

QLDC Council
23 March 2018

Report for Agenda Item 6

Department: Planning & Development

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

Purpose

- 1 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.

Recommendation

- 2 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. **Consider** submissions received alongside the hearing of submissions on the Long Term Plan.

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14 March 2018

Background

- 3 Council undertook a significant review of its fees and charges as part of a special consultative procedure in 2016, after five years of not adjusting its fees. The revised charges then became part of the 2016/17 Annual Plan. Further minor amendments were made as part of the 17/18 Annual Plan process.

- 4 In December 2017 further minor amendments to the fees and charges were approved by Full Council following amendments to the Resource Management Act that introduced new categories of consent. An increase to the hourly charge out rate of resource management engineers was also enacted.
- 5 As part of the Long term Plan process, a review of the fees and charges has been undertaken by officers and further amendments are proposed.

Comment

- 6 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.
- 7 Within the Planning and Development department, three teams (building consents, resource consents (including planning support) and resource management engineering) operate under the Councils 80/20 funding policy. The private portion of the funding policy is entirely raised through charges on consent / approval processing.
- 8 With regard to the public portion, 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 appeals and objections. Other non-chargeable time, such as for staff training, team meetings and other matters are funded through the 20% that comes from rates.
- 9 Based on the 2017 year to date figures, Planning and Development (P&D) are not meeting its 80/20 private / public split funding policy across the three P&D teams that can recover their time. The actual private funding ratio has been between 73% and 76% across the planning, building and resource management engineering services as shown in the table below:

	<i>2016/17 actual funding ratio</i>	<i>2017/18 YTD actual funding ratio</i>
RM Eng	89%	79%
BCs	66%	71%
RMs	74%	70%
Average	76%	73%

- 10 The proposed amendments to the fee schedules will achieve three 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 P&D achieve the 80/20 private / public funding ratio
 - c. It will address the high number of resource consent fee queries being received due to the current initial deposit that is paid at the time of lodgement not aligning well with the actual costs of processing an application.

- 11 With regard to (c) above, at present, most 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.
- 12 Officers are experiencing a high number of fee queries as in many cases the initial deposit is not reflective of the actual cost of processing the application, and customers are often surprised to receive invoices having paid the initial deposit. It is therefore proposed to adjust the initial charges to better reflect the actual cost of processing the consents and to better align with the 80/20 private/ public split under the Funding Policy.
- 13 A study has been taken looking at each category of resource consent, and what the actual cost of processing is compared to the initial deposit. In many instances the initial deposit is unrealistically low for the actual number of hours required to process the consent, including undertaking a site visit and writing up a decision. Using a median figure of the study sample, in many instances the actual cost is well in excess of the initial fee, leading to multiple additional invoices, and fee queries back to Council officers.
- 14 **Attachment A** sets out the proposed changes to the both fee schedules. Note there are separate schedules for:
- a. Building Consent Initial Fees and Other Charges
 - b. Resource Consent and Engineering Fees and Other Charges, and
- 15 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 consent related fees
- 16 These categories are described below:
- A. Proposed Charges to hourly charge out rates**
- 17 It is proposed to change the hourly charge out rates of certain officers as follows:

Position	Current hourly rate	Proposed hourly rate	% increase
Building Control officer	\$145	\$172	18.6%
Building Administration	\$90	\$100	11.1%
Senior Planner	\$165	\$185	12.1%
Planner	\$145	\$165	13.7%
Planning administration support	\$90	\$100	11.1%
Senior Infrastructure Engineer	\$165	\$185	12.1%
Infrastructure Engineer/ Logistics	\$145	\$165	13.7%

