



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Minister for Building and Construction Minister of Housing
Title of briefing	Construction Sector Transformation Plan 2022-2025	Date to be published	11 – 15 August 2022

List of documents that have been proactively released

Date	Title	Author
June 2022	Construction Sector Transformation Plan 2022-2025 DEV-22-MIN-0147	Office of the Minister of Building and Construction and Office of the Minister of Housing
29 June 2022	Construction Sector Transformation Plan 2022-2025 DEV-22-MIN-0147 Minute	Cabinet Office

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reason of free and frank opinions.

In Confidence

Office of the Minister of Housing and Minister of Building and Construction
(DEV) Cabinet Economic Development Committee

Construction Sector Transformation Plan 2022-2025

Proposal

- 1 This paper is seeking Cabinet's endorsement of the Construction Sector Transformation Plan 2022-2025.

Executive Summary

- 2 The Construction Sector Accord (the Accord) is an industry-government partnership that is committed to transforming the construction sector. With the first Construction Sector Transformation Plan (the Transformation Plan) concluding on 30 June 2022, we must now build on the foundations that the Accord has laid down and accelerate momentum on the sector's transformational journey.
- 3 We have now developed the Construction Sector Transformation Plan 2022-2025 (the Transformation Plan 2025), the next iteration of the Accord work programme to commence from July 2022. This new plan will continue to tackle the sector's well-known challenges, with a greater focus on growing innovation, resilience, the Māori construction economy and sustainability.
- 4 The Transformation Plan 2025 will target four main focus areas – people, client leadership, environment and innovation - while also reserving some of the Accord's resources for responding to the emerging issues and opportunities of the day. The Accord's overall work programme will be enabled by utilising data and insights to provide feedback loops on sector transformation progress and creating and leading industry networks.
- 5 In total, the plan contains 36 initiatives. These initiatives have been specifically designed to achieve the Accord's mid-term goals and work towards the Accord's overall vision. Initiatives target a wide range of groups, including small and medium-sized enterprises (SMEs), current and future sector leaders, the existing workforce and potential new entrants, Māori businesses, and public and private clients.
- 6 Under the Transformation Plan 2025, the Accord is aiming to be more responsive and agile in the way it designs and delivers its initiatives. It will do so by testing and piloting initiatives, monitoring and assessing them, and making evidence-based decisions to drive transformation progress. Industry partners will be present throughout the governance, formation, implementation and analysis stages of the Accord work programme.

- 7 I am seeking Cabinet’s endorsement of the Transformation Plan 2025. If Cabinet endorses the plan, we will launch and publish it on the Accord’s website in July 2022 and start progressing the Transformation Plan 2025 programme. Free and frank opinions

Background

- 8 The construction sector is an important contributor to our economy, a major employer, and supplies the housing and infrastructure that New Zealanders need. Unfortunately, the sector is strained and has been underperforming for many years.
- 9 Some of the sector’s persistent challenges relate to low productivity, labour and skills shortages, poor health and safety performance, low business resilience, boom-bust cycles, poor procurement and risk management practices, high environmental impact, low trust and confidence in the sector, and a lack of sector leadership. Covid-19 also exacerbated pre-pandemic pressure points across the sector.
- 10 Launched in 2019, the Construction Sector Accord (the Accord) is an industry-government partnership that is committed to transforming the construction sector. The Accord was established to respond to long-standing systemic challenges to create a high performing construction sector for a better New Zealand.
- 11 The Accord released the Construction Sector Transformation Plan (the Transformation Plan) in January 2020. The Transformation Plan is a three-year action plan for change focussed on lifting the performance of the sector. The Transformation Plan concludes on 30 June 2022.
- 12 We have now developed the Construction Sector Transformation Plan 2022-2025 (Transformation Plan 2025), the next iteration of the Accord work programme to commence from July 2022. The Transformation Plan 2025 will continue tackling the sector’s systemic challenges whilst building resilience across the industry.

