



## COVERSHEET

<b>Minister</b>	Hon Dr Megan Woods	<b>Portfolio</b>	Building and Construction
<b>Title of Cabinet paper</b>	Funding the New Zealand Claims Resolution Service and the Building for Climate Change Programme	<b>Date to be published</b>	8 August 2023

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
August 2023	Funding the New Zealand Claims Resolution Service and the Building for Climate Change Programme	Office of the Minister for Building and Construction
3 August 2023	Funding the New Zealand Claims Resolution Service and the Building for Climate Change Programme  DEV-23-MIN-0119 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 reasons of Legal professional privilege and Confidential advice to Government.

## **In Confidence**

Office of the Minister for Building and Construction  
Cabinet Economic Development Committee

## **Funding the New Zealand Claims Resolution Service and the Building for Climate Change Programme**

### **Proposal**

- 1 This paper seeks Cabinet's approval of changes to appropriations so that New Zealanders impacted by the recent North Island Weather Events can access support through the New Zealand Claims Resolution Service (NZCRS), and the Government can continue to progress work to remove barriers to climate-resilient, low-emissions buildings through the Building for Climate Change programme.
- 2 I am seeking to reprioritise a forecast underspend from Weathertight Services to the NZCRS and Building for Climate Change through an in-principle expense transfer and two fiscally neutral adjustments to be confirmed through the October Baseline Update.

### **Relation to government priorities**

- 3 The Government is committed to supporting individuals and communities affected by the North Island Weather Events to repair and rebuild, and ensuring New Zealanders are protected from increasingly severe and unpredictable weather events. The Government is also taking action on climate change and is progressing key initiatives under the National Adaptation Plan and Emissions Reduction Plan to support New Zealand's transition to a climate-resilient, low-emissions future.

### **Executive Summary**

- 4 The North Island Weather Events have highlighted the importance of ensuring services are in place to support New Zealanders affected by increasingly severe and unpredictable weather events and supporting people and communities to build climate-resilient, low-emissions buildings.
- 5 The Weathertight Services appropriation in Vote Building and Construction is currently forecast to underspend by \$2.700 million for the 2022/23 financial year.
- 6 I am proposing to reprioritise \$2.300 million of the forecast underspend from Weathertight Services to address the funding needs of the New Zealand Claim Resolution Service (NZCRS) in 2023/24 and the Building for Climate Change programme in 2023/24 and 2024/25.

- 7 NZCRS launched in February 2023 as a nationwide service to support New Zealanders find a solution to their residential insurance claims arising from natural disasters. Budget 2023 included baseline funding of \$6.465 million for 2023/24 and outyears to support the nationalisation of the service. Any additional need for services, resulting from large scale natural disasters, is beyond the level that the baseline could support, and additional funding requests will need to be made in these circumstances. Modelling by NZCRS predicts significant demand resulting from the North Island Weather Events, requiring funding beyond baseline levels to ensure those who need it can access the Service and prevent deterioration of service levels for existing claims.
- 8 The Building for Climate Change programme was launched mid-2020 to reduce the building and construction sector's emissions and support the construction of more climate resilient buildings. It is funded through a combination of time-limited Crown appropriation, which concludes at the end of the 2022/23 financial year, and the Building Levy. A proportion of Building for Climate Change's Crown funding for 2020/21 to 2022/23 has been met through reallocation from a previous Weathertight Services underspend. Some Building for Climate Change work cannot be funded by the Building Levy, including analysis of non-regulatory barriers to the construction and use of climate-resilient, low-emissions buildings, design of interventions to overcome these barriers, and provision of information to communities on how to prepare for and avoid the impacts of climate hazards, and reduce emissions.
- 9 I propose to reprioritise the forecast underspend through an in-principle expense transfer (IPET) of \$2.300 million from 2022/23 to 2023/24 and 2024/25, and two fiscally neutral adjustments (FNA) of \$1.300 million to the NZCRS appropriation and \$1.000 million to the Building for Climate Change appropriation. Formal agreement for these FNAs will be sought through the October Baseline Update process.
- 10 The transfer of \$1.300 million of the forecast underspend would supplement baseline funding for the NZCRS for the 2023/24 financial year. Reprioritisation will allow the NZCRS to provide surge levels of case management services (\$0.850 million) and to provide information and education to promote its services to those affected by the North Island Weather Events (\$0.450 million) who may not be aware of the newly nationalised service<sup>1</sup>. The services provided by NZCRS support homeowners' wellbeing at a difficult time, encourage early resolution of claims and reduce disputes.
- 11 The transfer of \$1.000 million of the forecast underspend would supplement Building Levy funding for Building for Climate Change by \$0.557 million in 2023/24 and \$0.443 million in 2024/25. This would extend funding for two existing fixed term roles in Building for Climate Change, which are currently funded until June 2023, and research to understand consumer and sector