- 18 Councillors will recall the hourly rate of the Resource Management Engineers was increased from \$165 to \$185 in September 2017 due to the increases in the cost of securing engineers and engineering services in the Queenstown Lakes District. This is to ensure that ratepayers are not burdened with increased costs due to recognised national and local shortages in engineers driving up the cost of engineering related services.
- 19 Similarly, the cost of providing the building control and planning services has continued to increase through the ongoing requirement to engage external contractors to undertake both processing and inspections services. Currently approximately 50% of the building consent processing and inspections function is undertaken by external contractors. This adds considerable actual cost to the provision of services.
- 20 With regard to resource consents, over the last financial year approximately 45% are being processed by external contractors although this proportion is falling as recruitment has stepped up.
- 21 In addition both the resource consent team and the building team have increased its staff significantly to cope with the increased demand on its services. These staff require significant training to become fully productive 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.
- 22 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	\$160	\$95
Hamilton CC	No set hourly rate	\$84
Tauranga CC	\$199	\$127
Wellington CC	\$163.50	\$103
Christchurch CC	\$210	\$120
Selwyn DC	\$150	\$85
Dunedin CC	\$169	\$95
Metro Average	\$175	\$101
Central Otago DC	\$100	\$77
Southland DC	\$171	\$109
Local Average	\$135	\$93
Proposed QLDC	\$172	\$100

Table 1: Comparison of building consent processing hourly rates

	Planner	Senior Planner	Admin rates
Auckland	149	198	105
Hamilton CC	175	190	85.50
Tauranga CC	101-151	178	100
Wellington CC	155	155	90
Christchurch CC	185	205	105
Selwyn DC	145	155	75
Dunedin CC	149	165	92
Metro Average	\$158	\$178	\$93.2
Central Otago DC	140	140	Not stated
Southland DC	120	120	120
Local Average	\$130	\$130	\$120
Proposed QLDC	\$165	\$185	\$100

Table 2: Comparison of Planner / Senior Planner and Administration processing hourly rates

- 23 These tables also form part of the Statement of Proposal in **Attachment A**. The table illustrates that the proposed changes are directly 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 \$175 and the proposed hourly rate for QLDC is \$172. The average administration hourly rate is \$101, whereas the QLDC proposal is for \$100.
- 24 For resource consents, the average metropolitan hourly rate for a planner is \$158 and the proposed hourly rate for QLDC is \$165. The average metropolitan hourly rate for a senior planner is \$178, whereas the QLDC proposal is for \$185.
- 25 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 best with the larger metropolitan councils than our immediate neighbours. For example in 2017, 1698 resource consent applications were received, and 1929 building consents were received.

B. Proposed Changes to building consent related fees

- 26 Changes to the building fee schedule are shown in **Attachment A**. The changes proposed are purely as a result of the increased hourly rates. The 18.6% percentage increase that has been applied to the hourly rate for Building Control Officers has also been 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.
- 27 The reasoning for concentrating on the hourly rate for BCO work and less on the incidental fees and charges so much 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.

- 28 As the building team are trained and less consents are processed by external consultants, charges will require further review as part of the 19/20 financial year. It is important that the fee schedules are monitored and updated regularly to ensure that the funding policy is being achieved.

