

QLDC Council
28 April 2016

Report for Agenda Item: 3

Department: Planning & Development

Fees and Charges Review – Planning and Development

Purpose

- 1 To consider the outcomes of a funding review in respect of revenue for Planning and Development and to propose that a Special Consultative Procedure be undertaken on a proposed increase in Council fees and charges.

Executive Summary

- 2 Council has recently been undertaking a review of its funding policy and approach and this has resulted in changes to the revenue requirements contained in the Council's Draft 2016/17 Annual Plan which is currently being consulted on. In order to meet the Council's funding policy and revenue targets, an increase in fees and charges is required for Planning and Development. In addition a review of the overall fees and charges has identified a number of services presently provided, for which no fee or charge is specified.
- 3 The Local Government Act 2002 and Resource Management Act 1991 require that charges made for regulatory services are adopted following a Special Consultative Procedure.

Recommendation

That Council:

1. **Note** the contents of this report and the Statement of Proposal; and
2. **Adopt** the Statement of Proposal for consultation.

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13/04/2016

Reviewed and Authorised by:



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20/04/2016

Background

- 4 Council has recently undertaken a review of its funding policy and approach and this has resulted in changes to the revenue requirements contained in the Council's Draft 2016/17 Annual Plan which is currently being publicly consulted on. A significant lift in revenue is included in the plan for the Planning and Development area.
- 5 At the same time, a workforce resourcing review has been underway within Planning and Development in response to the significant development pressures and growth, as evidenced by the increased number and value of consents and approval requests received across all areas of Planning and Development. This is likely to result in a need for increasing resources in order to be able to keep pace with that demand and has been matched with a continued focus on lifting productivity levels within the teams to ensure that they are operating efficiently.
- 6 While some of that increased revenue within the Planning and Development area will result from the increased levels of activity being experienced, and through a continued drive to greater efficiency with in the team, that alone will not provide for the additional revenue.
- 7 Fees and charges across Planning and Development have not increased since 2009 and do not currently meet the costs of providing for many of the services provided. There is a need to increase those fees and charges in order to meet the Council's funding policy and in order to recover costs appropriately for providing those services.
- 8 The Local Government Act 2002 and Resource Management Act 1991 require that any change in the Council's fees and charges can only be made following a Special Consultative Procedure.

Proposal

- 9 Council has a funding policy that requires the following public-private split for funding the various activities within Planning and Development:

Area	Private	Public
Building Control	80	20
Resource Consents / RM Engineering	80	20

- 10 The private contribution is through the fees and charges the Council charges for the delivery of certain services. There has been no increase in fees since 2009, other than to take account of the GST increase in 2011, and as a result the present fees and charges have not kept pace with inflation and the increased costs being experienced across Building Control, Resource Consenting and RM Engineering. The cost of providing Building Control services has also continued to increase as a result of a higher standards being required in order to maintain accreditation, both in processing systems and in the number of inspections

required of the physical building work. Council charges have not kept up with those increased requirements. The costs of providing resource consenting services has also increased over time as a result of changes to the Resource Management Act, the complexity of the Council's planning framework and the extra demands that are being made to ensure appropriate decisions are being made.

- 11 Modelling has been undertaken across the Planning and Development area to ensure that the fees are appropriately reflective of the cost of providing the service and are in line with Council's funding policy. The modelling involved the following:
- a. A full review of roles and activities across the three areas of Planning and Development was completed to reset productivity targets by role for chargeable and public good processing work.
 - b. Each revenue stream for each of the three areas was analysed and volumes forecast for the 2016/17 year.
 - c. The combination of the first two pieces of work produced a cost for workforce and contractor resource by area.

- 12 With the cost structure finalised, the future 2016/17 volume forecast was utilised to calculate the required revenue under the Council's funding policy, which has resulted in the proposed fee increases of on average between 5 and 25% as shown in Appendix A to the Statement of Proposal.

Comment

- 13 Any increase in fees needs to be carefully considered as it does impose additional costs onto the industry. However there is a cost to the Council and ultimately the ratepayers if the fees for the services are not set at an appropriate level to be able to recover the true costs of providing those services, in accordance with the Council's funding policy.
- 14 In proposing the extent and level of fees increase, consideration has also been given to similar charges from other councils from a comparison point of view. The proposals would lift QLDC's fees to comparable levels with other councils, noting that a straight comparison with printed fees schedules needs to be treated with some caution.
- 15 It is proposed to increase the hourly rate for the range of services provided, and to provide a greater level of differentiation in hourly rate charges to reflect the experience levels and resultant costs.
- 16 It has also been made clear that when external consultants are used, that the full cost of those consultants will be on-charged to the applicant. This provides for the situations where external professional advice may be needed in assessing an application, for necessary peer reviews and for when external resources are needed to undertake the processing of applications. In all such cases, the applicant would be informed of the need for the work and the charges. While that

is no change from the current operations, the proposed fees schedule makes it clearer.

