

**12.2 Building Control - Section 17A Review****Author:** Paul Cooper, Group Manager Environmental Services**Authoriser:** Paul Cooper, Group Manager Environmental Services

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
<b>Sub-clause and Reason:</b>	s7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information
<b>Plain English Reason:</b>	To protect commercially sensitive information.

**Recommendation**

That Council:

1. Receive and note the Local Government Act 2002 Section 17A review of the Building Consent Authority and more generally the Building Activity; and
2. Endorse Option One, with a view to move toward creating a Council Controlled Organisation for the purpose of performing Building Consent Authority and Territorial Authority Regulatory functions on behalf of the Timaru District Council by improving in-house efficiency; and
3. Endorse Option Three and direct Council officers to work with prospective Canterbury Councils, as potential members of the Shareholder Group; and
4. Delegate authority to the Chief Executive to review the report in 6 months or less to consider its release to the public.

**Purpose of Report**

- 1 The purpose of this report is to present the findings of the Local Government Act 2002 section 17A review (s17A review) of the Timaru District Council Building Consent Authority (BCA) and its service provision as a Territorial Authority in terms of the Building Activity (TA function).
- 2 This report seeks to provide advice on how the proposed government reforms may impact BCA's, and identify what options now exist for service provision in this environment, some of which may not have been available for consideration prior to the reform of the building consent system.

**Assessment of Significance**

- 3 In accordance with the Councils' Significance & Engagement Policy, the significance assessment of the subject matter of this report is low. While the report does seek a decision, it acknowledges that there are several factors yet to be finalised, which may influence the outcome of any proposed action; for example finding willing Councils to join the Shareholder

Group, and the requirement for the Local Government Act 2002 Section 83 Special Consultative Procedure to be used prior to the creation of any Council Controlled Organisation (CCO).

### Background

- 4 At the 10 December 2024 Council meeting, officers were directed to undertake a s17A review of Councils building activity, both the BCA and TA functions. The review was to include details of how these functions could be performed under a CCO and Council Controlled Trading Organisation (CCTO) and how that method of service delivery might compare to the status quo.
- 5 After the Council meeting, officers engaged with Minister for Building and Construction Chris Penk together with representatives from the Ministry of Business Innovation and Employment (MBIE). Officers continue to liaise with MBIE Manager System and Markets Policy on the reform, namely Dr Michael Warren. Discussions on the CCO proposal with MBIE have been to gauge their interest, with a view to MBIE making minor changes to legislation (if required). Both the Minister and MBIE officers are supportive of the CCO proposal, where it is able to meet some of the reform objectives – for example increased efficiency, less BCA's across the country, better consistency in approach for the building sector etc.
- 6 It was agreed that Council officers would work with MBIE, keeping them informed as to progress and provide copies of the legal review, financial analysis, and the overarching s17A review once completed.
- 7 The s17A review completed by Building Control Manager Jayson Ellis refer **Attachment 1**, financial modelling completed by Senior Finance Business Partner Tyler Zandrack refer **Attachment 2**. A legal road map completed by Merredith Connel (MC) is **Attachment 3**. The original proposal document is attached for your information as **Attachment 4**.

### Discussion

- 8 At this point in time the conversations with other BCA's have been limited due to the absence of official direction from MBIE, the Minister due to make some announcements at the end of March, then again on further reform in the middle of the year. Most Council's with BCA's are waiting to see what is happening before they invest time and resources to any proposed solution.
- 9 One approach, indeed favoured by this Council to date, is that it is better to be in control of your own destiny, rather than have reform imposed, if a preferred option exists that will meet the objectives of the Ministers reforms. This approach is being encouraged by MBIE and a number of Councils across the country are considering voluntary consolidation of BCA's by one form or another.
- 10 We have explored the viability of a CCO and a CCTO by engaging the expert services of MC Lawyer Nathan Speir and his team. Mr. Speir was approached to create a legal road map for Council about how it might create a CCO to deliver services. Mr. Speir was chosen due to Council having an existing working relationship with him, and because he is one of the few legal experts in the country to have worked previously with MBIE on matters relating to a Private BCA, which is what the CCO proposal is according to legislation. Mr. Speir has stated to Council officers and MBIE that this proposal is exciting and innovative in what it seeks to achieve.

- 11 As part of the s17A review the Building Control Manager has sought advice and comparison from other BCA managers in terms of how they operate, their structure for the BCA and staffing numbers. There are many similarities and there are several areas where key differences occur. The differences arise from the size of the organisations compared to the number of consents processed in any one year. This can be interpreted as BCA's being inconsistent in the performance of their functions, something the Minister is wanting to address with the reforms.
- 12 The s17A review describes factors, in terms of how the BCA operates, that if changed can contribute to increased efficiencies, whilst creating a degree of tension within the business structure that would change the traditional Council mindset to be more focussed. The increase in efficiency through improved processes, discipline in maximising available revenue and a focus on speed and accuracy, should see improved outcomes for the users of the service.
- 13 Taking the service out to a CCO with other Councils in a Shareholder Group can provide revenue opportunity, that might otherwise not be available, whilst also requiring far less input from rates. This option will require a robust shareholder agreement and company constitution together with careful risk management.
- 14 Whether Council seeks to have the building control activity provided via an in-house model or via a CCO model, the s17A review has provided valuable insights as to how the service can be improved.

### **Options and Preferred Options**

- 15 The s17A review produced three options for consideration and they are as follows:
- 16 Option One (in-house) – Timaru District Council retain the provision of building activity services in-house, with improved processes, more disciplined approach to revenue and with a slightly smaller FTE count.
- 17 This option seeks to maximise the benefits of keeping the activity in-house, by enabling a more hands-on approach to governance than would be achievable as a CCO with an independent board in place. Council would retain a higher degree of control, in so much as it is currently able to within the statutory framework.
- 18 Another benefit from this option is that it provides a degree of comfort to the community, in that services are remaining within Council and any changes are likely to be incremental in nature – no cold shocks.
- 19 The status quo with improvements will not meet any of the reform goals outlined by the Minister and MBIE in terms of consolidation of BCA's and improved consistency across larger areas. It may see some efficiencies realised but not through consolidation (only through process improvement and less FTE) and a reduction in the level of input from rates.
- 20 Liability settings remain as they are currently, with Council insured against claims with an excess of \$100k. Insurance is increasingly expensive. There have been several minor claims in recent years, with only one exceeding the \$100 excess. Some of these claims are settled via mediation to avoid the higher costs associated with partaking in Court proceedings, in order to demonstrate the BCA has no liability in a particular set of circumstances. Liability, insurance, and risk pooling are key considerations in the context of this report.
- 21 The in-house option will likely need a continued portion of rates input for it to function at the required level of service that meets Councils' statutory obligations. The Revenue & Financing Policy currently sets rate payer input at 20% to 30% (circa \$1M). Officers believe it can be

- reduced from the low 30's (where it sits presently) to 20% funded from rates (potentially less) and remain in-house at the current levels of service.
- 22 The Timaru District Council BCA can remain in-house and provide services to other Councils by agreement under current legislation, however neighbouring Councils seem reluctant to assist all 3 Councils in South Canterbury to reduce costs in this way, preferring to maintain their own BCA's, asking for our help when they need it to cover sickness or extended leave.
- 23 Once the BCA, and Building activity more generally is delivered efficiently, it will be in the optimum (in-house) state and as ready as it can be to transition to CCO in the future, should other Councils demonstrate commitment toward working with Council in the CCO model.
- 24 This option may free up circa \$450k from ratepayer funding freed up for use elsewhere in Council – e.g. to pay debt.
- 25 Option Two (CCO & CCTO for Timaru only) – with this option the governance and direct oversight shifts from Council to a small independent board and a Chief Executive over a limited liability company.
- 26 To create a CCO the Council will have to work closely with the Ministry of Business, Innovation & Employment (MBIE) in order to meet legal requirements and competency to achieve both accreditation and registration as a BCA.
- 27 Accreditation as a Private BCA is far simpler to achieve than registration, but each of these form part of the process and require particular legal and competency milestones to be achieved. Should Council proceed toward the CCO option, both legal assistance (currently Nathan Speir at Meredith Connell) and MBIE guidance will be required. The legal Road Map is attached for your reference, previously referenced as Attachment 2.
- 28 The purpose for the CCO is predominantly to provide the statutory functions of Council for the building activity and the TA functions via a contractual arrangement with Council. According to advice a CCTO would need to be a separate legal entity, with its own board and insure for its own liabilities for the commercial activities it undertakes.
- 29 The liability settings for the BCA under this model effectively need to remain with the shareholder (Council) as they do currently. This can be achieved through the shareholder agreement.
- 30 The CCTO can share staff with the CCO, which will reduce some costs and therefore potentially provide a point of difference in the market i.e. experienced Council technical officers at the top of their game providing some (limited) commercial services.
- 31 Under this structure, the CCO can receive financial assistance from the Council in the form of rates revenue (or a loan) but according to the Local Government Act 2002, the CCTO must stand alone without financial assistance from Council.
- 32 The CCTO would only be created and brought into being once the CCO had established itself and was performing. Should this approach be taken (if this option were to proceed) the CCTO would be shaped to the market of the day and any associated risk lowered as a consequence.
- 33 Under this option the CCTO comes only after the CCO is established and performing. Performing (financially) is considered to be relying on rates to a small degree, circa \$150k rates input from year 4, lowering to circa \$100k in year 5. This option would see \$850k plus of rate payer funding freed up for use elsewhere in Council – e.g. to pay debt.

- 34 Option Three (CCO & CCTO with other Councils) – as for Option Two with the key difference that several Councils will be in the Shareholder Group to maximise efficiencies across a wider area.
- 35 According to the modelling this option achieves the best outcomes both financially by generating a surplus, and also in terms of meeting the stated goals of the reform programme. It brings a number of Councils coming together as shareholders of a private BCA CCO and proportionally sharing the costs and a financial surplus generated based on the average number of consents generated in their district. The model presented to indicate financial performance assumes circa 2,000 building consents across the area covered by the shareholder Councils.
- 36 The shareholder agreement becomes the key document to provide comfort to all parties about how all the moving parts fit together, how the CCO operates, and how the principle of proportionality will work.
- 37 The financial modelling shows the combined CCO requires no input from rates and delivers a surplus from year 1 at \$244k, increasing year on year to \$926k in year 5.

### **Consultation**

- 38 Should Council decide to proceed with creating a CCO, it will need to take the proposal to the Community for consultation using the Local Government Act 2002 section 83 Special Consultative Procedure.

### **Relevant Legislation, Council Policy and Plans**

- 39 Building Act 2004
- 40 Building (Accreditation of Building Consent Authorities) Regulations 2006
- 41 Local Government Act 2002

### **Financial and Funding Implications**

- 42 The financial and funding implications are discussed in the report and within the attachments.

### **Other Considerations**

- 43 There are no further considerations at this time.

### **Attachments**

1. **s17A review completed by Building Control Manager Jayson Ellis**
2. **Financial Modelling BCA CCO**
3. **Legal road map completed by Merredith Connel (MC) (Issued 15 March 2025)**
4. **Original report/proposal to Council - Building Consent Authority Reform - 10 December 2024**



Timaru District Council  
Building Consent Authority  
17A Review  
April 2025



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### Introduction

1. Since the introduction of the Building Act 1991 and its associated regulations, Building Consent Authorities (BCA's) were ultimately left to the own devices in terms of interpreting and performing their regulatory obligations and functions.
2. The Building Act was extensively reviewed in the early 2000's primarily as a result of the "Leaky Homes" crisis with a new Act and accompanying regulations being the Building Act 2004 (the Act), including the introduction of the Building (Accreditation of Building Consent Authorities) Regulations 2006 and the Licenced Building Practitioner scheme in 2007. These are examples of some of the significant changes effecting how BCA's operate and perform their functions.
3. The Accreditation of BCA's, whilst acknowledging the challenges of its implementation, has resulted in a consenting system that is more robust and reliable. However, over time it has become apparent that the 67 BCA's throughout the country all operate differently due to many factors. These include but not limited to:
  - Differing consenting software.
  - Organisational policies and procedures.
  - Local and regional regulations and bylaws.
  - The level of expertise within BCA's,
  - The design and construction expertise.
4. The current coalition government has recognised these challenges, with the Minister of Building and Construction, Chris Penk, signalling he would like to reform the consenting system. He has indicated that reducing the number of BCA's would help to achieve efficiencies and increase consistencies within the system.
5. This reform was highlighted to council at the 10 December 2024 council meeting by way of a report and business plan, produced by the Environmental Services Group Manager and Building Control Manager. This report outlined a proposal that could see BCA functions being performed by a Council Controlled Organisation (CCO) that included a Council Controlled Trading Organisation (CCTO), with the opportunity for other council BCA's to join the CCO.
6. It was unanimously agreed by elected members at this meeting that officers undertake a s 17A Local Government Act 2002 review of the BCA that would include legal and financial details of the CCO and CCTO, whether it could be a viable option in performing regulatory functions in a more effective and efficient way whilst achieving the Ministers objectives.
7. This report seeks to provide adequate information to council for the purpose of informing a decision in terms of next steps including recommendations in that regard.



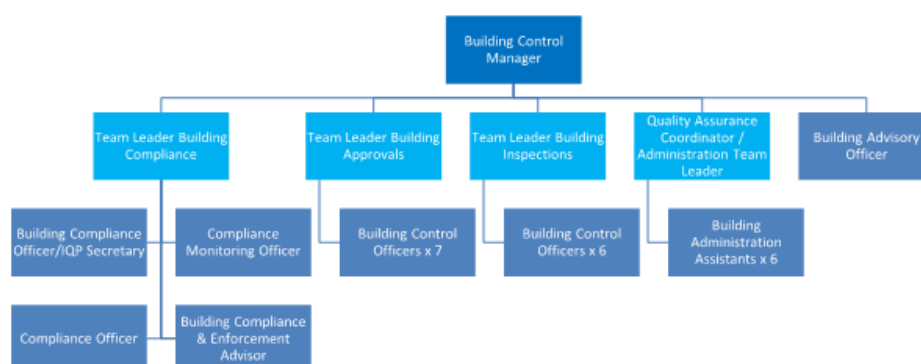
8. Section 17A of the Local Government Act 2002, requires that such a review is to include the following:
- Responsibility for governance
  - Funding of the services
  - Delivery of regulatory functions
  - How performance is assessed and reported
  - How accountability is to be enforced

#### **Executive Summary**

9. The s17A Review of the Building Consent Authority (BCA), conducted by Jayson Ellis, Building Control Manager, provides a comprehensive analysis of the current state and future direction of the Timaru District Council's BCA. The review highlights the evolution of the BCA since the introduction of the Building Act 1991 and subsequent reforms, including the Building Act 2004 and the Building (Accreditation of Building Consent Authorities) Regulations 2006.
10. The BCA has grown from 12-14 staff in 2008 to 30 staff in 2025, driven by accreditation requirements and increased building work. The BCA has maintained its accredited status since 2008, with continuous improvements leading to its best assessment in February 2024. The workload fluctuates with economic conditions, and resource sharing agreements with neighbouring BCAs help manage these variations.
11. The current coalition government aims to reform the consenting system, potentially reducing the number of BCAs to achieve efficiencies and consistency. The review proposes the establishment of a Council Controlled Organisation (CCO) and a Council Controlled Trading Organisation (CCTO) to perform BCA functions more effectively. The CCO model could streamline operations, reduce costs, and increase revenue through a user-pays system.
12. Options for Future Structure:
- Option One: Retain the current BCA structure with improvements in time management and staff reduction.
  - Option Two: Establish a CCO for Timaru only, with a focus on business-like operations and potential revenue generation.
  - Option Three: Create a CCO with multiple shareholders, including other BCAs, to achieve greater efficiencies and consistency and meeting government objectives.

### Current Structure and Performance

13. The structure and the resources of the BCA has evolved over time with approximately 12-14 staff in 2008 to 30 staff in 2025. The increase in staff over the years is primarily due to the requirements of being an accredited BCA, ability to perform Territorial Authority (TA) functions as the Act requires and the increased level of building work and associated complexities in design and compliance matters.
14. Current Building Control Unit structure, performing BCA and TA functions.



15. As a requirement of the accreditation regulations, all officers performing a technical role must have, or be working towards obtaining, a relevant qualification. The Timaru BCA decided (as did most BCA's throughout the country) the most relevant qualification would be a Diploma in Building Control Surveying level 5 and/or 6. This requirement has now changed to be a level 6 diploma as a minimum with most BCA's continuing to choose this qualification as the most applicable for the role.
16. The BCA has continued to comply with this regulation with all technical officers having attained their respective qualifications with the exception of one officer in the final stages, and two officers working through achieving their Bachelor of Building Surveying level 7.
17. While not a regulatory requirement, all six Building Administration Assistants have attained a qualification in Building Regulatory Environment level 4. This qualification has equipped them well in terms of understanding the role they perform and the assistance they provide to the customer.
18. There is no requirement for the Building Compliance team to attain a relevant qualification, however they receive ongoing training and mentoring that assists them in performing their respective roles.

19. The BCA has maintained its status as an Accredited BCA since first receiving its certification in 2008. Since then, it has undergone the bi-annual accreditation assessments performed by International Accreditation New Zealand (IANZ) and has made several changes to its policies, procedures and systems over this time. These changes have resulted in the BCA receiving its best assessment in February 2024, having its continuous improvement programme singled out as “demonstrating best practice”, something rarely achieved.
20. The workload for the BCA over the years is subjected to the inconsistent ebbs and flows of the economic conditions affecting the construction industry, something it has no control over. One of the main challenges is trying to get the right balance between resources verses quantity of work. While not exclusive to Timaru, it can take years for a technical officer to become competent without the need for supervision, which means once you have competent officers there is always a reluctance to let them go when the workload is at the bottom of the bell curve.
21. There are solutions available that can ensure the work is completed in a timely manner by the use of external contractors to assist when workloads are high and conversely resources can be shared between BCA’s when the opportunity is available. An example of this is the Timaru BCA looks to assist other (neighbouring) BCA’s and has several Resource Sharing Agreements in place. Many of these agreements have been place for some time and are utilised on an “as needed” basis.
22. Consent numbers and BCA performance of the last 5 years:

YEAR	CONSENTS	WITIN 20 DAYS %	INSPECTIONS
2019/20	988	99.29%	4732
2020/21	1205	87.04%	5840
2021/22	1158	95.45%	6134
2022/23	1107	89.25%	5691
2023/24	929	96.49%	4803

23. All building work is categorised into six building categories, Residential 1, 2, 3 and Commercial 1, 2, 3. Technical Officers are required to have competency within these categories which means they have the knowledge and capability to assess and verify that designs comply with the Building Code and building work complies with the building consent. The below table shows the average percentage of consents received within each building category compared to the competency the BCA has (resources) to manage this workload.

Building Category	PROCESSING WORKLOAD %	PROCESSING COMPETENCY %	INSPECTING COMPETENCY %
Res 1	65	87	78
Res 2	15	85	71
Res 3	4	64	71
Com 1	12	87	78
Com 2	3	35	50
Com 3	1	21	28

#### 24. BCA Technical Resource Comparison

South Island BCA Technical Resource Ratio/Comparison				
BCA*	Number of BCOs Performing a Technical Role	Annual Average Number of Consents Granted (over last 5 years)	Average Number of Consent Granted Per BCO	Annual Average Number of Consent Inspections Performed (over last 5 years)
Timaru	16	1077	67	3626
Queenstown Lakes	21 (+5 contractors)	1700	65	18000
Ashburton	10	636	63	3526
Dunedin	27	2687	99	10485
Central Otago	11	1010	91	4976
Westland	7	238	34	957
Tasman	14	1364	97	7555
Marlborough	12	1318	94	4536
Waitaki	7	700	100	2915
Gore	5	355	71	1744
Christchurch	40	4913	122	32521
Waimate	2	266	133	836
Buller	6	305	50	960

Note: \* BCA's that answered the request for this information.

25. The Building Administration team perform on average 18 BCA and TA related duties on a daily basis. These duties are split evenly between the officers over a 2–3-month roster. Whilst the majority of the time spent performing these duties is covered by the relevant fees and charges associated with building consents, there is an increasing amount of time spent navigating the multiple processes and systems employed by the organisation, many of which are inefficient and not recoverable in terms of revenue.
26. The Building Compliance team also have many TA regulatory and non-regulatory functions to perform, these include but not limited to:
- Compliance Schedules
  - Building Warrant of Fitness (BWOFF) and BWOFF Audits
  - Certificate of Acceptance
  - Earthquake Prone Buildings

- Swimming pool audits
  - Exempt Building Work
  - Complaints
27. In recent years the Ministry of Business Innovation and Employment (MBIE) have been conducting nationwide audits of some of the TA functions. The outcome of these audits has demonstrated that we have not been performing as well as we could or should in particular BWOA audits. We now have the tools and resource to perform these audits and are steadily increasing these going forward.
28. Other functions of note are Certificate of Acceptance (COA). The COA process is a regulatory function which requires the officer to be constantly following up on the progress of the work required and provides the owner with much support throughout the process to achieve an outcome.
29. This is much like the work involved with managing public complaints which can be wide ranging in terms of the issues raised and time consuming, most of which is a non-recoverable expense.
30. We also have a Building Advisory officer, who provides a wide range of advice and support to the public. This can either be face to face enquiries, email or phone calls. This is a service that is well utilised and respected among the public and trades alike, receiving regular complements for the services provided by the officer. This role assists in reducing the workload of the Administration and Technical staff, allowing then to focus on BCA functions and freeing up their chargeable time.
31. Fees, Charges and BCA Comparison

BCA	TECHNICAL STAFF (BCO)	PROCESSING RATE (hourly \$)	INSPECTION RATE (each \$)
Timaru	16	230	230
Ashburton	10	167	201
Waitaki	7	192	192
Waimate	2	200	270
MacKenzie	1	200	200
Christchurch	40	245	227
Dunedin	27	225	230

## 32. BCA revenue and expenditure over the last 5 years:

Sub Ledger	Sub Ledger Account ( : Resource (desc)	2022 June Actual YTD (Sum)	2023 June YTD Actuals	2024 Jun YTD Actuals	2025 June expected	Average
	<b>Rates &amp; Charges Total</b>	- 724	- 875	- 1,008	- 1,198	- 951
105	Statutory Fees & Cha Building consent fees	- 1,794	- 1,810	- 1,509	- 1,726	- 1,710
105	Statutory Fees & Cha Other Infringements Fines &	-	-	2	-	1
105	Statutory Fees & Cha Earthquake Prone Buildings	- 20	- 0	- 12	- 1	- 9
105	Statutory Fees & Cha Swimming Pool Inspections	- 18	- 6	- 13	- 21	- 15
105	Statutory Fees & Cha Other Statutory Charges (Su	- 20	- 16	- 16	- 15	- 17
105	Statutory Fees & Cha Warrant of Fitness Revenue	- 77	- 93	- 102	- 140	- 103
	<b>Statutory Fees &amp; Charges Total</b>	- 1,930	- 1,925	- 1,654	- 1,903	- 1,853
110	User Fees & Charges Other User Charges (Sundry	- 3	- 3	- 4	- 3	- 3
110	User Fees & Charges Sales - Other General	-	-	-	-	-
110	User Fees & Charges LIM revenue	- 63	- 61	- 73	- 82	- 70
110	User Fees & Charges SIQP	- 90	- 121	- 106	- 136	- 113
110	User Fees & Charges Building compliance schedu	- 10	- 12	- 13	- 16	- 13
110	User Fees & Charges Fire consulting revenue	- 0	-	-	-	0
110	User Fees & Charges PIM Revenue	- 32	- 47	- 27	- 19	- 31
110	User Fees & Charges Advisory Services Revenue	- 20	- 46	- 83	- 85	- 58
110	User Fees & Charges Certificates of Acceptance f	- 15	- 20	- 14	- 64	- 28
110	User Fees & Charges Exempt Building Work	- 14	- 24	- 24	- 10	- 18
110	User Fees & Charges Certification Costs	-	-	-	- 18	- 4
	<b>User Fees &amp; Charges Total</b>	- 247	- 334	- 343	- 433	- 339

<b>Expenditure:</b>						
	<b>Employee Costs Total</b>	2,258	2,499	2,694	3,010	2,615
	<b>Staff Training Total</b>	83	106	74	34	74
350	Office Administration Stationery & Office Consum	3	2	1	0	1
350	Office Administration Printing & Photocopying Cos	-	-	-	-	-
350	Office Administration Postage	4	1	-	-	1
350	Office Administration Advertising	-	-	-	-	-
350	Office Administration Sundry Expenses	3	2	3	1	2
350	Office Administration Food & Catering Costs	0	0	1	1	1
350	Office Administration Telephone Charges	11	16	16	14	14
	<b>Office Administration Expenditure Total</b>	21	21	20	16	20
360	Professional Services Solicitors Fees	9	33	264	35	85
360	Professional Services Building Consultant Fees	216	174	3	2	99
360	Professional Services Consultants	1	1	4	2	2
360	Professional Services Planning Consultant Fees	0	-	-	-	0
360	Professional Services Certification Costs	53	24	54	27	40
	<b>Professional Services Total</b>	280	232	325	65	225
	<b>Subscriptions Total</b>	2	13	14	19	12
	<b>Office Equipment &amp; Furniture Total</b>	17	5	2	1	6
	<b>Insurance Total</b>	36	44	18	9	27
	<b>Sundry Expenses Total</b>	12	3	2	4	5
	<b>Interest Expense Total</b>	-	11	36	19	17
	<b>Depreciation Total</b>	0	-	-	-	0
	<b>Plant Hire (Internal) Total</b>	37	41	44	48	42
980	Overheads / Internal Overheads Allocated	992	1,048	1,056	1,241	1,084
980	Overheads / Internal Internal Recharge	-	-	278	-	93
980	Overheads / Internal Internal contract & consent	- 300	- 307	- 333	-	- 235
980	Overheads / Internal IT Support	182	171	165	-	130
	<b>Overheads / Internal Recharges Total</b>	874	912	611	1,241	909
	<b>Grand Total</b>	718	752	834	930	809



**Future of the Building Consent Authority**

33. To better understand how the BCA functions could be performed and delivered more effectively and efficiently, there are a few factors driving the need for this review, these include:
- Government reform of the consenting system; and
  - Government focus on reducing the number of BCA's (consolidation); and
  - Reducing Building Unit and organisational inefficiencies; and
  - Reducing the BCA's reliance on rates supplementing revenue.
34. With regard to the Timaru District Council's current organisational structure, relevant legislation and regulatory obligations of the BCA and TA, the ability to change the way in which these functions are delivered are limited due to these factors. However, this should not prevent a more internal focus of identifying factors that are in the control of the BCA and or the organisation.
35. The Building Control Manager considers there are two options available in terms of streamlining the team's structure to maximise efficiencies and these include:
- Reducing the number of staff; and
  - Introducing a time verses cost system to increase revenue.
36. A strategic plan for the reduction in staff, while having an instant impact on reducing costs, also recognises the effects of the current economic conditions of the building and construction industry and would bring us more in line with other BCAs as identified in the table of #20 above.
37. It is worth noting that the challenges involved with recruitment or qualified and competent technical officer's impacts on service delivery and regulatory obligations.
38. The need for a better system to capture the time spent on performing functions is imperative to ensure an effective functioning BCA. Currently time spent on building consents can only be captured within the consenting system, Simpli portal and GoGet processing and inspections. These systems have been in place since 2022, however they have limited functionality and are reliant on staff being disciplined in turning on and off the time clock when working on a consent, something that is inconsistently administered across the team.
39. Capturing time spent on TA functions is also fraught with challenges. Whilst there are fees and charges relating to many of these functions, they are not a true reflection of the time and resource required to perform them. Like all council fees and charges, these are set at what is considered fair and reasonable, however when considering what is fair or reasonable is often governed by the person responsible of paying for the service. In many cases this results in the

amount charged being reduced to ensure the customer is satisfied and council receives at least something for its efforts.

40. Should time be captured more effectively across the BCA and TA functions, it will result in greater accuracy and accountability. This will also result in increased revenue and surety of the process performed, thus reducing the reliance on rates and providing confidence to the customer when questioning the amount charged for the service they have received.
41. The BCA is currently working through the process of implementing a new consenting system, Objective Build, which has multiple enhancements over the current system. These include but not limited to:
  - An end-to-end system including an integrated application portal; and
  - Customised time keeping and reporting capabilities; and
  - Cloud based allowing BCA's easy access to the system to share processing and inspection resources; and
  - Ability to create clusters of BCA's.
42. There are many BCAs throughout the country that are changing to Objective Build, including our neighbouring BCAs, which has the potential to create further value and consistency, something that fits well with the minister's plans and goals for the Building System Reform into the future.
43. The local Building and Construction industry is currently experiencing a period of low work volumes, and this is reflected in the building consent statistics over the last 12-18 months. Whilst there are many factors contributing to this, most of these are out of the BCA's control. Having discussed this with other BCA's around the South Island, there are varying views and opinions as to how long these lower volumes will continue.
44. With this in mind and including the Minister's Reforms, it has prompted the Timaru BCA to explore if there are alternatives to the status quo. As previously mentioned, council has approved this next step to better understand how a CCO could operate as a BCA and consequently have engaged with Dr Michael Warren (MBIE) and Minister Penk to gauge their initial views on this proposal. Acknowledging its infancy, the minister was supportive of the proposal and considered it to be an easier option in achieving collaboration of BCAs with less impact compared to a centralised option, that may require more legislative change, incur greater costs and take longer to implement.

#### **Council Controlled Organisation as a Building Consent Authority**

45. Merredith Connell (MC) lawyers were engaged to review the initial CCO proposal for the purpose of identifying the legal framework in which it may operate, with their review attached to this report. In general terms MC have acknowledged that establishing a CCO is not new to councils, whilst this proposal can effectively





be achieved, it highlights the uniqueness, and the challenges faced in terms of a CCO operating as a BCA.

46. MC have advised that it is essential to establish a clear purpose for the CCO. This is also supported by the Auditor General in that having a clear purpose will:
- Assist elected members when making decision whether to establish a CCO or not; and
  - Assist in effectively consulting with the community; and
  - Assist its governing board to have clarity with respect to its operation.
47. The Local Government Act 2002 (LGA) s 10, requires that local government is to enable local democratic decision making and to promote the benefits to its communities. We believe that the creation of a CCO to perform BCA and TA functions is in line with the LGA by retaining local decision making and the pooling of resources to deliver regulatory services.
48. MC have noted within section 4 of their report, that in setting up the CCO, consideration of s 17A(5) of the LGA is required.
- If responsibility for delivery of infrastructure, services, or regulatory functions is to be undertaken by a different entity from that responsible for governance, the entity that is responsible for governance must ensure that there is a contract or other binding agreement that clearly specifies—*
- (a) *the required service levels; and*
  - (b) *the performance measures and targets to be used to assess compliance with the required service levels; and*
  - (c) *how performance is to be assessed and reported; and*
  - (d) *how the costs of delivery are to be met; and*
  - (e) *how any risks are to be managed; and*
  - (f) *what penalties for non-performance may be applied; and*
  - (g) *how accountability is to be enforced.*
49. At this stage we believe that that levels of service will be subject to what the Building Act requires and those of the Building Accreditation Regulations. We are of the view that maintaining these levels of service, that are currently achieved and well entrenched within the BCA, will be straightforward. However, we also acknowledge that additional requirements will be needed for the purpose of allowing other BCAs into the CCO to ensure the respective council/s (shareholders) are aware of the levels of service being agreed to whilst complying with the 17A(5) of the LGA.

50. MC notes in their report that Queenstown Lakes District Council (QLDC) engaged Lakes Environmental Limited (LEL) being a CCO, to perform its BCA and Resource Consenting functions. However, in 2013 QLDC reviewed the effectiveness of how these services were being delivered and concluded that whilst there were some cost savings, they believed that bringing those services back “in house” provided QLDC with greater control over delivering these services. It is worth noting that at that time QLDC and LEL were clearly not subjected to the current reforms and or the consenting technology that is now available.
51. Whilst acknowledging QLDCs decision, within their review they made the following statement, *“It is considered that given the nature of the activities, and with good management from within Council, providing these activities in-house within Council should result in.....”*. They go on to identify several areas in which it would provide benefits for the services to be delivered via QLDC. Interesting they claim that having good management should be a prerequisite, however organisations such as these (councils) are not necessarily attuned to that of the private sector due to the framework and structure of which they are obligated to operate within.
52. The QLDC review highlighted areas of both advantages and disadvantages with regard to the CCO model, however we believe that the MC report has also adequately identified these and other topics to give particular focus to. We have summarised these as follows:
- Managing the relationship between Council and the CCO; and
  - The CCO performing commercial activities as a Council Controlled Trading Organisation (CCTO); and
  - Managing conflicts between regulatory requirements and the pursuit of commercial activities; and
  - Managing risk, liability and insurance; and
  - The fragmentation of the services provided.
53. We are of the view that one of the main reasons for the failure of the QLDC and LEL CCO venture stemmed from either not having an adequate contract or agreement in place and or measures to ensure it was adhered to, as required by s 17A(5) identified above.

#### **Council Controlled Organisation as a Trading Organisation**

54. In accordance with the LGA, a CCO may operate a trading undertaking for the purpose of making a profit, being a Council Controlled Trading Organisation (CCTO). We are of the view that having the ability to trade and create additional revenue may have several advantages. These include but not limited to:
- Being able to utilise the expertise of the technical officers to perform other inspection types relating to houses and commercial buildings; and

- Inspections of specified systems as an Independent Qualified Person (IQP); and
  - Fire and or structural engineering designs or reports; and
  - Designing of buildings.
55. The MC report acknowledges the risks and conflicts of interest associated with trading as a CCTO. However, we believe that these can be adequately managed with robust policies and procedures, something that the BCA is accustomed to everyday with regard to the Accreditation Regulations and adhering to the associated policies, procedures and systems. This is also an area that MC can provide support to ensure the associated risks are well covered.
56. Whilst we acknowledge the ability to create a CCTO exists, this will operate independently of the CCO, effectively two separate entities. However, we will still be able to utilise the same staff for multiple roles within both the CCO and the CCTO that will include specialists for certain functions eg, IQPs, Fire and Structural engineers and designers.
57. The MC report acknowledges and identifies that the working relationship between TDC, the CCO and the CCTO has its complexities, these are all achievable with the right settings in place including a statement of intent, a constitution and shareholder agreement.

#### **Separating Building Control functions from Timaru District Council**

58. We consider that the current effects of the Building Act would require TDC to continue to maintain its accreditation and registration as a BCA. This is despite a CCO carrying out the BCA functions on behalf of the TDC. This may mean that the full cost of accreditation savings may not be realised without a law change.
59. It is believed that while a law change would be required as mentioned above, this would be a minor change when compared to law changes required for any National and or regional reform. With the minister's current view on voluntary consolidation, remaining high on his list, this may be a preferred option with relative ease to approve.
60. We are of the view that while performing the Building Control functions as a CCO, there could be several services the CCO will contract back from TDC, at least as an interim period of up to 5 years and in doing so, may reduce stranded overheads. These could include but not limited to:
- Rent of office space
  - IT support
  - Human Resources (HR)
  - Financial

- Vehicles

61. A further assessment after this time could be required to review the current climate, workloads and trading opportunities and whether that would necessitate any changes to the contractual arrangements, thus allowing the potential growth of the CCO and or the CCTO.

### Options

62. With regards to an internal review of the BCA as it currently operates, the proposed Building Systems reform, the proposal to establish a CCO and CCTO for both TDC and as a wider group of BCAs, we are of the view that three options have emerged, these are listed below.

#### Option one - retaining the status quo (but becoming match fit)

63. Mentioned previously in this report and when considering relevant factors it is clear that strategic planning with regard to how Building Control functions are performed can be achieved without a reduction in service and performance. A reduction in staff combined with an increase focus on time management of productivity will result in a higher level of revenue.
64. A revised Building Control Unit structure may look like the following:



65. The above change would result in the reduction of roles in:

- Building Compliance
- Technical Officers
- Building Administration

66. The introduction of the new consenting software (implementation already started) will assist in better time keeping practices when officers are working within a consent, which in turn will result in recovering the time spent on a consent more accurately and consistently, thus increasing revenue.

67. Financial prediction for a refined BCA structure

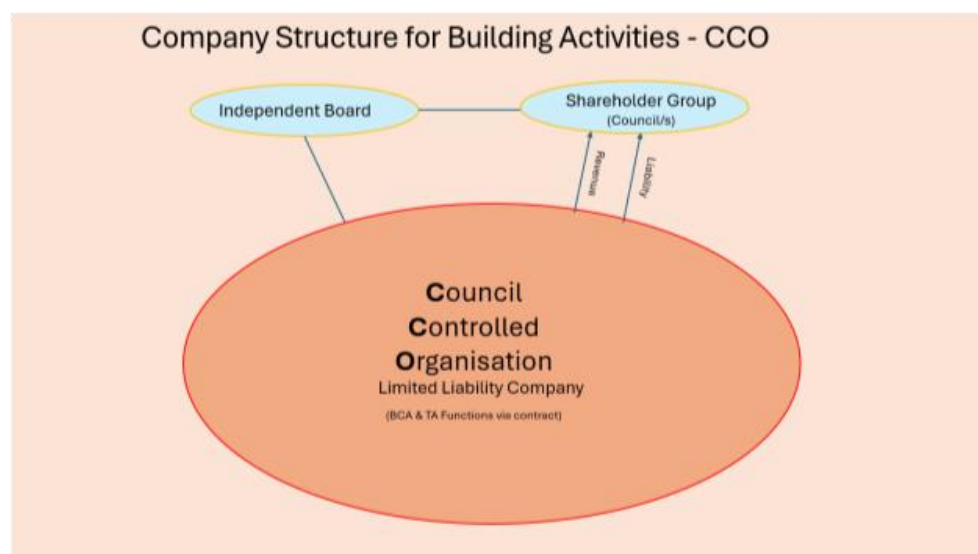
Master Account (num)	Master Account (desc)	Sub Ledger Account	Sub Ledger Account (desc)	Resource (desc)	2025 June expected	2026 June Expected. No COO
2020	Building Control Revenue	100	Rates & Charges	General rates	- 1,198,272	- 1,008,272
				Additional Charging		- 190,000
2020	Building Control Revenue	105	Statutory Fees & Charges	Building consent fees	- 1,725,655	- 1,811,937
2020	Building Control Revenue	105	Statutory Fees & Charges	Earthquake Prone Buildings Registration	- 1,149	- 1,149
2020	Building Control Revenue	105	Statutory Fees & Charges	Swimming Pool Inspections	- 21,264	- 21,264
2020	Building Control Revenue	105	Statutory Fees & Charges	Other Statutory Charges (Sundry)	- 14,913	- 14,913
2020	Building Control Revenue	105	Statutory Fees & Charges	Warrant of Fitness Revenue	- 140,436	- 140,436
2020	Building Control Revenue	110	User Fees & Charges	Other User Charges (Sundry)	- 2,955	- 2,955
2020	Building Control Revenue	110	User Fees & Charges	LJM revenue	- 82,413	- 82,413
2020	Building Control Revenue	110	User Fees & Charges	SI IQP	- 135,588	- 135,588
2020	Building Control Revenue	110	User Fees & Charges	Building compliance schedules	- 15,574	- 15,574
2020	Building Control Revenue	110	User Fees & Charges	PIM Revenue	- 19,015	- 19,015
2020	Building Control Revenue	110	User Fees & Charges	Advisory Services Revenue	- 84,688	- 84,688
2020	Building Control Revenue	110	User Fees & Charges	Certificates of Acceptance Revenue	- 64,380	- 64,380
2020	Building Control Revenue	110	User Fees & Charges	Exempt Building Work	- 10,367	- 10,367
2020	Building Control Revenue	110	User Fees & Charges	Certification Costs	- 17,785	- 17,785
4020	Building Control	980	Overheads / Internal Recharges	Internal contract & consent monitoring	- 300,000	- 300,000
				Software on-charge		- 170,000
			<b>Total Revenue</b>		<b>- 3,834,455</b>	<b>- 4,090,737</b>
			<b>Expendit</b>	<b>Employee costs</b>	<b>3,009,584</b>	<b>2,482,000</b>
				Staff training	33,643	33,643
4020	Building Control	350	Office Administration Expenditure	Sundry Expenses	641	641
4020	Building Control	350	Office Administration Expenditure	Food & Catering Costs	559	559
4020	Building Control	350	Office Administration Expenditure	Telephone Charges	14,485	14,485
4020	Building Control	360	Professional Services	Solicitors Fees	34,510	34,510
4020	Building Control	360	Professional Services	Building Consultant Fees	1,802	1,802
4020	Building Control	360	Professional Services	Consultants	1,865	1,865
4020	Building Control	360	Professional Services	Certification Costs	27,108	27,108
4020	Building Control	370	Subscriptions	Subscriptions Memberships	18,538	18,538
4020	Building Control	375	Office Equipment & Furniture	Minor Capital Items	1,397	1,397
4020	Building Control	450	Sundry Expenses	Uniforms / Clothes Purchased	-	-
4020	Building Control	450	Sundry Expenses	Sundry Expenses	3,795	3,795
4020	Building Control	470	Interest Expense	Interest Payments - Internal Loans	19,076	19,076
4020	Building Control	970	Plant Hire (Internal)	Plant Hire - Internal Usage	48,342	48,342
4020	Building Control	980	Overheads / Internal Recharges	Overheads Allocated	1,240,500	1,240,500
4020	Building Control	350	Previous O/H	Office Administration Expenditure	103	103
4020	Building Control	410	Previous O/H	Insurance	8,574	8,574
4020	Building Control	980	Overheads / Internal Recharges	IT Support	170,000	170,000
			<b>Total Expenses</b>		<b>4,634,523</b>	<b>4,106,939</b>
			<b>Net</b>		<b>800,068</b>	<b>16,202</b>

68. Rates proportion of total revenue 2026 including proposed changes: 24.6%



**Option two - Timaru BCA operating under a CCO (not including CCTO)**

69. The proposed CCO has been drafted with the following structure (note the CCTO in this structure as a separate entity)



70. The below tables are the projected financials as a CCO operation for Timaru only.

Sub Ledger Account	Sub Ledger Account (des Resource (desc))	2025 June expected	2026 June Expected, No CCO	CCO Year 1	CCO Year 2	CCO Year 3	CCO Year 4	CCO Year 5
100 Rates & Charges	General rates	- 1,196,272	- 1,008,272	-	-	-	-	-
	Additional Charging	-	- 190,000	- 199,500	- 209,475	- 219,949	- 230,946	- 242,483
105 Statutory Fees & Charge	Building consent fees	- 1,725,655	- 1,811,937	- 2,100,000	- 2,205,000	- 2,315,250	- 2,431,013	- 2,552,563
105 Statutory Fees & Charge	Earthquake Prone Buildings Re	- 1,149	- 1,149	- 1,149	- 1,207	- 1,267	- 1,330	- 1,397
105 Statutory Fees & Charge	Swimming Pool Inspections	- 21,264	- 21,264	- 21,264	- 22,327	- 23,443	- 24,615	- 25,846
105 Statutory Fees & Charge	Other Statutory Charges (Sund	- 14,913	- 14,913	- 14,913	- 15,658	- 16,441	- 17,263	- 18,126
105 Statutory Fees & Charge	Warrant of Fitness Revenue	- 140,436	- 140,436	- 140,436	- 147,458	- 154,831	- 162,573	- 170,791
110 User Fees & Charges	Other User Charges (Sundry)	- 2,955	- 2,955	- 2,955	- 3,103	- 3,258	- 3,421	- 3,592
110 User Fees & Charges	LIM revenue	- 82,413	- 82,413	- 82,413	- 86,534	- 90,861	- 95,404	- 100,174
110 User Fees & Charges	SIQP	- 135,588	- 135,588	- 135,588	- 142,367	- 149,486	- 156,960	- 164,808
110 User Fees & Charges	Building compliance schedule	- 15,574	- 15,574	- 15,574	- 16,353	- 17,171	- 18,029	- 18,931
110 User Fees & Charges	PIM Revenue	- 19,015	- 19,015	- 19,015	- 19,966	- 20,964	- 22,012	- 23,113
110 User Fees & Charges	Advisory Services Revenue	- 84,688	- 84,688	- 84,688	- 88,922	- 93,368	- 98,037	- 102,939
110 User Fees & Charges	Certificates of Acceptance Re	- 64,380	- 64,380	- 64,380	- 67,599	- 70,979	- 74,528	- 78,254
110 User Fees & Charges	Exempt Building Work	- 10,367	- 10,367	- 10,367	- 10,886	- 11,430	- 12,002	- 12,602
110 User Fees & Charges	Certification Costs	- 17,785	- 17,785	- 17,785	- 18,674	- 19,608	- 20,589	- 21,618
980 Overheads / Internal Rec	Internal contract & consent mc	- 300,000	- 300,000	- 300,000	- 315,000	- 330,750	- 347,288	- 364,652
	Software on-charge	-	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000
<b>Total Revenue</b>		<b>- 3,834,455</b>	<b>- 4,090,737</b>	<b>- 3,380,028</b>	<b>- 3,540,529</b>	<b>- 3,709,056</b>	<b>- 3,886,009</b>	<b>- 4,071,809</b>

<b>Expenditure:</b>	Employee costs	3,009,584	2,482,000	2,482,000	2,531,640	2,582,273	2,633,918	2,686,597
	Staff training	33,643	33,643	40,000	40,000	40,000	40,000	40,000
350	Office Administration Ex Sundry Expenses	641	641	1,000	1,020	1,040	1,061	1,082
350	Office Administration Ex Food & Catering Costs	559	559	1,000	1,020	1,040	1,061	1,082
350	Office Administration Ex Telephone Charges	14,485	14,485	15,000	15,300	15,600	15,918	16,236
360	Professional Services Solicitors Fees	34,510	34,510	100,000	40,000	40,800	41,616	42,448
360	Professional Services Building Consultant Fees	1,802	1,802	2,000	2,040	2,081	2,122	2,165
360	Professional Services Consultants	1,865	1,865	2,000	2,040	2,081	2,122	2,165
360	Professional Services Certification Costs	27,108	27,108	60,000		61,200		62,424
370	Subscriptions Subscriptions Memberships	18,538	18,538	18,000	18,360	18,727	19,102	19,484
375	Office Equipment & Furn Minor Capital Items	1,397	1,397	6,000	6,120	6,242	6,367	6,495
450	Sundry Expenses Uniforms / Clothes Purchased	-	-	2,000	2,040	2,081	2,122	2,165
450	Sundry Expenses Sundry Expenses	3,796	3,796	3,000	3,060	3,121	3,184	3,247
470	Interest Expense Interest Payments - Internal Lo	19,076	19,076	60,000	60,000	60,000	60,000	60,000
970	Plant Hire (Internal) Plant Hire - Internal Usage	48,342	48,342	48,000	48,960	49,939	50,936	51,957
980	Overheads / Internal Rec Overheads Allocated	1,240,500	1,240,500	1,055,000	959,500	975,890	992,609	1,009,662
	Previous O/H Board	-	-	70,000	71,400	72,828	74,285	75,770
	Previous O/H CE	-	-	230,000	234,600	239,292	244,078	248,959
680	Previous O/H Depreciation Expense	-	-	30,000	30,000	30,000	30,001	30,002
350	Previous O/H Office Administration Expendit	103	103	40,000	40,800	41,616	42,448	43,297
350	Previous O/H Advertising	-	-	50,000	51,000	52,020	53,060	54,122
410	Previous O/H Insurance	8,574	8,574	65,000	66,300	67,626	68,979	70,358
	Previous O/H Rent	-	-	50,000	51,000	52,020	53,060	54,122
	Previous O/H IT services	-	-	30,000	30,600	31,212	31,836	32,473
	Previous O/H HR	-	-	80,000	80,000	80,000	80,000	80,000
	Previous O/H accounting	-	-	150,000	153,000	156,060	159,181	162,365
	Previous O/H corporate planning/start up	-	-	100,000	100,000	100,000	100,000	100,000
	Previous O/H misc	-	-	100,000	100,000	100,000	100,000	100,000
	Previous O/H Legal/ Payroll	-	-	20,000	20,000	20,000	20,000	20,000
	Previous O/H Audit charge	-	-	40,000	40,800	41,616	42,448	43,297
990	Overheads / Internal Rec IT Support	170,000	170,000	170,000	170,000	170,000	170,000	170,000
<b>Total Expenses</b>		<b>4,634,623</b>	<b>4,106,939</b>	<b>4,065,000</b>	<b>3,901,100</b>	<b>4,032,122</b>	<b>4,042,141</b>	<b>4,177,209</b>
<b>Net</b>		<b>899,068</b>	<b>16,292</b>	<b>684,972</b>	<b>360,571</b>	<b>323,966</b>	<b>166,133</b>	<b>109,400</b>

71. Revenue notes for the above figures:

- Average BC revenue: \$1,710k (p.a), average annual consents 1077 per table above. Used approx. average revenue/consent \$1,600
- Forecast CCO – based on 1000 BCs provided @ \$2,100 (32% increase – in line with first draft revenue figure)
- 5% increase in revenue activities per year (included internal work in revenue)
- Used 2025 expected as basis for other items

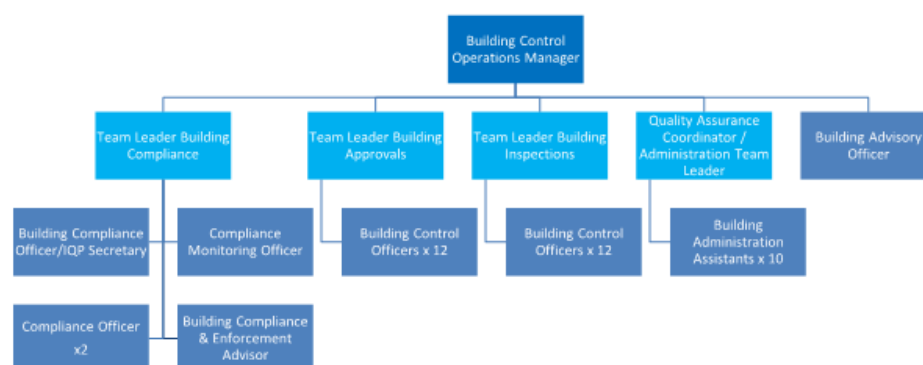
72. Expenditure notes for the above figures:

- Staff costs in line with 2026 expectations with 2% increase per year
- Solicitor's fees higher year 1 with regard to set up of CCO, then in line with actuals
- HR expenses higher in year 1 with regard to set up of CCO
- Corporate planning higher in year 1, including accounting as well company constitution, SOI, monthly reporting, full annual report, policies, audit support, consolidation etc.
- Internal interest based on a \$1.5m loan at 4%



**Option three - CCO operating with multiple BCAs (not including CCTO).****73. Basis of calculations**

- Consents totalling 2000 per year.
- Compliance officer: does not increase proportionately with the increase in BCs granted.
- Building consents granted: 2,000 at \$2,100 ea.
- Blue – no change in item with change in scale of operations.
- Green – proportional increase with increase in operations.
- Orange – non-proportional increase with increase in operations.



Category	FTE	Total employee costs	Total
Building control officers	28	110,000	3,080,000
Admin	10	71,500	715,000
Quality assurance	1	93,500	93,500
Compliance	5	77,000	385,000
Building Advisor	1	120,000	120,000
Building control manager	1	140,000	140,000
			4,533,500

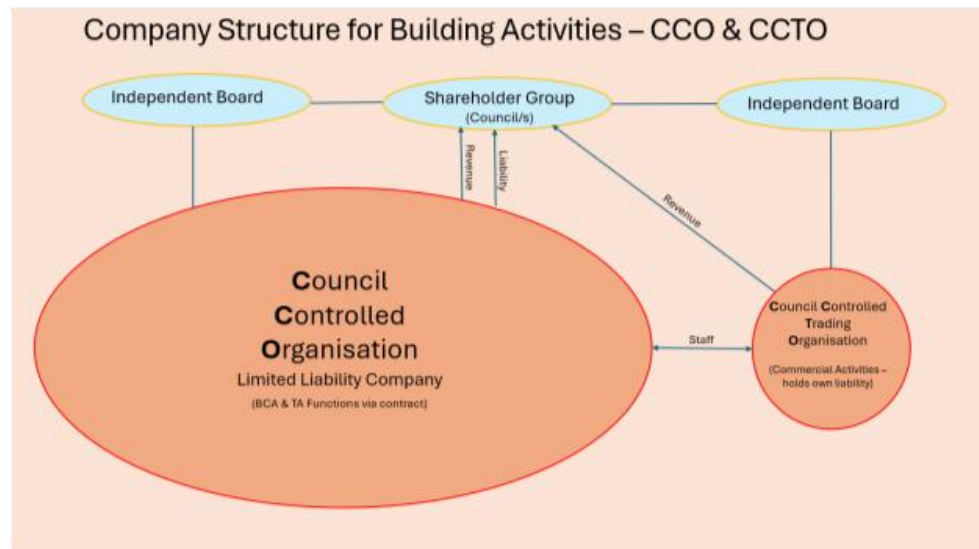


## 74. CCO Projected Financials (multiple BCAs)

Sub Ledger Ac	Sub Ledger Account (desc)	Resource (desc)	2025 June expected	2026 June Expected, No CCO	CCO Multi Council Year 1	CCO Multi Council Year 2	CCO Multi Council Year 3	CCO Multi Council Year 4	CCO Multi Council Year 5
100	Rates & Charges	General rates	- 1,196,272	- 1,008,272	-	-	-	-	-
		Additional Charging	-	- 190,000	- 399,000	- 418,950	- 439,898	- 461,892	- 484,987
105	Statutory Fees & Charges	Building consent fees	- 1,725,655	- 1,811,937	- 4,200,000	- 4,410,000	- 4,630,500	- 4,862,025	- 5,105,126
105	Statutory Fees & Charges	Earthquake Prone Buildings Re	- 1,149	- 1,149	- 2,299	- 2,414	- 2,534	- 2,661	- 2,794
105	Statutory Fees & Charges	Swimming Pool Inspections	- 21,264	- 21,264	- 42,527	- 44,654	- 46,886	- 49,231	- 51,692
105	Statutory Fees & Charges	Other Statutory Charges (Sund	- 14,913	- 14,913	- 29,825	- 31,316	- 32,882	- 34,526	- 36,252
105	Statutory Fees & Charges	Warrant of Fitness Revenue	- 140,436	- 140,436	- 280,873	- 294,916	- 309,662	- 325,145	- 341,403
110	User Fees & Charges	Other User Charges (Sundry)	- 2,955	- 2,955	- 5,911	- 6,206	- 6,516	- 6,842	- 7,184
110	User Fees & Charges	LIM revenue	- 82,413	- 82,413	- 164,826	- 173,068	- 181,721	- 190,807	- 200,348
110	User Fees & Charges	SI IQP	- 135,588	- 135,588	- 271,176	- 284,735	- 298,972	- 313,920	- 329,616
110	User Fees & Charges	Building compliance schedule	- 15,574	- 15,574	- 31,149	- 32,706	- 34,342	- 36,059	- 37,862
110	User Fees & Charges	PM Revenue	- 19,015	- 19,015	- 38,030	- 39,932	- 41,928	- 44,025	- 46,226
110	User Fees & Charges	Advisory Services Revenue	- 84,688	- 84,688	- 169,376	- 177,844	- 186,737	- 196,073	- 205,877
110	User Fees & Charges	Certificates of Acceptance Re	- 64,380	- 64,380	- 128,759	- 135,197	- 141,957	- 149,055	- 156,508
110	User Fees & Charges	Exempt Building Work	- 10,367	- 10,367	- 20,735	- 21,772	- 22,860	- 24,003	- 25,203
110	User Fees & Charges	Certification Costs	- 17,785	- 17,785	- 35,570	- 37,349	- 39,216	- 41,177	- 43,236
980	Overheads / Internal Rechi	Internal contract & consent m	- 300,000	- 300,000	- 500,000	- 525,000	- 551,250	- 578,813	- 607,753
		Software on-charge	-	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000
<b>Total Revenue</b>			<b>- 3,834,455</b>	<b>- 4,090,737</b>	<b>- 6,490,287</b>	<b>- 6,806,059</b>	<b>- 7,137,862</b>	<b>- 7,486,255</b>	<b>- 7,852,068</b>
<b>Expenditure:</b>	<b>Employee costs</b>		3,009,584	2,482,000	4,533,500	4,624,170	4,716,653	4,810,986	4,907,206
	Staff training		33,643	33,643	80,000	80,000	80,000	80,000	80,000
350	Office Administration Expe	Sundry Expenses	641	641	2,000	2,040	2,081	2,122	2,165
350	Office Administration Expe	Food & Catering Costs	559	559	2,000	2,040	2,081	2,122	2,165
350	Office Administration Expe	Telephone Charges	14,485	14,485	30,000	30,600	31,212	31,836	32,473
360	Professional Services	Solicitors Fees	34,510	34,510	100,000	40,000	40,800	41,616	42,448
360	Professional Services	Building Consultant Fees	1,802	1,802	4,000	4,080	4,162	4,245	4,330
360	Professional Services	Certification Costs	27,108	27,108	60,000	-	61,200	-	62,424
370	Subscriptions	Subscriptions Memberships	18,538	18,538	30,000	30,600	31,212	31,836	32,473
375	Office Equipment & Furnitu	Minor Capital Items	1,397	1,397	12,000	12,240	12,485	12,734	12,989
450	Sundry Expenses	Uniforms / Clothes Purchased	-	-	4,000	4,080	4,162	4,245	4,330
450	Sundry Expenses	Sundry Expenses	3,795	3,795	6,000	6,120	6,242	6,367	6,495
470	Interest Expense	Interest Payments - Internal Lo	19,076	19,076	60,000	60,000	60,000	60,000	60,000
970	Plant Hire (Internal)	Plant Hire - Internal Usage	48,342	48,342	96,000	97,920	99,878	101,876	103,913
980	Overheads / Internal Rechi	Overheads Allocated	1,240,500	1,240,500	1,545,000	1,334,700	1,356,794	1,379,330	1,402,318
	Previous O/H	Board	-	70,000	71,400	72,828	74,285	75,770	77,284
	Previous O/H	CE	-	240,000	244,800	249,696	254,690	259,784	264,984
680	Previous O/H	Depreciation Expense	-	60,000	60,000	60,000	60,000	60,000	60,000
350	Previous O/H	Office Administration Expendit	103	103	60,000	61,200	62,424	63,672	64,946
350	Previous O/H	Advertising	-	100,000	100,000	102,000	104,040	106,121	108,243
410	Previous O/H	Insurance	8,574	8,574	130,000	132,600	135,252	137,957	140,716
	Previous O/H	Rent	-	80,000	81,600	83,232	84,897	86,595	88,328
	Previous O/H	IT services	-	50,000	51,000	52,020	53,060	54,122	55,206
	Previous O/H	HR	-	160,000	50,000	51,000	52,020	53,060	54,122
	Previous O/H	accounting	-	175,000	178,500	182,070	185,711	189,426	193,116
	Previous O/H	corporate support	-	-	-	-	-	-	-
	Previous O/H	customer services	-	-	-	-	-	-	-
	Previous O/H	corporate planning/start up	-	150,000	50,000	51,000	52,020	53,060	54,122
	Previous O/H	misc	-	150,000	150,000	150,000	150,000	150,000	150,000
	Previous O/H	Office expenses	-	-	40,000	20,000	20,000	20,000	20,000
	Previous O/H	Legal/Payroll	-	-	80,000	81,600	83,232	84,897	86,595
	Previous O/H	Audit charge	-	-	-	-	-	-	-
980	Overheads / Internal Rechi	Internal Recharge	-	-	170,000	170,000	170,000	170,000	170,000
980	Overheads / Internal Rechi	IT Support	170,000	170,000	170,000	170,000	170,000	170,000	170,000
<b>Total Expenses</b>			<b>4,634,523</b>	<b>4,106,939</b>	<b>6,734,500</b>	<b>6,496,590</b>	<b>6,678,962</b>	<b>6,739,317</b>	<b>6,925,727</b>
<b>Net</b>			<b>800,068</b>	<b>16,202</b>	<b>244,213</b>	<b>307,469</b>	<b>458,900</b>	<b>746,938</b>	<b>926,340</b>

**CCO structure including CCTO (could be included with either option two or three).**

75. CCO & CCTO Organisational Structure.



76. Forecast financials for CCTO (standalone)

Category	FTE	Total employee costs
Building control officers	2	220,000
Admin	1	71,500
Fire inspector	1	140,000
Building Designer	1	110,000
		541,500

Resource (desc)	CCTO Year 1	CCTO Year 2	CCTO Year 3	CCTO Year 4	CCTO Year 5
Building compliance GAP	- 80,000	- 82,400	- 84,872	- 87,418	- 90,041
Building pre inspections	- 210,000	- 216,300	- 222,789	- 229,473	- 236,357
Fire safety reports	- 64,000	- 65,920	- 67,898	- 69,935	- 72,033
Building Design	- 300,000	- 309,000	- 318,270	- 327,818	- 337,653
Other user reports	- 100,000	- 103,000	- 106,090	- 109,273	- 112,551
<b>Total Revenue</b>	<b>- 754,000</b>	<b>- 776,620</b>	<b>- 799,919</b>	<b>- 823,916</b>	<b>- 848,634</b>
<b>Expenditure</b>					
Employee costs	541,500	552,330	563,377	574,644	586,137
Staff training	8,000	8,000	8,000	8,000	8,000
Sundry Expenses	200	204	208	212	216
Food & Catering Costs	200	204	208	212	216
Telephone Charges	3,000	3,060	3,121	3,184	3,247
Solicitors Fees	20,000	8,000	8,160	8,323	8,490
Building Consultant Fees	400	408	416	424	433
Subscriptions Memberships	3,600	3,672	3,745	3,820	3,897
Minor Capital Items	1,200	1,224	1,248	1,273	1,299
Uniforms / Clothes Purchased	400	408	416	424	433
Sundry Expenses	600	612	624	637	649
Interest Payments - Internal Loans	12,000	12,000	12,000	12,000	12,000
Plant Hire - Internal Usage	9,600	9,792	9,988	10,188	10,391
Overheads Allocated	164,000	143,960	146,279	148,645	151,058
Depreciation Expense	6,000	6,000	6,000	6,000	6,000
Office Administration Expenditure	8,000	8,160	8,323	8,490	8,659
Advertising	10,000	10,200	10,404	10,612	10,824
Insurance	26,000	26,520	27,050	27,591	28,143
Rent	10,000	10,200	10,404	10,612	10,824
IT services	6,000	6,120	6,242	6,367	6,495
HR	16,000	6,000	6,120	6,242	6,367
accounting	30,000	30,600	31,212	31,836	32,473
corporate planning/start up	20,000	10,000	10,200	10,404	10,612
misc	20,000	20,000	20,000	20,000	20,000
Legal/Payroll	4,000	2,000	2,000	2,000	2,000
Audit charge	8,000	8,160	8,323	8,490	8,659
<b>Total Expenses</b>	<b>764,700</b>	<b>743,874</b>	<b>757,791</b>	<b>771,988</b>	<b>786,467</b>
<b>Net</b>	<b>10,700</b>	<b>- 32,746</b>	<b>- 42,127</b>	<b>- 51,929</b>	<b>- 62,166</b>

## 77. Basis for calculations

- Building consent Gap Analysis reports: 100 reports @ \$800
- Fire safety reports: 80 reports @ \$800
- Building Pre purchase inspections: 600 reports in Timaru p.a – use 50% market share @ \$700
- Building Design work: expected revenue \$300k p.a
- Other reports: refer to 'additional commercial activities': \$100k per annum
- Expenditure items 20% of the CCO employee numbers and 20% of the expenditure.
- Revenue: Increase by 3% p.a (commercial activities, lower rate used)

- Expenditure: Increase by 2% p.a
- No on-charge for Board and CE expenditure from the parent CCO.
- Proportionate increases will occur should other BCA's enter the shareholder agreement.

### Three options analysis (Pros and Cons)

78. Option One - Timaru District Council retaining the Building Consent Authority and Territorial Authority regulatory functions (in house).

#### Responsibility of governance:

- The governance of this option remains with the councils Elected Members, Chief Executive and the Ministry of Business Innovation and Employment (MBIE), in particular the Building Performance branch.
- The Accreditation Regulations will also continue to provide oversight via the bi-annual auditing of the BCA.
- As local governance would remain the same under this option, there is limited opportunity for change in a way that would provide greater value.
- In terms of central government, change can be introduced via a consultative process which allows councils and BCA's to be involved in and have potential influence of that change.

#### Funding of the services:

- The funding of the Building Regulatory services would continue to be structured in accordance with Councils Long Term Plan. This is currently set at a 70/30% ratio, with 70% coming from fees and charges and 30% from rates.
- Our reliance on rates to cover the short fall of revenue is increasing and is currently over \$1m which exceeds the 30% threshold. We understand these settings will need to change in the future with a focus on increased effectiveness in terms of recovering costs related to performing these functions.
- The Building Levy, which applies to all consents over the value of \$65,000 is managed by MBIE with their Chief Executive having discretion on how the funds from the levy are utilised. This is generally on a national level which in turn has a limited impact on the local environment.
- The financial forecasting for the 2026 year that includes a reduction in staff resourcing, whilst it shows an increase in revenue and a decrease in expenses, does not result in a reduction on the reliance of rates to a level that is acceptable to the desired outcome.

Delivery of regulatory functions:

- Regulatory functions will continue to be delivered in the way the applicable legislation and regulations require with regard to the BCA and TA functions.
- The ability to provide support to other neighbouring councils can continue, however this is currently based on an “as required” basis.
- Apart from these selected agreements between BCA’s, there are limited opportunities deliver regulatory functions outside the current legislative framework.
- It appears that this option does not align with the government’s current objectives with regard to the Building System reforms. It is likely that should the BCA continue to deliver regulatory functions in this way, any future changes may see government impose consolidation of BCA’s on councils, rather than having the ability to shape its own destiny.

How performance is assessed and reported:

- Performance measures will continue to be assessed and reported in accordance with the legislative and accreditation requirements.
- The quarterly reporting to elected members will also remain by continuing to identify the agreed measures within the Long term Plan.
- We are of the view that the agreed reporting measures are appropriate for the intended purpose, however, should these measures change in the future, we will support and adapt to any changes.
- Identified within this review, with regard to the implementation of the new consenting system, the reduction of staff and the review of a time verses cost system, we are of the view that these changes are necessary regardless of whether the CCO comes to any type of fruition.

How accountability is to be enforced:

- The accountability of performing BCA and TA functions is ultimately enforced by legislation and the associated regulations.
- MBIE have contracted International Accreditation New Zealand (IANZ) to conduct the bi-annual accreditation assessments that ensures the BCA is performing its duties correctly, therefore ensuring accountability.
- We are of the view this level of accountability provides the assurance that the BCA is performing these functions in a way that provides assurance to the local construction sector and the public.
- The liability settings will continue to be the same, with council (TA) providing the assurance of “Registration” for the BCA.



79. Option Two - Council Controlled Organisation (CCO) including the Council Controlled Trading Organisation (CCTO) for Timaru only.

Responsibility for governance:

- With regard to this option the governance shifts to the CCO board and Chief Executive. The CCO will become a registered limited liability company with the creation of a company Purpose, Constitution and Shareholder Agreements.
- The CCTO will have its own governance, separate from the CCO and from TDC. It will also have its own board and Chief Executive and be a registered limited liability company with the creation of a company Purpose, Constitution and Shareholder Agreements.
- Whilst TDC will become a shareholder in both CCO and CCTO, it will be at arm's length and will not be directly involved with the governance of these entities, similar to Timaru District Holding Limited (TDHL).
- The Building Regulatory framework will still be applicable to the CCO as responsible for performing the regulatory functions of the Act. Therefore, the assurance of achieving compliance and the governance of the statutory requirements will remain the same.

Funding of services:

- The services provided by the CCO will be funded by applicable fees and charges, similar to the current model. However, there will be a change in focus to introduce a "user pays" system with the intention to operate a 100% recoverable model. Notwithstanding this, there are no impediments to the CCO in producing a funding surplus.
- The financial modelling within this review, indicates a small but steady growth from transitioning to the CCO which includes its setup costs. However, once setup the true value of the independence created by the CCO will become apparent. These advantages can be attributed to the structuring in a more business-like manner that would assist in efficiencies to the functions performed and adjusting the mindset of staff required to carry them out.
- The funding of the CCTO is directly related to any of the services it provides and will be subject to relevant market rates. As the requirement for the CCTO is to be self-supporting in terms of funding, it will be important for the CE and Operations manager to have a good understanding of what the rates are and how these services can be marketed.
- As with any CCO funding surplus, the CCTO model with the additional revenue opportunities, once established, can be utilised to either create an insurance risk pool for future claims, return dividends to the shareholders or assist in maintaining reasonable costs associated with fees and charges.

- The financial forecasting for this model, whilst showing modest increases in revenue, are still outweighed by the expenses with overall losses forecasted for the 5 years. However, once the CCO is operational the expenses remain reasonably consistent, resulting in increased reduction in the reliance on rates over consecutive years. The CCTO forecasting for this model shows a steady but conservative increases and these will be subject to the promotion of these services.

#### Delivery of regulatory functions:

- The CCO structure, once accredited and registered, will be able to deliver the regulatory functions to at least the same level and extent as the current system under council does. However, the CCO model is able to operate without many of the organisational constraints that exists under the Local Government environment which will result in greater efficiencies.
- Less constraints could allow the CCO to have greater agility in terms of adjusting to changes in legislation and or levels of service. However, there will still be connections back the council in terms of performing certain TA functions such as Project Information Memorandum (PIM) and Land Information Memorandum (LIM) and these will be arranged via Service Level Agreements to ensure a robust structure in place.
- We are of the view that reviewing the Building Unit structure with regard to roles and staffing numbers, will not impact on performance and the delivery of those functions. We believe that a certain level of tension is required to increase the overall performance and create a growth mindset.
- However, it appears this option does not align with the government's current objectives with regard to the Building System reforms. It is likely that this option would be considered by government in the same way as it would if council were to retain the status quo as mentioned in option one.
- It is likely that should the BCA continue to deliver regulatory functions in this way, any future changes may see government impose changes, rather than having the ability to shape its own destiny.

#### How performance is assessed and reported:

- Performance of the CCO will be assessed, in part, against the purpose and shareholder agreements of the CCO. Performance will also be assessed against the applicable regulatory requirements, in particular the Accreditation Regulations, as the BCA is currently subjected to.
- It is intended that all applicable performance assessments of the CCO and CCTO will be reported to the shareholders on a quarterly and annual basis. It will be important that all reporting includes a full and transparent view of the current financial positions and the forecasting of what potential opportunities or issues may arise.

- In terms of the CCTO, it will have a clear plan of revenue projects and how these are managed to fruition or conversely why they were not considered as an opportunity of revenue. This will be reported to the shareholders along with the CCO reports.

How Accountability is to be enforced:

- The accountability framework of the CCO and CCTO will be outlined within the relevant shareholder agreements and will be enforced by the relevant shareholders, boards and CE's of those boards.
- There are also regulatory accountabilities that exist within the building Act and Accreditations Regulations. In particular the bi-annual assessment audits will continue to provide the value as it currently does and that the BCA is familiar with.
- Whilst there are many steps in the process, the loss of accreditation or registration would have major implications on the CCO's ability to perform regulatory functions. However, as serious as this would be, the risk of this eventuating is low, due to the regulatory framework being well entrenched within BCA's.

80. Option three - Council Controlled Organisation (CCO) with multiple shareholders including the Council Controlled Trading Organisation (CCTO).

Responsibility for governance:

- With regard to this option, as with option 2, governance is provided by the relevant boards of the CCO and CCTO. The CCO and CCTO will become separate registered limited liability companies with the creation of a company Purpose, Constitution and Shareholder Agreements.
- Whilst TDC will become a shareholder in both CCO and CCTO, it will be at arm's length and will not be directly involved with the governance of these entities, as mentioned in option 2.
- Notwithstanding this, an increased number of shareholders, will increase the complexities in developing the structure and shareholder agreements of the CCO and CCTO. However, these complexities can be appropriately managed by ensuring sufficient investment in expertise is obtained to assist in this process.
- The Building Regulatory framework will still be applicable to the CCO as responsible for performing the regulatory functions of the Act. Therefore, compliance and governance of the statutory requirements will remain the same for the BCA. While an increase in the number of staff will add certain complexities, these can be effectively managed through the quality assurance system.



#### Funding of the services:

- As identified in option 2, all services provided by the CCO will be funded by applicable fees and charges. The change in focus to introduce a “user pays” system with the intension to operate a 100% recoverable model will exist in this option as well, along with the ability of the CCO to produce a funding surplus.
- The funding of the CCTO is directly related to any of the services it provides and will be subject to relevant market rates. As the requirement for the CCTO is to be self-supporting in terms of funding, it will be important for the CE and Operations manager to have a good understanding of what the rates are and how these services can be marketed.
- The potential for growth as a larger CCO and CCTO under this model will see the potential for greater revenue and expense. Once established, the CCO should experience greater value as a result of the independence created from the current framework. These advantages can be attributed to the structure of a business-like model on a larger scale that can drive efficiencies into the functions performed and adjusting the mindset of staff required to carry them out.
- As with option 2, any CCO funding surplus and or the additional revenue generated from the CCTO model, once established, can be utilised to either create an insurance risk pool for future claims, return dividends to the shareholders or assist in maintaining reasonable costs associated with fees and charges.
- The financial forecasting for this option demonstrates that the combined BCA model has the ability to create revenue that shows strong proportional increases in comparison with option two. Proportional increases will also relate to the CCTO in that these opportunities have the potential to cover a wider area than that of just the BCA shareholder group.

#### Delivery of regulatory functions:

- The CCO structure, once accredited and registered, will be able to deliver the regulatory functions in a more consistent manner as there will be one team covering a wider geographical area. This will have a positive impact on those that operate in these areas and will reduce the amount of organisational constraints that exists under the Local Government environment which designers and Trades alike are currently subjected to.
- As in option 2, less constraints could allow the CCO to have greater agility in terms of adjusting to changes in legislation and or levels of service, just on a larger scale. However, there will still be connections back the council in terms of performing certain TA functions such as Project Information Memorandum (PIM) and Land Information Memorandum (LIM).

