

# Briefing for the incoming Minister for Building and Construction

November 2023



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## 1. Welcome to the Building and Construction portfolio

1. As the incoming Minister for Building and Construction, you have indicated several priorities focused on New Zealand's building regulatory system. We have set out our understanding of these below:
  - an overview of your key priorities relating to the Building and Construction portfolio (Table 1)
  - key Government priorities in other areas which support building and construction and housing outcomes, and where the Building and Construction portfolio plays a key role (Table 2)
2. We would value an early opportunity to discuss their relative priority with you and to support you to develop a portfolio work programme.

**Table 1: Priorities (including 100-day action) within Building and Construction portfolio**

Area	Commitment
<b>Lower building materials costs</b>	Introduce legislation mandating approval of building materials and product systems meeting international standards equivalent to New Zealand's (100-day commitment)
	Appoint a small group of experienced practitioners and technical advisers to review materials and product systems
	Make the promotion of competition a building regulatory system goal
<b>Streamline building consents</b>	Widen the National Multi-Use Approval process for new product solutions and building methods to allow approvals by other accredited agencies such as CodeMark or BRANZ
	Investigate options to reduce potential council liability for building performance
	Make construction more efficient by requiring councils to accept video and photo evidence of work done
	Define 'minor variation' in the Building Act to avoid consents for negligible product or design changes
	Streamline Code Compliance Certificates by requiring them to be issued within five working days after a building passes final inspection
	Transfer the processing of Category 3 building consents (buildings over 10 metres) to dedicated consenting teams
	Work with the industry to allow plumbers, gasfitters and drainlayers to self-certify
	Explore allowing home builders to opt out of needing a building consent provided they have long-term insurance for the building work (National/ ACT coalition agreement)
Amend the Building Act and the Resource Consent system to make it easier to build granny flats or other small structures up to 60sqm requiring only an engineer's report (National/ New Zealand First coalition agreement)	

## BRIEFING FOR INCOMING MINISTER FOR BUILDING AND CONSTRUCTION

<b>Innovation to drive better building outcomes</b>	Support BRANZ to work more collaboratively with the building and construction sector focusing on research and testing of materials, product systems and technologies to deliver better outcomes for consumers.
	Encourage building standards to reduce environmental impact and greenhouse gas emissions

**Table 2: Priorities in other portfolios where the Building and Construction portfolio plays a key role**

Area	Commitment
<b>Housing</b>	Use National Policy Statements and National Environmental Standards to simplify the resource consenting process for councils
	Councils in major towns and cities will be required to zone land for 30 years' worth of housing demand. Councils will have more flexibility to opt-out of the Medium Density Residential law
	\$1 billion 'Build-for-Growth' fund for housing incentive payments to Councils, by stopping programmes like KiwiBuild
<b>Workforce/immigration</b>	Resolve worker shortages by continuing to support apprenticeships and allow skilled migrant workers into New Zealand
	Support mental health in building and construction
<b>Workplace Health and Safety</b>	Review scaffolding rules

3. The purpose of this briefing is to:
  - provide background information about the Building and Construction portfolio
  - provide initial advice on the strategic issues facing the New Zealand building and construction sector
  - support you to implement your priorities for the portfolio, and
  - identify key areas within your portfolio where policy settings could be improved, to lift performance and optimise their effect on sector outcomes (these could be considered for inclusion in the work programme alongside your priorities).
4. Further briefings will be provided to you as needed, focusing on specific topics in greater depth.

## 2. Portfolio overview

### Purpose of this section

5. This section sets the scene for the Building and Construction portfolio by outlining your responsibilities, key legislation that this portfolio is responsible for and the associated appropriations and MBIE staffing arrangements.
6. This is supplemented by section 4 of this briefing which provides a detailed breakdown of the legislation, entities and appropriations that sit within these systems (further information in Annexes 1, 2 and 3).

### Responsibilities

7. Portfolio responsibilities related to the building and construction sector include:
  - setting the direction for, and design of, the building regulatory system for building regulators to implement
  - indirectly setting the performance requirements for buildings and building products
  - overseeing the administration of the appropriations within Vote Building and Construction
  - making appointments to several statutory boards, and
  - overseeing the Construction Sector Accord (section 4 provides more information on the Accord).

