

# Stage 2 Cost Recovery Impact Statement

Regulations to adjust Licensed Building Practitioner Fees and Levy,  
September 2018

## Agency disclosure statement

*This Cost Recovery Impact Statement has been prepared by the Ministry of Business, Innovation and Employment (the Ministry). It provides an analysis of proposals to set the rate of building practitioner licensing fees and levy, as provided for under section 402 of the Building Act 2004.*

The Ministry's analysis has focused on ensuring that the Licensed Building Practitioner (LBP) scheme fees are set at a level that fully recovers costs. The analysis has also focused on how well the proposals align with the purposes of the Building Act 2004 to:

- assess and record building practitioners as having certain skills and knowledge relevant to building work; and
- license building practitioners so that, in regard to restricted building work, licensed building practitioners can carry it out or supervise it.

As the proposed fee changes are intended to reset the fees to full cost recovery in order to ensure the ongoing viability of LBP scheme services, only one option for fee changes has been developed.

Analysis of the impact of the proposals relies on occupational forecasting<sup>1</sup> and feedback from affected workers. Analysis does not take into account a broader assessment of compliance costs within the construction industry; however we do not consider this presents significant risks to the analysis and recommendations in this CRIS.

The Ministry has assessed the proposal against the principles and objectives outlined in this document. The proposed fees meet these principles and objectives. In particular, the proposals are consistent with the authority to collect fees set out in the Building Act 2004 (section 402 (1) (d), (e)), and are sufficient to recover the costs of the LBP scheme without imposing undue costs on LBPs or on the public.

### **Ingrid Bayliss**

General Manager, Consumer Protection and Standards  
Market Services

September 2018

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<sup>1</sup> MBIE Occupational Outlook 2018, National Construction Occupations Model, MBIE's Future Demand for Construction Workers 2017 report.

## Executive summary

1. Sections 303 and 402 of the Building Act 2004 authorise the setting of fees and a levy associated with licensing building practitioners, which are prescribed in the Building Practitioners (Licensing Fees and Levy) Regulations 2010.
2. The fees and levy have not changed since the Licensed Building Practitioner (LBP) scheme was introduced 10 years ago. The Ministry of Business, Innovation and Employment (the Ministry) undertook a review of the LBP scheme fees and cost model in 2017 and found that:
  - the costs of running the LBP scheme have increased since fees were set meaning the current appropriation is insufficient to cover the costs of providing the LBP scheme;
  - rapid change and growth in the building and construction sector and better visibility of the scheme have resulted in greater demand for the LBP scheme's services (e.g. complaints handling, as well as assessments and renewals) and a need for ongoing quality improvement; and
  - the structure of the fees and levy do not provide adequate transparency of the costs of the LBP scheme.
3. The Ministry proposes to seek an increase in appropriation to ensure the LBP scheme has sufficient resources to achieve its purpose as set out in the Building Act, and to increase the fees and levy to fully recover costs. An increase of \$1.235 million is sought to cover costs and develop and maintain new IT business systems and to ensure complaints functions are resourced to handle the increasing volume and complexity of cases.
4. The proposed increase in appropriation will be recovered largely through the annual licence renewal charges, which all 25,100 LBPs pay. It will amount to an increase of \$34.50 per LBP each year. There will also be an increase to the cost of one-off fees for reissuing documentation, and a slight reduction in the fee for new licence applications.
5. A change in the structure of the annual charges is also proposed to provide better transparency of the costs of the LBP scheme. The current administration fee and board levy will be replaced by a licence renewal fee and scheme levy to better reflect who receives the benefit from the activity charged for.
6. Consultation with LBPs was undertaken in June/July 2018 for a period of five weeks. 121 submissions were received. The majority of submitters indicated they opposed the increase in fees. However, the small number of submissions received in proportion to the total number of LBPs also suggests that the fee and levy increases may not be significant to most LBPs.
7. While we have received feedback from LBPs that they are also encountering construction and other cost pressures, the proposed increase in the annual charges is relatively small. Therefore, on balance with public expectation that the scheme is also adequately resourced to deliver on its current priorities, it is recommended that regulations be amended to require building practitioners to pay the proposed fees.

## Status quo

8. The Government regulates specific occupations in the building and construction sector where there is potential for significant harm as a result of poor performance and where it is important to ensure that practitioners are adequately skilled and held to account for substandard work.
9. The Licensed Building Practitioners scheme was introduced in 2007 under the Building Act 2004 (the Act). The LBP scheme establishes occupational licensing requirements for building practitioners undertaking restricted building work to ensure that people in the building industry who are responsible for the work done are competent and accountable.
10. The purposes of licensing building practitioners under the Act are:
  - to assess and record building practitioners as having certain skills and knowledge relevant to building work; and
  - to license building practitioners so that, in regard to restricted building work, licensed building practitioners can carry it out or supervise it.
11. The Building Practitioners Board oversees the LBP scheme through approval of the rules relating to the scheme and decisions about LBP disciplinary matters.
12. The LBP scheme has a cost recovery funding model. It is funded from occupational licensing fees and a levy charged to building practitioners. Legislative authority to impose charges in relation to the LBP scheme is provided under sections 303 and 402 of the Act. The fees and levy are prescribed in the Building Practitioners (Licensing Fees and Levy) Regulations 2010.
13. The main fees and levy currently charged to practitioners include:
  - at licence application - an application fee, an administration fee, and assessment fee which varies according to the class of licence applied for.
  - at licence renewal (annual) - the administration fee and a board levy.

## Cost recovery principles and objectives

14. The underlying principles and objectives (based on the guidance from the Treasury and Office of the Auditor General<sup>2</sup>) that guided the review of the LBP scheme charges and cost recovery proposal are:
  - **Effectiveness:** The level of funding for the activity or activities should be adequate to enable the activity to achieve its current outcome and regulatory objectives to protect consumers and the public. The revenue from fees and levy should recover the costs of activities.
  - **Equity:** The charge is being paid by the appropriate people. The costs of regulation should be allocated in a way that reflects the cause of regulation (causer pays) and/or the incidence of the benefits from regulation. Fees should be fair;

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<sup>2</sup> Office of the Auditor General's '*Charging fees for public sector goods and services*', and Treasury's '*Guidelines for Setting Charges in the Public Sector*'.

they should treat individuals in similar situations similarly and individuals in different situations differently.

- **Transparency:** Information about the activity and its costs, including their drivers and the components that make up the charges is available in an accessible way to all stakeholders.
- **Simplicity:** Cost recovery regime is straightforward and understandable to relevant stakeholders. It should not create undue transaction costs for the organisation which implements and administers it, nor for the participants who must pay it. The fee structure should only consist of as many individual fees as are necessary to recover the costs in an efficient manner, taking in to account other principles.

## Review of cost recovery charges

15. The fees and levy have not changed since the LBP scheme was introduced 10 years ago (apart from a small number of new fees added for new licensing classes).
16. The building sector is a large and growing part of New Zealand's economy and it underpins the delivery of the Government's KiwiBuild programme.
17. Since the LBP scheme was introduced, and in particular, the last five years, the sector has seen rapid change in building practices, and technical and legislative requirements. There has also been growth and increasing diversity in the building workforce. This environment requires the LBP scheme to continually review and ensure its services and activities are fit for purpose.
18. Following deferments for various reasons, the Ministry undertook a review of the LBP scheme charges in 2017 and found the following:
  - the costs of running the LBP scheme have increased since fees were set meaning the current appropriation is insufficient to cover the costs of providing an effective and efficient LBP scheme.
  - the rapid change and growth in the building and construction sector has placed increased demands on the LBP scheme's services (e.g. assessments and renewals) and a need for ongoing quality improvement. In particular, better visibility of the scheme has placed significant pressure on the Building Practitioners Board as they address the increased complexity and volume of complaints.
  - the structure of the fees and levy does not adequately provide clarity about what the LBP is paying for through the various charges.
19. A review is currently under way to improve the system of occupational regulation under the LBP scheme. While the review may result in changes to the regime's activities and thus potentially its costs and fees, it is considered necessary to continue with the fees review as it is very overdue. In addition, the LBP scheme is experiencing greater need for its services and strong cost pressures as a result of earlier deferments. The next scheduled fees review is likely to coincide with implementation of any changes to the LBP scheme arising from the occupational regulatory review.
20. The LBP scheme has a cost recovery funding model. The LBP scheme fees and levy are the key financial enablers for the LBP scheme to deliver its principal policy objective as set out in the Act.

21. The cost recovery proposal in this document aims to ensure that charges are set at a level to adequately fund the LBP scheme to achieve its purpose, and provide better transparency about what the LBP is paying for.