- These connections will provide certain challenges to establish and to maintain. However, we are of the view that the creation of robust Service Level Agreements will ensure appropriate functionality between the council shareholders.
- It will be important to ensure the CCO structure with regard to roles and staffing numbers, will be appropriate. Provided within this review is an indicative structure we believe will achieve the level of tension and performance required to achieve the regulatory functions. This structure also has the potential to result in savings due to the combining of certain roles such as Operations Manager, Quality Assurance, Administration and Technical Officers.
- This option appears to achieve many of the government's current objectives including the consolidation of BCA's and consistency of performing Building Consenting functions. However, for this option to realise its full potential, a change to the Building Act will be required to remove the requirement for a council (TA) to remain accredited and registered when these regulatory functions are being performed by a CCO on their behalf.

How performance is assessed and reported:

- As in option 2, performance of the CCO will be assessed against the purpose and shareholder agreements, of the CCO. Performance will also be assessed against the applicable regulatory requirements, in particular the Accreditation Regulations, as is currently the case.
- It is intended that all applicable performance assessments of the CCO and CCTO will be reported to the shareholders on a quarterly and annual basis, which may involve multiple meetings and presentations, dependant on the shareholder meeting timetables. It will be important that all reporting includes a full and transparent view of the current financial positions and the forecasting of what potential opportunities or issues may arise.
- The CCTO will have a clear plan of revenue projects and how these are managed to fruition or conversely why they were not considered as an opportunity of revenue. This will vary from district to district which will provide further challenges, however, as this is not subjected to a regulatory framework, allows time and flexibility to ensure performance measures can be achieved.

How accountability is enforced:

- As with option 3, the accountability framework of the CCO and CCTO will be outlined within the relevant shareholder agreements and will be enforced by the relevant shareholders, boards and CE's of those boards. This may pose certain challenges due to the size of the entities and the number of shareholders.

- There are also regulatory accountabilities that exist within the Building Act and Accreditations Regulations. In particular the bi-annual assessment audits will continue to provide the value as intended, with certain efficiencies due to the scale of the BCA and of its operation.
- The loss of accreditation or registration would have major implications on a CCO that encompasses multiple shareholders. However, as serious as this would be, we are of the view the risk of this eventuating would be low, due to the many safety nets that exist within the regulatory framework, something that is well entrenched within BCA's.

Jayson Ellis

Building Control Manger



## Financial Modelling BCA CCO

Prepared by:

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### Review

- 1 Proposal of the Establishment of a Private Building Consent Authority as a Council Controlled Organisation.

### Situation

- 2 The building consent system currently being reformed by the Ministry for Business, Innovation & Employment (MBIE).
- 3 Indication reform will seek voluntary consolidation of BCA's, or they will consider simply regionalising BCA's.
- 4 Minister for Building and Construction Chris Penk is open to sector led solutions which may influence the reform.

### Proposal

- 5 The Timaru District Council (TDC) is proposing the establishment of a Private Building Consent Authority (BCA) as a Council Controlled Organisation (CCO).
- 6 The Building Control activity, meaning both the Building Consent Authority (BCA) and the Territorial Authority (TA) functions conducted under statute by Council, would be provided by the new CCO via contract with Council.
- 7 The CCO will initially be owned by TDC, but structured in such a way that other Councils can join the CCO to deliver building control functions, as shareholders.
- 8 The concept works in terms of meeting the Minister's goals for the reform, when two or more BCA's consolidate, and additional benefits such as Improved consumer consistency; economies of scale, and improved efficiency are expected to be realised.

### Proposal requirements

- 9 Process required to create a CCO would require a formal community consultation
- 10 Council would also need to work closely with MBIE, seek minor changes to legislation that guide the creation of BCA's.
- 11 Changes to the Building Act under section 212 will be required for a CCO to deliver the BCA and TA functions on behalf of multiple Councils, and 215 requiring the TA to maintain accreditation.
- 12 Other local authorities would also need to be on-board for the scalability aspect.
- 13 Currently, neighbouring Councils are taking a more cautious 'wait and see' approach.
- 14 Immediate neighbouring Councils see the proposal as an existential threat, particularly as the Local Water Done Well reform process progresses.
- 15 The shareholder group can be one Council initially some limited interest has been expressed in the concept by several other Councils in the South Island.

### Shareholder buy-in

- 16 A shareholder agreement that outlines structure, organisational boundaries and how proportionality, based on the number of building consent applications processed over the last 3 years in the district, will form the basis for the



allocation of benefits from being a shareholder. Every 3 years this exercise will be re-run to establish if any movement is needed for the settings in the following 3-year period.

#### **CCO**

- 17 The company will be governed by an independent board of 3 experts
- 18 The Board will appoint a Chief Executive (CE) to run the company. The CE will appoint the second-in-charge, the Building Control Manager. The staff will be, at the onset, the same staff that are currently employed by Council to deliver BCA and TA building services to ensure a seamless transition
- 19 The 29 people delivering services for TDC comprises of 16 technical Building Control Officers (including team leaders), 6 administration roles, a quality assurance role, 4 compliance roles a Building Advisory Role and the Building Control Manager. Expected decrease in workforce of 4 or 5 people in 2025/26 independent of the structure.
- 20 There is expected to be a decrease in these numbers for the 2026 financial year.

#### **Immediate benefit**

- 21 Council BCA must not make a surplus from the activity but can deliver services at a deficit.
- 22 Council has previously expressed a view that "user pays" is a preference releasing the current 20% to 30% cost burden from ratepayers.

#### **Benefits with other Councils joining**

- 23 The higher the number of Councils in the shareholder group, the more efficiencies will become available to be realised. This will be via a centralised administration hub for building services and consent processing, consolidation of quality assurance functions across shareholder Councils, consolidation of the need for a Building Control Manager across all shareholder Councils, savings in corporate overheads, IT cost savings in relation to both software and hardware, potential vehicle fleet savings, a right-sized group of technical staff and savings in auditing costs for accreditation. Biennial audits by International Accreditation NZ on behalf of MBIE (current legislation notes TDC would also need to retain this accreditation).
- 24 A larger CCO BCA may be able to justify in-house specialists such as structural engineers, so pay a premium is not required to be paid, at the applicant's expense, to use consultant engineers as needed.
- 25 CCO be predominantly in the regulatory function at the outset.

#### Regulatory Activities:

- Building Consent Applications
- Other Minor Applications (e.g. solid and liquid fuelled heating appliances, demolition, marquees, solar hot water systems etc.)
- Project Information Memorandum (PIM)
- Building Consent Amendments
- Exempt Building Work
- Compliance Schedules and Building Warrant of Fitness
- Certificates of Acceptance





- Other Building Expenses (e.g. Notice to Fix, Dangerous and Insanitary Buildings etc.)
- IQP Processing
- Fencing of Residential Swimming Pools
- Earthquake Prone Buildings"

#### CCTO

- 26 If a Council Controlled Trading Organisation (CCTO) component was set up as a separate entity it would have the ability to trade commercially.
- 27 There are relatively complex regulatory issues to grapple with in establishing a private BCA and enabling commercial activity through Council Organisations.
- 28 purpose of the commercial activities undertaken by the CCTO component will be to off-set the cost of providing BCA and TA functions to the districts within the area covered by the shareholder group, and/or to provide a small dividend.
- 29 Local Government Act 2002 at section 62 prevents a CCTO from being financially supported by Council, hence the need for a somewhat complex company structure around services delivered – broadly split into regulatory functions (BCA & TA) being delivered under a CCO structure, with commercial trade delivered under a CCTO structure, as a single entity under an independent board.
- 30 Example of a CCTO activity which could be started immediately would be offering pre-purchase inspections for potential property buyers, which can generate surplus revenue.
- 31 Local real estate agents (in strict confidence) have revealed occasional disappointment with the level of service provided by the private sector presently for building reports.
- 32 Indicative figures show that circa 40 to 100 sales per month occur in the Timaru District depending on the market conditions, each of which is potentially available for a pre-purchase inspection or pre-sale inspection. Services could be provided far beyond Timaru District.

#### Commercial Activities

- Pre-purchase inspections
- Maintenance reports
- Pre-sale building inspections
- Healthy homes assessments
- Moisture testing
- Backflow Protection Inspections
- Earthquake hazards and risks check
- Mould checking and testing
- Asbestos testing
- Specialist engineering reports
- Post building inspections



**Financial Overview 2022 to 2025**

Sub Ledger	Sub Ledger Account (desc)	Resource (desc)	2022 June Actual YTD (Sum)	2023 June YTD Actuals	2024 Jun YTD Actuals	2025 June expected	Average
	<b>Rates &amp; Charges Total</b>		- 724	- 875	- 1,008	- 1,198	- 951
105	Statutory Fees & Charges	Building consent fees	- 1,794	- 1,810	- 1,509	- 1,726	- 1,710
105	Statutory Fees & Charges	Other Infringements Fines & Penalties	-	-	- 2	-	- 1
105	Statutory Fees & Charges	Earthquake Prone Buildings Registration	- 20	- 0	- 12	- 1	- 9
105	Statutory Fees & Charges	Swimming Pool Inspections	- 18	- 6	- 13	- 21	- 15
105	Statutory Fees & Charges	Other Statutory Charges (Sundry)	- 20	- 16	- 16	- 15	- 17
105	Statutory Fees & Charges	Warrant of Fitness Revenue	- 77	- 93	- 102	- 140	- 103
	<b>Statutory Fees &amp; Charges Total</b>		- 1,930	- 1,925	- 1,654	- 1,903	- 1,853
110	User Fees & Charges	Other User Charges (Sundry)	- 3	- 3	- 4	- 3	- 3
110	User Fees & Charges	Sales - Other General	-	-	-	-	-
110	User Fees & Charges	LIM revenue	- 63	- 61	- 73	- 82	- 70
110	User Fees & Charges	SI IQP	- 90	- 121	- 106	- 136	- 113
110	User Fees & Charges	Building compliance schedules	- 10	- 12	- 13	- 16	- 13
110	User Fees & Charges	Fire consulting revenue	- 0	-	-	-	- 0
110	User Fees & Charges	PIM Revenue	- 32	- 47	- 27	- 19	- 31
110	User Fees & Charges	Advisory Services Revenue	- 20	- 46	- 83	- 85	- 58
110	User Fees & Charges	Certificates of Acceptance Revenue	- 15	- 20	- 14	- 64	- 28
110	User Fees & Charges	Exempt Building Work	- 14	- 24	- 24	- 10	- 18
110	User Fees & Charges	Certification Costs	-	-	-	- 18	- 4
	<b>User Fees &amp; Charges Total</b>		- 247	- 334	- 343	- 433	- 339



**Expenditure**

Sub Ledger	Sub Ledger Account (desc)	Resource (desc)	2022 June Actual YTD (Sum)	2023 June YTD Actuals	2024 Jun YTD Actuals	2025 June expected	Average
	<b>Employee Costs Total</b>		2,258	2,499	2,694	3,010	2,615
	<b>Staff Training Total</b>		83	106	74	34	74
350	Office Administration Expenditure	Stationery & Office Consumables	3	2	1	0	1
350	Office Administration Expenditure	Printing & Photocopying Costs	-	-	-	-	-
350	Office Administration Expenditure	Postage	4	1	-	-	1
350	Office Administration Expenditure	Advertising	-	-	-	-	-
350	Office Administration Expenditure	Sundry Expenses	3	2	3	1	2
350	Office Administration Expenditure	Food & Catering Costs	0	0	1	1	1
350	Office Administration Expenditure	Telephone Charges	11	16	16	14	14
	<b>Office Administration Expenditure Total</b>		21	21	20	16	20
360	Professional Services	Solicitors Fees	9	33	264	35	85
360	Professional Services	Building Consultant Fees	216	174	3	2	99
360	Professional Services	Consultants	1	1	4	2	2
360	Professional Services	Planning Consultant Fees	0	-	-	-	0
360	Professional Services	Certification Costs	53	24	54	27	40
	<b>Professional Services Total</b>		280	232	325	65	225
	<b>Subscriptions Total</b>		2	13	14	19	12
	<b>Office Equipment &amp; Furniture Total</b>		17	5	2	1	6
	<b>Insurance Total</b>		36	44	18	9	27
	<b>Sundry Expenses Total</b>		12	3	2	4	5
	<b>Interest Expense Total</b>		-	11	36	19	17
	<b>Depreciation Total</b>		0	-	-	-	0
	<b>Plant Hire (Internal) Total</b>		37	41	44	48	42
980	Overheads / Internal Recharges	Overheads Allocated	992	1,048	1,056	1,241	1,084
980	Overheads / Internal Recharges	Internal Recharge	-	-	278	-	93
980	Overheads / Internal Recharges	Internal contract & consent monitoring	- 300	- 307	- 333	-	- 235
980	Overheads / Internal Recharges	IT Support	182	171	165	-	130
	<b>Overheads / Internal Recharges Total</b>		874	912	611	1,241	909
	<b>Grand Total</b>		718	752	834	930	809





## Forecast Financials 2026 financial year – No CCO

### Changes:

- 1 Increase in Building consent fees 5%
- 2 Increase Charges for work performed: \$190,000, offsetting rates charges
- 3 On-charge the software costs
- 4 Decrease in FTEs: 2 Building control officers, 1 admin, 1 Compliance officer.

Category	FTE	Total employee costs	Total
Building control officers	14	110,000	1,540,000
Admin	5	71,500	357,500
Quality assurance	1	93,500	93,500
Compliance	3	77,000	231,000
Building Advisor	1	120,000	120,000
Building control manager	1	140,000	140,000
			<b>2,482,000</b>

Master Account (num)	Master Account (desc)	Sub Ledger Account	Sub Ledger Account (desc)	Resource (desc)	2025 June expected	2026 June Expected. No CCO
2020 Building Control Revenue		100 Rates & Charges		General rates	- 1,198,272	- 1,008,272
				Additional Charging	-	- 190,000
2020 Building Control Revenue		105 Statutory Fees & Charges		Building consent fees	- 1,725,655	- 1,811,937
2020 Building Control Revenue		105 Statutory Fees & Charges		Earthquake Prone Buildings Registration	- 1,149	- 1,149
2020 Building Control Revenue		105 Statutory Fees & Charges		Swimming Pool Inspections	- 21,264	- 21,264
2020 Building Control Revenue		105 Statutory Fees & Charges		Other Statutory Charges (Sundry)	- 14,913	- 14,913
2020 Building Control Revenue		105 Statutory Fees & Charges		Warrant of Fitness Revenue	- 140,436	- 140,436
2020 Building Control Revenue		110 User Fees & Charges		Other User Charges (Sundry)	- 2,955	- 2,955
2020 Building Control Revenue		110 User Fees & Charges		LM revenue	- 82,413	- 82,413
2020 Building Control Revenue		110 User Fees & Charges		SI IQP	- 135,588	- 135,588
2020 Building Control Revenue		110 User Fees & Charges		Building compliance schedules	- 15,574	- 15,574
2020 Building Control Revenue		110 User Fees & Charges		PIM Revenue	- 19,015	- 19,015
2020 Building Control Revenue		110 User Fees & Charges		Advisory Services Revenue	- 84,688	- 84,688
2020 Building Control Revenue		110 User Fees & Charges		Certificates of Acceptance Revenue	- 64,380	- 64,380
2020 Building Control Revenue		110 User Fees & Charges		Exempt Building Work	- 10,367	- 10,367
2020 Building Control Revenue		110 User Fees & Charges		Certification Costs	- 17,785	- 17,785
4020 Building Control		980 Overheads / Internal Recharges		Internal contract & consent monitoring	- 300,000	- 300,000
				Software on-charge	-	- 170,000
		<b>Total Revenue</b>			<b>- 3,834,455</b>	<b>- 4,090,737</b>
		<b>Expendit</b>	<b>Employee costs</b>		3,009,584	2,482,000
			Staff training		33,643	33,643
4020 Building Control		350 Office Administration Expenditure		Sundry Expenses	641	641
4020 Building Control		350 Office Administration Expenditure		Food & Catering Costs	559	559
4020 Building Control		350 Office Administration Expenditure		Telephone Charges	14,485	14,485
4020 Building Control		360 Professional Services		Solicitors Fees	34,510	34,510
4020 Building Control		360 Professional Services		Building Consultant Fees	1,802	1,802
4020 Building Control		360 Professional Services		Consultants	1,865	1,865
4020 Building Control		360 Professional Services		Certification Costs	27,108	27,108
4020 Building Control		370 Subscriptions		Subscriptions Memberships	18,538	18,538
4020 Building Control		375 Office Equipment & Furniture		Minor Capital Items	1,397	1,397
4020 Building Control		450 Sundry Expenses		Uniforms / Clothes Purchased	-	-
4020 Building Control		450 Sundry Expenses		Sundry Expenses	3,795	3,795
4020 Building Control		470 Interest Expense		Interest Payments - Internal Loans	19,076	19,076
4020 Building Control		970 Plant Hire (Internal)		Plant Hire - Internal Usage	48,342	48,342
4020 Building Control		980 Overheads / Internal Recharges		Overheads Allocated	1,240,500	1,240,500
4020 Building Control		350 Previous O/H		Office Administration Expenditure	103	103
4020 Building Control		410 Previous O/H		Insurance	8,574	8,574
4020 Building Control		980 Overheads / Internal Recharges		IT Support	170,000	170,000
		<b>Total Expenses</b>			<b>4,634,523</b>	<b>4,106,939</b>
		<b>Net</b>			<b>800,068</b>	<b>16,202</b>

NB: Rates proportion of total revenue 2026 with changes to revenue: 24.6%



**Forecast Financials: CCO established. No CCTO****Basis of calculations:**

<b>South Island BCA Technical Resource Ratio/Comparison</b>				
BCA	Number of BCOs Performing a Technical Role	Annual Average Number of Consents Granted (over last 5 years)	Average Number of Consent Granted Per BCO	Annual Average Number of Consent Inspections Performed (over last 5 years)
Timaru	16	1077	67	3626
Queenstown Lakes	21 (+5 contractors)	1700	65	18000
Ashburton	10	636	63	3526
Dunedin	27	2687	99	10485
Central Otago	11	1010	91	4976
Westland	7	238	34	957
Tasman	14	1364	97	7555
Marlborough	12	1318	94	4536
Waitaki	7	700	100	2915
Gore	5	355	71	1744
Christchurch	40	4913	122	32521
Waimate	2	266	133	836
Butler	6	305	50	960

**Revenue:**

- 1 Average BC revenue: \$1,710k (p.a), average annual consents 1077 per table above. Used approx. average revenue/consent \$1,600
- 2 Forecast CCO – based on 1000 BCs provided @ \$2,100 (32% increase – in line with first draft revenue figure)
- 3 5% increase in revenue activities per year (included internal work in revenue)
- 4 Used 2025 expected as basis for other items

**Expenditure:**

- 1 Staff costs in line with 2026 expectations (refer to FTE table above), 2% increase per year
- 2 Solicitors fees – higher year 1, then in line with actuals
- 3 HR expenses – higher in year 1 due to establishment
- 4 Corporate planning – higher year 1 – including accounting as well – will require: company constitution; SOI; monthly reporting; full annual report, policies; audit support, consolidation etc.
- 5 Internal interest. Based on a \$1.5m loan at 4%



## Forecast Financials: CCO established. No CCTO

Master Ac	Sub Ledger Account	Sub Ledger Account (desc)	Resource (desc)	2025 June expected	Expected No CCO	CCO Year 1	CCO Year 2	CCO Year 3	CCO Year 4	CCO Year 5
2020 Building Control Revenue	100 Rates & Charges	General rates	General rates	- 1,198,272	- 1,008,272	-	-	-	-	-
		Additional Charging	Additional Charging	-	- 190,000	- 199,500	- 209,475	- 219,949	- 230,946	- 242,493
2020 Building Control Revenue	105 Statutory Fees & Charges	Building consent fees	Building consent fees	- 1,725,655	- 1,811,937	- 2,100,000	- 2,205,000	- 2,315,250	- 2,431,013	- 2,552,563
2020 Building Control Revenue	105 Statutory Fees & Charges	Earthquake Prone Buildings Registration	Earthquake Prone Buildings Registration	- 1,149	- 1,149	- 1,149	- 1,207	- 1,267	- 1,330	- 1,397
2020 Building Control Revenue	105 Statutory Fees & Charges	Swimming Pool Inspections	Swimming Pool Inspections	- 21,264	- 21,264	- 21,264	- 22,327	- 23,443	- 24,615	- 25,846
2020 Building Control Revenue	105 Statutory Fees & Charges	Other Statutory Charges (Sundry)	Other Statutory Charges (Sundry)	- 14,913	- 14,913	- 14,913	- 15,658	- 16,441	- 17,263	- 18,126
2020 Building Control Revenue	105 Statutory Fees & Charges	Warrant of Fitness Revenue	Warrant of Fitness Revenue	- 140,436	- 140,436	- 140,436	- 147,458	- 154,831	- 162,573	- 170,701
2020 Building Control Revenue	110 User Fees & Charges	Other User Charges (Sundry)	Other User Charges (Sundry)	- 2,955	- 2,955	- 2,955	- 3,103	- 3,258	- 3,421	- 3,592
2020 Building Control Revenue	110 User Fees & Charges	LM revenue	LM revenue	- 82,413	- 82,413	- 82,413	- 86,534	- 90,861	- 95,404	- 100,174
2020 Building Control Revenue	110 User Fees & Charges	SI IQP	SI IQP	- 135,588	- 135,588	- 135,588	- 142,367	- 149,406	- 156,960	- 164,806
2020 Building Control Revenue	110 User Fees & Charges	Building compliance schedules	Building compliance schedules	- 15,574	- 15,574	- 15,574	- 16,353	- 17,171	- 18,029	- 18,931
2020 Building Control Revenue	110 User Fees & Charges	PIM Revenue	PIM Revenue	- 19,015	- 19,015	- 19,015	- 19,966	- 20,964	- 22,012	- 23,113
2020 Building Control Revenue	110 User Fees & Charges	Advisory Services Revenue	Advisory Services Revenue	- 84,688	- 84,688	- 84,688	- 88,922	- 93,368	- 98,037	- 102,939
2020 Building Control Revenue	110 User Fees & Charges	Certificates of Acceptance Revenue	Certificates of Acceptance Revenue	- 64,380	- 64,380	- 64,380	- 67,599	- 70,979	- 74,528	- 78,254
2020 Building Control Revenue	110 User Fees & Charges	Exempt Building Work	Exempt Building Work	- 10,367	- 10,367	- 10,367	- 10,886	- 11,430	- 12,002	- 12,602
2020 Building Control Revenue	110 User Fees & Charges	Certification Costs	Certification Costs	- 17,785	- 17,785	- 17,785	- 18,674	- 19,608	- 20,589	- 21,618
4020 Building Control	980 Overheads / Internal Recharges	Internal contract & consent monitoring	Internal contract & consent monitoring	- 300,000	- 300,000	- 300,000	- 315,000	- 330,750	- 347,288	- 364,652
		Software on-charge	Software on-charge	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000
<b>Total Revenue</b>				<b>- 3,834,455</b>	<b>- 4,090,737</b>	<b>- 3,380,028</b>	<b>- 3,540,529</b>	<b>- 3,709,056</b>	<b>- 3,886,009</b>	<b>- 4,071,809</b>
<b>Expenditure:</b>				<b>3,009,584</b>	<b>2,482,000</b>	<b>2,482,000</b>	<b>2,531,640</b>	<b>2,582,273</b>	<b>2,633,918</b>	<b>2,686,507</b>
		Staff training	Staff training	33,643	33,643	40,000	40,000	40,000	40,000	40,000
4020 Building Control	350 Office Administration Expenditure	Sundry Expenses	Sundry Expenses	641	641	1,000	1,020	1,040	1,061	1,082
4020 Building Control	350 Office Administration Expenditure	Food & Catering Costs	Food & Catering Costs	559	559	1,000	1,020	1,040	1,061	1,082
4020 Building Control	350 Office Administration Expenditure	Telephone Charges	Telephone Charges	14,485	14,485	15,000	15,300	15,606	15,918	16,236
4020 Building Control	360 Professional Services	Solicitors Fees	Solicitors Fees	34,510	34,510	100,000	40,000	40,800	41,616	42,448
4020 Building Control	360 Professional Services	Building Consultant Fees	Building Consultant Fees	1,802	1,802	2,000	2,040	2,081	2,122	2,165
4020 Building Control	360 Professional Services	Consultants	Consultants	1,865	1,865	2,000	2,040	2,081	2,122	2,165
4020 Building Control	360 Professional Services	Certification Costs	Certification Costs	27,108	27,108	60,000		61,200	-	62,424
4020 Building Control	370 Subscriptions	Subscriptions Memberships	Subscriptions Memberships	18,538	18,538	18,000	18,360	18,727	19,102	19,484
4020 Building Control	375 Office Equipment & Furniture	Minor Capital Items	Minor Capital Items	1,397	1,397	6,000	6,120	6,242	6,367	6,495
4020 Building Control	450 Sundry Expenses	Uniforms / Clothes Purchased	Uniforms / Clothes Purchased	-	-	2,000	2,040	2,081	2,122	2,165
4020 Building Control	450 Sundry Expenses	Sundry Expenses	Sundry Expenses	3,795	3,795	3,000	3,060	3,121	3,184	3,247
4020 Building Control	470 Interest Expense	Interest Payments - Internal Loans	Interest Payments - Internal Loans	19,076	19,076	60,000	60,000	60,000	60,000	60,000
4020 Building Control	970 Plant Hire (Internal)	Plant Hire - Internal Usage	Plant Hire - Internal Usage	48,342	48,342	48,000	48,960	49,939	50,938	51,957
4020 Building Control	980 Overheads / Internal Recharges	Overheads Allocated	Overheads Allocated	1,240,500	1,240,500	<b>1,055,000</b>	<b>959,500</b>	<b>975,890</b>	<b>992,609</b>	<b>1,009,662</b>
	Previous O/H	Board	Board	-	-	70,000	71,400	72,828	74,285	75,770
	Previous O/H	CE	CE	-	-	230,000	234,600	239,292	244,078	248,959
4020 Building Control	680 Previous O/H	Depreciation Expense	Depreciation Expense			30,000	30,000	30,000	30,001	30,002
4020 Building Control	350 Previous O/H	Office Administration Expenditure	Office Administration Expenditure	103	103	40,000	40,800	41,616	42,448	43,297
4020 Building Control	350 Previous O/H	Advertising	Advertising			50,000	51,000	52,020	53,060	54,122
4020 Building Control	410 Previous O/H	Insurance	Insurance	8,574	8,574	65,000	66,300	67,626	68,979	70,358
	Previous O/H	Rent	Rent			50,000	51,000	52,020	53,060	54,122
	Previous O/H	IT services	IT services			30,000	30,600	31,212	31,836	32,473
	Previous O/H	HR	HR			80,000	80,000	80,000	80,000	80,000
	Previous O/H	accounting	accounting			150,000	153,000	156,060	159,181	162,365
	Previous O/H	corporate planning/start up	corporate planning/start up			100,000	50,000	51,000	52,020	53,060
	Previous O/H	misc	misc			100,000	100,000	100,000	100,000	100,000
	Previous O/H	Legal/Payroll	Legal/Payroll			20,000	10,000	10,000	10,000	10,000
	Previous O/H	Audit charge	Audit charge			40,000	40,800	41,616	42,448	43,297
4020 Building Control	980 Overheads / Internal Recharges	IT Support	IT Support	170,000	170,000	170,000	170,000	170,000	170,000	170,000
<b>Total Expenses</b>				<b>4,634,523</b>	<b>4,106,939</b>	<b>4,065,000</b>	<b>3,901,100</b>	<b>4,032,122</b>	<b>4,042,141</b>	<b>4,177,209</b>
<b>Net</b>				<b>800,068</b>	<b>16,202</b>	<b>684,972</b>	<b>360,571</b>	<b>323,066</b>	<b>156,133</b>	<b>105,400</b>