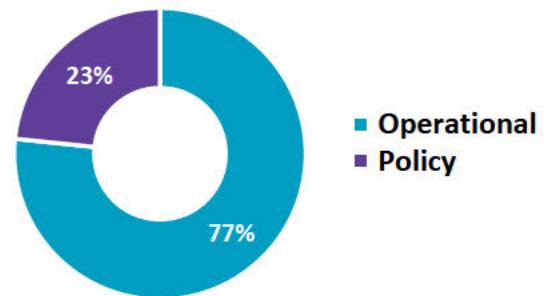
### Departmental arrangements<sup>1</sup>

8. The portfolio is supported by the Ministry of Business, Innovation and Employment (MBIE) with 233 FTE, which is 3.8 per cent of the total MBIE workforce.<sup>2</sup> This is broken down as follows:

**Table 3: Portfolio headcount by function**

Function	Portfolio FTE	Portfolio %
Operational	179	77%
Policy	54	23%
<b>Total</b>	<b>233</b>	<b>100%</b>

**Figure 1: Portfolio headcount (%) by function**



9. The operational headcount is made up of people who administer licensing and product certification schemes, oversee Building Consent Authorities, investigate complaints, run building emergency management systems, administer earthquake-prone building requirements, and provide education and guidance to the building sector. The policy headcount is made up of people responsible for making changes to the Building Act and other relevant Acts and regulations, and developing and updating policy relating on building consents, competition, building occupations, seismic risks, energy efficiency and other issues that arise.

<sup>1</sup> Note, the portfolio view does not include enablement functions (e.g. finance, legal, communications, ICT, Ministerial Services).

<sup>2</sup> As a 30 September 2023

## Appropriations you are responsible for

10. The Minister for Building and Construction and the Minister of Housing are responsible for the appropriations in Vote Building and Construction. Building and Construction portfolio expenditure totals around \$108 million in 2023/24.
11. The portfolio appropriation is split between departmental funding (funding received by MBIE to provide services directly) of \$86.7 million, and non-departmental funding (funding provided via MBIE to other agencies for them to provide services) of \$21.6 million.
12. Over half of the portfolio appropriation is third-party funded through levies and fees (\$65.4 million in 2023/24). More detail on the sources of fees and levies and what they are used for is included in section 4.
13. We are cognisant of the current fiscal environment, including the \$110 million Fiscal Sustainability Payment likely to be submitted to Treasury this year. Confidential advice to Government

## Legislation

14. This portfolio is responsible for the following legislation:
  - Building Act 2004
  - Chartered Professional Engineers of New Zealand Act 2002
  - Construction Contracts Act 2002
  - Electricity Act 1992 (provisions relating to registration of electrical workers only)
  - Engineering Associates Act 1961
  - Plumbers, Gasfitters, and Drainlayers Act 2006
  - Registered Architects Act 2005
  - Weathertight Homes Resolution Services Act 2006
  - all secondary legislation made in accordance with the above statutes.

### 3. Strategic choices in the Building and Construction portfolio

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#### The economic context

15. As outlined in MBIE's separate briefing on the economic context, New Zealand's economy faces a number of long-term challenges. These include weak productivity, increasing stresses on our economic resilience, negative impacts on the natural environment and significant disparities between different population groups. Compounding these, are global 'megatrends', such as changes in climate, technology, demography, and rising geopolitical tensions.
16. In the short-term, our economy also faces immediate headwinds. These challenges and trends present both risks and opportunities to the economy. MBIE can help you to work collaboratively across portfolios and with stakeholders, such as businesses and local communities, to achieve your immediate portfolio priorities and address these challenges.

#### The building and construction sector underpins New Zealand's economy and society

17. The Building and Construction portfolio has oversight of the institutions and markets involved in the construction and maintenance of buildings and related 'vertical infrastructure'. This includes commercial and residential buildings in New Zealand. It does not include horizontal infrastructure such as water, sewerage, and transport.<sup>3</sup>
18. All New Zealanders have an interest in the sector, which covers:
  - direct service providers (designers, architects, engineers, builders, plumbers, gasfitters, drainlayers and electricians) and product suppliers
  - financial institutions (banks and insurance companies)
  - research agencies (Building Research Association of New Zealand (BRANZ) and universities)
  - regulatory partners (statutory boards and Building Consent Authorities)
  - quality assurance and compliance organisations (conformity assessment bodies and product certification bodies)
  - residential and commercial building developers
  - all building owners, homeowners, renters, building occupants and users of buildings.

#### The sector is a big contributor to employment and GDP

19. Since 2021, we have seen significant growth within the building and construction sector. For the year ended June 2023, the sector employed 308,900 people, a 4.5 per cent increase from the year ended June 2022.<sup>4</sup> This is 10.6 per cent of the country's workforce.
20. The building and construction industry alone contributed \$19.5 billion (in 2009/2010 prices) to New Zealand's gross domestic product (GDP) for the year ended March 2023. This is around seven per cent of total GDP.<sup>5</sup>

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<sup>3</sup> Horizontal infrastructure is covered by other portfolios, including Infrastructure and Transport.

<sup>4</sup> Stats NZ Household labour force survey, June 2023.

<sup>5</sup> Stats NZ Gross Domestic Product: March 2023 quarter.

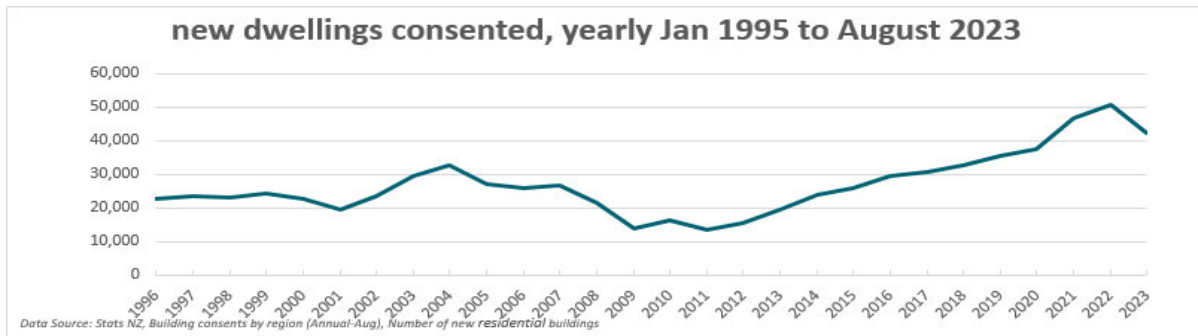


21. According to an estimate conducted by PricewaterhouseCoopers in 2016, every \$1 invested in the building and construction sector produces between \$2.51 and \$3.11 in economic activity.<sup>6</sup>

**Building activity is reducing from the record highs of two years ago**

22. While it is difficult to predict future building activity, we know that it closely mirrors the general economic climate. 2021 and 2022 saw a spike in building activity driven by COVID-19 stimulatory measures, with 51,923 new consents for the year ended August 2021. Activity has slowed somewhat since then; for the year ended August 2023, the actual number of new dwellings consented was 42,110 (down 17 per cent on the previous year). Reflecting higher prices for materials and labour, the annual value of non-residential building work consented was \$10 billion, up 18 per cent on 2022 (year ended August 2023).<sup>7</sup>
23. Product shortages caused by disruptions to supply chains in 2022 have largely been resolved, and significant price increases for building products (45 per cent over the past two years) now look to be stabilising.
24. High interest rates and inflation have contributed to a recent reduction in new building work, but an expected return to 1-3 per cent inflation by the end of 2024 and easing interest rates indicate that building activity will stabilise in the long-term. Households and businesses will likely continue to face cost of living pressures, although the pressure on building sector businesses from rising costs and reduced domestic demand has been partially offset by the North Island extreme weather event rebuild.<sup>8</sup>

**Figure 2: New dwellings consented, yearly January 1995 to August 2023**



25. Over the medium-term, the 2022 National Construction Pipeline Report<sup>9</sup> forecasts construction activity to decrease steadily from \$50.9 billion in 2021 to about \$41.7 billion in 2027, driven largely by the reduced strength of the residential sector. The forecast is for a total of 223,000 new dwellings to be consented until 2027 at an average of just over 37,000 dwellings a year, compared with 48,895 new dwellings consented in 2021.

<sup>6</sup> PricewaterhouseCoopers, 'Valuing the role of construction in the New Zealand economy', September 2016.

<sup>7</sup> Stats NZ Building consents issued: August 2023.

<sup>8</sup> The Treasury, Stats NZ, *Economic and fiscal update: Pre-election Economic and Fiscal Update 2023*, September 2023.

<sup>9</sup> This Report is produced annually and includes national and regional breakdowns of actual and forecast residential building, non-residential building, and infrastructure activity.

26. There has also been a shift towards higher density building and a small but growing interest in lower emissions buildings (e.g. through modern construction methods, demand for higher energy efficiency standards). Of the 3,170 new dwellings consented in August 2023, 1,478 were townhouses, flats, and units (46.6 per cent).<sup>10</sup>
27. Despite the overall growth in building and construction over recent years, there is still a housing and infrastructure deficit. This means that as levels of new building activity reduce, there is likely to remain strong levels of demand, particularly if immigration increases significantly.

### **Systemic challenges within the sector can make it difficult to adjust to changing demand...**

28. Mirroring some of the economy-wide challenges noted above, the building and construction sector is characterised by many small firms (about 89 per cent of enterprises had five or fewer employees<sup>11</sup>), low productivity, low investment in improving business practices, and boom-bust cycles of growth and slow-down with flow on impacts for developing and retaining skilled workers. In 2022, 21 per cent of all insolvencies were from the building and construction sector.

### **Or to invest in innovation and sector improvements**

29. Despite increasing project complexity and new international products and design processes, the sector lags in technological uptake and opportunities to build more efficient and lower emissions buildings.
30. The sector's perceived 'blokey and labouring' culture<sup>12</sup> contributes to poor health and safety performance, and mental health issues are of particular concern for the workforce. In 2019, a Site Safe NZ report outlined some of the pressures on people working in the construction industry,<sup>13</sup> including job insecurity and uncertainty.

### **The global context is increasingly challenging, but also provides opportunities**

31. Roughly 90 per cent of all building products sold in New Zealand are either imported or use imported components not easily replaced, making the building sector vulnerable to international price shocks and supply chain disruption.
32. Planned building surges in Australia, for example Victoria's target of 800,000 new homes over the next 10 years<sup>14</sup> and South East Queensland's Regional Plan for almost 900,000 new homes by 2046, will increase competition for workers and for materials.
33. There are also many opportunities to make better use of the building-related technology, tools and knowledge in use overseas. For example, through digital processes to optimise the building process from design to product use and consents.

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<sup>10</sup> Stats NZ Building consents issued: August 2023.

<sup>11</sup> Stats NZ New Zealand business demography statistics: At February 2022.

<sup>12</sup> PWC, 'Valuing the role of construction in the New Zealand economy', September 2016.

<sup>13</sup> Site Safe NZ. 2019. *Suicide in New Zealand's Construction Industry Workforce: Factors Identified in Coronial Reports*.

<sup>14</sup> <https://www.premier.vic.gov.au/affordability-partnership-build-800000-victorian-homes>

## **New Zealand needs a modern, fit-for-purpose building system**

34. New Zealand needs a building and construction sector that delivers safe, durable, affordable, and healthy buildings, supports productivity growth and contributes to emissions reduction and climate adaptation goals.
35. The main lever for achieving this is a modern, fit-for-purpose building regulatory system. A summary of the current regulatory system, including how the legislation works and the key roles of different participants, is explained in more detail in Annex 1.
36. There has been significant progress over recent years to strengthen the building system, including:
- speeding up building consents for new and innovative ways of building, through the new Modular Component Manufacturing Scheme (BuiltReady), improvements to building product certification (CodeMark), and new building product information requirements
  - changes to strengthen and clarify the retention money regime, to provide greater protection for subcontractors when main contractors go under
  - a new post-construction dam safety scheme to protect people and property from dam failure and to ensure that an essential part of our infrastructure remains safe and reliable
  - developing initiatives to increase climate resilience and reduce emissions
  - progressing reforms of occupational regulation requirements, and
  - partnering and collaborating with industry through the Construction Sector Accord.
37. The foundational pieces are in place for a strong and effective building regulatory system, but there are still opportunities to do better:
- Competition for key building supplies is not working as well as it could and there are low levels of productivity and innovation within the sector. Among other factors, this contributes to New Zealand buildings being both expensive and slow to build.
  - There are low levels of resilience to external shocks such as the supply chain and labour disruptions that were caused by COVID-19.
  - The sector generally builds to the minimum Building Code requirements, but these have not kept pace with new knowledge about risks and opportunities.
  - We are not fully factoring climate change into requirements for new buildings or adequately planning for impacts of climate change on existing buildings.
38. New Zealand needs to both address immediate risks and set the building and construction sector up for an increasingly challenging and complex future environment. Broadly, this is about:
- driving more efficiency in the building consent system, in the markets to improve access to and use of materials, and in the use of energy and materials in a more constrained world, and
  - increasing levels of resilience in the regulatory settings to manage climate, seismic and fire risks, and resilience across the system to better manage supply chain and other shocks.

## **MBIE has identified four key priority areas we recommend you consider**

MBIE has identified four priority areas within the Building and Construction portfolio that we recommend you focus on to address the Government's priorities and achieve the shifts needed in efficiency and resilience.