We need to build on the Accord’s existing achievements, partnership and goodwill with industry

Key achievements from the first Transformation Plan

- 13 The Accord has made excellent progress against its first Transformation Plan. By the conclusion of the Transformation Plan at the end of June 2022, the Accord would have delivered 28 out of its 30 milestones. The two remaining milestones have in-train initiatives that will be delivered post-June.

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- 14 The fact that the Accord has reached the majority of its milestones is a great achievement, especially considering the ongoing disruptions caused by Covid-19. Despite construction being a highly fragmented sector, the Accord was able to bring disparate parties together to work on a sector-wide Covid-19 response.
- 15 Compared to other industries, the construction sector has fared relatively well during the pandemic. I consider the construction sector was better prepared to respond to Covid-19 disruptions in large part because the Accord provided a trusted forum for industry and government to communicate with one another, alert early headwinds, co-ordinate efforts and partner in implementing solutions.
- 16 There have been many achievements from the first Transformation Plan. I have previously tabled papers at Cabinet [DEV-21-MIN-0084 and DEV-22-MIN-0082] which outlined in detail the progress the Accord made in 2020 and 2021. Nonetheless, I would like to highlight some of the Accord's most significant achievements. Over the past two and a half years, the Accord has done the following:
 - 16.1 Supported the wellbeing, health and safety of the workforce by funding MATES in Construction to expand its mental health support programmes to reach more sites and by developing the Tōtika Health and Safety Pre-Qualification Scheme with Construction Health and Safety New Zealand (CHASNZ).
 - 16.2 Improved procurement practices with publication of several guidelines, including how to help construction and infrastructure projects get to the start line faster and how to implement broader outcomes in construction procurement.
 - 16.3 Worked with Te Waihanga New Zealand Infrastructure Commission to support the review of the NZS3910 construction contract, an industry standard contract commonly used for major projects. Also worked with Engineering New Zealand to establish an 'Engineer to the Contract' panel to help moderate the interests of the contractor and the principal in building and construction contracts.
 - 16.4 Targeted small business capability development by funding the development of the BizRate Specialist Trades Benchmarking tool and worked with the Digital Boost programme to support greater digital capability for construction businesses.
 - 16.5 Launched the Accord Network and the Resource Hub, ran a webinar series on achieving high performance in construction, and published nine Beacons case studies to shine a light on innovative approaches across the sector.
 - 16.6 Drove the sector's environmental response with the publication of the Construction Sector Environment Roadmap for Action, as well as publishing procurement guidance on reducing carbon emissions in building and construction.

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- 16.7 Strengthened employment and education pathways through the Infrastructure Skills Centre pilots with industry in Canterbury and Manawatū, as well as supporting the creation of the Construction and Infrastructure Centre of Vocational Excellence (ConCOVE) and Waihanga Ara Rau Workforce Development Council.
- 16.8 Delivered a Covid-19 Roadmap to enable a co-ordinated sector-wide response to support businesses and workers during the pandemic. This included construction sector vaccination risk assessment protocols, guidelines on Covid-19 construction risk management, and health and safety protocols for worksites and workplaces. From August 2021 to March 2022, the Accord also managed MIQ construction group allocations to support the delivery of critical infrastructure projects.
- 17 The Transformation Plan delivered targeted initiatives to help address the sector's long-standing challenges. Early evaluation indicates that the Accord's achievements have directly contributed to positive culture shifts in the construction sector.
- 18 These culture shifts includes improved relationships and collaboration between government and industry, better procurement practices across government agencies, and greater awareness of the importance of addressing mental health, diversity and climate change.
- 19 However, the Accord was able to achieve transformation in some areas more than others. Different Transformation Plan workstreams faced different challenges and the outcomes sought for each workstream were not equal. Some workstreams were able to establish themselves quickly because significant work had already been done in those areas prior to the Accord's establishment whilst other workstreams were starting from lower bases.
- 20 There is still much work to do to realise the Accord's vision and goals. With the Transformation Plan concluding, we must now build on the foundations that the Accord has laid down and accelerate momentum on the sector's transformational journey. The Accord is now in a position to help the sector take bolder steps forward and make progress in areas which were less developed during the first plan.