Note: Certification costs would also need to continue to be incurred by the Council without the change to the Building Act legislation section 215



## Forecast Financials: CCO – Multiple Councils totalling 2,000 BCs granted

## Basis of calculations:

Category	FTE	Total employee cos	Total
Building control officers	28	110,000	3,080,000
Admin	10	71,500	715,000
Quality assurance	1	93,500	93,500
Compliance	5	77,000	385,000
Building Advisor	1	120,000	120,000
Building control manager	1	140,000	140,000
			4,533,500

- 1 Compliance officer: does not increase proportionately with the increase in BCs granted.
- 2 Building consents granted: 2,000 at \$2,100
- 3 Key:
- 4 Blue – no change in item with change in scale of operations
- 5 Green – proportional increase with increase in operations
- 6 Orange – non-proportional increase with increase in operations

Master Ac	Master Account (desc)	Sub Ledger	Sub Ledger Resource (desc)	2025 June expected	2026 June Expected, No CCO	CCO Multi Council Year 1	CCO Multi Council Year 2	CCO Multi Council Year 3	CCO Multi Council Year 4	CCO Multi Council Year 5
2020 Building Control Revenue	100 Rates & O General rates			- 1,196,272	- 1,008,272	-	-	-	-	-
	Additional Charging			-	- 190,000	- 399,000	- 418,950	- 439,898	- 461,892	- 484,987
2020 Building Control Revenue	105 Statutory Building consent fees			- 1,725,655	- 1,811,937	- 4,200,000	- 4,410,000	- 4,630,500	- 4,862,025	- 5,105,126
2020 Building Control Revenue	105 Statutory Earthquake Prone Buildings Registration			- 1,149	- 1,149	- 2,299	- 2,414	- 2,534	- 2,661	- 2,794
2020 Building Control Revenue	105 Statutory Swimming Pool Inspections			- 21,264	- 21,264	- 42,527	- 44,654	- 46,886	- 49,231	- 51,692
2020 Building Control Revenue	105 Statutory Other Statutory Charges (Sundry)			- 14,913	- 14,913	- 29,825	- 31,316	- 32,882	- 34,526	- 36,252
2020 Building Control Revenue	105 Statutory Warrant of Fitness Revenue			- 140,436	- 140,436	- 280,873	- 294,916	- 309,662	- 325,145	- 341,403
2020 Building Control Revenue	110 User Fees Other User Charges (Sundry)			- 2,955	- 2,955	- 5,911	- 6,206	- 6,516	- 6,842	- 7,184
2020 Building Control Revenue	110 User Fees LIM revenue			- 82,413	- 82,413	- 164,826	- 173,068	- 181,721	- 190,807	- 200,348
2020 Building Control Revenue	110 User Fees SI IQP			- 135,588	- 135,588	- 271,176	- 284,735	- 298,972	- 313,920	- 329,616
2020 Building Control Revenue	110 User Fees Building compliance schedules			- 15,574	- 15,574	- 31,149	- 32,706	- 34,342	- 36,059	- 37,882
2020 Building Control Revenue	110 User Fees PIM Revenue			- 19,015	- 19,015	- 38,030	- 39,932	- 41,928	- 44,025	- 46,226
2020 Building Control Revenue	110 User Fees Advisory Services Revenue			- 84,688	- 84,688	- 169,376	- 177,844	- 186,737	- 196,073	- 205,877
2020 Building Control Revenue	110 User Fees Certificates of Acceptance Revenue			- 64,380	- 64,380	- 128,759	- 135,197	- 141,957	- 149,055	- 156,508
2020 Building Control Revenue	110 User Fees Exempt Building Work			- 10,367	- 10,367	- 20,735	- 21,772	- 22,860	- 24,003	- 25,203
2020 Building Control Revenue	110 User Fees Certification Costs			- 17,785	- 17,785	- 35,570	- 37,349	- 39,216	- 41,177	- 43,236
4020 Building Control	980 Overhead Internal contract & consent monitoring			- 300,000	- 300,000	- 500,000	- 525,000	- 551,250	- 578,813	- 607,753
	Software on-charge			-	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000	- 170,000
	<b>Total Revenue</b>			<b>- 3,834,455</b>	<b>- 4,090,737</b>	<b>- 6,490,287</b>	<b>- 6,806,059</b>	<b>- 7,137,862</b>	<b>- 7,486,256</b>	<b>- 7,852,068</b>
	<b>Expenditure</b>			<b>3,009,584</b>	<b>2,482,000</b>	<b>4,533,500</b>	<b>4,624,170</b>	<b>4,716,653</b>	<b>4,810,986</b>	<b>4,907,206</b>
	Staff training			33,643	33,643	80,000	80,000	80,000	80,000	80,000
4020 Building Control	350 Office Adm Sundry Expenses			641	641	2,000	2,040	2,081	2,122	2,165
4020 Building Control	350 Office Adm Food & Catering Costs			559	559	2,000	2,040	2,081	2,122	2,165
4020 Building Control	350 Office Adm Telephone Charges			14,485	14,485	30,000	30,600	31,212	31,836	32,473
4020 Building Control	360 Professional Solicitors Fees			34,510	34,510	100,000	40,000	40,000	41,616	42,448
4020 Building Control	360 Professional Building Consultant Fees			1,802	1,802	4,000	4,080	4,162	4,245	4,330
4020 Building Control	360 Professional Certification Costs			27,108	27,108	60,000		61,200		62,424
4020 Building Control	370 Subscript Subscriptions Memberships			18,538	18,538	30,000	30,600	31,212	31,836	32,473
4020 Building Control	375 Office Equ Minor Capital Items			1,397	1,397	12,000	12,240	12,485	12,734	12,989
4020 Building Control	450 Sundry Ex Uniforms / Clothes Purchased			-	-	4,000	4,080	4,162	4,245	4,330
4020 Building Control	450 Sundry Ex Sundry Expenses			3,795	3,795	6,000	6,120	6,242	6,367	6,495
4020 Building Control	470 Interest Ex Interest Payments - Internal Loans			19,076	19,076	60,000	60,000	60,000	60,000	60,000
4020 Building Control	970 Plant Hire Plant Hire - Internal Usage			48,342	48,342	96,000	97,920	99,878	101,876	103,913
4020 Building Control	980 Overhead Overheads Allocated			1,240,500	1,240,500	1,535,000	1,324,500	1,346,390	1,368,718	1,391,492
	Previous Board			-	70,000	71,400	72,828	74,285	75,770	
	Previous CE			-	230,000	234,600	239,292	244,078	248,959	
4020 Building Control	680 Previous Depreciation Expense				60,000	60,000	60,000	60,000	60,000	
4020 Building Control	350 Previous Office Administration Expenditure			103	103	60,000	61,200	62,424	63,672	64,946
4020 Building Control	350 Previous Advertising				100,000	102,000	104,040	106,121	108,243	
4020 Building Control	410 Previous Insurance			8,574	8,574	130,000	132,600	135,252	137,957	140,716
	Previous Rent				80,000	81,600	83,232	84,897	86,595	
	Previous IT services				50,000	51,000	52,020	53,060	54,122	
	Previous HR				160,000	50,000	51,000	52,020	53,060	
	Previous accounting				175,000	178,500	182,070	185,711	189,426	
	Previous corporate support					-	-	-	-	
	Previous customer services					-	-	-	-	
	Previous corporate planning/start up				150,000	50,000	51,000	52,020	53,060	
	Previous misc				150,000	150,000	150,000	150,000	150,000	
	Previous Office expenses				40,000	20,000	20,000	20,000	20,000	
	Previous Legal/Payroll				80,000	81,600	83,232	84,897	86,595	
4020 Building Control	980 Overhead Internal Recharge			170,000	170,000	170,000	170,000	170,000	170,000	170,000
4020 Building Control	980 Overhead IT Support			170,000	170,000	170,000	170,000	170,000	170,000	170,000
	<b>Total Expenses</b>			<b>4,634,523</b>	<b>4,106,939</b>	<b>6,724,500</b>	<b>6,488,390</b>	<b>6,668,558</b>	<b>6,728,705</b>	<b>6,914,903</b>
	<b>Net</b>			<b>800,068</b>	<b>16,202</b>	<b>234,213</b>	<b>- 317,669</b>	<b>- 469,304</b>	<b>- 757,550</b>	<b>- 937,165</b>



## CCTO – standalone forecast financials

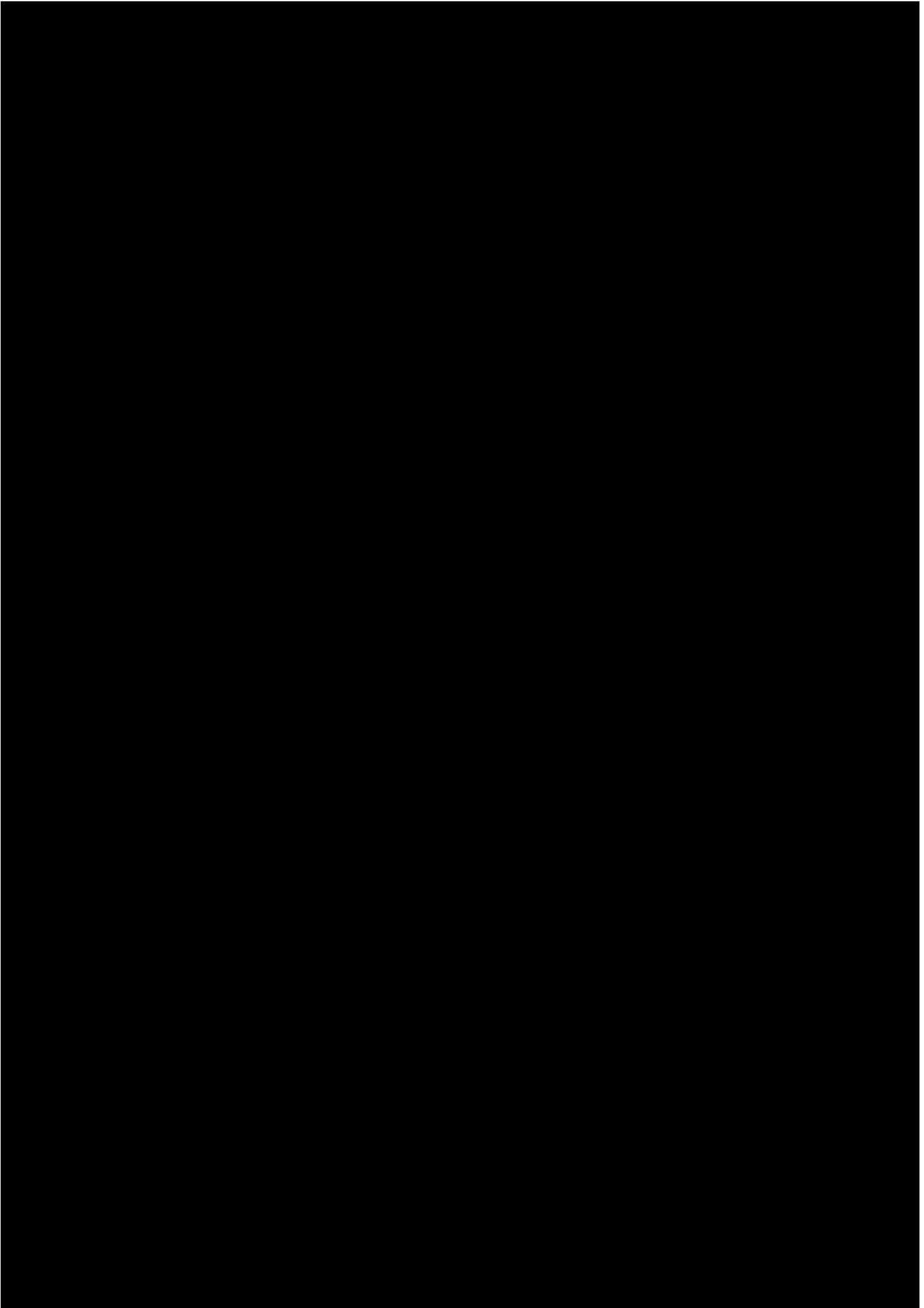
## Basis of calculations:

Category	FTE	Total employee cost
Building control officers	2	220,000
Admin	1	71,500
Fire inspector	1	140,000
Building Designer	1	110,000
		541,500

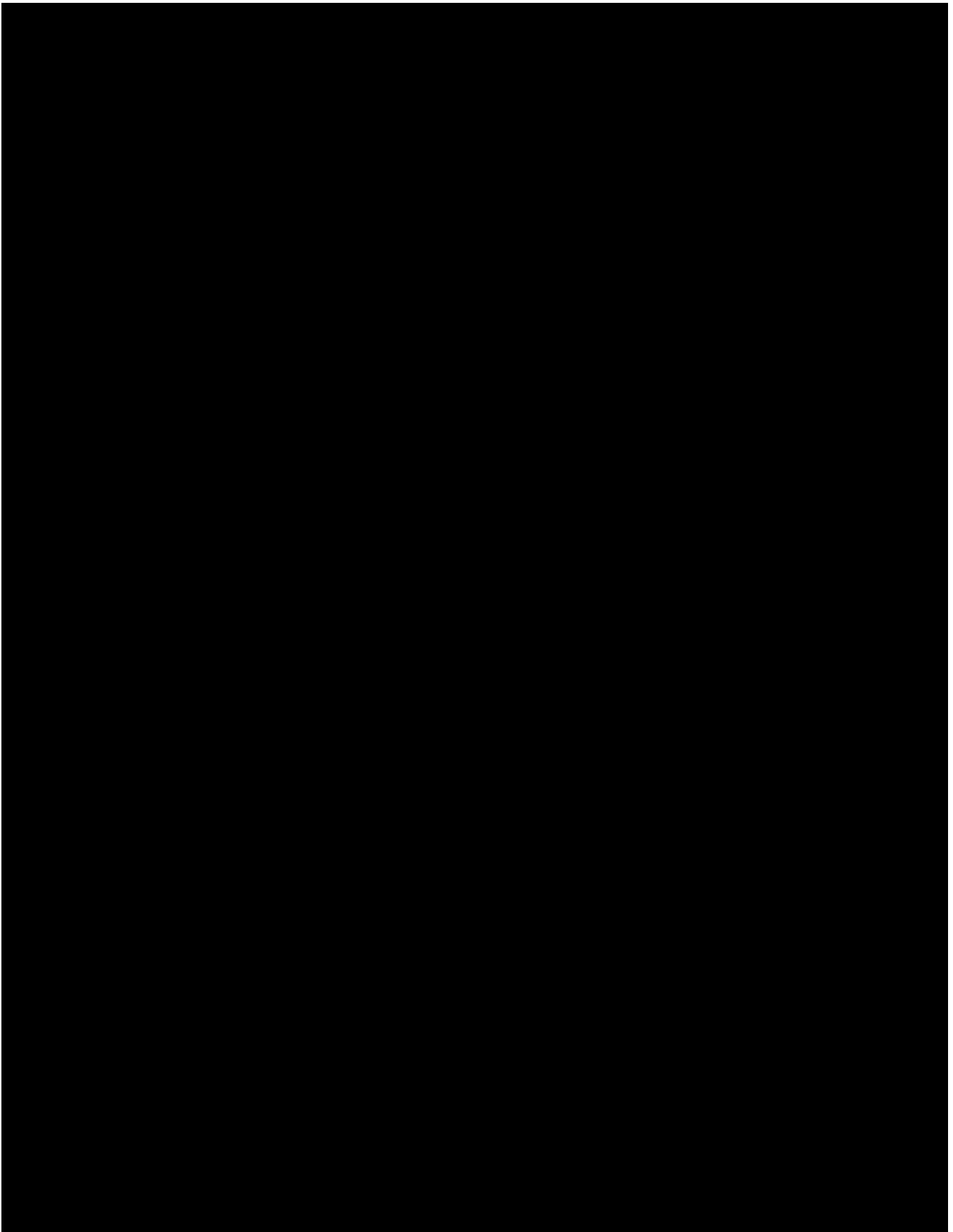
- 1 Building compliance Gap reports: 100 reports @ \$800
- 2 Fire safety reports: 80 reports @ \$800
- 3 Building Pre inspections: 600 reports in Timaru p.a – use 50% market share @ \$700
- 4 Building Design work: expected revenue \$300k p.a
- 5 Other reports: refer to 'additional commercial activities': \$100k per annum
- 6 Expenditure items 20% of the CCO employee numbers, used 20% of the expenditure.
- 7 Revenue: Increase by 3% p.a (commercial activities, lower rate used)
- 8 Expenditure: Increase by 2% p.a
- 9 No on-charge for Board and CE expenditure from the parent CCO.

Resource (desc)	OCTO Year 1	OCTO Year 2	OCTO Year 3	OCTO Year 4	OCTO Year 5
Building compliance GAP	- 80,000	- 82,400	- 84,872	- 87,418	- 90,041
Building pre inspections	- 210,000	- 216,300	- 222,789	- 229,473	- 236,357
Fire safety reports	- 64,000	- 65,920	- 67,898	- 69,935	- 72,033
Building Design	- 300,000	- 309,000	- 318,270	- 327,818	- 337,653
Other user reports	- 100,000	- 103,000	- 106,090	- 109,273	- 112,551
<b>Total Revenue</b>	<b>- 754,000</b>	<b>- 776,620</b>	<b>- 799,919</b>	<b>- 823,916</b>	<b>- 848,634</b>
<b>Expenditure</b>					
Employee costs	541,500	552,330	563,377	574,644	586,137
Staff training	8,000	8,000	8,000	8,000	8,000
Sundry Expenses	200	204	208	212	216
Food & Catering Costs	200	204	208	212	216
Telephone Charges	3,000	3,060	3,121	3,184	3,247
Solicitors Fees	20,000	8,000	8,160	8,323	8,490
Building Consultant Fees	400	408	416	424	433
Subscriptions Memberships	3,600	3,672	3,745	3,820	3,897
Minor Capital Items	1,200	1,224	1,248	1,273	1,299
Uniforms / Clothes Purchased	400	408	416	424	433
Sundry Expenses	600	612	624	637	649
Interest Payments - Internal Loans	12,000	12,000	12,000	12,000	12,000
Plant Hire - Internal Usage	9,600	9,792	9,988	10,188	10,391
Overheads Allocated	<b>164,000</b>	<b>143,960</b>	<b>146,279</b>	<b>148,645</b>	<b>151,058</b>
Depreciation Expense	6,000	6,000	6,000	6,000	6,000
Office Administration Expenditure	8,000	8,160	8,323	8,490	8,659
Advertising	10,000	10,200	10,404	10,612	10,824
Insurance	26,000	26,520	27,050	27,591	28,143
Rent	10,000	10,200	10,404	10,612	10,824
IT services	6,000	6,120	6,242	6,367	6,495
HR	16,000	6,000	6,120	6,242	6,367
accounting	30,000	30,600	31,212	31,836	32,473
corporate planning/start up	20,000	10,000	10,200	10,404	10,612
misc	20,000	20,000	20,000	20,000	20,000
Legal/Payroll	4,000	2,000	2,000	2,000	2,000
Audit charge	8,000	8,160	8,323	8,490	8,659
<b>Total Expenses</b>	<b>764,700</b>	<b>743,874</b>	<b>757,791</b>	<b>771,988</b>	<b>786,467</b>
<b>Net</b>	<b>10,700</b>	<b>- 32,746</b>	<b>42,127</b>	<b>- 51,929</b>	<b>62,166</b>