### **Priority One: Creating a more efficient and productive building system**

#### **An efficient building consent system**

39. Key to a modern and fit-for-purpose building regulatory system is a more streamlined and efficient building consent process. MBIE has been reviewing the building consent system to help identify and implement changes.
40. This links to the Government commitments to streamline building consents, fast track Code Compliance Certificates, and strengthen competition. We have reviewed every aspect of the building consent process, from application through to Code Compliance Certificates and identified potential options targeting competition, products, roles and responsibilities, and consent processes. MBIE also has work underway on supporting remote inspections.
41. The review of the consent system also links to Government commitments to fast-track the resource consenting process and measures to support housing growth. MBIE officials will be working closely with the Ministry for the Environment and Department of Internal Affairs to ensure that work is well-aligned.
42. Public consultation on potential options to improve the building consent system took place from June to August 2023. MBIE officials are currently completing analysis on the feedback and submissions to help inform next steps. Key messages we have heard so far include:
  - Submitters largely support removing barriers to product substitution and variations, provided there are clear rules and guidance to support better decision making, and careful consideration of substitutions especially regarding equivalence of performance within the built environment.
  - More clarity is needed on participant's roles and responsibilities in the building sector as well as the need to strengthen accountability for designers.
  - There is support in-principle for self-certification, but there are also concerns about the level of competency of practitioners across the sector and incentives to cut costs.
  - Many in the system want to see more consistent requirements and processes across Building Consent Authorities, and a few Councils have indicated a willingness to explore voluntary consolidation of building consent functions as a means of achieving efficiencies of scale.
  - MBIE needs to take a stronger role in the system and improve its oversight and stewardship functions, including collaborating better with Building Consent Authorities, making it easier for them to raise issues, and providing better and more frequent guidance.

#### Recommendations

43. We recommend that MBIE focus on:
  - developing advice for you to consider, ranging from shorter-term initiatives where there is a clear need and support for change, to more systemic long-term changes where more time is required to develop and build support for options, and

- continuing work to reform occupational regulation of key sector professionals to provide greater assurance that work will be done right first time and hold poor performers to account. In particular, we recommend that you prioritise reforms to introduce a new regulatory regime for engineers, as well as legislative improvements to the regimes for licensed building practitioners, plumbers, gasfitters and drainlayers, and electrical workers.

### Innovation and competition

44. The Government has signalled a commitment to improving competition within the building sector, including more explicitly making this a regulatory system goal.
45. There are a range of ways to build more efficiently and cost effectively through greater use of new technologies (e.g. digital tools that can optimise the building process from design to product use and consents), building processes (e.g. off-site manufacturing) and innovative materials (e.g. engineered timber).
46. Most of the technologies, tools and knowledge required are widely adopted in other countries, but uptake in New Zealand is often slow. In some circumstances, overseas standards may not be directly applicable (e.g. seismic resilience or features of New Zealand's climate). However, in other areas, there are significant opportunities to improve by learning from overseas.
47. New Zealand's building regulatory system is performance-based, meaning that if you can demonstrate that your building will meet the outcomes specified in the Building Code, you can use any design or products you choose. This enables a greater degree of flexibility and innovation than under a prescriptive system.
48. However, builders and councils are often looking to manage risks and their own liability, and they need certainty to do this. They rely heavily on existing familiar products and the compliance pathways (i.e. acceptable solutions and verification methods (AS/VMs)) that are deemed to comply with the Building Code. This can make it hard for new products and systems to be widely adopted.
49. There is ongoing balancing required between encouraging innovation and removing barriers to building; and providing consistency, certainty, and effectively managing risk. The leaky homes crisis from the early 2000s is an important reminder of the significance of ensuring that the regulatory settings get this balance right.
50. The Commerce Commission market study into residential building products<sup>15</sup> confirmed that creating more clear compliance pathways was key to increasing competition, as it would help reduce some of the cost and time associated with new products entering the market. The building sector also tells us that they want to see MBIE developing more compliance pathways, as well as playing a more active role in providing up-to-date guidance and information.
51. The Government's 100-day commitment to mandate approval of building materials and product systems meeting international standards equivalent to New Zealand's reinforces a focus on increasing competition and reducing the cost of building products. MBIE officials have commenced work on this issue and will provide you with advice on options for progressing legislation shortly.

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<sup>15</sup> [Commerce Commission - Market study into residential building supplies \(comcom.govt.nz\)](https://www.comcom.govt.nz/Market-study-into-residential-building-supplies)

## Recommendations

52. In addition to progressing the 100-day commitment, we recommend that MBIE focus on:
- continuing to identify and update compliance pathways that will help provide more certainty for Councils and the building sector, and
  - updating and streamlining front-facing information, to reduce compliance costs and make it easier for people to understand and navigate requirements.