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<sup>1</sup> The NZCRS's baseline budget includes provision for a very low spend on information, education or marketing activity. This higher level of activity is now needed because of the North Island Weather Events and the newly nationalised status of the service.

behaviours related to climate change. This is critical to reaching a better understanding of how to support people and communities to build with climate resilience and low emissions in mind. A further in-principle expense transfer has been approved through the March Baseline Update to transfer underspend from 2022/23 into 2023/24 to support climate change initiatives which were delayed in 2022/23.

## Background

- 12 Cabinet approval is required for the proposed reprioritisation due to the combination of a fiscally neutral adjustment and in-principal expense required to transfer the underspend from Weathertight Services to NZCRS and Building for Climate Change.
- 13 NZCRS provides homeowners with support to resolve residential insurance claims resulting from all natural hazards at no cost to the homeowner. It is an evolution of the Greater Christchurch Claims Resolution Service (GCCRS) and the Residential Advisory Service established in response to the Canterbury Earthquake Sequence, which supported more than 10,000 homeowners with a 90 percent satisfaction rate. The NZCRS launch was fast tracked to 20 February 2023 so that the service is available to homeowners affected by the North Island Weather Events.
- 14 The Building for Climate Change programme supports the reduction of building-related emissions and the construction of more climate resilient buildings. The programme is responsible for delivering the building and construction sector's contributions to the National Adaptation Plan and the Emissions Reduction Plan and will play a key role in New Zealand's goal of reaching net zero carbon emissions by the year 2050.
- 15 The Weathertight Services appropriation funds services for owners of leaky homes who have brought a claim under the Weathertight Homes Resolution Services Act 2006 (the WHRS Act), including information and guidance for claimants and administration of the Financial Assistance Package for eligible claimants repairing their leaky homes.
- 16 The appropriation is forecasted to underspend by \$2.700 million due to the declining number of open claims. The WHRS Act includes a sunset clause meaning no new claims have been able to be lodged since 31 December 2021. Weathertight Services funding not required for future years was returned to the Crown as part of the Budget 2023 Savings Initiatives. \$6.212 million will be returned over the next 3 years starting from 2023/24.

## Related funding decisions


### New Zealand Claims Resolution Service

- 17 On 31 January 2023 Cabinet agreed to an early confirmation of the Budget 2023 initiative and funding to support the fast-tracked launch of the NZCRS. Cabinet also authorised the Minister of Finance and Minister of Commerce

and Consumer Affairs to have power to finalise the financial recommendations required to implement this policy decision [CAB-23-MIN-0010 refers].

- 18 Cabinet noted that if demand for NZCRS support during the current Budget year is significant, additional funding would be required for the NZCRS to scale-up resources and support services to meet demand above its baseline level [CAB-23-MIN-0010 refers]. The service anticipated a level of demand from nationalising. However, the unprecedented scale and geographic spread of the North Island Weather Events means that demand is forecast to exceed the levels that baseline funding could support.
- 19 On 10 February 2023 the Minister of Commerce and Consumer Affairs and the Minister of Finance jointly agreed baseline funding for NZCRS of \$6.465 million in the 2023/24 financial year and outyears [briefing T2023/115 refers].
- 20 The NZCRS submitted an initiative to the North Island Weather Events Related Costs package. The bid sought an increase of \$1.283 million in opex in 2022/23 and \$4.808 million in opex in 2023/24 to fund surge capacity for the NZCRS. The initiative was deferred with consideration to be given at a future date. Acknowledgement was given that the case to support surge funding was robust.
- 21 NZCRS has since sought efficiencies, including by collaborating with the Temporary Accommodation Service and delaying and scaling down recruitment, information, education and marketing. Consequently, the reprioritisation amount is significantly lower and will result in some reduction in service delivery to impacted whānau.