The Transformation Plan 2025

Development of the Transformation Plan 2025

- 21 We have developed the Transformation Plan 2025, the next iteration of the Accord programme. As part of the plan development process, officials undertook a robust consultation and co-design process that sought industry and government input into the future of the Accord. This included several months of intensive engagement with sector stakeholder groups to understand their biggest concerns and views on the Accord.

- 22 These stakeholder groups provided advice throughout the plan development process and included small and medium-sized enterprises (SMEs), contractors, government agencies, innovators, and Māori sector leaders. The Accord also conferred with its fellow industry transformation plans (ITPs) to identify cross-portfolio connections and opportunities to collaborate.¹
- 23 The draft plan was continuously tested by key Accord groups, including the Accord Steering Group, Transformation Delivery Group, Accord Forum, Accord Agencies Chief Executives Group and the Accord Agencies Working Group.
- 24 In addition to the consultation and co-design process, the Accord undertook research on industry transformation policies overseas to understand how other jurisdictions are addressing challenges in their construction sectors. International research indicates that New Zealand's construction issues are not unique, and countries are trying to learn from one another on how to address the sector's global challenges.
- 25 The aim for the Transformation Plan 2025 is to accelerate sector transformation over the next three years. The plan development process re-affirmed my view that the Accord was already focussing on many of the right areas of work that will help lead the sector towards transformation. Many aspects of the first Transformation Plan have been taken forward and built upon in the Transformation Plan 2025.
- 26 However, a number of new priority areas have been identified in response to emerging headwinds and sector consultation. These new priority areas have been integrated into the Transformation Plan 2025 and include:
- 26.1 retaining capacity to respond to emerging issues of the day affecting the whole sector (e.g. Covid-19, supply chain disruption and worsening labour shortages)
 - 26.2 innovation, digitisation and advanced construction methods and products to increase sector productivity and resilience
 - 26.3 Māori eco-system development, including developing SME capability, procurement equity and leadership development, and
 - 26.4 greater use of data and insights, including early signals of crisis, system performance indicators, and sectoral trends, to inform emerging issues response and enable better decision-making overall.
- 27 As a result of lessons from the plan development process, we have updated the Accord's structure. This includes changes to the Accord's vision, principles, mid-term goals and focus areas.
- 28 This new structure will inform the types of initiatives the Accord will undertake and how industry and government will work together to design and deliver initiatives. This new structure also reflects that the Accord will take a more focussed path to ensure it makes more tangible gains over the next three years.

¹ The Accord is one of eight ITPs established to transform key industries.

Transformation Plan 2025 content and structure

29 The full Transformation Plan 2025 is attached in **Appendix One** and a summarised plan-on-a-page is attached in **Appendix Two**. The key elements of the Transformation Plan 2025 are as follows:

Vision	A thriving, fair and sustainable construction sector for a better Aotearoa New Zealand.
Mid-term Goals	<ol style="list-style-type: none"> 1. Increased capabilities of leaders to drive change 2. More skilled and diverse workforce that is future ready 3. More thriving people and organisations 4. Greater Māori construction economy success 5. Reduced waste and embodied and operational carbon 6. Increased productivity through innovation, technology, and an enabling regulatory environment
Focus areas, priorities and enablers	<p>The plan is targeting four main focus areas and seven underlying priorities:</p> <p>A. People</p> <ol style="list-style-type: none"> 1. <i>Leadership for change</i>: To build the capabilities and capacities of large and small to medium enterprise leaders to lead business improvement and change. 2. <i>Workforce development</i>: To support the development, attraction, and retention of the workforce of tomorrow. 3. <i>Strong Māori construction economy</i>: To authentically partner recognising the important relationship with Māori in Aotearoa. 4. <i>Wellbeing, health and safety for all people</i>: To enable thriving people at all levels, and continued focus on a zero-harm and fatality-free sector <p>B. Client leadership</p> <ol style="list-style-type: none"> 5. <i>Procurement and contracting</i>: To drive better outcomes through improved planning, procurement and delivery practices achieved through increased collaborative behaviours. <p>C. Environment</p> <ol style="list-style-type: none"> 6. <i>Environment and climate action</i>: To accelerate the adoption of carbon and waste minimising materials and practices. <p>D. Innovation</p> <ol style="list-style-type: none"> 7. <i>Innovation ecosystem</i>: To accelerate innovation ranging from incremental business performance improvement to disruption and value creation. <p>The plan also reserves some of the Accord’s resources for responding to the emerging issues and opportunities of the day. The Accord’s overall work programme will be enabled by utilising data and insights and creating and leading industry networks.</p>

