Plumbers,
Gasfitters and
Drainlayers Board

Consultation

Proposal on fees and disciplinary levy review

September 2023

Introduction

This consultation document provides information to enable informed stakeholder feedback on the Plumbers, Gasfitters, and Drainlayers Board (**Board's**) fee proposals.

Normally this review is conducted every three years, but in light of the unexpected impacts of the pandemic, the Board has brought forward the formal fees review by one year. In addition to bringing forward the formal fees review by a year, the Board also reviewed and reduced the disciplinary and prosecution levy at the end of 2022. The disciplinary and prosecution levy was reduced to $275 for the 1 April 2023 licensing year.

This review considers the 3 year period 1 April 2024 to 31 March 2027.

This consultation document details the proposed fees and levy and explains how you can provide feedback during the consultation period which is 22 September to 13 October 2023.

To assist you in providing feedback, this consultation document provides background information detailing what fees are used for and explains how the proposed fees were calculated.

The Board will consider your feedback and make a final decision on the fees and levy structure at its Board meeting on 28 November 2023, with those fees then being gazetted in time to take effect from 1 April 2024.

Proposed fees and levy

The proposed fees and levy are set out below:

Fee or levy[1]	Current fee and levy	Proposed new fee and levy
Annual licence fee (includes exemptions under supervision and provisional licences)	$100	$100
Registration	$390	$350
Disciplinary and prosecution levy • Disciplinary • Prosecution	$275 $170 $105	$275 $205 $70
Examination fees • Tradesman • Certifying	 $360 $360	 $330 $410
Trainee certificate	$65	$65
Examination reconsideration fee	$120	$120
Employer licence fee	Full cost recovery	Full cost recovery
Exemption application fee • Exemptions for sanitary plumbing and gasfitting works[2] • Exemptions from the minimum standards of registration[3]	 Full cost recovery $1,200	 Full cost recovery Full cost recovery
Advanced proficiency assessment application Advanced proficiency assessment Advanced proficiency assessment materials	$690 $2,300 $1,500	$690 $2,300 $1,500

Key points on proposals

- The annual costs for a licence are unchanged. This is because the current licence fee reflects the ongoing operational costs for the Board of processing licence and licence renewal applications.

- The registration fee is reduced. This is due to the increased number of registration applications the Board has received and anticipates it will continue to receive. In addition, we anticipate the move to an online registration system from 1 April 2024 will reduce registration costs.

- The disciplinary and prosecutions levy remains at the current rate of $275 which was reduced this year by $25. This aligns the disciplinary and prosecution levy with the levy that was in place in 2015 ($271).

- The Tradesman examination fee has been reduced to $330. The number of practitioners sitting this examination has increased which in turn means the examination fee can be reduced.

[1] Includes GST

[2] Sections 18, 20, and 24 of the Plumbers, Gasfitters, and Drainlayers Act 2006

[3] Section 52 of the Plumbers, Gasfitters, and Drainlayers Act 2006

- The Certifying examination fee has been increased to $410. The move to on-demand certifying examinations, which are a mixture of multi choice and written questions, has a higher per exam cost than the tradesman examination and a higher per examination cost than the current method of delivering certifying exams which are only held twice a year.

- Applications for exemptions from the minimum standards of registration will move to a full cost recovery basis. This is to avoid cross subsidisation by applicants.

- All fees relating to advanced proficiency assessments remain unchanged. The assessment application fee is non-refundable and any unused portion of the assessment fee and material fee is refunded to the applicant.

Background information

Purpose of the Act and mechanisms available to the Board

The purposes of the Plumbers, Gasfitters, and Drainlayers Act 2006 (the **Act**) are to:

- protect the health and safety of members of the public by ensuring the competency of persons engaged in the provision of sanitary plumbing, gasfitting, and drainlaying services; and
- regulate persons who carry out sanitary plumbing, gasfitting and drainlaying.

The mechanisms available to the Board to do this are:

- setting classes of registration
- ensuring a minimum standard of competence for practitioners to be registered and issued with licences
- holding disciplinary hearings following complaints about practitioners
- prosecuting individuals who undertake unauthorised plumbing, gasfitting and drainlaying work
- educating practitioners.

The Board supports the competency of the New Zealand plumbing, gasfitting, and drainlaying industry and the maintenance of industry standards.

How the Board is funded

All of the Board's funding is obtained from the fees and levies paid by practitioners. The Board receives **no** funding from the government. The authority for the Board to set the fees and levy is set out in sections 142 and 143 of the Act.