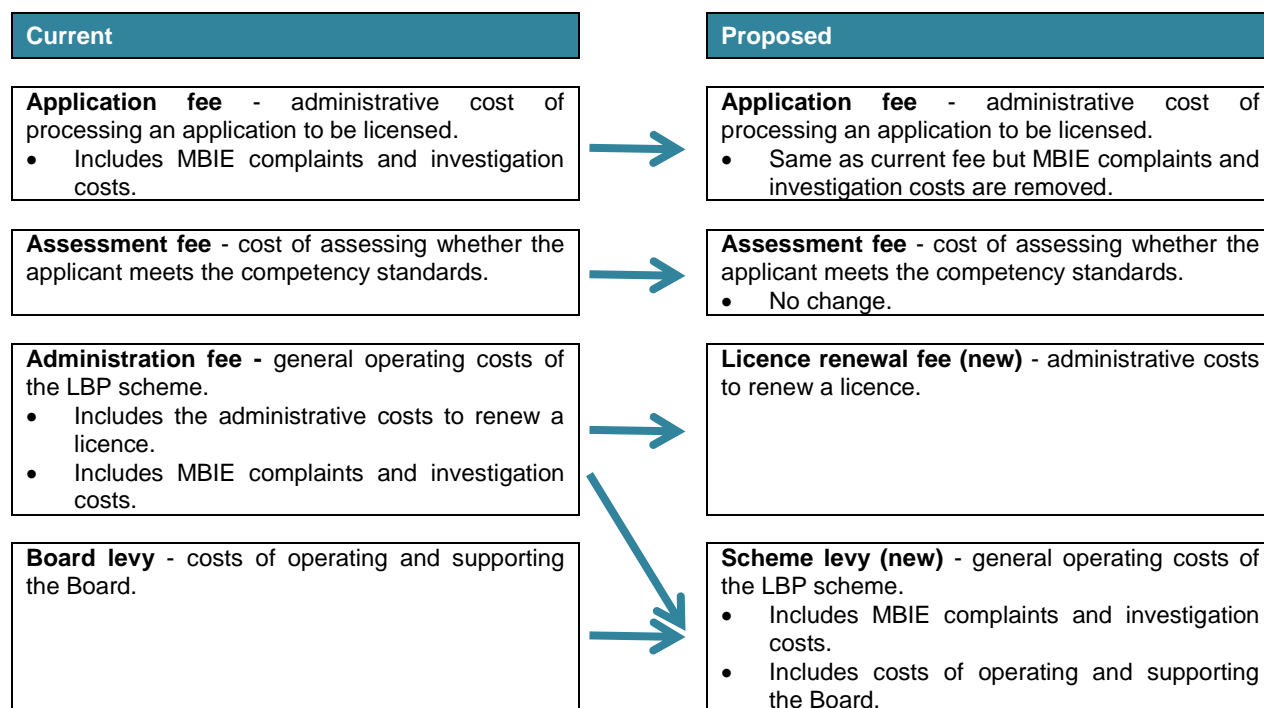
## Policy rationale: Why a user charge? And what type is most appropriate?

22. The LBP scheme is an occupational licensing system to ensure building practitioners are competent and accountable. The LBP scheme supports LBPs to comply with regulatory requirements and provide a complaints management system. LBPs gain competency and reputational or competitive benefits from meeting a specified skill level and therefore it is appropriate that the costs of the LBP scheme are recovered from licensees.
23. The scheme also receives funding from the Building Levy which is used to fund investigations and manage complaints about unlicensed workers. This funding is not included in the Occupational Licensing appropriation.
24. Good practice recommends that fees be used to recover the cost of activities/services directly received by the fee payer while a levy recovers costs which benefit a group of people (e.g. an industry) in general.
25. Two changes to the structure of charges are proposed to align with good practice and provide better transparency and accountability around what the fee/levy payer receives for that fee or levy.

## Proposed structural changes

26. The structure of the current and proposed fees is shown in *Figure 1: LBP scheme changes: current and proposed structure*. The main changes proposed apply to the annual charges.
27. With the removal of the Ministry's complaints handling and investigation costs from the licence application and assessment fees, and shifting them to the new scheme levy (see Figure 1), the structure of these fees are now considered to meet the cost recovery principles.

Figure 1: LBP scheme changes: current and proposed structure



28. The main changes to the fees and levy are:

- **Scheme levy will replace the Board levy and administration fee:** This levy will be charged annually at the time of licence renewal. It will recover the general operating costs of the LBP scheme that are not attributable to any particular service received by the LBP (e.g. IT costs and depreciation).

The levy will include the costs of complaints handling and investigation (which are currently apportioned across several fees) and of operating the Board (currently recovered through the Board levy). As an LBP does not receive any direct service from these activities, it is more appropriate to include the general operating costs in a levy; a levy covers costs which benefit all LBPs in general, rather than an individual LBP.

- **New licence renewal fee:** A new annual licence renewal fee will recover the administrative costs to renew a licence. A LBP receives a direct benefit from having their licence renewed and thus a fee is appropriate.

## The level of the proposed fee and its cost components

29. The current appropriation for the LBP scheme of \$4.463 million is insufficient to enable the LBP scheme to achieve its current regulatory objectives. To ensure ongoing provision of an effective LBP scheme, an increase in appropriation of \$1.235 million is sought.

30. The increase in appropriation to cover proposed expenditure is primarily demand driven. As noted earlier, rapid change in the building industry and the increasing volume and complexity of complaints have placed greater demands on the LBP scheme. Several initiatives in recent years to streamline processes (e.g. aligning

licensing and complaints processes between the LBP and electrical workers systems) were implemented to ensure the regime is operating efficiently. However, the savings made are now insufficient to meet expenditure on increased services, and an increase in appropriation is sought to be applied in the following areas:

*Table 1: Proposed cost increases by service area*

| Service                                                                                                                                                                                                                                                             | Description                                                                                                        | Increase (\$m) | Expected benefit to LBPs                                                                                                                                                                          |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------|----------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Licensing and licence renewal</b><br>– processes to assess and verify competency.                                                                                                                                                                                | Assess LBPs' competencies against competency standards                                                             | 0.802          | A greater focus on proactive auditing of skills maintenance records to ensure LBP competency.                                                                                                     |
|                                                                                                                                                                                                                                                                     | Licensing LBPs                                                                                                     |                |                                                                                                                                                                                                   |
|                                                                                                                                                                                                                                                                     | Audit of skills maintenance                                                                                        |                |                                                                                                                                                                                                   |
| <b>Resources that support LBPs to become and remain competent</b> – to ensure that LBPs' competency meets the required standard to build homes right the first time, minimising the potential for rework which can be costly for both the builder and the consumer. | Training of staff to ensure they keep up-to-date with current building trends, competency programmes and materials | 0.433          | Streamlined and timely online licence application and annual renewal processes.<br><br>Development of new resources on the legal and technical requirements, that better meets the needs of LBPs. |
|                                                                                                                                                                                                                                                                     | Online resources e.g. guidance documents and skills maintenance programme                                          |                |                                                                                                                                                                                                   |
|                                                                                                                                                                                                                                                                     | Responding to LBP related calls to the contact centre (about 2,000 calls per month)                                |                |                                                                                                                                                                                                   |
|                                                                                                                                                                                                                                                                     | Administering the complaints function                                                                              |                |                                                                                                                                                                                                   |
|                                                                                                                                                                                                                                                                     | Use of LBP logo                                                                                                    |                |                                                                                                                                                                                                   |
| <b>Total costs</b>                                                                                                                                                                                                                                                  |                                                                                                                    | <b>1.235</b>   |                                                                                                                                                                                                   |

31. Table 2 below shows the comparison of current fees, proposed fees, the cost to serve and the percentage change.
32. Total licence application fees are set to decrease by \$4.83 with the proposed fees changes. This is as a result of the proposal to not charge the Scheme levy (which replaces the administration fee) at time of licence application. Currently, the administration fee is charged at licence application and then annually. The proposal to not charge the Scheme levy at licence application is to ensure that the total cost of licence application is not prohibitive to becoming licensed, especially for younger builders at the start of their career.
33. The proposed annual charges comprising the licence renewal fee and Scheme levy will be increase of \$34.50 on the current annual charges of administration fee and Board levy.



Table 2: Comparison of current and proposed LBP scheme fees and levy

| Fee/levy type                   | Current fee                                            | Cost to Serve   | Proposed fee                                           | \$ Difference between current fee and proposed fee | % difference |
|---------------------------------|--------------------------------------------------------|-----------------|--------------------------------------------------------|----------------------------------------------------|--------------|
| <b>LICENCE APPLICATION</b>      |                                                        |                 |                                                        |                                                    |              |
| Initial licence application fee | \$71.11                                                | \$219.44        | <b>\$217.39</b>                                        | +\$146.28                                          | +206%        |
| Assessment fee                  | <i>subject to class of licence</i> <sup>3</sup>        |                 | <i>no change</i>                                       | -                                                  | -            |
| Administration fee              | \$151.11                                               | <i>n/a</i>      | <i>n/a (removed)</i>                                   | -\$151.11                                          | -100%        |
| <b>Total application fee</b>    | <b>\$222.22</b><br><i>plus relevant assessment fee</i> | \$219.44        | <b>\$217.39</b><br><i>plus relevant assessment fee</i> | <b>-\$4.83</b>                                     | <b>-2%</b>   |
| <b>ANNUAL RENEWAL</b>           |                                                        |                 |                                                        |                                                    |              |
| Licence renewal Fee             | \$151.11<br>(Administration fee)                       | \$84.17         | <b>\$84.35</b>                                         | <i>n/a</i>                                         | <i>n/a</i>   |
| Scheme levy                     | \$22.22<br>(Board levy)                                | \$123.28        | <b>\$123.48</b>                                        | <i>n/a</i>                                         | <i>n/a</i>   |
| <b>Total annual charge</b>      | <b>\$173.33</b>                                        | <b>\$207.45</b> | <b>\$207.83</b>                                        | <b>+\$34.50</b>                                    | <b>+20%</b>  |
| <b>OTHER</b>                    |                                                        |                 |                                                        |                                                    |              |
| Reissue documentation           | \$26.67                                                | \$37.86         | <b>\$43.48</b>                                         | +\$16.81                                           | +63%         |
| Voluntary suspension            | \$44.44                                                | \$37.86         | <b>\$43.48</b>                                         | -\$0.96                                            | -2%          |