- 30 Underneath each focus area and priority lie initiatives. These initiatives have been specifically designed to achieve the mid-term goals and work towards the Accord's overall vision. Importantly, the industry's partnering role will be critical to making progress against these initiatives. The plan contains 36 initiatives, including the following key initiatives:
- 30.1 **Building Leaders Advisory Service:** This one-to-one advisory service will support leaders of small and medium enterprises (SMEs) by providing training to help prepare them for the disruption our industry faces now and in the future, such as increasing resilience, adopting technology, and reducing emissions and waste. This will allow SMEs to transition to more sustainable, innovative and resilient business models.
 - 30.2 **Construction Skills Strategy Action Plan development:** To successfully implement the newly developed strategy, government and industry must deliver a range of actions. These actions will ensure that the workforce is developing the skills that the industry needs now and in the future.
 - 30.3 **Construction Diversity Roadmap implementation:** The sector needs to find new ways of recruiting and retaining a diverse workforce, including more women, Māori, Pasifika and people with disabilities. The Accord will continue to partner with Diversity Works NZ to implement the Construction Diversity Roadmap to drive this culture shift within the industry.
 - 30.4 **Māori end-to-end supply chains:** There is an opportunity for Māori to have greater ownership in the building supply chain – from access to raw materials (particularly timber), to processing, manufacturing and construction. The Accord will work with the Forestry and Wood Processing ITP and other partners to help Māori businesses, organisations and iwi collaborate and gain greater ownership across the supply chain.
 - 30.5 **Construction Health, Safety and Wellbeing Strategy:** Despite the importance of health, safety and wellbeing in construction, the sector lacks a cohesive vision for how to tackle high rates of serious injuries, deaths, suicides and poor rates of mental health. In partnership with CHASNZ, ACC, Worksafe and Mates in Construction, the Accord will support the delivery of a health, safety and wellbeing strategy for the industry.
 - 30.6 **Public procurement planning and phasing:** The lack of a clear pipeline of work is halting investment in innovation and broader outcomes, making it harder for businesses to plan work, grow their capacity and exacerbating the sector's boom-bust cycles. The Accord will coordinate discussions with public sector clients to improve visibility of their infrastructure pipelines and look at ways to phase government projects and ensure a steady demand for work, which should increase the sector's confidence about the future.

- 30.7 **Carbon and waste measurement tools:** Businesses need to easily assess their emissions and waste outputs to reduce their environmental impact. As part of the framework for reducing embodied and operational emissions, the Building for Climate Change Programme is developing a national database for building and construction emissions data, underpinned by assessment methodologies emissions calculation tools, a data repository and appropriate guidance and education. The Accord will support the development of this technical infrastructure, to ensure that it's designed in a way that is meaningful and easy for the sector to use, and will help construction businesses of all sizes to access carbon and waste tools and information, so they can understand and address their impact.
- 30.8 **Innovation Accelerator and Piloting:** The Accord can bring together industry, academia and government to work on innovation projects that could be transformational for the sector. The Accord will create a platform for cross-sector collaboration to find solutions to our biggest challenges, including via digitisation, business improvement and environment.

31 Based on insights gathered from the extensive plan development process, I am confident that the Transformation Plan 2025 and the delivery of its initiatives will help build greater resilience across the sector and make significant progress towards achieving the Accord's mid-term goals and vision.