## **Priority Two: Improving climate change resilience and reducing building-related emissions**

### **Adaptation and resilience**

53. The built environment is where the physical effects of climate change will be most immediately felt for many New Zealanders, through damage to homes, buildings, and infrastructure. The North Island Extreme Weather events provide a clear illustration of this – it saw an estimated \$9.0-14.5 billion of physical asset damage for households, businesses, and infrastructure.<sup>16</sup>
54. The climate resilience of new buildings is related to:
- The right building – ensuring that buildings are designed and constructed to withstand more extreme climate impacts. This is where work within the Building and Construction portfolio is focused as changes can be made through the building sector and regulatory settings.
  - In the right place – ensuring new buildings are in areas where climate change hazards can be adequately managed. Decisions about this are generally made through other Ministerial portfolios (e.g. the resource management system) and local planning rules, but it is important to ensure good alignment with building regulatory requirements.
55. There is an even more significant challenge of managing the impacts of climate events on our existing building stock. A July 2023 NIWA and University of Auckland report found just over 440,000 residential buildings are in known flood risk areas with an estimated replacement value of \$218 billion, or 12 per cent of the housing stock value. These numbers will increase as rainfall increases, storms become more frequent and sea levels rise.<sup>17</sup> A key focus therefore needs to be identifying and implementing options that help reduce impacts and costs from climate change for existing homes and buildings.
56. MBIE is responsible for four actions in the National Adaptation Plan (NAP)<sup>18</sup> that are intended to provide a starting point for increased climate resilience in buildings. These actions focus on improving data and information, guidance for building owners to help them better understand and manage risks and updating standards and regulations for new buildings to ensure greater levels of resilience.

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<sup>16</sup> The Treasury. April 2023. *Impacts from the North Island weather events*. Available [here](#).

<sup>17</sup> Ministry for the Environment. 2022. *Aotearoa New Zealand's first national adaptation plan*. Available [here](#).

<sup>18</sup> Ibid.

### Recommendations

57. We recommend that MBIE continue these existing NAP actions, with a focus on:
- Reviewing the natural hazard provisions and approach to resilience and climate adaptation within the Building Act, to ensure that this provides the right high-level settings for future change.
  - Progressing shorter-term and no-regrets changes to the Building Code and standards, to ensure new buildings can be constructed to better withstand climate extremes.
  - Identifying and implementing options for improving climate resilience in existing buildings. This should include considering what types of risk the Government and building owners are willing to tolerate, what the trade-off is between early investment (e.g. retrofits) versus higher life-time costs (e.g. repairs, rebuild, or retreat following climate events) and what are the appropriate levers to use and points of government intervention.

### **Reducing emissions and improving energy efficiency**

58. Buildings create a significant proportion of New Zealand's CO<sub>2</sub> emissions through the energy used in materials and construction and in their ongoing operation. The building and construction sector was responsible for 9.4 Mt of CO<sub>2</sub>-e emissions in 2021, representing 12.2 per cent of New Zealand's domestic greenhouse gas emissions.<sup>19</sup> Actions in the Emissions Reduction Plan<sup>20</sup> provide a starting point for reducing these emissions, but more action across all sectors will be needed to reach New Zealand's goal of net zero carbon emissions by 2050.
59. Reducing 'embodied' emissions in buildings and improving energy efficiency can drive down overall building-related energy demand. This in turn can reduce peak energy demand, reducing the need for additional electricity generation infrastructure and supporting the decarbonisation of our electricity grid. On the other hand, failing to reduce building-related emissions will mean that even greater reductions will be needed from other sectors of the economy, such as transport, agriculture, and energy.
60. For building owners, lower operational emissions can represent life-time savings in energy costs through lower power bills. Lifting building performance standards will also make homes warmer and drier, with flow-on benefits for the health and wellbeing of occupants. Buildings have an assumed minimum life under the Building Act of 50 years, meaning decisions that the Government makes today about our new buildings are critical to the degree to which we 'lock-in' these emissions-related costs or savings for decades to come.
61. The Emissions Trading Scheme (ETS) is the primary market-based mechanism for reducing emissions in New Zealand. Industrial emitters (e.g. concrete and steel manufacturers) and the energy sector (e.g. fossil fuels used in vehicles and buildings) are directly exposed to ETS obligations. However, the current ETS market fails to drive significant emissions reduction in the building and construction sector. This is because the price signal is not a big enough component of the overall cost of buildings,

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<sup>19</sup> Or over 21 per cent of emissions if biogenic methane is excluded.