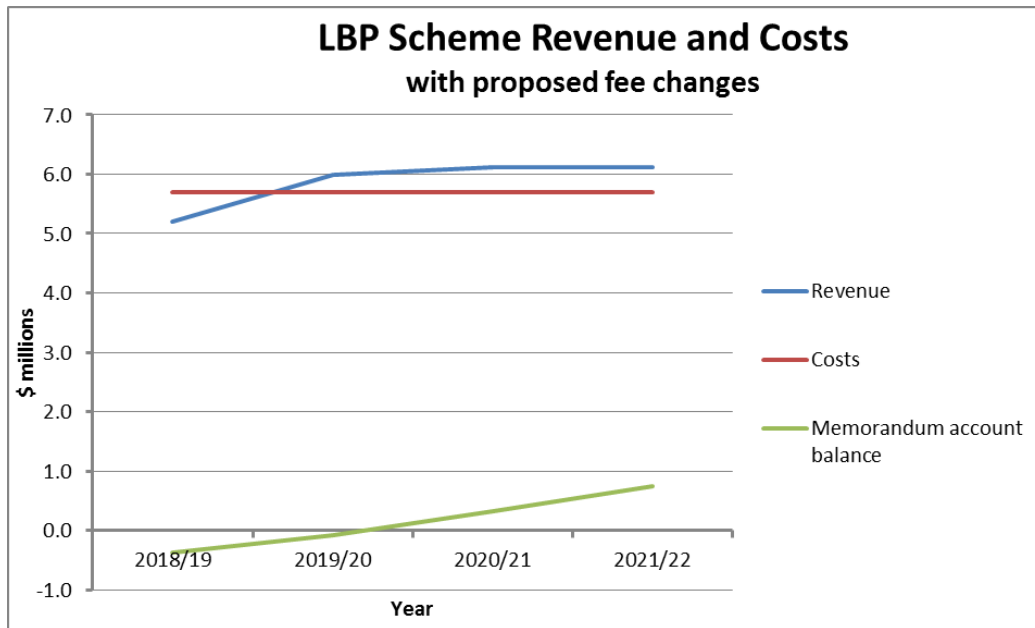
All figures are GST exclusive

34. Figure 2 below shows the estimated revenue, costs and memorandum account balance of the LBP scheme over the next four years.

<sup>3</sup> A summary of current assessment fees by licence class is available at <https://www.lbp.govt.nz/become-an-lbp/application-cost/>



Figure 2: Licensed Building Practitioner Revenue and Expenses - proposed fees changes



35. It is considered that the proposed level of costs is sufficient and reasonable for the LBP scheme to achieve its purpose. As noted earlier, efficiency measures have been implemented in recent years and will continue as required by good regulatory stewardship.
36. The Ministry’s Occupational Licensing team has undertaken detailed time-recording and analysis of its activities to achieve a robust cost recovery model. We plan to continue to review funding and fees every three years; this will assist in ensuring the LBP scheme is resourced adequately and in minimising the risk of under- or over-recovering costs in the future. Figure 3 and Table 3 provide a breakdown of the costs of the LBP scheme by activity (as recovered through the main charges) and cost type.

