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Report to the Rural Services & Wairarapa and Environment Committees
from Steve Blakemore, Manager Planning and Resources and Rob Forlong, Manager Consents
Management

Review of the Resource Management Charging Policy

1. Purpose

To present the Draft Resource Management Charging Policy 2001 to the Committees.

2. Background

In February 1997 the Council adopted its Resource Management Charging Policy. Prior to being adopted, the 1997 Charging Policy went through an exhaustive submission and hearing phase. This process resulted in consent holders as a group being charged \$100,000 less in 1997 than they were charged in 1996.

The 1997 Charging Policy was (and probably remains) one of the most intensely researched and defensible resource management charging policies in New Zealand .

The 1997 Charging Policy was to remain in place for three years. Four years have now passed and the Policy has proven to be both durable and workable, but it's now appropriate to review it in time for the 2001/2002 financial year.

3. The Review Process

The review process involves the following steps:

1. Staff look at the current workability and applicability of the 1997 Charging Policy and redraft the document to present to both the Rural Services and Wairarapa and the Environment Committee (completed). The Proposed Policy is attached as a separate document

2. The Committees considers the Proposed Policy and makes recommendations to the Policy and Finance Committee.
3. The Policy and Finance Committee initiates the Special Consultative Procedure set down in section 716A of the Local Government Act 1974 and appoints a Subcommittee to hear submissions.
4. After hearing submissions the Subcommittee makes recommendations to the Council who formally adopt a new Resource Management Charging Policy.

4. **Changes Recommended after the Review**

4.1 **Principles and Methods of Charging Unaltered**

With the exceptions noted below, the staff review has left the 1997 Resource Management Charging Policy largely intact. The principles and methods for determining charges remain the same.

4.2 **Charge-out Rate**

A key proposed change is an increase in the hourly charge-out rate for Council staff from \$60 + GST to \$70 + GST. If accepted, this increase will have the effect of increasing most application charges around 16.7 % (4% per annum) over the 1997 Policy. The effect on other charges will be variable because of changes to the Customer Service Charge and State of the Environment Monitoring Charge. The charge-out rate will not increase again until 2004 at the earliest.

We thought long and hard before deciding to recommend an increase in the charge-out rate. We recognise that consent holders will not appreciate any increase, but we must also ensure that they are not being excessively subsidised by other ratepayers.

The Council's Funding Policy requires consent applicants to contribute 90% of all the consent processing charges (the remaining 10% relate to appeals, etc) and 50% of all compliance monitoring costs. The proposed charge out rate is consistent with the Funding Policy.

In the Wairarapa Division most consents are for non-notified rural activities. Here the increase in hourly charge-out rates is needed to properly meet the costs of consent processing.

In contrast, Wellington's Environment Division has a greater number of notified consents with a proportionally greater level of consents income from that source.

Hourly rates for most businesses are worked out on the cost of labour multiplied by a factor (usually between 2.5 and 3.5) to take into account overheads and other costs of employment. By way of comparison, mechanics in Wellington cost around \$50 per hour, electricians \$40 per hour, planners \$70 (for a recent graduate) to \$140 per hour, and lawyers \$140 to \$350 per hour.

4.3. **Customer Service Charge**

The past four years have shown that the existing Customer Service Charge (\$45 for the first consent and \$20 for each additional consent held) has been a problem. *We have proposed that the charge be reduced to \$35 and that the multiple consent discount be eliminated.* The \$35 represents ½ hour of officer time.

The multiple consent discount has been costly and awkward to operate in practice. For example, each department of the City and District Councils operate as an individual customer and require separate billing, account information etc. Yet all claim the multiple consent discount, as do “arms length” units like the WCC’s CitiOperations.

In 1997 we had thought that there would be economies of scale, with those who hold multiple consents taking up proportionately less of our time than those who hold only one consent. It would seem that that is not the case. Multiple consent holders are far more active in making inquiries about their consents, surrendering and transferring consents. Consequently, multiple consent holders cost us considerably more per consent than those who hold a single consent.

The effect of the suggested change is that 69% of our customers will receive a reduction in their customer service charge. A further 19% of customers will receive an increase of \$5. In 1999/2000 only 10 out of 965 consent holders had more than ten consents.

4.4. **State of the Environment Monitoring Charge**

With the exception of discharges to air, the basis for State of the Environment Monitoring Charges remains the same. However, because of both changes in use patterns and changes in the monitoring undertaken, the charges to individuals may vary from the 1997 Policy - In some cases dramatically.

For example, the consented volume of water taken from Mangaone Stream has decreased since 1997, to the point that the stream is no longer defined being “under stress”. That means that SOE Cost Factor has dropped from \$39.05 to \$0. On the other hand, a combination of increased monitoring and decreased volume of water allowed to be abstracted has meant that the SOE Cost Factor for the Papawai Stream has increased from \$5.14 to \$18.58.

4.5. **SOE Charges for Discharges to Air**

We have suggested that the Proposed Charging Policy add a provision to charge part of the air quality component of state of the environment monitoring. In 1997 we had little information on the contribution of industrial discharges to air pollutant loads. However, last year the regional air emissions inventory was completed and the information gap filled.

Based on the information in the air emissions inventory, it seems appropriate that consent holders within the Seaview/Petone area (the only area in the region with more

than 5 industrial air discharges per square kilometre), make a 10% contribution towards air SOE monitoring costs. That equates to \$12,600 per annum divided amongst about 20 operations. The Proposed Charging Policy explains how the charges would be allocated.

5. **Other Changes from the 1997 Charging Policy**

The Proposed Policy also includes:

- A 10% penalty charge for late payment. Slow payers cost us a considerable sum in debt collection and the 1997 Charging Policy does provide for us to recover those costs.
- Clearer provisions on charging for consents that have been granted but not utilised and consents that have changed hands during the year.
- A one-off Consent Supervision and Monitoring Charge for bore permits. Since 1997 the number of bores drilled (particularly on the Kapiti Coast), has increased dramatically. The increase has meant that we are now collecting bore logs and inspecting many bores to check for compliance. The one-off charge will recover some of those costs.

6. **Worked examples of the Charges**

Each of the schedules in the Proposed Charging Policy includes a worked example of the charges that apply. Attachment 1 uses those examples to provide a comparison between charges levied under the 1997 Charging Policy and those that would be incurred under the 2001 Proposed Charging Policy.

7. **Communication**

At this stage there is no need for any specific communication on the matter. When the Policy and Finance Committee releases the Proposed Policy for consultation we will send a letter to all consent holders to advise them of the review and of their right to submit. The review of the Policy will also be advertised in the daily newspapers.

8. **Recommendation**

That the Committee;

- *Receive the report and Proposed Resource Management Charging Policy;*
- *Note that the Proposed Resource Management Charging Policy is a draft document only and will be subject to a Special Consultative Procedure; and*

- *Recommend to the Policy and Finance Committee the Proposed Resource Management Charging Policy be considered and that a Subcommittee be appointed to hear public submissions and make recommendations to the Council.*

Report prepared by:

STEVE BLAKEMORE
Manager, Planning and Resources

ROB FORLONG
Manager, Consents Management

Approved for submission by:

COLIN WRIGHT
Divisional Manager, Wairarapa

JANE BRADBURY
Divisional Manager, Environment

Attachment: 1