



## Summary of Submissions: Licensed Building Practitioners Fees Review 2018

### Background to the review

Since the Licensed Building Practitioner (LBP) scheme was introduced 10 years ago, the fees and levy have not changed. 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 (eg 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.

The Ministry consulted on a proposal to adjust the fees and levy to ensure the LBP scheme has sufficient resources to achieve its purpose as set out in the Building Act 2004. An overall increase of \$1.235 million was proposed 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.

This proposal amounts to an average 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.

A change in the structure of the annual charges was also proposed to provide better transparency of the costs of the LBP scheme. The existing administration fee and board levy would be replaced by a licence renewal fee and scheme levy to better reflect who receives the benefit from the activity charged for.

### Consultation statistics

The discussion document was published on 18 June 2018 for a period of five weeks' consultation on the proposed fee changes. Information about the consultation was also provided via the following channels:

- *Codewords*, the Ministry's building sector newsletter;
- email to all registered Licensed Building Practitioners (25,100), and a reminder email one week before consultation closed; and

- individual emails to key industry organisations with a reminder email one week before consultation closed.

Information placed on the Ministry's website was viewed over 1,700 times. The full discussion documents were accessed over 200 times. While a substantial number of those contacted chose not to submit on the consultation, these figures indicate a relatively high level of awareness of the proposals.

In total, 121 submissions were received on the proposed LBP fees and levy changes.

### **Summary of submissions**

The majority of submitters (75 per cent) preferred no 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.

#### *Impact of increases*

Six submitters provided direct feedback on the impact of the increase. Comments were varied and included statements that the cost would be passed on to consumers, that the LBP would have to bear it, and that the proposed fee increase is yet another cost on top of other cost increases within the industry.

#### *Separate licence renewal fee and replacement levy*

Two changes to the structure of charges were proposed to align with good practice and provide better transparency and accountability around what the fee/levy payer receives for that fee or levy. 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.

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 scheme 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 eg 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.

#### *Feedback about the performance of the LBP scheme*

General feedback received in this consultation has also highlighted that the LBP scheme may not be working as expected. This fees review has focused on ensuring that fees settings are adequately recovering costs, and that the scheme is adequately resourced to deliver on current objectives. Feedback that the Ministry has received on the performance of the scheme in general will be considered as part of work that is currently underway reviewing the system of occupational regulation, which includes a project to review the LBP scheme.

#### **Impact analysis and Ministry response**

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.

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

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.

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.

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**

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.

Some of the comments received indicate there are different levels of awareness of how the system works, its purpose, and previous decision making (eg 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.

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. The feedback received that is out of scope for this fees review 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.

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.