Difference between a fee and a levy

In general, a fee is a payment from a specified party to another in return for the provision of a good or service. For practitioners, an example of a fee is the payment practitioners make to be registered or have their licence issued.

A levy can be charged to a particular person or group for a specified purpose, but it is not necessarily for a specific good or service. For practitioners, an example of a levy is the payment practitioners

make to fund the costs arising out of investigations into allegations or complaints. An individual practitioner does not have a choice about receiving the service, so costs are shared across the profession. This also recognises that it is in the professions interest (as a whole) for the Board to carry out functions funded by the levy.

Board's levy

The Board can only use the levy to fund costs relating to its disciplinary and prosecution functions.

The levy must fund investigations into allegations or complaints about practitioners, disciplinary proceedings, and investigations into (and prosecutions of) people who breach legislation relating to sanitary plumbing, gasfitting, or drainlaying.

The Board proposes a disciplinary and prosecutions levy of $275 which aims to reduce its disciplinary and prosecutions reserve levels. This levy is less than cost recovery.

The Board anticipates:

- 75% of that total levy amount will be required to fund investigating allegations and complaints about practitioners, and bringing disciplinary proceedings ($205 per practitioner)
- 25% of that total levy amount will be required to fund its investigation and prosecution function in relation to people who are unauthorised and breach legislation relating to sanitary plumbing, gasfitting, or drainlaying ($70 per practitioner).

Setting fees

The Board's fees review is guided by the Auditor General's *Good Practice Guide to Charging Fees for Public Sector Goods and Services*, and Treasury's *Guidance for Setting Charges in the Public Sector*.

The Board has ensured that:

- it has the legal authority to charge the fees and levy it is consulting on
- the fees and levy proposed are set at a level that ensures it carries out its business efficiently
- its processes for identifying costs and setting fees are transparent and accountable
- costs are allocated to fee or levy activities as directly as information allows
- fees are set at no more than the amount necessary to recover costs over the three-year period that the review relates to
- fees may over or under recover costs in individual years to provide price stability and give certainty, but that the net effect over the whole period should be zero or near zero
- fees have been set targeting reserve levels that fall within reserve policy parameters by 31 March 2027.

How the proposed fees were developed

The Board sought an independent assessment of its model and methodology when setting fees and the levy. The assessment included a review of the cost allocation methodology for the allocation of Board costs across the different fee and levy activities specifically:

- the identification of direct and indirect costs

- cost allocation weightings for each expense category
- assessment of staff time and input, using the informed estimate basis, for the upcoming three-year period

This was to ensure that the Board's approach is fit for purpose and took into consideration targeted reserve levels. The external assessment completed by KPMG supported this analysis.

The model forecasts costs and practitioner numbers over the next three years and allocates them based on the time that staff spend in relation to each activity. Estimates of future practitioner volumes and demand are also made.

The Board's functions that are funded

Licensing

This function includes:

- The annual licensing of tradespeople and trainee limited certificates
- Issuing provisional licences
- Administering competency programmes including continuing professional development (CPD)
- Carrying out competence reviews
- Issuing exemptions
- Issuing employers licenses.

Registration

This function includes:

- Considering applications for registration from New Zealand and overseas trained tradespeople
- Providing certificates of registration
- Entering additions and alterations to the register.

Disciplinary and prosecution levy

Disciplinary levy

This function involves administering complaints and discipline processes relating to registered people and provisional licence holders, under subpart 1 of part 3 of the Act.

Prosecutions levy

Prosecuting offences under subpart 2 of part 3 of the Act. The most common offence that is prosecuted by the Board relates to members of the public who are carrying out plumbing, gasfitting or drainlaying work that they are not authorised to do and people who hold themselves out as being plumbers, gasfitters, or drainlayers when they are not.

Examination fees

This function involves setting and conducting the Board examinations that are the minimum standards that must be achieved to enable registration to occur.

Considerations

Fee and levy levels are derived from the information used in our budgets and financial projections. The Board is committed to operating in a cost-effective manner, balancing the resources we need to efficiently and effectively discharge our obligation to protect public safety against affordability for plumbers, gasfitters and drainlayers. As part of being a financially responsible and sustainable organisation, we must also consider the need to maintain appropriate cash reserves.

Use of reserve funds

The Board policy on reserve funds aims for reserves of between 3 to 6 months operating expenditure, plus sufficient cash reserves to upgrade the practitioner database at the end of its useful life. Currently, the Board holds reserves of more than a year's operating expenditure, most notably in the prosecutions reserve where reserve levels represent approximately 18 months of prosecutions related expenditure.