<sup>20</sup> Ministry for the Environment. 2022. *Towards a productive, sustainable and inclusive economy: Aotearoa New Zealand's first emissions reduction plan*. Available [here](#).

there is often a lack of alternative low emissions building products available, or other factors take precedence (e.g. client specifications, site needs, regulatory requirements).

62. Even if the ETS price was much higher than it is at present, there will be significant challenges in price alone driving change for building and construction while other barriers remain. For example, out of date standards, limited skills and training within the sector on how to measure and reduce building emissions, a lack of scale for new or innovative products and low certainty for companies to invest in creating demand, and a lack of information for builders and consumers about alternative approaches are all barriers to adopting lower emission building practices.
63. The Government has signalled a commitment to support innovation to drive better building outcomes by supporting BRANZ to work more collaboratively with the building and construction sector and encouraging building standards to reduce environmental impact and greenhouse gas emissions.

### Recommendations

64. In addition to the Government's priority actions, we recommend that MBIE progress advice on options for regulatory and information measures that will work alongside the ETS price signal, with a focus on:
  - introducing energy performance and waste minimisation requirements to address current information asymmetries and support consumers and the building sector to save money and reduce emissions (drafting on amendments to the Building Act is underway to support this work)
  - progressively strengthening regulatory requirements for emissions reduction in new buildings, providing a clearly signalled timeline for the sector to adjust and for manufacturers to scale up supply of tools and products. You have some choices about the scale and phasing for any regulatory change and MBIE will advise you on options and impacts
  - working with building sector partners including BRANZ, financial institutions, research organisations, and training providers to improve skills, education, and awareness to support lower embodied carbon and more energy efficient building designs and practices, and
  - addressing other non-regulatory barriers to change, including opportunities for emissions reduction in existing buildings (this work will need to be closely aligned to wider government policies within the energy and housing portfolios).
65. MBIE officials will provide you with more detailed advice on options for improving climate resilience and reducing emissions in relation to both new and existing buildings.

### **Priority Three: Effectively managing seismic risk**

66. As science evolves, we understand more about seismic risks to different building types in different parts of New Zealand. MBIE's seismic work aims to improve the way we manage these risks and help building owners and occupants make well-informed decisions.
67. In developing the building system, it is important to ensure both the seismic performance of new or future buildings and the reduction of seismic risk in existing buildings.



## BRIEFING FOR INCOMING MINISTER FOR BUILDING AND CONSTRUCTION

68. The most vulnerable buildings are managed through the earthquake-prone building system, which requires building owners to undertake remediation work within set timeframes. MBIE recently published a framework 'Managing the earthquake-prone building system', which sets out how we will consider potential changes to the earthquake-prone building system as new knowledge comes to light.
69. MBIE is piloting the Earthquake-prone Building Support Service to assist some owners of earthquake-prone buildings to understand their options and agree on a remediation plan. The pilot is also helping to identify the challenges and barriers to remediation that building owners face, to support improvement of the earthquake-prone building system.
70. Seismic assessment and retrofit guidelines will help engineers focus on the most critical vulnerabilities in existing buildings and evolve over time, allowing new knowledge and improvements to be included in a predictable manner. MBIE will also support informed decision-making regarding seismic risk management for existing buildings that do not fall under the earthquake-prone building system.
71. It is important to ensure that new buildings are built to improving standards, both in terms of the Building Code and supporting documents that are fit-for-purpose regarding seismic performance and supporting the sector to go beyond minimum requirements. This includes considering what the updated National Seismic Hazard Model, which estimates the likelihood and strength of ground shaking in future earthquakes, means for new building design standards.
72. Within the seismic work programme there will be key trade-offs for you to consider. This includes consideration of the level of risk that building owners and the Government are willing to tolerate, and the costs and benefits associated with different options for increasing levels of seismic resilience.
73. One key decision will relate to the updated National Seismic Hazard Model. MBIE officials will discuss with you what the implications for this work are for new building design standards, and options going forward.

### Recommendations

74. We recommend that MBIE focus on:
  - implementing the earthquake-prone building system and, in particular, on supporting owners to make decisions on how to remediate their buildings
  - investigating what tools and resources building owners need to manage seismic risk effectively and proportionately, and
  - discuss with you the release of new science that helps us better understand seismic risk, and what changes could be considered to new building standards as a result.