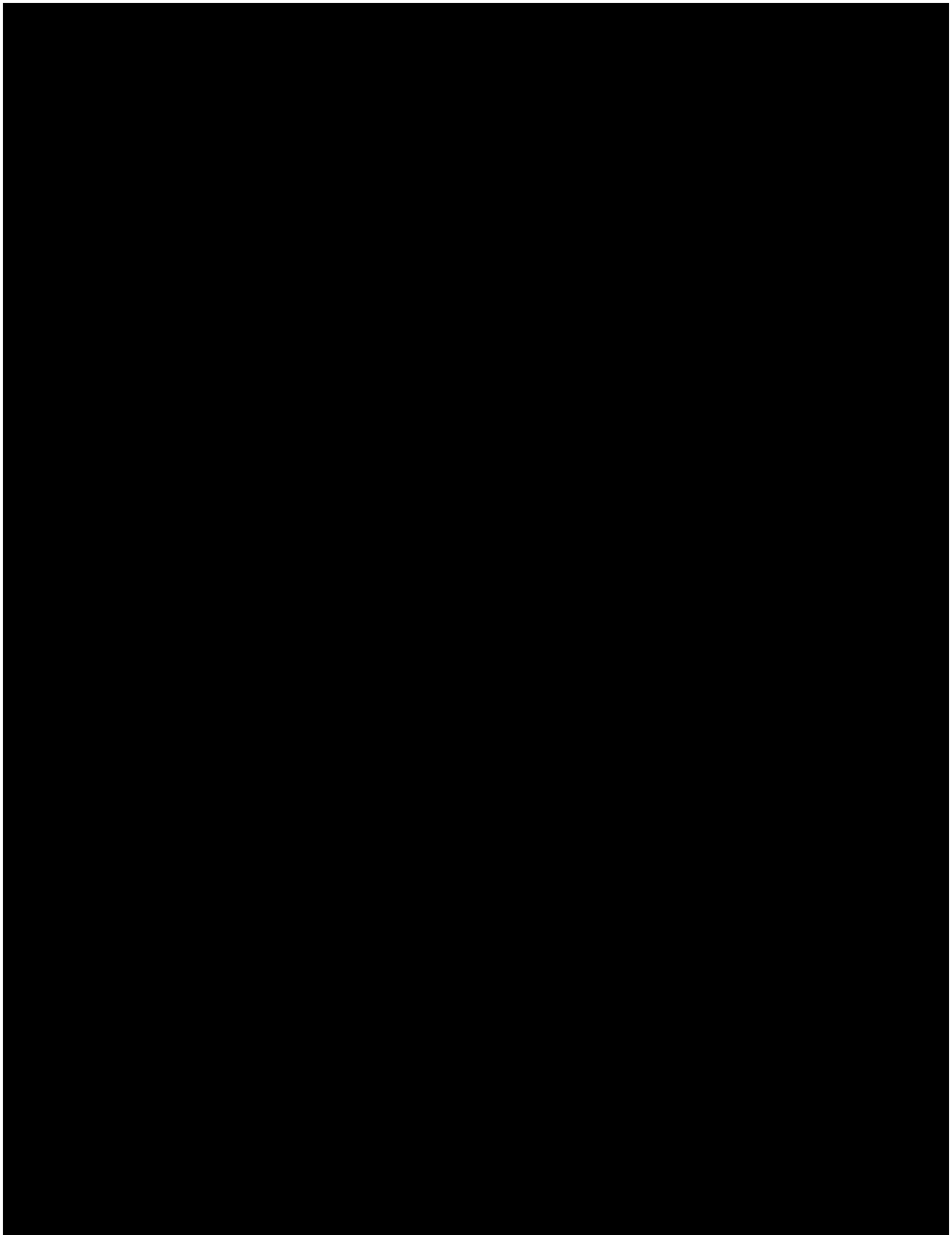




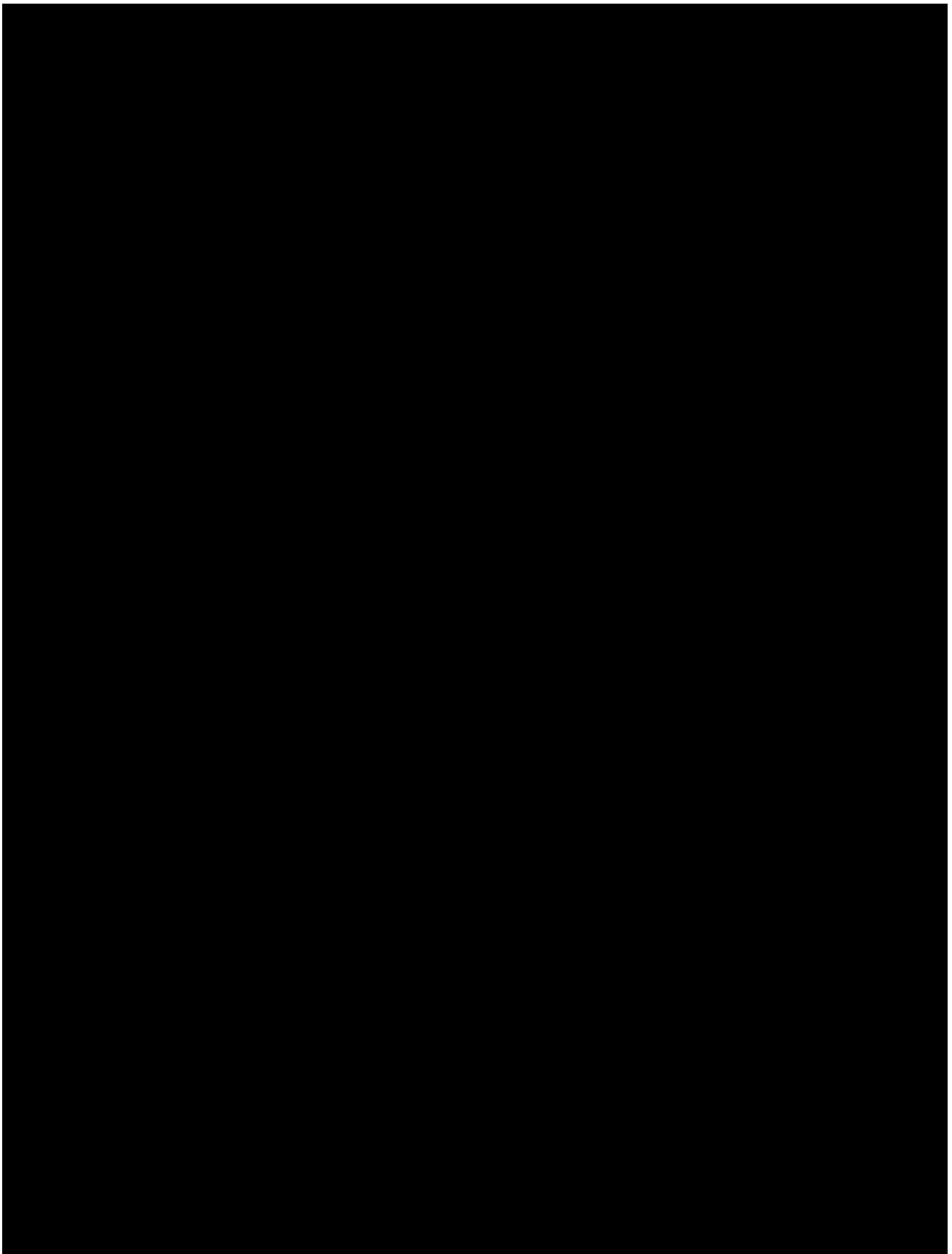




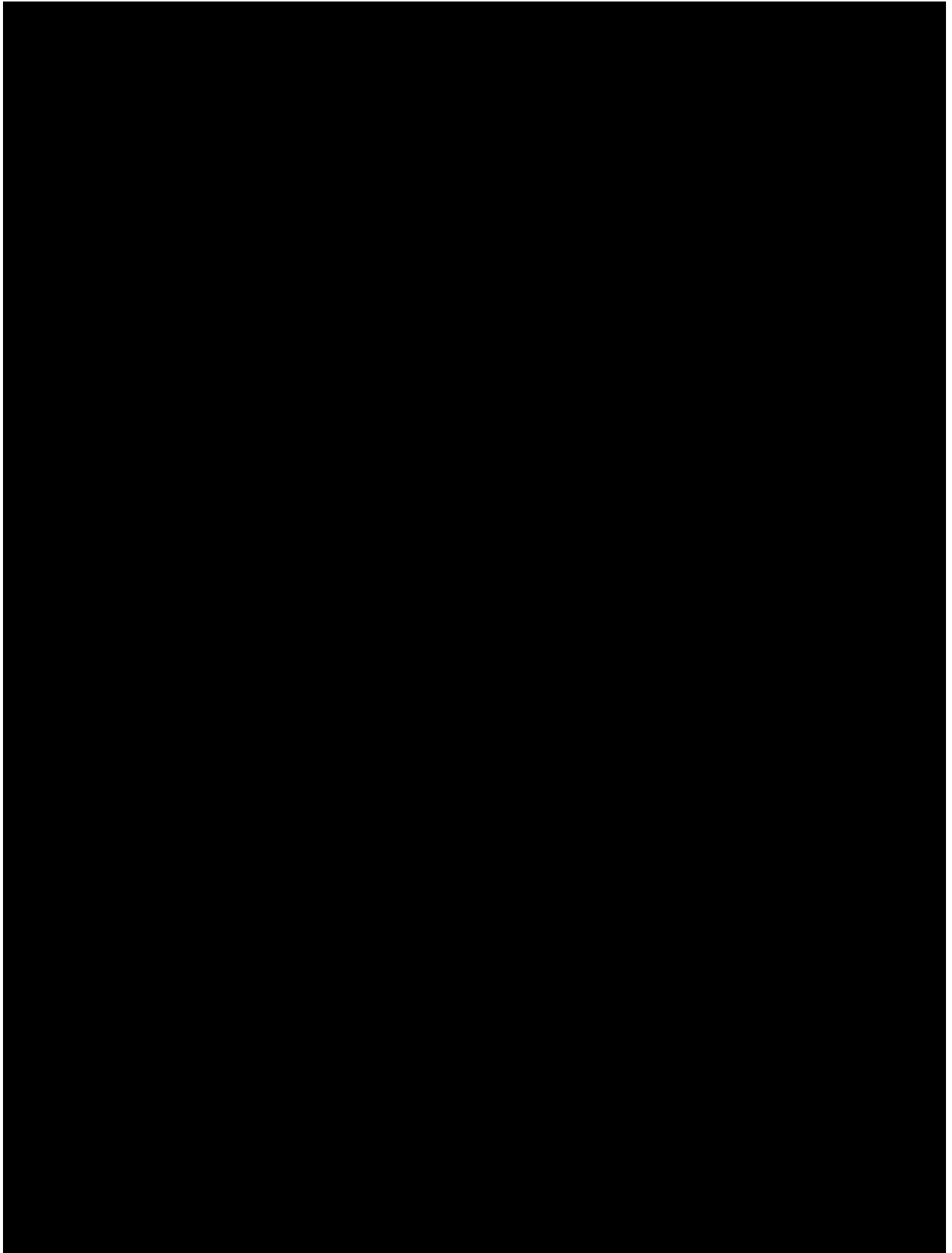
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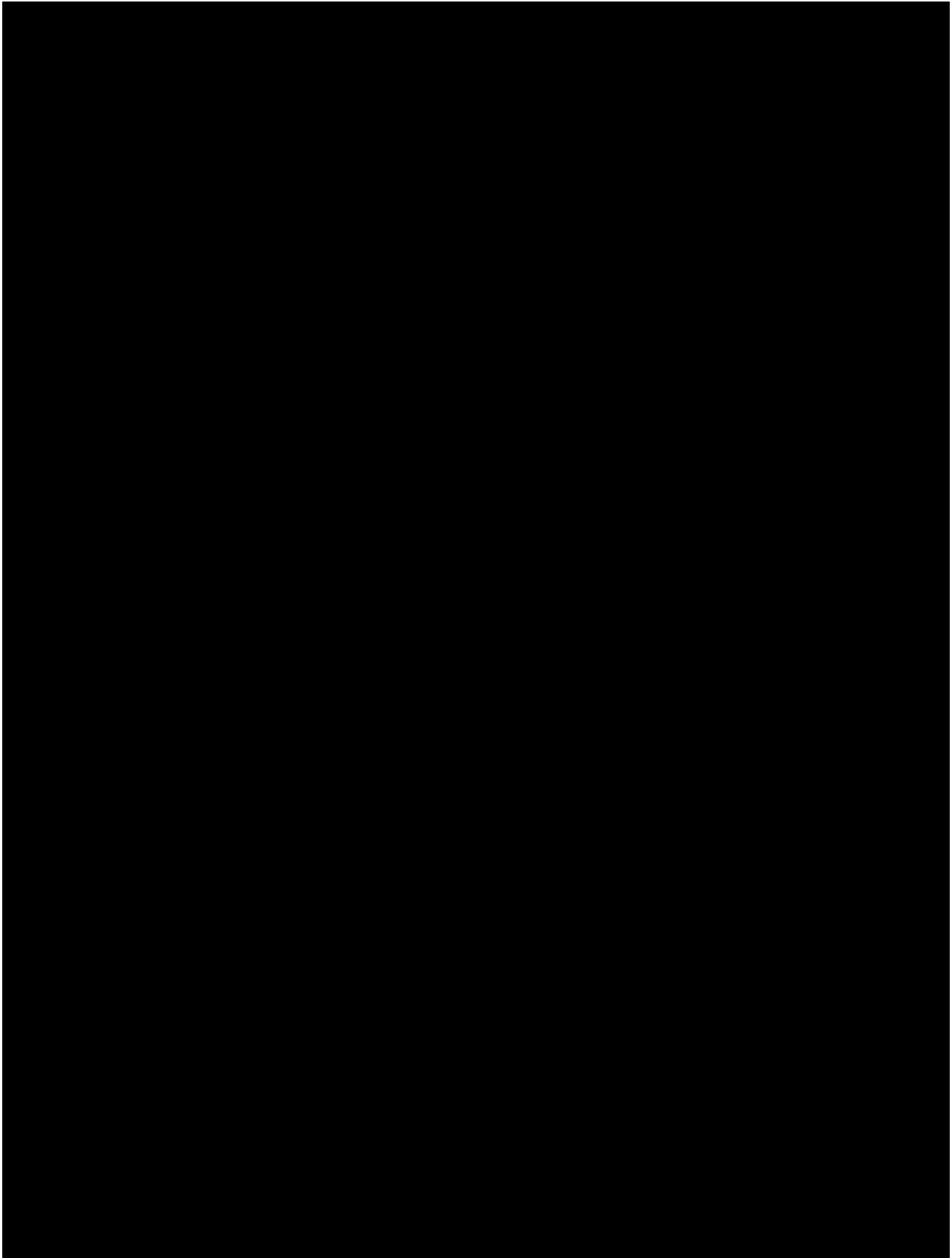
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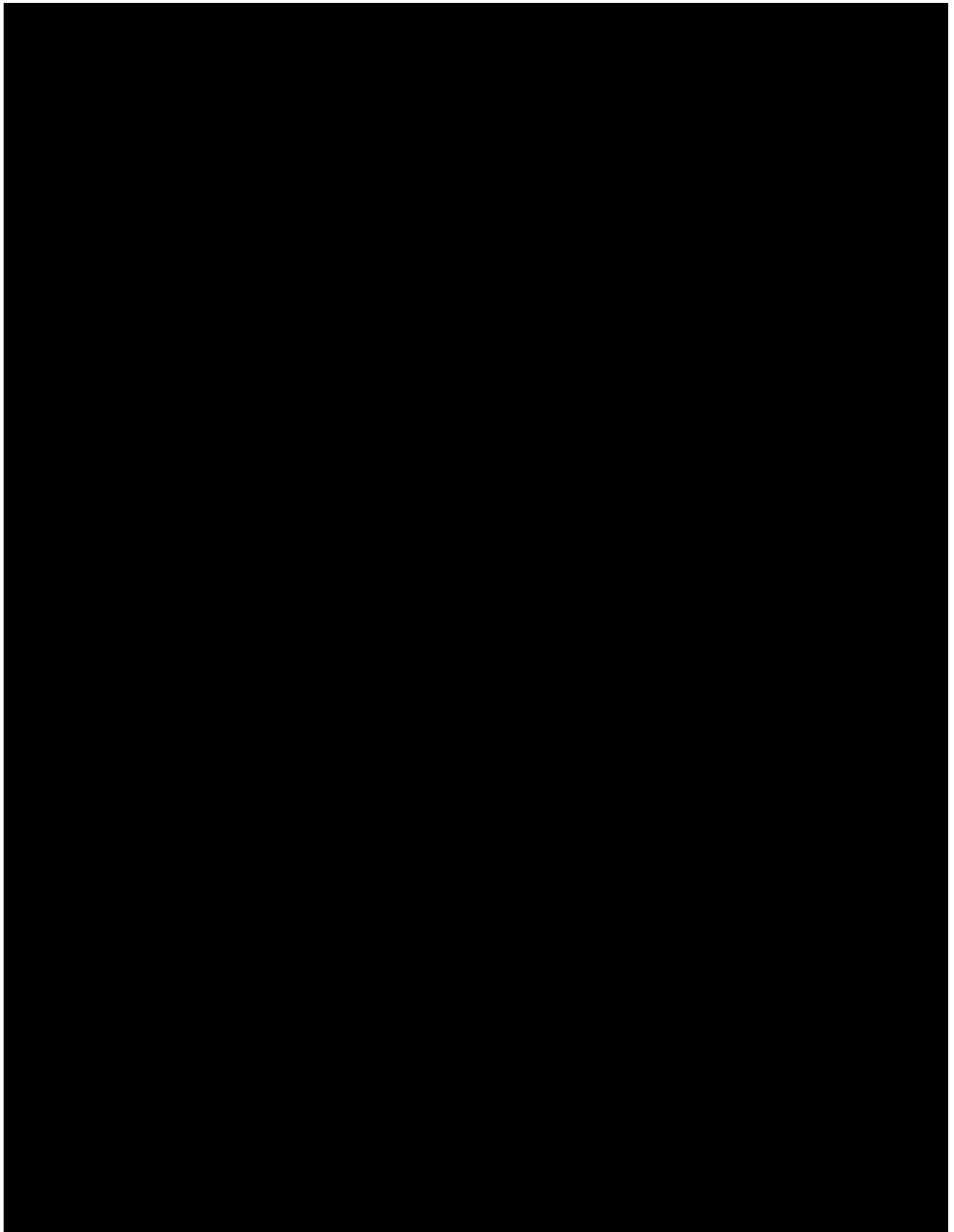
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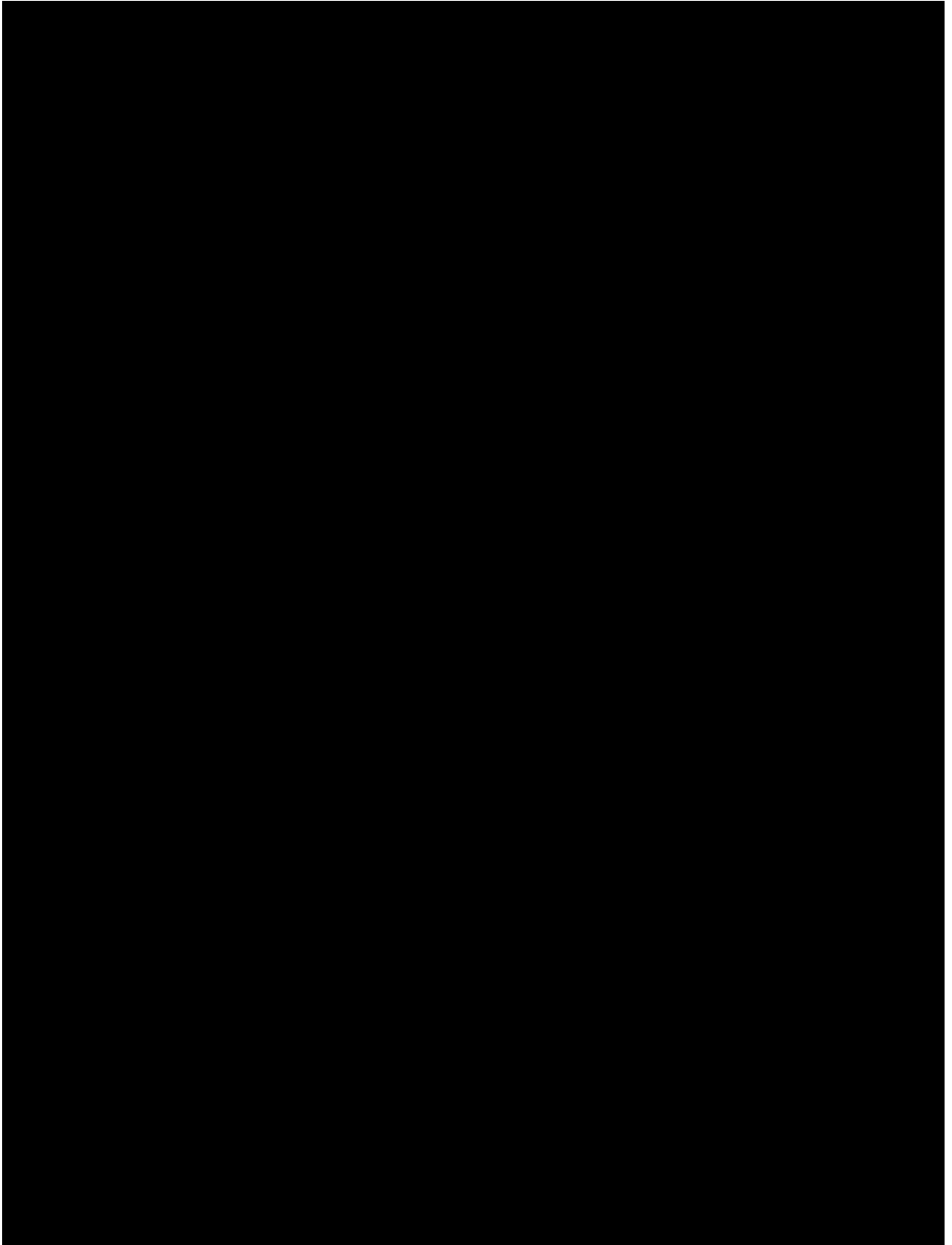


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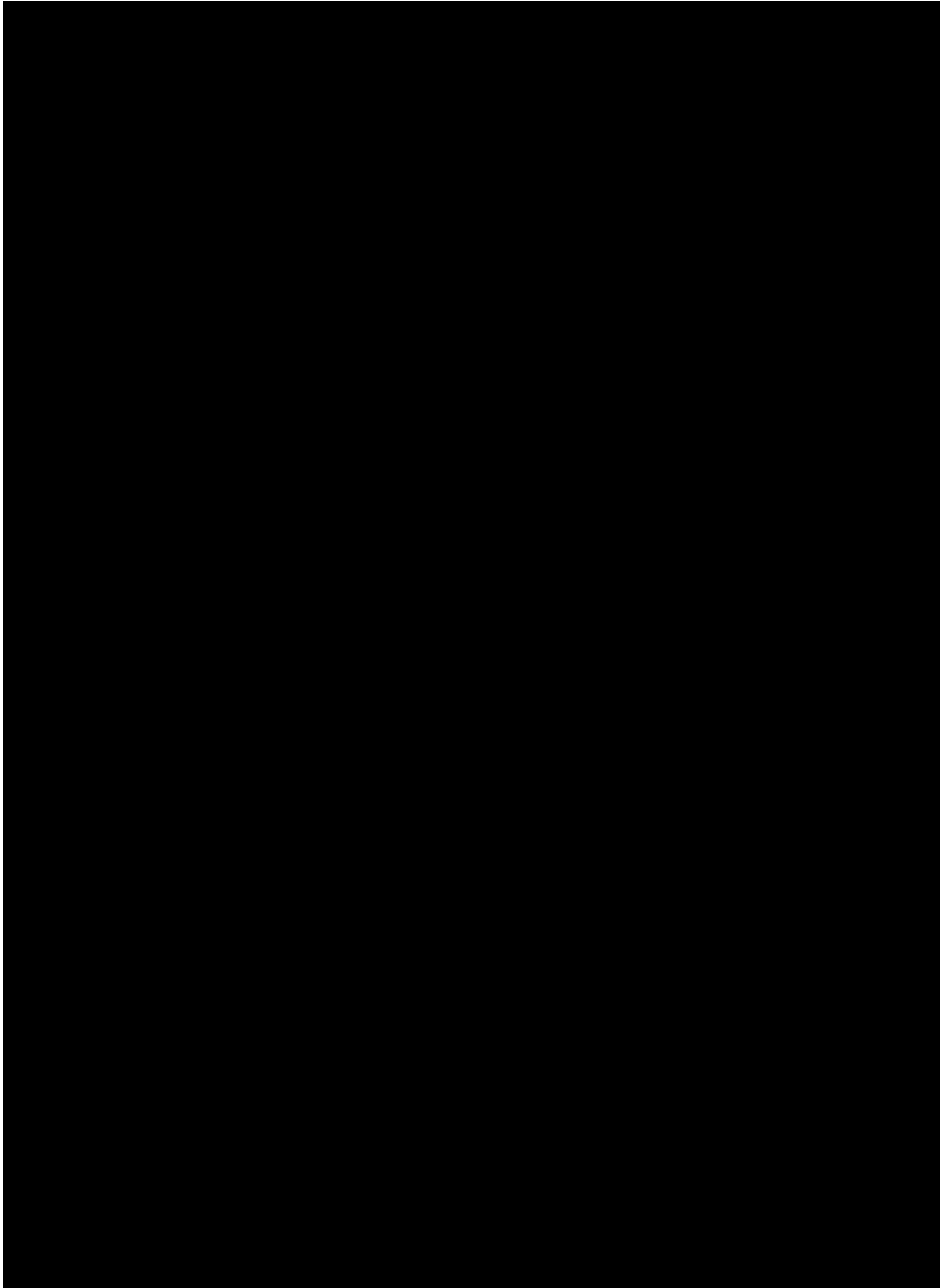