Over the next three years the Board is targeting all reserve funds (operating, disciplinary and prosecutions) to be between 4 to 6 months of operating expenditure, plus a cash reserve of $1.75 million at 31 March 2027 to upgrade the current practitioner database.

Cash reserves for upgrading the practitioner database due by 31 March 2028, are in addition to the (up to) 6 months operational reserves being targeted. The Board considers it prudent to build up a fund for this purpose, this being the single biggest capital cost for the Board, rather than borrowing funds.

Cause of high reserves

The high reserves are due to a number of factors. These include:

- Covid-19, including two national lockdowns and numerous regional lockdowns, particularly in Auckland, which meant the Board did not receive the same (and expected) number of complaints as normal.
- a 12% increase in the number of tradespeople finishing their training and registering with the Board, meaning the number of practitioners paying the levy increased.
- the Government extension of the funding for apprenticeships which meant an increase in the number of trainees.
- higher interest rates.

Impacts of inflation

The Board's costs experience ongoing inflationary pressure. While we undertake a regular exercise to identify how much each service costs to deliver, this is a large activity only conducted every three years. Conducting the review every three years rather than every year allows for more stability of the fees and levy, and is consistent with the Auditor-General's guidance.

Inflation, measured by the consumer price index, was 6.7% in the 12 months to March 2023, and 7% in the year prior. This has resulted in significant price increases across most of the Board's expenses. Forecasts going forward have been prepared on the assumption of 3 to 4% annual inflation.

No government funding

The Board does not receive any government funding. This means that the cost of all the Board's functions must be met by practitioners. The Board receives no funding from any other sources. This is different to builders and electricians. Electricians receive money from the electricity levy which is used to fund prosecutions of unauthorised people who carry out electrical work. Builders and electricians also get the benefits of having shared support services situated within the Ministry of Business, Innovation and Employment. The Board does not receive support or funding from the Ministry of Business, Innovation and Employment.

The Board also regulates a much smaller number of practitioners which means that the Board's costs are spread over fewer people. There were 32,154 licensed electrical workers as of 30 June 2022 and 27,223 individual licensed building practitioners. That compares with 12,839 plumbers, gasfitters, and drainlayers required to pay the disciplinary levy[4].

Proposals

Licence

There is no proposed change to the annual licence fee which includes exemptions for working under supervision and provisional licences. The Board's fee structure is based on an activity-based costing methodology – that is, how much it actually costs the Board to deliver its services. The Board's assessment of its licence fee shows that the current fee of $100 for these licences is the cost for delivering these services.

Registration

It is proposed that the registration fee is reduced by $30. This fee reduction takes into account the increase in the number of practitioners who are sitting the examination, and the anticipated efficiencies following the move to online registration by 1 April 2024.

Disciplinary and prosecution levy

It is proposed the disciplinary and prosecution levy remains at $275 (note: this levy was reduced from $300 to $275 last year). The number of complaints the Board receives directly impacts on the Board's costs.

The number of complaints that the Board received during 2020 to 2022 significantly reduced. This was mainly due to the impacts of Covid-19, including two national lockdowns and numerous regional lockdowns, particularly in Auckland.

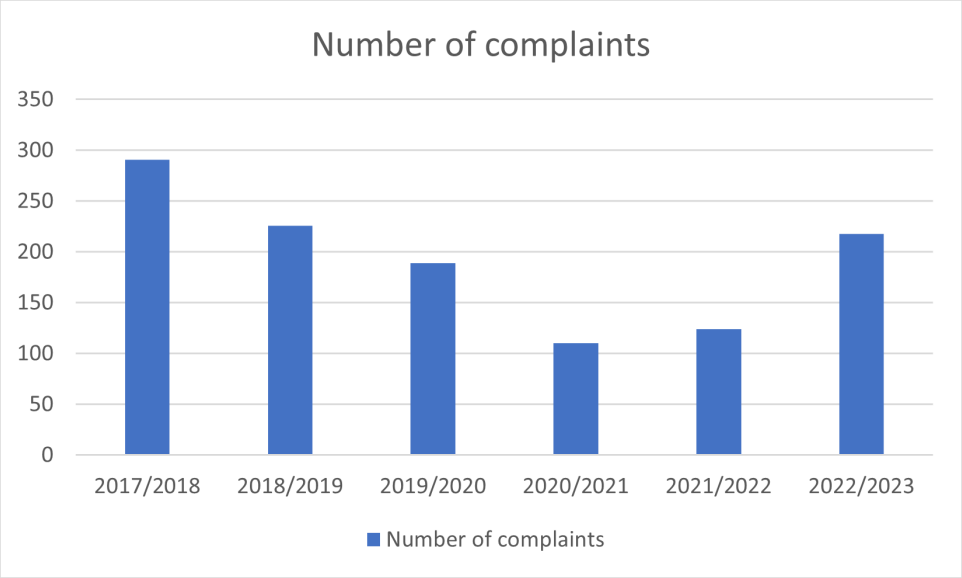
The decrease in complaints in turn led to a reduction in investigations and disciplinary hearings, the costs of which are met by the disciplinary and prosecution levy paid by practitioners. The number of