The Transformation Plan 2025 will help deliver on both the industry's and the Government's priorities

32 As a joint industry-government partnership, it is important that the Accord gives fair consideration to both the industry's and the Government's priorities. The Accord's work contributes to broad range of government and industry priorities, including:

- 32.1 growing productivity and prosperity
- 32.2 building new homes and infrastructure
- 32.3 environmental sustainability and transitioning to a carbon neutral economy (including via the Emissions Reduction Plan and National Adaptation Plan)
- 32.4 supporting healthier and safer workers and communities
- 32.5 growing and retaining a skilled and diverse workforce increasing business resilience and avoiding boom-bust cycles
- 32.6 improving the sector's reputation
- 32.7 responding to and recovering from the Covid-19 pandemic

33 As part of the Transformation Plan 2025, the Accord will work closely with industry partners and government agencies whose work intersects with or relates to the Accord's vision and mid-term goals. This ensures that we leverage the Accord's work and do not duplicate or undermine others' efforts.

- 34 The Transformation Plan 2025 has identified a wide range of related work programmes that it intersects with. Alongside private and non-government sector projects, the Accord has also identified links to major government programmes, including the building consent system review, the Immigration Rebalance, Building for Climate Change Programme and the Three Waters reforms.
- 35 There are also several cross-cutting areas of interest with other ITPs that the Accord will leverage through the Transformation Plan 2025. The Accord will work closely with other ITPs on a number of initiatives. In particular, the Accord will work with the Forestry and Wood, Advanced Manufacturing and Digital ITPs on initiatives related to innovation and the Māori construction economy.

We are developing a measurement framework to ensure the Transformation Plan 2025 is achieving its objectives

- 36 The joint industry-government partnership approach requires the Accord to work closely with industry and key sector stakeholders in designing, delivering, monitoring, and assessing initiatives across each Transformation Plan 2025 priority. The Accord's actions to achieve these priorities will range from:
- 36.1 Accelerating: Identify, illuminate, connect, resource and/or support the innovators and disruptors
 - 36.2 Creating: Convene people around initiatives to remove barriers or to fill gaps that support people and organisations to adapt
 - 36.3 Sharing: Collate quantitative and qualitative data, create insights and stories then share out across the system in a relevant manner
 - 36.4 Influencing: Use partnerships and relationships to influence regulatory and structural change. Use influence to lift the bar on behaviours of all types of actors in the system
 - 36.5 Funding: Use budget allocation to fund innovators and delivery partners
 - 36.6 Integrating: Connect existing work underway by others in the sector
- 37 A developmental evaluation approach will be applied to assess change over time whereby a range of measures will be reviewed to understand the plan's progress. Progress will be monitored and evaluated at both a programme level and an individual initiative level.
- 38 The Transformation Plan 2025's mid-term goals will form the measurement framework that will give greater confidence and evidenced-based direction to the Accord's activities. The measurement framework will allow the Accord to continuously monitor initiatives to assess and improve the effectiveness of the Accord's actions. Example measures for each goal are as follows:

Mid-term goals	Measures
1. Increased capabilities of leaders to drive change	<ul style="list-style-type: none"> • Confidence in construction market • Leader wellbeing • Pipeline visibility (public and private)
2. More skilled and diverse workforce that is future ready	<ul style="list-style-type: none"> • Workforce participation • Workforce participation by occupation • Workforce diversity, equity and inclusion
3. More thriving people and organisations	<ul style="list-style-type: none"> • Procurement and contracting benchmarks • Business performance benchmarks • Project performance • Insolvencies • Sector injuries • Workforce wellbeing • Sector employment reputation
4. Greater Māori construction economy success	<ul style="list-style-type: none"> • Māori business numbers and sizes • Māori business performance benchmarks • Māori workforce numbers by job level
5. Reduced waste and embodied and operational carbon	<ul style="list-style-type: none"> • Embodied carbon • Operational carbon • Construction and demolition waste
6. Increased productivity through innovation, technology, and an enabling regulatory environment	<ul style="list-style-type: none"> • Productivity • Business improvement practices adopted • Business improvement role numbers

Co-governance of the Transformation Plan 2025

- 39 The current industry-government co-governance model has been effective in steering the Accord. To best support Transformation Plan 2025 delivery, we have matured the co-governance model by reducing its size and reaching out further into the sector to ensure it is better represented by the Accord.
- 40 Under the updated co-governance model, the role of Accord Ministers² will remain the same. The Accord Ministers are responsible for exemplifying and promoting the Accord’s vision within their portfolio agencies. Alongside agency engagement with the Accord, the Accord Ministers deliver on the Government’s role in driving the Accord’s culture of collective responsibility for transforming the construction sector.