Figure 3: Costs components of the LBP fees and levy by activity type

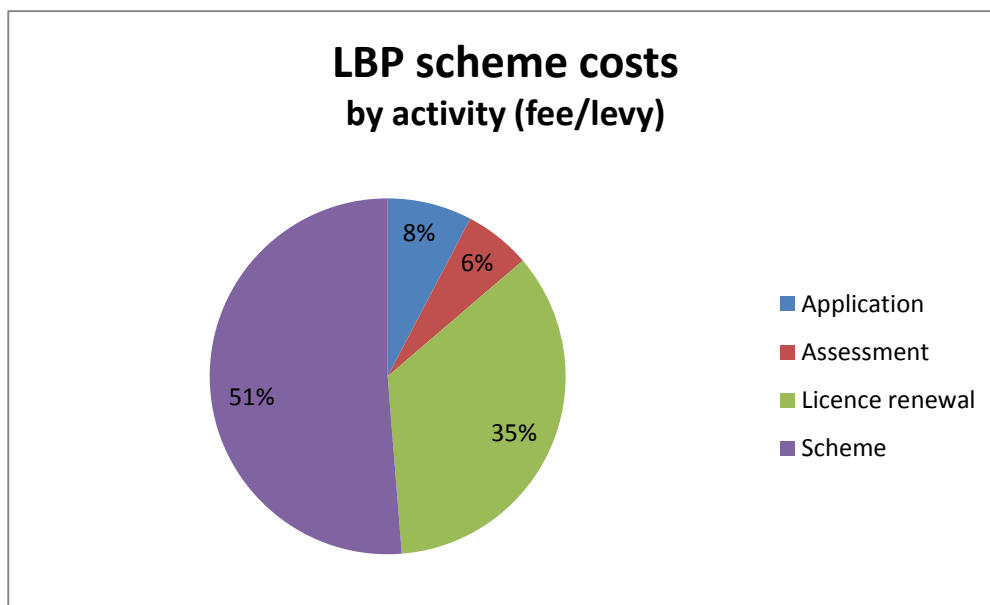


Table 3: Costs components of the LBP fees and levy by cost type

| Cost type                                                   | Total cost   | % of total cost |
|-------------------------------------------------------------|--------------|-----------------|
| Personnel costs – admin/processing/Board support            | 0.602        | 11%             |
| Assessor (contracted service) fees                          | 0.310        | 5%              |
| Staff – investigation & complaints                          | 0.353        | 6%              |
| Legal services - investigation & complaints                 | 0.212        | 4%              |
| Board (Board member remuneration, travel and accommodation) | 0.853        | 15%             |
| Call centre                                                 | 0.229        | 4%              |
| IT support, etc                                             | 0.361        | 6%              |
| Other operating costs                                       | 0.591        | 10%             |
| <b>Subtotal – Direct costs</b>                              | <b>3.510</b> | <b>62%</b>      |
| Depreciation/amortisation and capital charge                | 0.995        | 17%             |
| Overheads – management support, corporate support, etc      | 1.193        | 21%             |
| <b>Subtotal – Indirect costs</b>                            | <b>2.188</b> | <b>38%</b>      |
| <b>Total</b>                                                | <b>5.698</b> |                 |

## Consultation

37. The consultation document sought feedback on the value of proposed additional LBP services, the impact of the increase in charges on builders and their business, and whether the structure of fees and levy is more transparent about what is being paid for.
38. All LBPs (25,100) and stakeholders were emailed with a link to the consultation document on MBIE’s website. Information about the consultation was also provided through the Ministry’s building sector newsletter *Codewords*. The Registrar also contacted industry bodies (e.g. Certified Builders, Master Builders) to make them aware of the consultation.
39. Information about the consultation placed on the Ministry’s website was viewed over 1,700 times. The full discussion document was accessed over 200 times. While a substantial number of those contacted chose not to submit on the consultation, efforts were made to raise awareness of the proposals.
40. 121 submissions were received in total. Three submissions were received from industry bodies - New Zealand Certified Builders Association, Registered Master Builders Association and Architectural Designers New Zealand.
41. As would be expected when charges are increased, the majority of submitters (75 per cent) opposed the proposed increase in charges. 14 per cent were neutral and 11 per cent agreed with the increases, although some qualified their support with comments to the effect that so long as the increase in fees resulted in better service.
42. Six submitters provided direct feedback on the impact of the increase. Comments were varied and included the cost would be passed on to consumers, that the LBP would

have to bear it, and it is yet another cost on top of other cost increases within the industry.

43. There were also comments (five) about whether the separate licence renewal fee and new scheme levy made it clearer as to what LBPs are paying for. Three said it was clearer, but two said it was just an administrative change.
44. General comments from the consultation fell into two main categories:
- opposition to the proposed increase in LBP scheme costs and fees, for example:
    - Government should ensure the LBP is operating efficiently before increasing fees
    - The cost of the scheme should be borne by the government as the scheme has been imposed on builders
    - The complexity and demands of the LBP scheme causes confusion which requires resources to clarify them.
  - the LBP scheme is not working or not working as expected and thus does not provide much value to the LBP, for example:
    - 'Value' is irrelevant because it is a legal requirement
    - LBPs are qualified and competent but Building Consent Authority compliance checks are still required
    - The LBP scheme does not effectively hold builders accountable – non-compliant builders are not sanctioned, there is little policing of the system and there is minimal auditing of skills maintenance
    - LBPs already receive skills maintenance information and support through other sources e.g. trade associations. Submitters suggested the Ministry should work with or recognise these bodies in the delivery of some aspects of the LBP scheme
    - Supervision is not working and LBPs are able to oversee and sign off multiple sites, perhaps with questionable quality control.
45. LBP processes and systems are continually being reviewed and improvements made where required. Efficiency gains are not always seen by LBPs and improvements to services (which may be funded by savings) are often not communicated widely. Greater engagement with stakeholders about efficiency and service improvements may improve confidence in the LBP scheme.
46. While only 121 submissions were received, the feedback about the LBP scheme itself reinforces the concerns raised in other work currently being undertaken on the scheme. The feedback from this review will be added to the work on stakeholder views' of the LBP scheme.