[4] Licenced plumbers, gasfitters, drainlayers which includes journeyman, tradesman, and certifying from 1 April 2022 to 31 March 2023.

complaints received in 2022 and 2023 increased back to pre-covid levels and it is anticipated they will continue to rise.

Complaints constitute significant expenses for the Board, as we are responsible for all costs associated with complaints, investigations, disciplinary proceedings, and the prosecution of unauthorised work. This may include, for example, costs associated with:

- investigations;
- hearings associated with disciplinary charges;
- prosecutions when charges are laid in the District Court;
- appeals; and
- bad debts and collection costs for any costs awarded.



The Board has taken a prudent approach to ensure that usual disciplinary costs are adequately recovered, while remaining aware that specific one-off cases can result in extraordinary costs. By their nature, these costs are difficult to budget as the Board has no control over the complaints and notifications we receive and must act first and foremost in the public interest when deciding to pursue these issues. The Board actively seeks recovery of any costs ordered as a result of a disciplinary conviction and the money recovered is factored in when determining the level of the levy.

Examination fees

It is proposed that the Tradesman examination fee is reduced to $330. The number of practitioners sitting this examination has increased which in turn means the examination fee can be reduced.

It is proposed that the Certifying examination fee is increased to $410. The move to on-demand certifying examinations, which are a mixture of multi choice and written questions, has a higher per exam cost than the tradesman examination and a higher per examination cost than the current method of delivering certifying exams which are only held twice a year.

Employer licence fee

It is proposed that the fees relating to employers' licence remain unchanged. This are currently charged on a cost recovery basis.

Trainee certificate

It is proposed that the trainee certificate fee remains at $65. The Board's assessment of the trainee certificate fee shows that the current fee of $65 is the cost for delivering this service.

Examination reconsideration fee

It is proposed that the examination reconsideration fee remains at $120. The Board's assessment of the examination reconsideration fee shows that the current fee of $120 is the cost for delivering this service.

Exemptions from the minimum standards of registration

It is proposed that the application fee for exemptions from the minimum standards moves to a full cost recovery model (ie how much it actually costs to deliver this service). This avoids cross subsidisation between applications.

Advanced proficiency assessments

It is proposed that the fees relating to advanced proficiency assessments remain unchanged. These fees. The assessment application fee is non-refundable and any unused portion of the assessment fee and material fee is refunded to the applicant.

Next steps after consultation and analysis – decision making and notification

Once all feedback has been received, the Board will consider that feedback and make final decisions. Decisions will be communicated to practitioners and any changes to fees and the levy will be Gazetted in accordance with the Act. If a further period of consultation is required to seek feedback on new proposals that arise out of this process, the Board will advise practitioners of the timing for this and provide the necessary information.

Consent to share non-personal information

Once decisions are made, the Board will upload a summary of the key themes from the feedback to its website. By providing us with your feedback, you consent to us publishing anonymised information from your submission on the Board's website unless you advise us otherwise. Please note the Board is subject to the Official Information Act 1982 and so your feedback may be the subject of a request under that Act.

Privacy Statement

The Privacy Act 2020 establishes principles for the collection, use and disclosure of information about individuals by various agencies, including the Board. Any personal information you supply in providing feedback will be used only for the purpose of:

• making decisions in relation to the fees and levy proposals in this document

• to inform our approach to any future consultations on fees and levies.

Ngā mihi

Thank you for your submission.

The Board appreciates the time you have taken to make your comments and can assure you that they will be carefully considered.

Have your say

The consultation period on the proposed fees runs from 22 September to 13 October 2023.

You can provide feedback by:

- Completing the online form at www.pgdb.co.nz/trade/consultation (preferred option)
- By sending an email to consultation@pgdb.co.nz
- Mailing your comments to: The Registrar

  Plumbers, Gasfitters, and Drainlayers Board

  PO Box 10655

  Wellington 6143

Include your contact details

Name, registration number (if applicable), organisation, email, phone