² The Group includes Ministers who are signatories to the Accord and hold portfolios that interact with the construction and infrastructure sectors, either as regulators or major procurers. The Accord Ministers Group includes the Ministers for/of Building and Construction, Housing, Economic and Regional Development, Education, Finance, Infrastructure, Health, Local Government, Workplace Relations and Safety, and Transport.

- 41 A smaller Accord Steering Group (ASG) will continue to oversee the Accord programme. The ASG is made up of leaders from across industry and government and is responsible for the delivery of the Transformation Plan 2025 and for leading culture change across the sector. The ASG is co-chaired by one government representative and one industry representative.
- 42 The Accord Transformation Unit (ATU) remains the programme management office that manages the Accord work programme. Although the ATU sits within MBIE, it will work closely with industry partners and agencies to design and deliver initiatives. At times, the ATU may seek to second people, either directly from industry or from other agencies, to work on the Accord work programme directly.
- 43 To better represent and embed transformation across the sector, the Accord will broaden its reach and bring in new industry voices through sector advisory groups. New advisory groups will provide views from Māori construction leaders as well as the residential, commercial and infrastructure sub-sectors. The Accord will also build new and grow existing networks, including the Accord Forum and Accord Network, to cultivate a strong learning and lesson sharing culture within the sector.
- 44 The sector advisory groups and networks will help strengthen the Accord's industry government partnership approach. They will be called upon at regular intervals to help the Accord stay connected with the industry and they will be asked to provide input into Accord work programme.

Funding for the Accord work programme

- 45 Budget 2022 has allocated \$37.485 million to fund the Accord programme for the next three years (until June 2025). This funding will cover the delivery of Transformation Plan 2025 initiatives and the maintenance of the ATU programme management office. A more detailed funding breakdown will become available once the Accord undertakes scoping and planning work of the initiatives.

Next steps

- 46 If Cabinet endorses the Transformation Plan 2025, it will be published on the Accord's website in July 2022. I will also hold an event with industry partners to officially launch the plan.
- 47 With Cabinet's endorsement, the Accord will design and deliver the Transformation Plan 2025's initiatives over the next three years. The Accord will report back on its 2022 progress in early 2023.

- 48 Free and frank opinions

Financial Implications

49 There are no financial implications associated with this paper.

Legislative Implications

50 There are no legislative implications associated with this paper.

Regulatory Impact Statement

51 There are no regulatory implications associated with this paper.

Climate Implications of Policy Assessment

52 This paper does not require a Climate Implications of Policy Assessment (CIPA).

Population Implications

53 There are no population implications associated with this paper.

Human Rights

54 There are no implications under the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

55 The Ministry of Business, Innovation and Employment, Ministry of Housing and Urban Development, WorkSafe, Ministry of Education, Waka Kotahi New Zealand Transport Agency, Kāinga Ora, Ministry of Health, Te Waihanga New Zealand Infrastructure Commission, New Zealand Defence Force, Department of Corrections, Ministry of Primary Industries, the Treasury and Ministry of Justice were consulted on this paper.

Communications

56 If Cabinet endorses the Transformation Plan 2025, it will be published on the Accord's website in July 2022. I will also hold an event with industry partners to officially launch the plan.

Proactive Release

57 I propose to proactively release this paper, subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

The Minister for Building and Construction and the Minister of Housing recommend that the Committee:

- 1 **endorse** the Construction Sector Transformation Plan 2022-2025
- 2 **agree** the Accord will report back on its 2022 progress in early 2023.

Authorised for lodgement

Hon Dr Megan Woods
Minister of Housing and Minister for Building and Construction

Appendices:

- **Appendix One:** Construction Sector Transformation Plan 2022-2025
- **Appendix Two:** A summarised plan-on-a-page