### Building for Climate Change

- 22 Building for Climate Change comprises a small policy team plus technical experts delivering on a range of actions to support the building-related climate resilience and emissions reduction. It is funded through a combination of time-limited Crown appropriation, which concludes at the end of the 2022/23 financial year, and the Building Levy. In previous financial years since its launch in 2020, Building for Climate Change has received a proportion of Crown funding through reallocation of Weathertight Services underspends which have been time-limited.
- 23 Under the Building Act 2004, the Building Levy can be used for work that supports the chief executive's functions under the Act. Legal professional privilege  

- 24 In September 2022, Cabinet agreed to amend the Building Act to clarify that the Act's purposes and principles include emissions reduction and climate resilience [CAB-22-MIN-0390 refers]. As a result, consequential changes will be made to align the chief executive's functions with the new purposes,

principles, and functions of the Act and this could support greater use of building levy funding for future Building for Climate Change work once the changes come into effect. I intend to introduce the Building (Climate Change Response) Amendment Bill before the House rises this year.

### **Weathertight Services**

- 25 As part of the Budget 2023 Savings Initiatives, Weathertight Services funding not required for future years was returned to the Crown. From 2023/24, \$6.212 million will be returned over the next three years.

### **Proposal to reprioritise funding to support homeowners with insurance claims after natural disasters**

- 26 The NZCRS provides homeowners with advice, case management and, where appropriate, access to legal, engineering, wellbeing and dispute resolution support for their residential insurance or Toka Tū Ake EQC claims resulting from a natural disaster. The service leans heavily on the lessons learned from the Canterbury Earthquake Sequence and the importance of early intervention and support to reduce disputes and minimise impacts on the wellbeing of homeowners.
- 27 The frequency and severity of natural disasters is increasing. Demand for the NZCRS, and therefore the funding required to deliver its services, is driven by the scale and geographic location of natural disasters, as well as the levels of existing resource in place to respond to need. At the establishment of the NZCRS in February 2023, Cabinet noted that if demand for NZCRS is significant, additional funding would be required [CAB-23-MIN-0010 refers]. The North Island Weather Events response cannot be wholly met through existing baseline funding because of both the scale and the geographical spread of the events.
- 28 The NZCRS has carried out demand modelling for its response to the North Island Weather Events. Confidential advice to Government [REDACTED] NZCRS needs to ensure these homeowners are aware of the service and that additional staff are in place to meet the resulting demand as insurers present settlements to homeowners. In particular:
- 28.1 awareness of the NZCRS as a new national service is limited outside of the Canterbury region and marketing is required to raise the profile of the service with homeowners.
- 28.2 modelling of case levels indicates that five additional case managers will also be required to meet the additional demand generated from the North Island Weather Events.
- 29 Without agreement to this reprioritisation, the impacts to homeowners will include:

- 29.1 a reduced level of service delivery to Canterbury Earthquake Sequence-affected homeowners
- 29.2 a lack of awareness about the service for homeowners resulting in lower use of it by them
- 29.3 a likely higher volume of disputes that take longer to resolve. Insurance advocates are likely to emerge in the market, and experience in the Canterbury Earthquake Sequence was that involvement of these advocates resulted in poorer quality outcomes for homeowners.

### **Proposal to reprioritise funding to support climate resilient, low emissions building**

- 30 The proposed reprioritisation of \$1 million (\$0.557m in 2023/24 and \$0.443m in 2024/25) from Weathertight Services would extend funding for two existing fixed term roles in Building for Climate Change, which are currently funded until June 2023, and research to understand consumer and building and construction sector behaviours related to climate change.
- 31 With this funding, Building for Climate Change could deliver work that cannot be funded by the Building Levy. This includes analysis of non-regulatory barriers to the construction and use of climate resilient, low emissions buildings, design of interventions to overcome these barriers, and provision of information to communities on how to prepare for and avoid the impacts of climate hazards, and reduce emissions.
- 32 Available evidence indicates that up-front costs and sector capability are likely to be significant barriers for consumers and the sector. A lack of information and available skills in climate resilient, low emissions building approaches are likely to be exacerbating these challenges. However, we do not yet have the complete picture of what specific barriers exist for different groups, and what the most effective non-regulatory interventions to address them might be.
- 33 Targeted actions to address these barriers will grow demand for and knowledge about climate resilient, low emissions buildings. This will help give businesses confidence to invest in new materials and processes and to upskill, which would help increase supply and availability of climate resilient, low emissions building practices. This could drive down costs, address some of the up-front barriers to wider uptake, and enable a smoother transition to potential future regulatory requirements. The building and construction sector requires significant support to prepare for change – this was an important lesson from the 2021 update to Building Code insulation requirements, where strong sector feedback resulted in an extension to the transition period to new requirements.
- 34 This would support the delivery of initiatives under the National Adaptation Plan, including to investigate potential incentives and develop guidance to help building owners to increase their building's resilience. The relevant actions include: