funding them through rates. If fees are not increased, then an increase in rates equivalent to the \$1.1M (1.2% rate increase) would be required.

59 The proposal will result in increased user costs for any person seeking building or resource consent services from the Council. This in turn will add to overall development costs, and affect the total cost of construction and building in the district.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

60 The following Council policies, strategies and bylaws were considered:

- Vision Beyond 2050 - the proposal is consistent with several of the vision statements including Deafening Dawn Chorus, Disaster Defying Resilience and Pride in Sharing our Places.
- Annual Plan 2019/20 – for comparison purposes with proposed fees and hourly rates.
- Funding Policy – which specifies the 80/20 private / public split for funding regulatory services.
- Draft LTP – Vibrant Communities, Enduring Landscapes, Bold Leadership.

61 The recommended option is consistent with the principles set out in the named policy/policies. This matter is proposed to be included in the Ten Year Plan/Annual Plan as part of a Special Consultative Procedure.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 O TE KĀWANATAKA Ā-KĀIKA

62 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for the community by ensuring the private/ public funding ratio is met.
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and funding policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Statement of Proposal including: <ul style="list-style-type: none"> - Appendix A – Proposed Amendments to the ‘Building Consent Initial Fees and Other Charges’ fee schedule - Appendix B – Proposed Amendments to the ‘Resource Consent and Engineering Fees and Other Charges’ fee schedule
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