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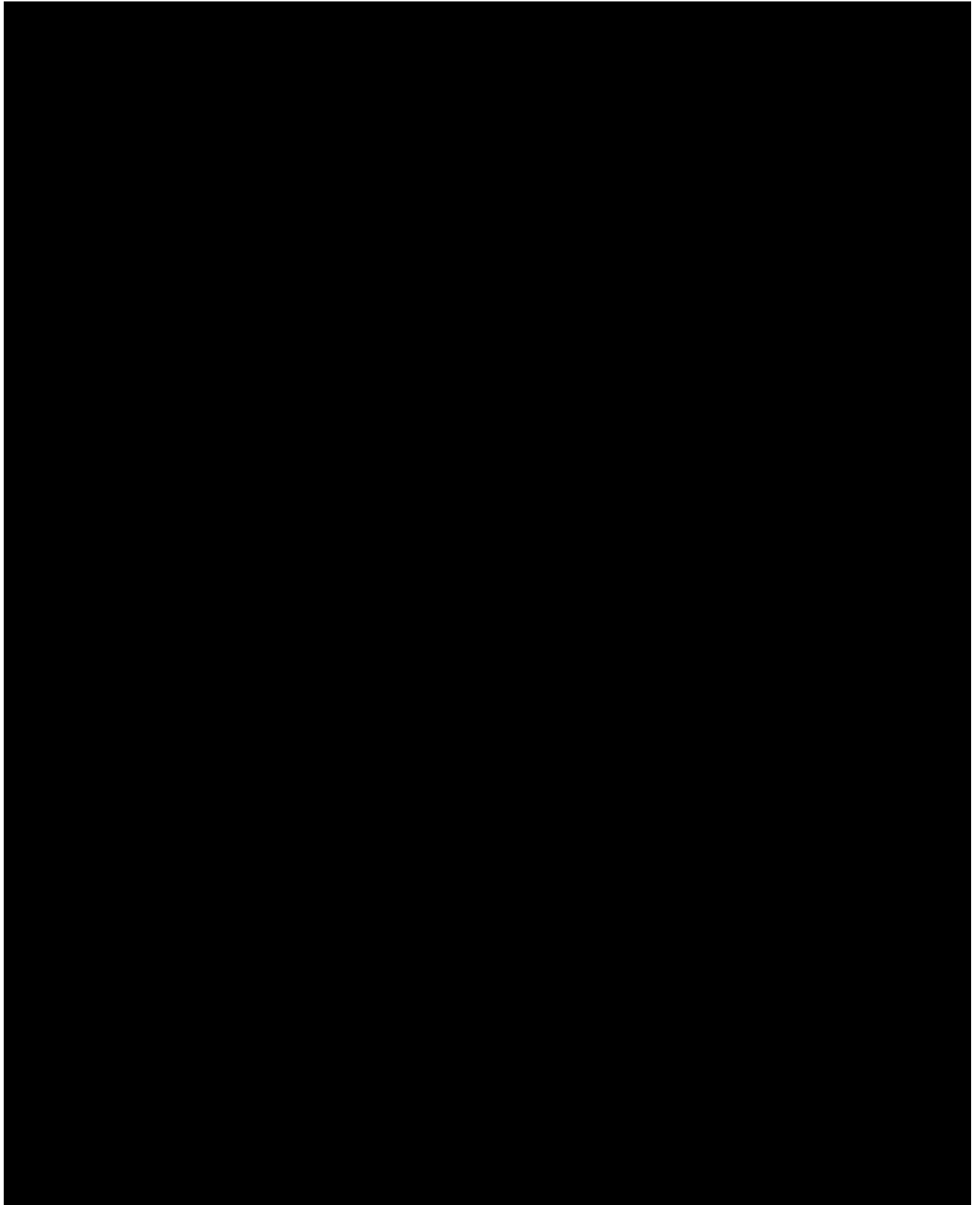




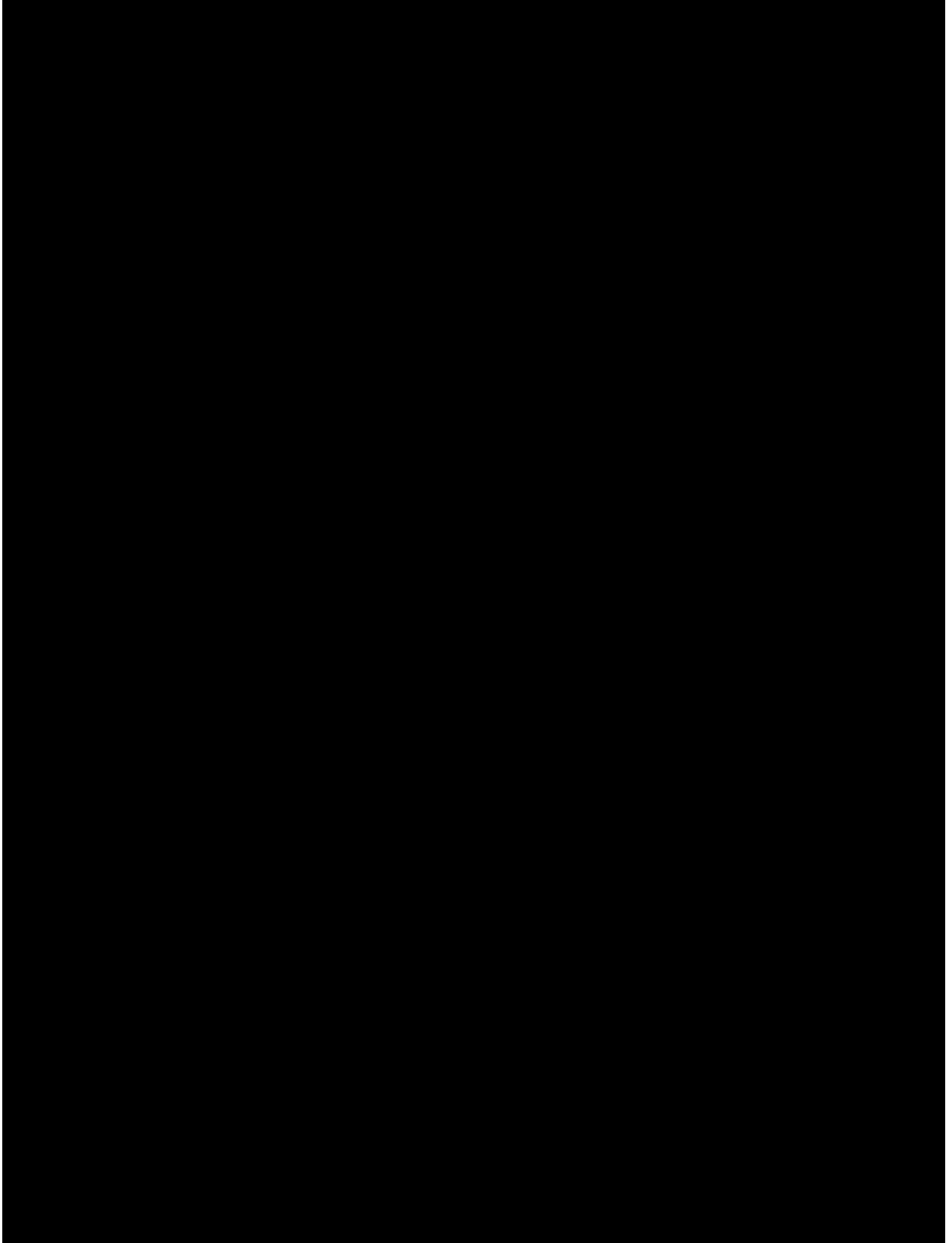
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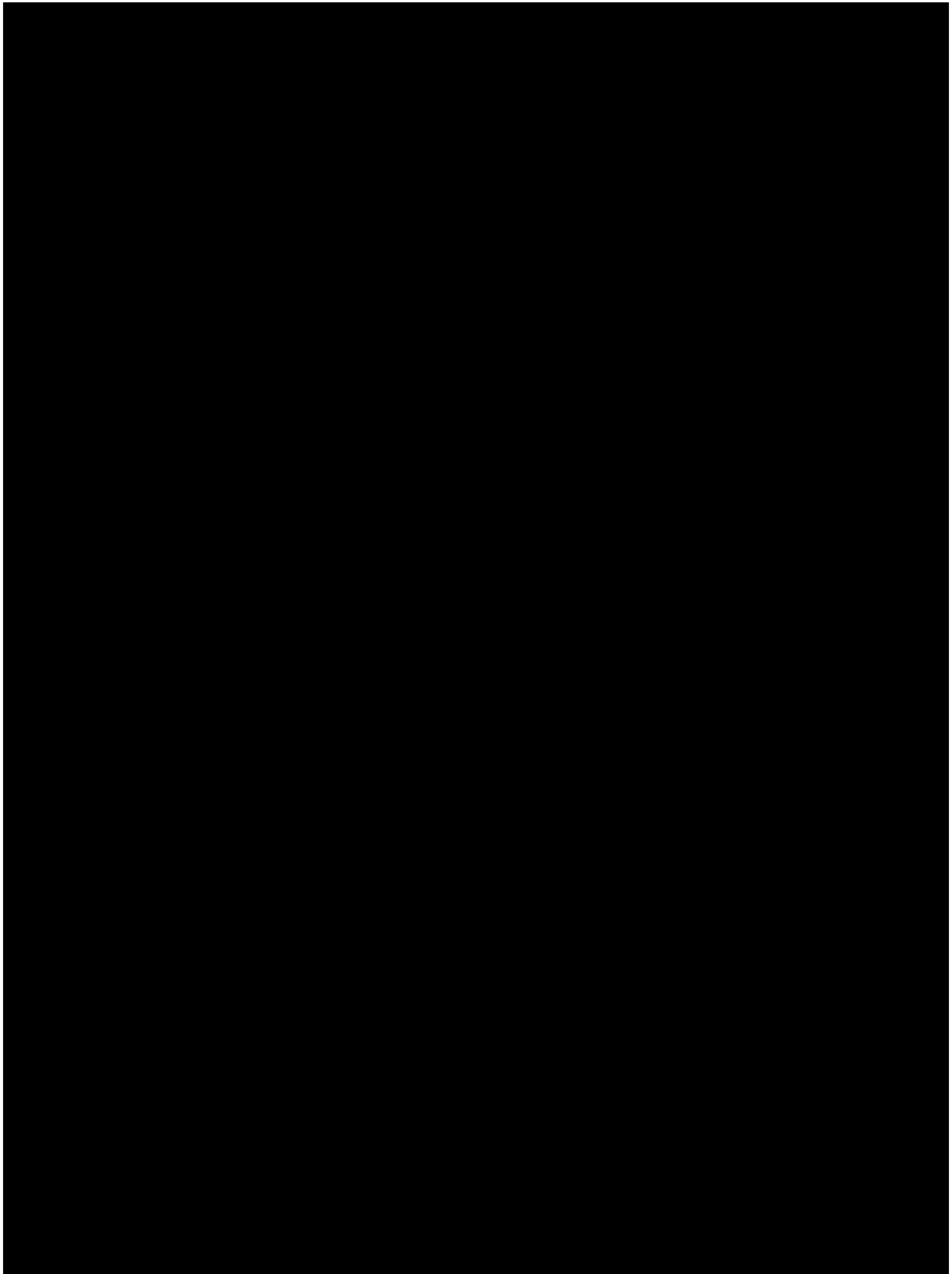
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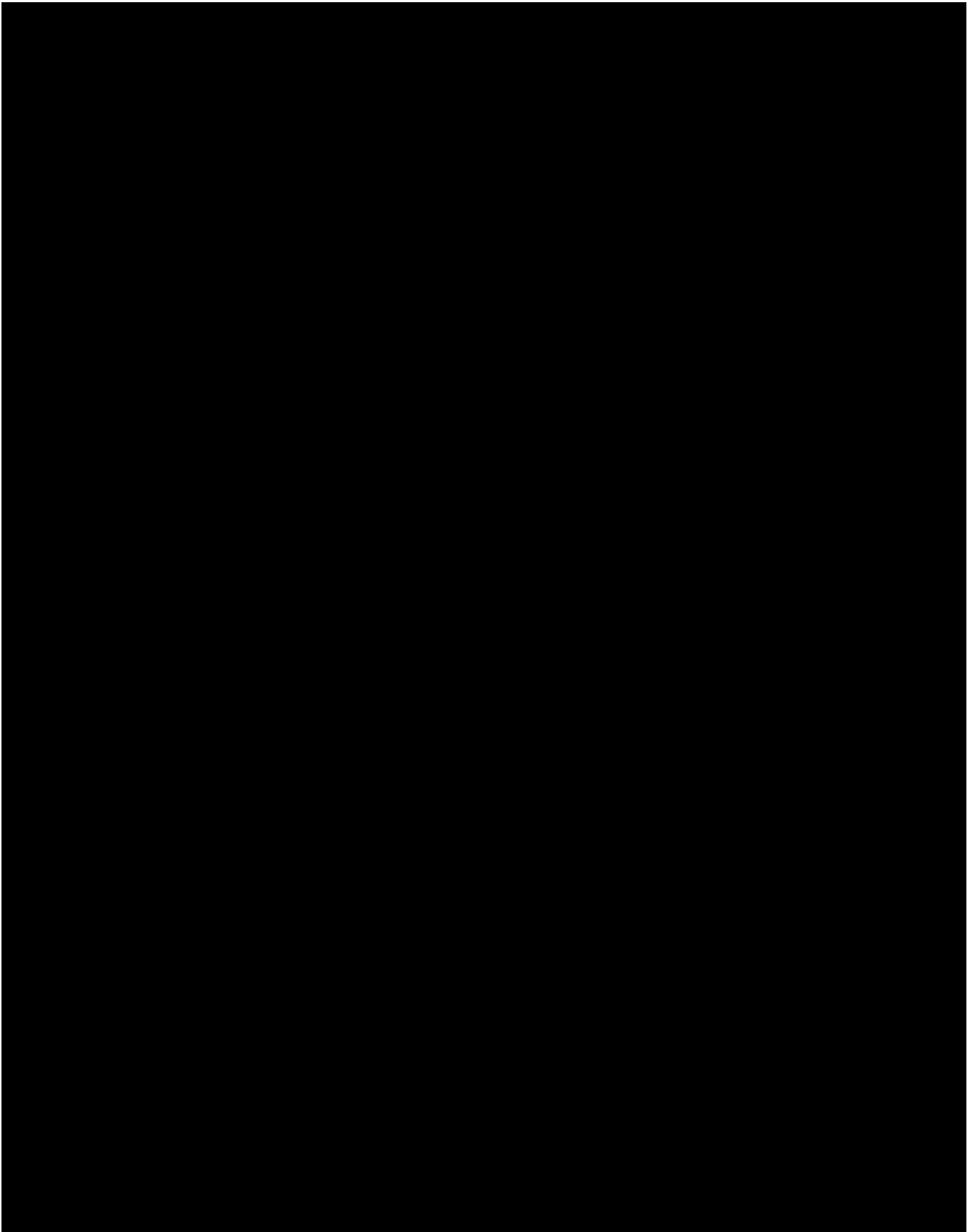
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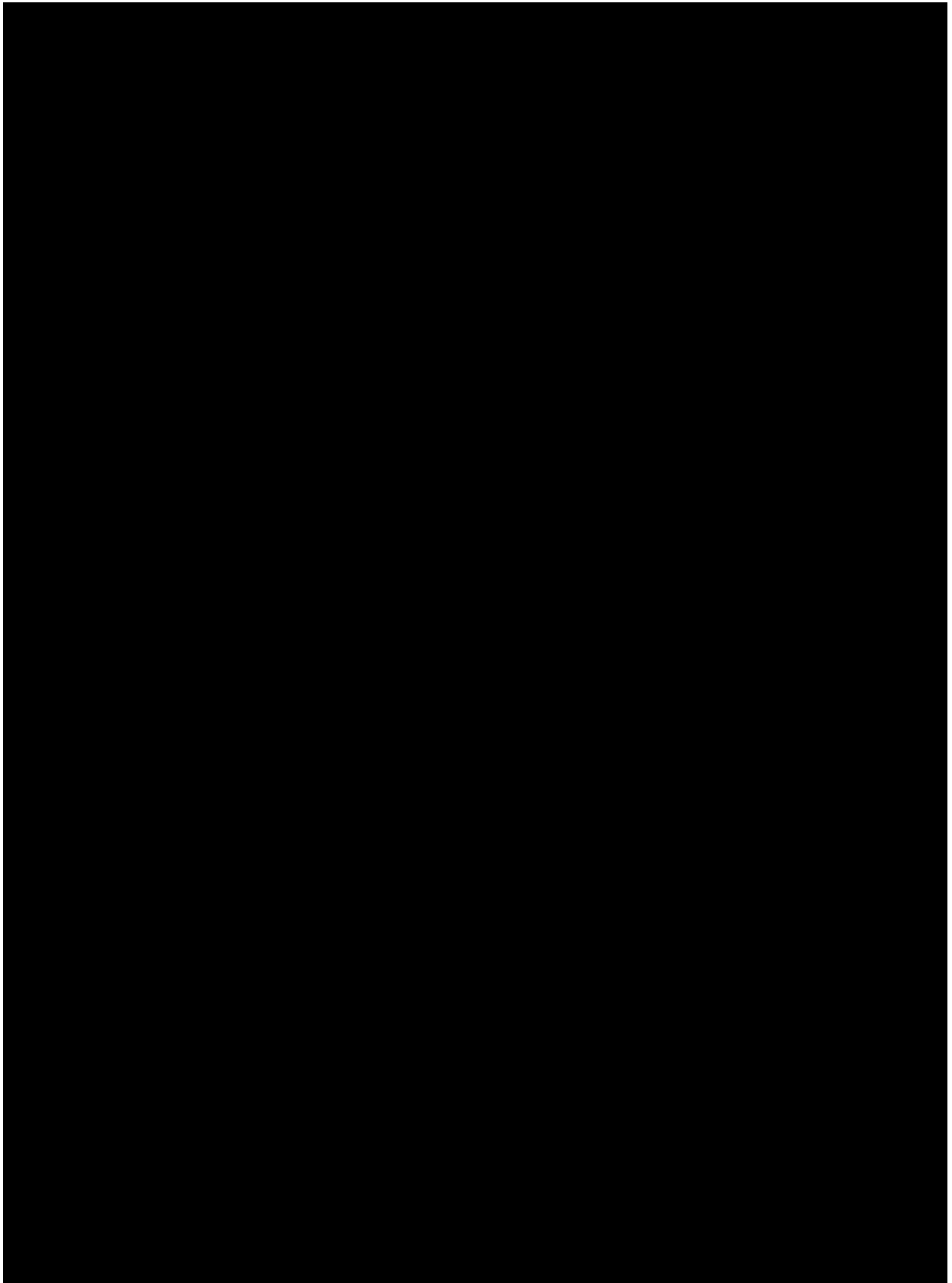


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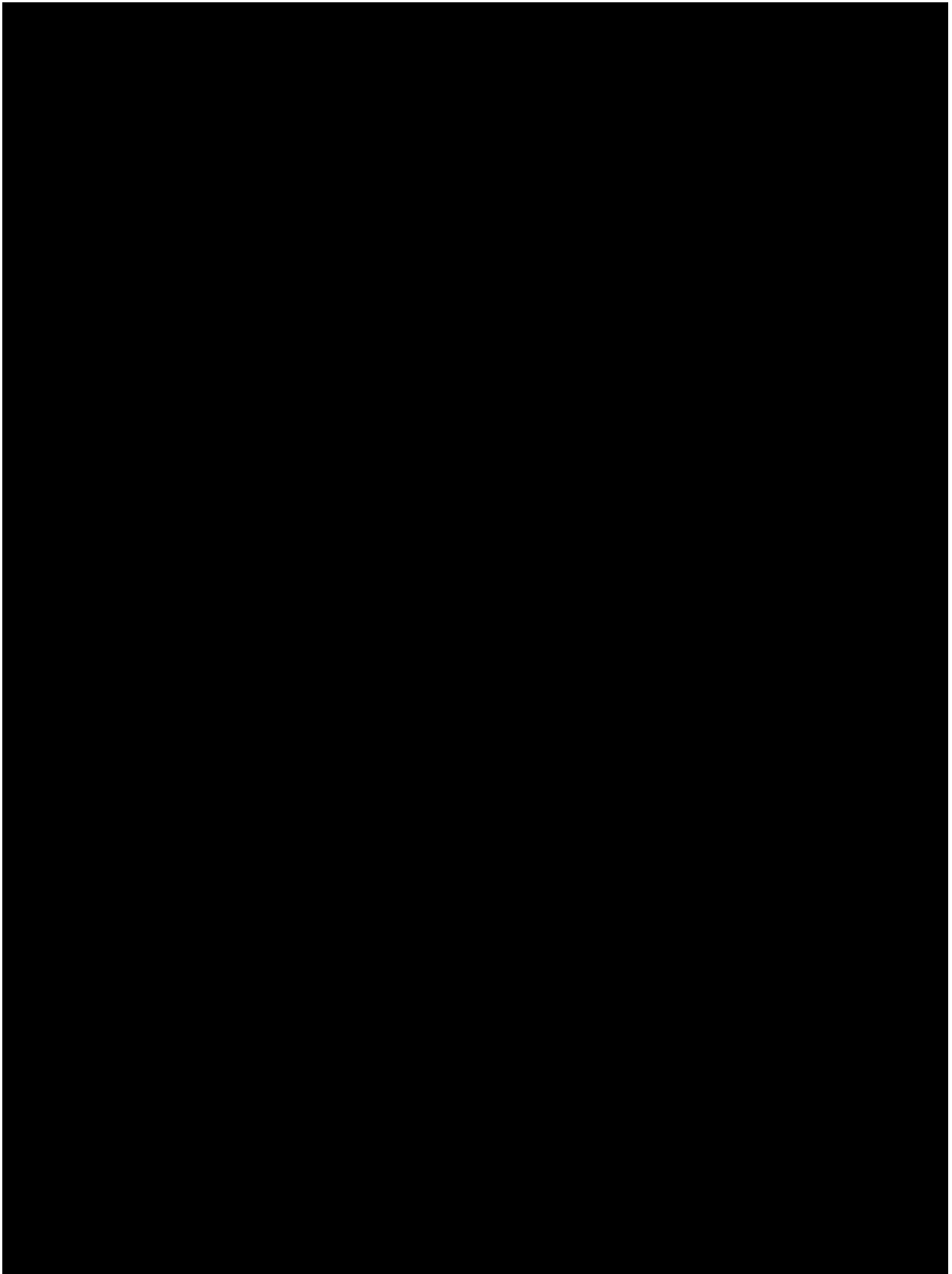


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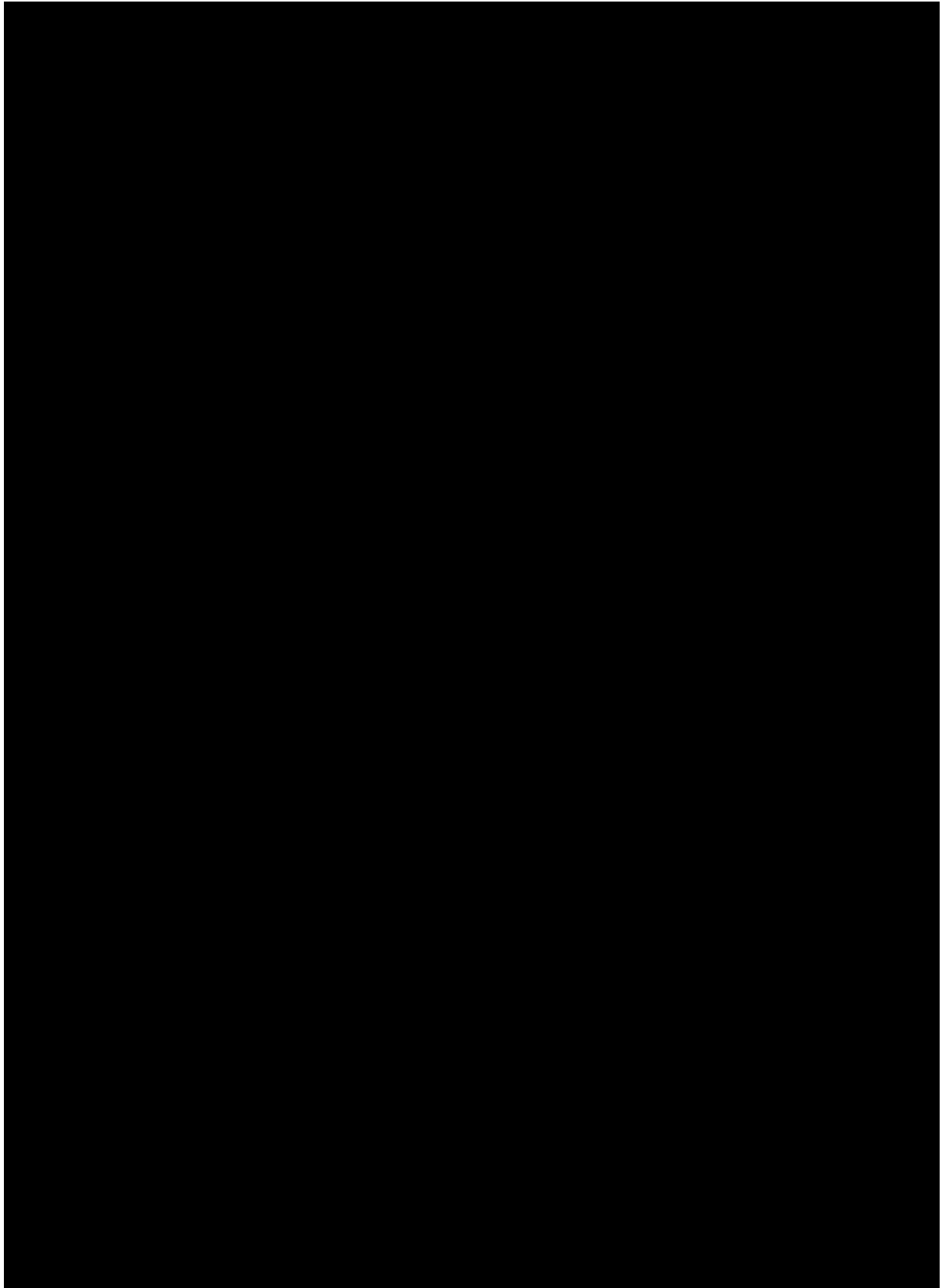