- 17 The current fees schedule is often unclear as to whether the fee shown is a “fixed fee” for the delivery of the service for which no further charges would be required, or an “Initial fee” which is set at a level that, on average, should cover the costs of providing the service but which also provides for further charges on the hourly rate basis for more complicated or larger applications. This has been clarified in the proposed fees schedule.
- 18 The titles and headings have also been reviewed and in some cases changed to ensure they describe more accurately the service.
- 19 In undertaking the review, it has also become apparent that there are a number of Planning and Development services provided currently which should be charged for, as they are primarily of private benefit, but for which there is no set fee. The attached proposed fees schedule includes those services with a proposed fee.
- 20 The proposed fee schedule also includes a proposed new pre-application process which would be an added and new service offering. While there is a present pre-application process that provides for an hour of free time, there is currently no way of charging for the time that would be required to work through a proper pre-application process for larger developments that would require input and the involvement of multiple Council departments. This would be an optional service that an applicant could choose to utilise, knowing that they will then be charged for it. The benefits to the applicant are a more thorough review and input at an early stage of a development proposal that should provide for a smoother and faster progress thorough the Council’s consenting and approval processes, and/or an early indication of any difficulties that Council foresees with the proposal. The fee proposed is an initial fee only, with the costs of the various Council departments’ involvement being able to be charged for.
- 21 In fixing any fee or charge under the RMA, Council must consider whether the proposed increases in the fees and charges are necessary in order for the Council to be able to recover the reasonable costs it incurs in providing those services. The purpose of the increased fees and charges and the basis for setting the fees and charges are set out elsewhere in this report. The Council must also have regard to the appropriate persons that should be charged any fee or charge. The Council is satisfied that the benefits of the actions undertaken by Council and which are included in the fees and charges schedule are obtained by the person proposed to be charged. Council’s funding policy also establishes the split between private-public benefit of these activities which have been applied to the proposed fees and charges structure.

Options

- 22 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.
- 23 Option 1 Retain the current fee schedule

Advantages:

- 24 Does not increase costs to the industry
- 25 Retains the fees structure that many are familiar with
- 26 Does not require a separate Special Consultative Procedure as no change is proposed

Disadvantages:

- 27 Does not reflect the true costs of providing the services or inflation since the charges were last set
 - 28 A number of services that are currently provided would continue not to be able to be charged for
 - 29 Unlikely to meet the revenue targets or achieve the funding policy for the Planning and Development activities as contained in the draft 2016/17 annual plan and may result in a funding deficit for the year
 - 30 Likely to result in increased rating being required to fund the activities in the future
- 31 Option 2 Increase Council fees and charges as shown in Appendix A to the Statement of Proposal

Advantages:

- 32 Reflects the true costs of providing the services
- 33 Provides for the charging for services currently provided but which are not able to be charged for under the present fees schedule
- 34 Should be able to achieve the revenue targets and achievement of the funding policy outcomes as contained in the Draft 2016/17 Annual Plan

Disadvantages:

- 35 Increases costs to the industry
- 36 Option 3 Increase Council fees and charges, but to a lesser extent to that shown in Appendix A to the Statement of Proposal

Advantages:

- 37 Reduces the cost increase to the industry and goes some way to reflecting the true costs of providing the services
- 38 Provides for the charging for services currently provided but which are not able to be charged for under the present fees schedule

Disadvantages:

- 39 Increases costs to the industry
 - 40 Unlikely to achieve the revenue targets and funding policy outcomes as contained in the Draft 2016/17 Annual Plan
 - 41 Likely to result in increased rating being required to fund the activities in the future
- 42 This report recommends **Option 2** for addressing the matter.

Significance and Engagement

- 43 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because it relates to the on-charging and recovery of the costs associated with providing services that are utilised by a large number of people in the Queenstown Lakes District. The item will have implications for the environment, specific sectors of the community and have an impact on the Council's capability and capacity.

Risk

- 44 This matter relates to the strategic risk SR1 and SR2, which relate to current and future development needs of the community (including environmental protection), and business capability planning, as documented in the Council's risk register. The risk is classed as moderate. This matter relates to this risk because the agenda item relates to funding of the key regulatory services provided by Council.
- 45 The recommended option considered above mitigates the risk by: Treating the risk - putting measures in place which directly impact the risk. Increasing fees will help ensure the current and future development needs of the community (including environmental protection), and business capability planning, are provided for.

Financial Implications

- 46 As outlined in this report, increasing the fees is required in order to be able to meet the revenue and funding policy requirements contained in the Draft 2016/17 Annual Plan. While a continued focus on efficiency and productivity within the teams, coupled with an increased level of applications that are able to be charged for, will positively impact on revenue throughout the year, this is unlikely to be able to achieve the targets.
- 47 The fees schedule currently does not allow for the recovery of the true cost of providing the services.

Council Policies, Strategies and Bylaws

- 48 The following Council policies, strategies and bylaws were considered:
- Operative District Plan

The recommended option is consistent with the principles set out in the named policy/policies in the sense that the Council will have sufficient revenue to ensure the delivery of regulatory services arising out of the Local Government Act, Resource Management Act and other legislative requirements.

49 This matter is not included in the 10-Year Plan/Annual Plan.

- The review of fees and charges has been undertaken, together with a review of workforce requirements across the Planning and Development Department, over the last three months and the results were not available in time to be considered as part of the Draft 2016/17 Annual Plan process

Local Government Act 2002 Purpose Provisions

50 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 households and businesses by helping to meet the true cost of providing core services to a level consistent with the Council's funding policy split between private and public good;
- Is consistent with the Council's plans and 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

51 The persons who are affected by or interested in this matter are any potential applicants for building consents, resource consents, resource management engineering approvals and related activities, the industry involved in undertaking, managing or delivering on building or development projects, as well as the wider public who benefit from the delivery of these services.

52 The Council last increased its fees in 2009. There has been no consultation undertaken around this proposed increase in fees to date.

53 A full Special Consultative Procedure is required under the Local Government Act 2002 and the Resource Management Act 1991 in setting any fees and it is recommended that that process be initiated.

Legal Considerations and Statutory Responsibilities

54 The Local Government Act 2002 and Resource Management Act 1991 require that charges made for regulatory services are adopted following a Special Consultative Procedure.

Attachments

- A Statement of Proposal: Proposed Fees And Charges Review, Planning and Development
 - Appendix A: Proposed Building Consent Fees and Other Charges
Proposed Resource Consent and Engineering Fees and Other Charges
 - Appendix B: Current vs Proposed Fee Schedule