C. Proposed Changes to resource consent and engineering related fees

- 29 With regard to resource consent and engineering related fees, as noted above officers are experiencing a high number of fee queries as in many cases the initial deposit 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 deposit*, and time is recorded and charged to each consent, customers are often surprised to receive (sometimes large) invoices having paid the initial deposit.
- 30 A study was therefore undertaken to see how the actual costs of processing the consents compared to the initial deposit. The results show that in most instances the actual cost of processing the consent exceeds the initial deposit, resulting in an applicant receiving additional invoices from Council.
- 31 The study has its limitation in that many consents are bundled with other applications, and getting an accurate sense of the cost of processing a bundled consent is difficult. For example tree consents were usually part of a bigger application to construct new buildings.
- 32 The revised fee schedule appended to the Statement of Proposal in **Attachment A** is generally based on the median cost of processing a consent in each category. Median is used rather than average to remove the high and low outliers.
- 33 Where the study data was limited due to a small sample size or unreliable data due to consent categories being bundled, the current fee was retained but increased by 12% to reflect the increased hourly rates, which have increased on average 12% between the planner and senior planner rate to achieve the funding policy.
- 34 It is also relevant to note that a fixed \$215 monitoring charge is applied to each land use consent, and this funds the Council's resource consent monitoring function. The revenue from this charge accrues to the Legal and Regulatory team, rather than Planning and development. This charge is only applied to those land use consents that require monitoring.
- 35 The study undertaken showed that for some common consent categories, the initial fee was too low compared to the actual cost. For example a variation to a resource consent the initial fee is \$640, but a study of 20 consent variations showed that the median cost was \$1702, with a range of \$649 – \$3532. It is therefore unsurprising that applicants are querying additional invoices that (using the median figure) end up being at least as much again as the initial fee.
- 36 In general, the new fees proposed in **Attachment A** have been adjusted to reflect the results of the research undertaken to understand the actual median cost of processing the consents. Once the median was established, an increase of 12% was applied to reflect the increased hourly rates, which have increased on average 12% between the planner and senior planner rate to achieve the funding policy.

37 In some cases initial fees have reduced due to the data showing the initial fee exceeded the median cost, for example the consent category of “visitor accommodation or residential multi units in the High Density Residential zone” have reduced in terms of the initial fee from \$5340 to \$4157.

38 It is also important to note that if the initial fee for a resource consent is not used up, it is refunded to the applicant.

Options

39 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:

40 Option 1 - Retain the status quo and make no changes to the fee schedules

Advantages:

- 41 Retains existing approach to fees that applicants / the public is familiar with.
- 42 Customers will continue to be invoiced when the initial fee is exceeded, ensuring actual costs are recovered.

Disadvantages:

- 43 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.
- 44 Does not update the schedules to better align the initial fee with the actual costs of providing the service.
- 45 Officers will continue to receive a large number of fee queries where the initial deposit is insufficient to cover the actual costs of processing the application and the customer is receiving subsequent invoices.
- 46 Administrative costs associated with invoicing for additional charges for most applications.

47 Option 2 - Update the fee schedule

Advantages:

- 48 Achieves the 80/20 private / public funding ratio.
- 49 Updates the schedules to better reflect the actual costs of delivering the services.
- 50 Will reduce fee queries as in most cases the initial fee will better match the final charge.
- 51 Reduces administrative costs associated with having to prepare additional invoices for most consents.

Disadvantages:

- 52 Increases the initial lodgement costs to the construction / development industry in that the initial fee will increase in most instances, and increases the total cost due to increase in hourly rates for Council officers.
- 53 Increases costs to applicants through higher hourly rates.
- 54 Amends prices that applicants / the public are now familiar with.
- 55 This report recommends Option 2 for addressing the matter because it will achieve the funding policy and better align initial fees with the actual costs..

Significance and Engagement

- 56 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.

Risk

- 57 This matter relates to the strategic risk SR1 'Current and future development needs of the community (including environmental protection)', as documented in the Council's risk register. The risk is classed as moderate.
- 58 This matter relates to this risk because the regulatory process around environmental management is central to the current and future development needs of the community.
- 59 Updating the fee schedule works towards mitigating the risk identified above by treating the risk.

Financial Implications

- 60 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.

Council Policies, Strategies and Bylaws

- 61 The following Council policies, strategies and bylaws were considered:
 - Annual Plan 2017/18
 - Draft LTP
- 62 The recommended option is consistent with the principles set out in the named policy as the changes are generally considered to be fine tuning / amendments to the existing fee schedule.

Local Government Act 2002 Purpose Provisions

63 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 ration 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.

Consultation: Community Views and Preferences

64 The proposed changes will be subject to a special consultative procedure process.

Attachments

A Statement of Proposal including:

- a Appendix A - Proposed amendments to Fee Schedules (clean copy)
- b Appendix B - Proposed amendments to Fee Schedules (track changes copy)
- c Appendix C - Comparison of hourly rates to other local authorities