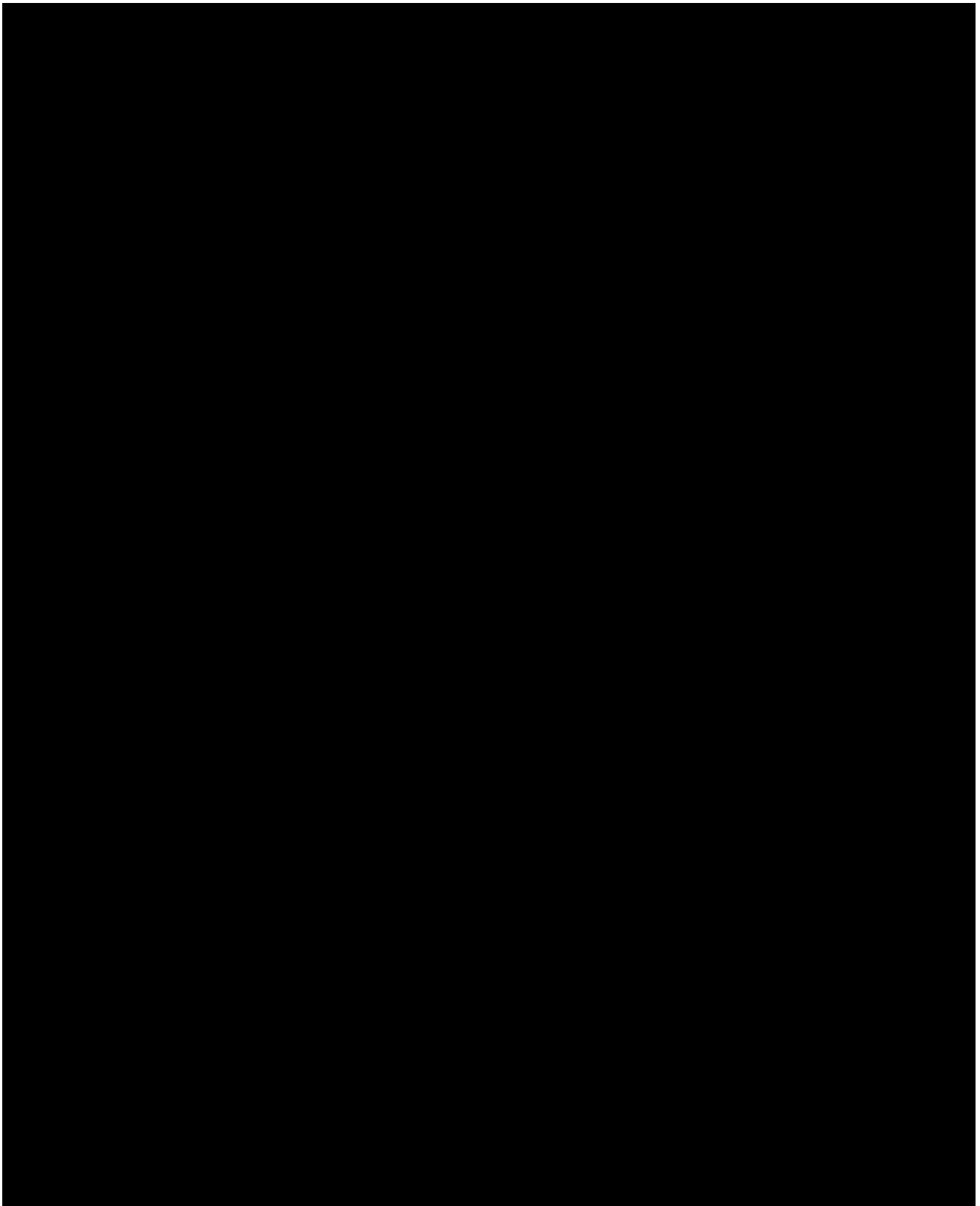
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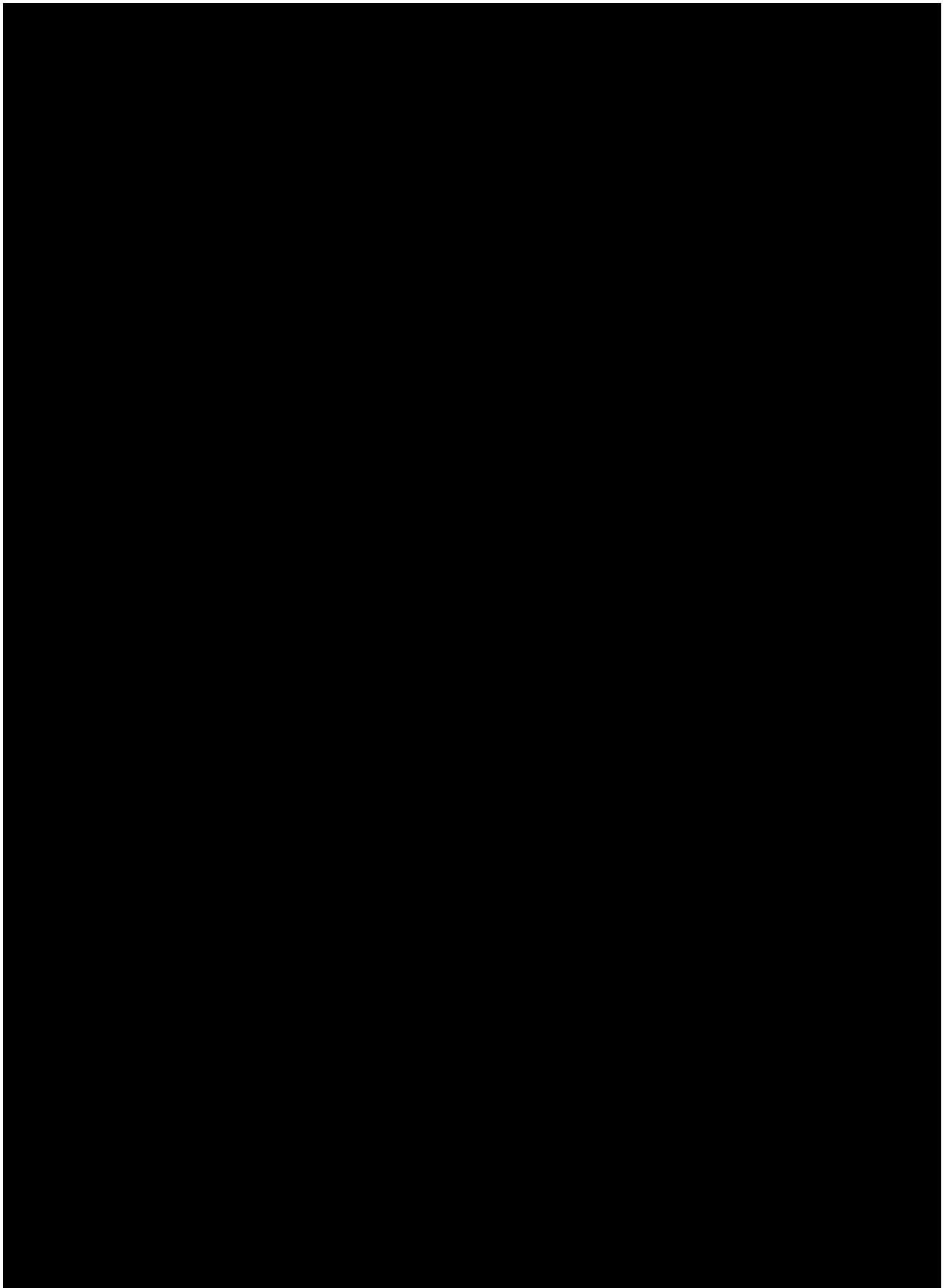
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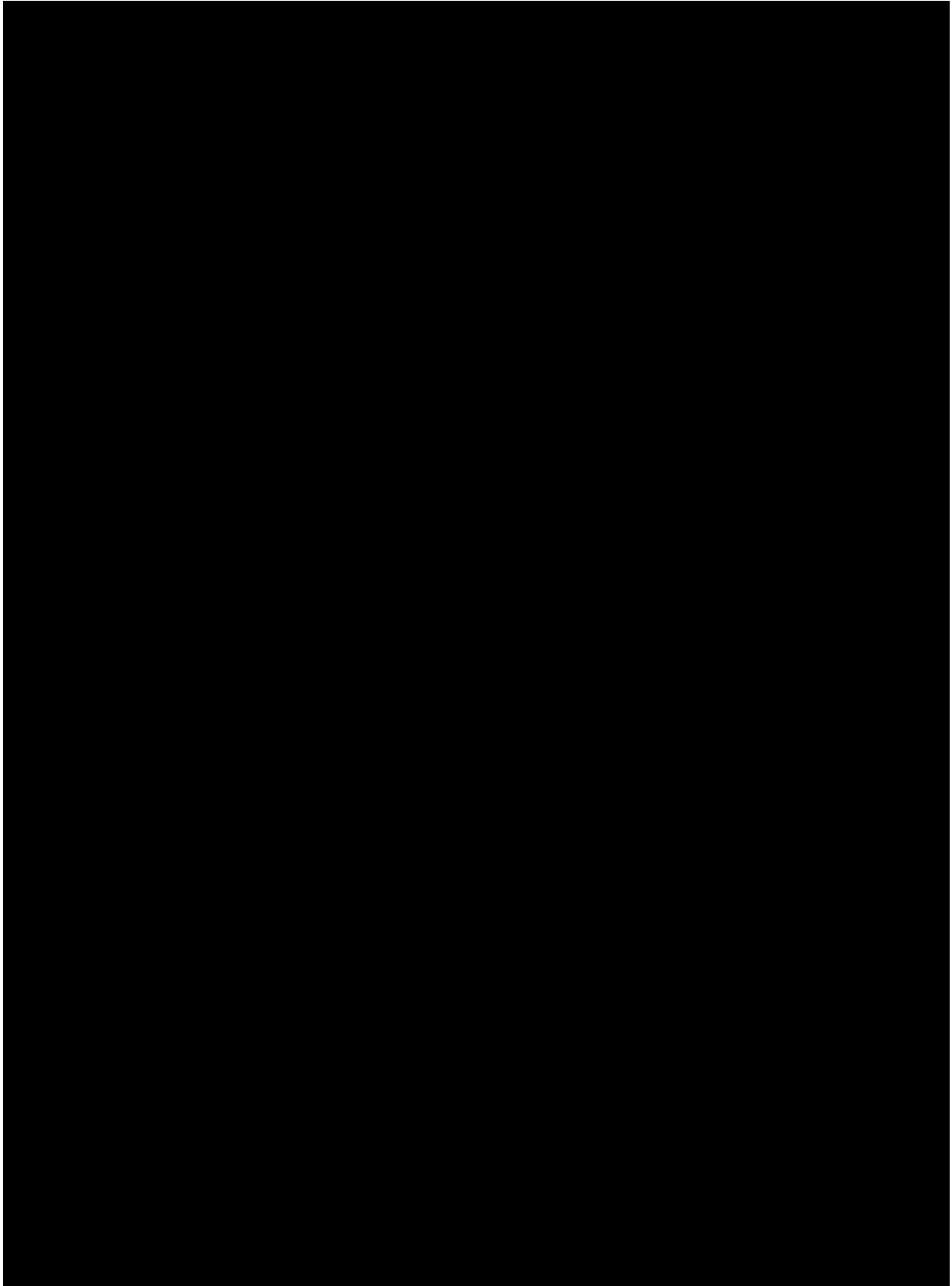
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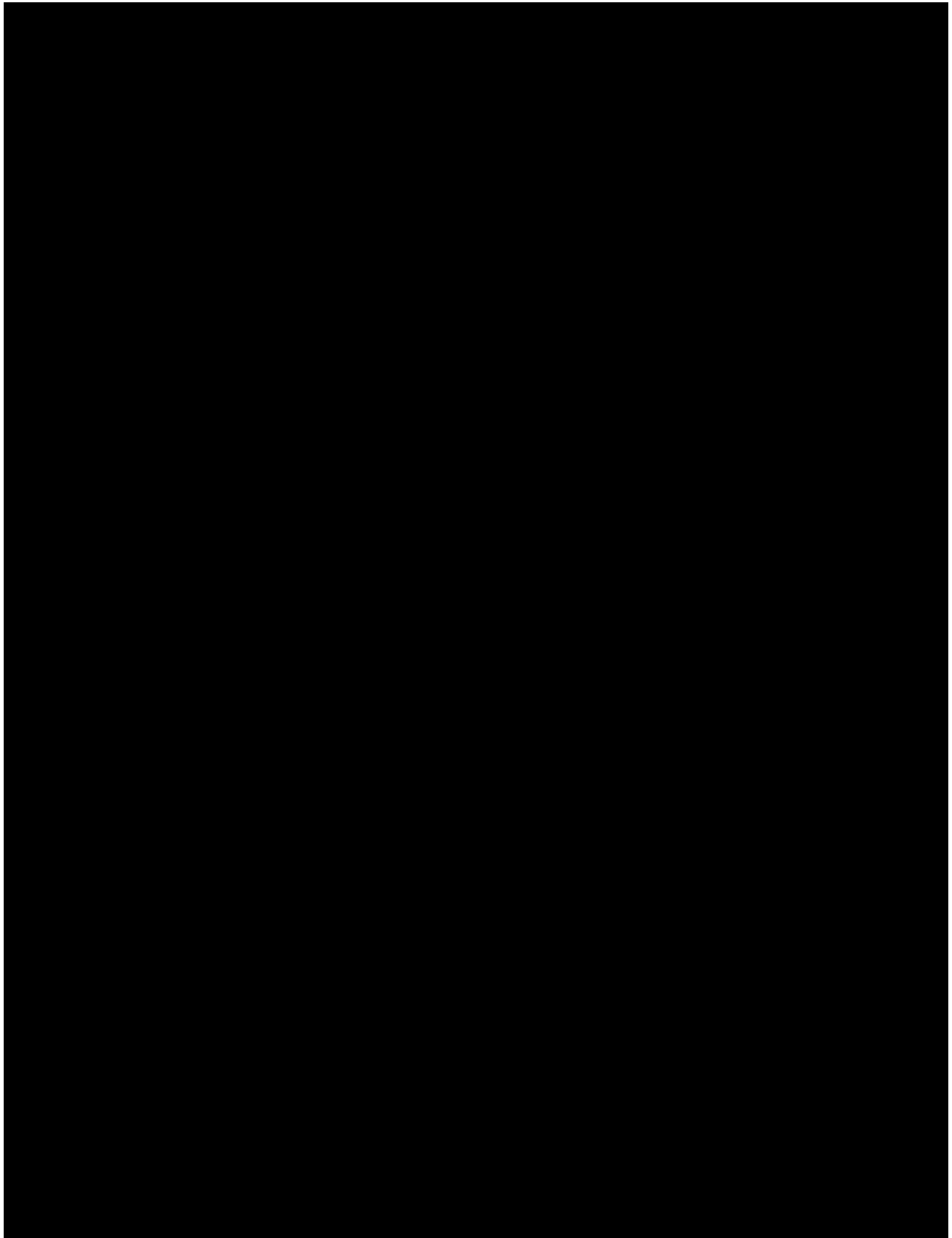


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**13.1 Building Consent Authority Reform****Author:** Paul Cooper, Group Manager Environmental Services**Authoriser:** Nigel Trainor, Chief Executive

<b>Section under the Act</b>	The grounds on which part of the Council or Committee may be closed to the public are listed in s48(1)(a)(i) of the <i>Local Government Official Information and Meetings Act 1987</i> .
<b>Sub-clause and Reason:</b>	s7(2)(a), s7(2)(b)(ii) and s7(2)(j) - The withholding of the information is necessary to protect the privacy of natural persons, including that of deceased natural persons, The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information and The withholding of the information is necessary to prevent the disclosure or use of official information for improper gain or improper advantage
<b>Plain English Reason:</b>	To protect a person's privacy, including the privacy of deceased persons, To protect commercially sensitive information and To prevent use of the information for improper gain or advantage.

**Recommendation**

That Council notes the attached Initial Proposal: A Business Case for a private Building Consent Authority as a Council Controlled Organisation (the Initial Proposal); and

1. That Council directs Officers to undertake a s 17A Local Government Act 2002 review of the performance of its regulatory functions under the Building Act 2004 using the initial proposal as a starting point; and
2. That Council endorses officers concurrently liaising with the Ministry of Business, Innovation & Employment and other local authorities through this review; and

Council resolves that this report, the attached Initial Proposal, and recommendations remain in public excluded until further Council direction; and

Council resolves that the report and recommendations remain in public excluded until such time as [Type here](#).

Council delegates authority to the Chief Executive to review the report and recommendations in 6 months to consider its release to the public.

Council resolves that the report and recommendation remain in public excluded permanently.

3. .

**Purpose of Report**

- 1 This report's purpose is to advise Council on the functioning of the Council's regulatory activities under the Building Act 2004, in the face of building consent system reform, and an Initial Proposal for the creation of a "private Building Consent Authority" (BCA) using a Council Controlled Organisation (CCO) to provide these functions to Council via contract.

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- 2 The recommendation is to progress the development of this option through a s 17A review to provide a statutory basis and structure for the work.
- 3 The idea of a CCO providing building control services is not new, however the novel component of the attached Initial Proposal, is that the CCO could also provide commercial services to the community. This approach increases revenue opportunities and could provide increased community benefits via cheaper regulatory fees or creating a risk pool fund to cheapen insurance costs, or potentially provide a dividend back to its shareholders.

**Assessment of Significance**

- 4 The assessment of significance against the criteria of Council's Significance & Engagement Policy is Low. This report only seeks a decision whether to explore the concept further, to better understand the benefits for the community and Council. If Council at some point in the future decided to create a CCO, then a formal community consultation process would be required under the guidance of the Local Government Act 2002.

**Background**

- 5 The building consent system is currently being reformed by the Ministry for Business, Innovation & Employment (MBIE) to deliver increased efficiency, increased consistency, and increased certainty for our community.<sup>1</sup>
- 6 At workshops run by MBIE, the indication was that reform will seek to encourage voluntary consolidation of BCA's, or they will consider simply regionalising BCA's – for example the 11 BCA's in the Southern Cluster, or the BCA's in Canterbury.
- 7 MBIE have indicated that the Minister for Building and Construction Chris Penk is open to sector led solutions that move the system towards these desired outcomes.
- 8 An Initial proposal (Attachment 1) has been prepared that provides background discussion, context and how Council might proceed to respond to this reform, starting with the problem statement, which reads as follows:  
*"Territorial Authorities tend to provide Building Act regulatory services individually. Despite the service requirement being the same in every district, each Council delivers it slightly differently. There is a prima face case for delivering this service as a Council Controlled Organisation (CCO) in a scalable framework, for improved efficiency and consistency."*
- 9 The scope of the new entity will be to provide all the current regulatory functions of the Building Unit, both as BCA and as a Territorial Authority (TA). The CCO will also be able to engage in commercial activities, a revenue generating option not currently available to Council. There are relatively complex regulatory issues to grapple with in establishing a private BCA and enabling commercial activity through Council Organisations. The intent is that the s 17A review will provide the structure for addressing these issues.
- 10 The Initial Proposal outlines how Council can set up a CCO to be a private BCA to provide the building control activity on behalf of Council, operating under a small independent board.
- 11 It further suggests that it could be structured in such a way that other councils can join the CCO to deliver building control functions, as shareholders, and in doing so maintain strategic control via a shareholder group of councils. With scale comes more efficiency, consistency and certainty across a wider geographic area.

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<sup>1</sup> <https://www.building.govt.nz/getting-started/building-system-reforms/review-building-consent-system>

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- 12 The commercial opportunities, in terms of access to markets, will exist across any geographic area the CCO chooses to operate across, regardless of ownership. The regulatory functions conducted by the CCO will be within the district/s of those covered by the member councils in the shareholder group, and potentially beyond that via contracts with other BCA's and third parties.
- 13 If Council chooses to do nothing in response to reform, it is likely that an outcome will be imposed on us, for example a consolidation of all Canterbury BCA's into one BCA as mentioned previously. MBIE have also indicated that if the sector responds with voluntary solutions during reform, these may influence the reform.

**Discussion**

- 14 The attached Initial Proposal (Attachment 1) provides more detailed background and discussion, including structure, liability, market analysis and high-level financial information.

**Options and Preferred Option**

- 15 Recommendations are sought from Council for officers to pursue the proposal in a meaningful way to a point that a future Council decision can be made whether to go to the community for consultation with a view to creating a CCO to provide building control activities and commercial activities for the community.
- 16 Officers' advice is that a s 17A review provides a useful mechanism for structuring this process. This type of review is required to look at governance, funding and delivery. Mandatory delivery options are required to be considered<sup>2</sup>, however in the context Officers consider a scalable CCO as described in the Initial Proposal is the most likely reasonably practicable alternative.
- 17 A useful aspect of a s 17A review is the consideration of governance oversight if functions are delivered by a different entity, such as a CCO.
- 18 Under s 17A Councils are required to review the cost-effectiveness of their current arrangements for meeting community needs for good-quality regulatory functions. Essentially reviews are required to occur every six years, unless the operating context (legislative or contractual) is too constrained for alteration within the following two years; or the benefit is not worth the cost of the review. Council has not previously reviewed its Building Act regulatory functions given the constrained operating context; however, Officers consider the proposed reform arguably changes this factor.
- 19 If the results of the s 17A review suggest that the costs of continuing outweigh the benefits, this will be brought back to Council for further direction.
- 20 **Option 1** (preferred option) – Council endorses the proposal for further development toward establishing a Council Controlled Organisation to deliver building control activities and commercial activities by conducting a s 17A review of the Building Control activity under the Local Government Act 2002; or
- 21 **Option 2** – Council decides not to pursue the proposal for further development toward establishing a Council Controlled Organisation to deliver building control activities and commercial activities.

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<sup>2</sup> The required options are: (i) a CCO; (ii) a multi-Council CCO; (iii) another local authority; or (iv) another person or agency.

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- 22 The consideration of how Council might approach the issue can be distilled down to the two approaches:
- 22.1 Council can front foot reform change, which may set Council up well if the change happens as signalled currently; or
  - 22.2 Council can adopt a more cautious approach and (like our neighbouring Councils) see how reform develops – which will allow for a late change in direction for reform from central government but not allow for a degree of local control in terms of reform outcome.

**Consultation**

- 23 Council officers will continue to liaise and work with MBIE and potential shareholder councils. Should the s 17A review suggest the preferred delivery method of Building Act regulatory functions be via a CCO, and Council chooses to pursue that model further, then a Special Consultative Procedure must be undertaken under s 83 of the Local Government Act 2002.

**Relevant Legislation, Council Policy and Plans**

- 24 Building Act 2004
- 25 Building (Accreditation of Building Consent Authorities) Regulations 2006
- 26 Local Government Act 2002
- 27 Companies Act 1993

**Financial and Funding Implications**

- 28 Officers will liaise further with MBIE and potential shareholder councils. The complex nature of standing up a private BCA, that is both accredited and registered, will require changes to current regulations and a careful consideration of potential legal implications for shareholders, as well as the appropriate company structure. The foundational documents for the new entity will be critical to any subsequent success, and for this reason officers recommend the use of a suitably qualified individual to provide advice to the Council side of the process. This may require an unbudgeted amount - circa \$50,000 over the 12 to 18 month development period, should the proposal be pursued further.

**Other Considerations**

- 29 The prospect of rapid and significant change in how building services are delivered by councils is confronting to some practitioners in the sector. This matter is sensitive in nature, not only to Timaru District Council employees, but to employees in neighbouring councils and beyond. Officers' advice is that this factor supports the current public excluded nature of this report.
- 30 The author has met with Officers of several councils to discuss the proposal in confidence. Immediate neighbouring councils see the proposal as an existential threat, particularly as the Local Water Done Well reform process progresses. Most have a "let's wait and see" approach to the proposal at this stage.

**Attachments**

- 1. Draft Private BCA as a CCO Business Case
- 2. Draft Private BCA as a CCO Financial Forecast Models