## Impact analysis

47. The proposed fee changes will affect all building practitioners seeking to renew their licence.

48. The proposed total annual charge (scheme levy plus licence renewal fee) of \$207.83 is an increase of \$34.50 per annum. The low number of submissions to the consultation in proportion to the total number of LBPs suggests that the fee increase and fee level are not considered to be significant for LBPs.
49. Comparing the proposed LBP application and annual fees with other building sector occupations indicate that the LBP scheme cost recovery arrangements are not out of line with other building and construction sector occupational licensing regimes with comparable average incomes (see Annex 3).
50. General feedback received in this consultation has also highlighted that the LBP scheme may not be working as expected. There is a risk that if the concerns raised by LBPs are not addressed, continued dissatisfaction with the LBP scheme may impact on engagement and/or compliance with the scheme. As noted above, this will be raised and addressed through other work currently underway on the LBP scheme.

## Conclusions and recommendations

51. The focus of this fees review is on ensuring that the LBP scheme is adequately funded to assess building practitioners as being competent and to support LBPs to comply with regulatory requirements. An increase in appropriation is being sought to meet increasing cost pressures and increase in demands on LBP services, and a commensurate increase in fees is proposed to fully recover costs.
52. Some of the comments received indicated there are different levels of awareness of how the system works, its purpose, and previous decision making (e.g. about the design of the scheme). Feedback also indicates a strong expectation that the Ministry manage costs, continue to seek efficiencies, and consider the impact of any fees changes in the context of rising compliance costs for building practitioners. Further engagement with the industry outside of the fees review process may improve understanding of the system.
53. This fees review has focused on ensuring that the fees settings are adequately recovering costs for the next two years, and that the scheme is adequately resourced to deliver on current objectives. This feedback will be considered in other work on the LBP scheme and passed on to the Board, with a recommendation that the Board improve communications to LBPs about the purpose and activities of the scheme.
54. On balance, taking into account the feedback from LBPs that they are in a general environment of rising construction costs with the expectation that the scheme is adequately resourced, the Ministry recommends that amendments to the fees and levy set out in Table 1 are implemented.

## Implementation plan

55. The proposed new fees and levy will require changes to the Building Practitioners (Licensing Fees and Levy) Regulations 2010 (the Regulations). All charges in the Regulations are currently GST inclusive; this will be changed to GST exclusive. This change will ensure the scheme does not face financial disadvantage or overcharge LBPs in the event of any future change in GST.
56. The new charges will be effective from January 2019 and will be applied as licences become renewed.

## Monitoring and evaluation

57. Monitoring and evaluation of LBP scheme fees will be undertaken by the Ministry of Business, Innovation and Employment.
58. The Ministry's accounts are audited and tabled in the House annually and are subject to examination via the Select Committee Estimates Examination process.
59. The Ministry's annual report includes progress against established measurements for the Occupational Licensing Appropriation (which covers both the electrical worker and the licensed building practitioner schemes). The current standard this appropriation is assessed against is an internal audit and assurance rating of acceptable or better for the quality and timeliness of administration of licensed building practitioners and electrical workers regimes.
60. Additional business objectives are in place to assess the timeliness of the licensing and complaints investigation functions. Objectives for communications, planning, policy and administrative services to support the functions of the Building Practitioners Board are set out in service level agreements between the Ministry and the Board. In developing these objectives, the Ministry takes in to account the performance standards of other comparable schemes such as the Plumbers Gasfitters and Drainlayers Board and the Real Estate Agents Authority.

## Review

61. There is no legislative requirement for the review frequency of this scheme. In order to ensure that the scheme is adequately resourced and operating efficiently, and that over-recovery or under-recovery is minimised, we intend to review the Licensed Building Practitioners system in three years' time (2021). We consider reviews at least every three years are necessary to ensure fees are set at the appropriate level, in view of the rapidly changing industry in which the LBP scheme operates. Fees may be reviewed earlier if the Ministry or the Building Practitioners Board considers an out-of-cycle review is warranted.

## Appendix 1: Revenue by fee type and projected volume of fees/levy

| Fee/Levy        |                    | 2018/19 |              | 2019/20 |              | 2020/21 |              | 2021/22 |              |
|-----------------|--------------------|---------|--------------|---------|--------------|---------|--------------|---------|--------------|
|                 | \$ rate (GST excl) | Volume  | Revenue \$m  | Volume  | Revenue \$m  | Volume  | Revenue \$m  | Volume  | Revenue \$m  |
| Application     | \$217.39           | 2,177   | 0.287        | 2,224   | 0.483        | 2,280   | 0.496        | 2280    | 0.496        |
| Assessment      | various            | 1,885   | 0.372        | 1,923   | 0.378        | 1,961   | 0.386        | 1961    | 0.386        |
| Licence renewal | \$84.35            | 24,101  | 2.971        | 24,583  | 2.074        | 2,5075  | 2.115        | 25075   | 2.115        |
| Scheme levy     | \$123.48           | 24,101  | 1.549        | 24,583  | 3.035        | 2,5075  | 3.096        | 25075   | 3.096        |
| Other           | various            | 445     | 0.017        | 445     | 0.019        | 445     | 0.019        | 445     | 0.019        |
| <b>Total</b>    |                    |         | <b>5.197</b> |         | <b>5.990</b> |         | <b>6.112</b> |         | <b>6.112</b> |

*Note: Figures are GST exclusive.*

The following assumptions apply:

- Licence applications are forecasted to be around 2200 per year
- The number of licences renewed increases by 2 percent per year and takes into account both new licensees and attrition of licensees.

## Annex 2: 2018/19 cost components of licensed building practitioners' fees/levy

| Annual costs of activity<br>\$m                                                                                       | Application  | Assessment   | Licence<br>renewal | Scheme levy  | Total LBP<br>scheme<br>cost |
|-----------------------------------------------------------------------------------------------------------------------|--------------|--------------|--------------------|--------------|-----------------------------|
| Staff – admin/processing<br>/Board support                                                                            | 0.012        | 0.012        | 0.099              | 0.480        | 0.602                       |
| Assessor (contracted<br>service) fees                                                                                 |              | 0.310        |                    |              | 0.310                       |
| Staff – investigation &<br>complaints                                                                                 |              |              |                    | 0.353        | 0.353                       |
| Legal services -<br>investigation & complaints                                                                        |              |              |                    | 0.212        | 0.212                       |
| Board (remuneration,<br>travel and<br>accommodation)                                                                  |              |              |                    | 0.853        | 0.853                       |
| Call centre                                                                                                           | 0.026        | 0.000        | 0.177              | 0.026        | 0.229                       |
| IT support, etc                                                                                                       | 0.049        | 0.000        | 0.148              | 0.164        | 0.361                       |
| Other operating costs                                                                                                 | 0.010        | 0.003        | 0.447              | 0.132        | 0.591                       |
| <b>Subtotal – direct costs</b>                                                                                        | <b>0.097</b> | <b>0.324</b> | <b>0.870</b>       | <b>2.218</b> | <b>3.510</b>                |
| Depreciation/amortisation<br>and capital charge                                                                       | 0.248        | 0.000        | 0.745              | 0.002        | 0.995                       |
| Overheads – management<br>support, corporate support<br>(Legal, IT, Finance, HR),<br>and building occupation<br>costs | 0.091        | 0.018        | 0.374              | 0.710        | 1.193                       |
| <b>Subtotal – indirect costs</b>                                                                                      | <b>0.339</b> | <b>0.018</b> | <b>1.119</b>       | <b>0.712</b> | <b>2.188</b>                |
| <b>Total annual cost</b>                                                                                              | <b>0.437</b> | <b>0.343</b> | <b>1.989</b>       | <b>2.930</b> | <b>5.698</b>                |

Note: Figures are GST exclusive.



## Annex 3: Comparison of fees across the regulated building sector occupations

|                                            | Registration fee<br>(\$)                                                                                                                                     | Annual practising or<br>registration fee and<br>levy<br>(\$)                            | Estimated average<br>income <sup>4</sup><br>(\$)  | Last<br>reviewed |
|--------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|---------------------------------------------------|------------------|
| Licensed Building Practitioners – proposed | \$461 including assessment fees for most licence classes (applies to most registrants)<br><br>\$891 including assessment fees for basic Design licence class | 208<br><br>(fee 84, levy 124)                                                           | 57,500<br>(carpenter)                             | 2007             |
| Electrical Workers – current fees          | 152                                                                                                                                                          | 104 (online)<br><br>165 (manual)                                                        | 57,000<br>(electrician)                           | 2013             |
| Electrical Workers – proposed              | 304                                                                                                                                                          | 109                                                                                     |                                                   |                  |
| Plumbers, Gasfitters and Drainlayers       | 308                                                                                                                                                          | 310<br>(75 fee, 235 levy)                                                               | 55-75,000<br>(plumber)                            | 2016             |
| Registered Architects                      | Initial Registration varies depending on pathway<br>450-1,044                                                                                                | 560<br><br>(no levy)                                                                    | 72,500<br>(architect)                             | 2017             |
| Chartered Professional Engineers           | 1,565 to apply plus<br><br>460 full year registration certificate                                                                                            | 460<br>plus, if required<br>640<br>assessment of<br>continued registration<br>(no levy) | 85,000<br><br>(engineer,<br>independent practice) | 2015             |
| Engineering Associates                     | 130                                                                                                                                                          | 83<br><br>(no levy)                                                                     | 64,500<br>(engineering technician)                | 2013             |

<sup>4</sup> Source: Occupation Outlook 2017. <http://occupatioinoutlook.mbie.govt.nz>