## Priority Four: Strengthening fire safety

75. The Wellington Loafers Lodge fire in May 2023 highlighted the importance of the Building Code's fire safety requirements and the role Territorial Authorities play in ensuring that the regulatory regime delivers on our expectations for building health and safety. MBIE is investigating several potential options to strengthen fire safety requirements in boarding houses and across the sector.
76. MBIE officials are developing a work programme that may consider a range of potential interventions, including changes to the Building Code and how its supporting documents might be improved in respect of fire safety. We will brief you further on this.

## 4. Portfolio responsibilities

### Overview

77. The Minister for Building and Construction is responsible for the building regulatory system. This section summaries the various responsibilities that flow from this, including the legislation, institutions and boards, and appropriations within Vote Building and Construction. More detailed information about how the building regulatory system works is included in Annex 1.

### Legislation within your portfolio

78. As Minister for Building and Construction, you are responsible for the administration of the following legislation and secondary legislation made in accordance with these statutes. This means ensuring:

- the legislation and regulations are up-to-date and impose no more compliance cost than is necessary to achieve its objectives
- it is easy for people to understand what they need to do to and access information to comply
- there is wide acceptance and understanding of the regulatory requirements so that the majority of people willingly comply without a need for enforcement
- customers of those being regulated are clear about what they can expect and demand, and
- enforcement is effective and right-sized to ensure compliance across the sector, and remedies for non-compliance are appropriate.

**Table 4: Legislation in the Building and Construction portfolio**

**The Building Act 2004** is the primary legislation governing the building industry in New Zealand and provides the framework for New Zealand's Building Code system.

It provides for the regulation of building work, the establishment of the Licensed Building Practitioner scheme and performance standards for buildings – in particular, standards related to health, safety, escape from fire and sustainability. It has specific provisions for dangerous and insanitary buildings, earthquake-prone buildings and for managing buildings affected by an emergency.

It also provides for various building product and controls schemes including building product certification (CodeMark), the National Multiple Use Approval (Multiproof) the new Modular Component Manufacturing Scheme (BuiltReady) and the new Building Product Information Requirements.

The Building Act provides regulatory responsibilities and accreditation framework in relation to a range of organisations. It promotes the accountability of owners, designers, builders and Building Consent Authorities who have responsibilities for ensuring building work complies with the Building Code.

The Building Act also sets up consumer protection measures for residential building work, including implied warranties, mandatory contract requirements, disclosure information, and checklists.

**The Chartered Professional Engineers of New Zealand Act 2002** establishes a registration framework and a mark of quality for 'chartered professional engineers'.

It requires those registered to meet minimum standards, a code of ethics and sets out a complaints and disciplinary process.

It provides for a Registration Authority to manage the applications and assessments process.

It also establishes the Chartered Professional Engineers Council (see Annex 3) to approve minimum standards, hear appeals from decisions of Engineering New Zealand and report to the Minister on the Registration Authority's performance.

**The Construction Contracts Act 2002** facilitates regular and timely payments between parties to a construction contract, as well as set out remedies for the recovery of payments. It also regulates retention money and sets out an adjudication process for resolving disputes under construction contracts.

**The Engineering Associates Act 1961** establishes a registration framework for engineering associates (such as engineering technicians and technologists) and specifies the training and experience an engineering associate must have. It also establishes the Engineering Associates Registration Board (see Annex 3) to carry out functions relating to registration and complaints and disciplinary processes.

**The Plumbers, Gasfitters, and Drainlayers Act 2006** establishes a licensing regime for those who carry out plumbing, gasfitting and drainlaying services and ensures their competency to protect public health and safety. It also establishes the Plumbers, Gasfitters and Drainlayers Board (see Annex 3) to carry out functions relating to registration, licensing, professional competency and complaints and disciplinary processes.

**The Registered Architects Act 2005** establishes a registration framework and protects the title of 'registered architect' for those who meet the minimum standards to be registered.

It requires a code of ethics and a complaints and disciplinary process to apply to registered architects. It also establishes the New Zealand Registered Architects Board (see Annex 3) to carry out functions relating to registration, the code of ethics and the complaints and disciplinary process.

**The Weathertight Homes Resolution Services Act 2006** establishes the Weathertight Homes Tribunal to provide access to a speedy, flexible and cost-effective process for assessing and resolving leaky building claims. It also provides a Crown financial assistance package to qualifying claimants to facilitate leaky building repairs.

**Part 10 and 11 of the Electricity Act 1992** sets out the registration and licensing framework of electrical workers and the minimum standards they must meet.

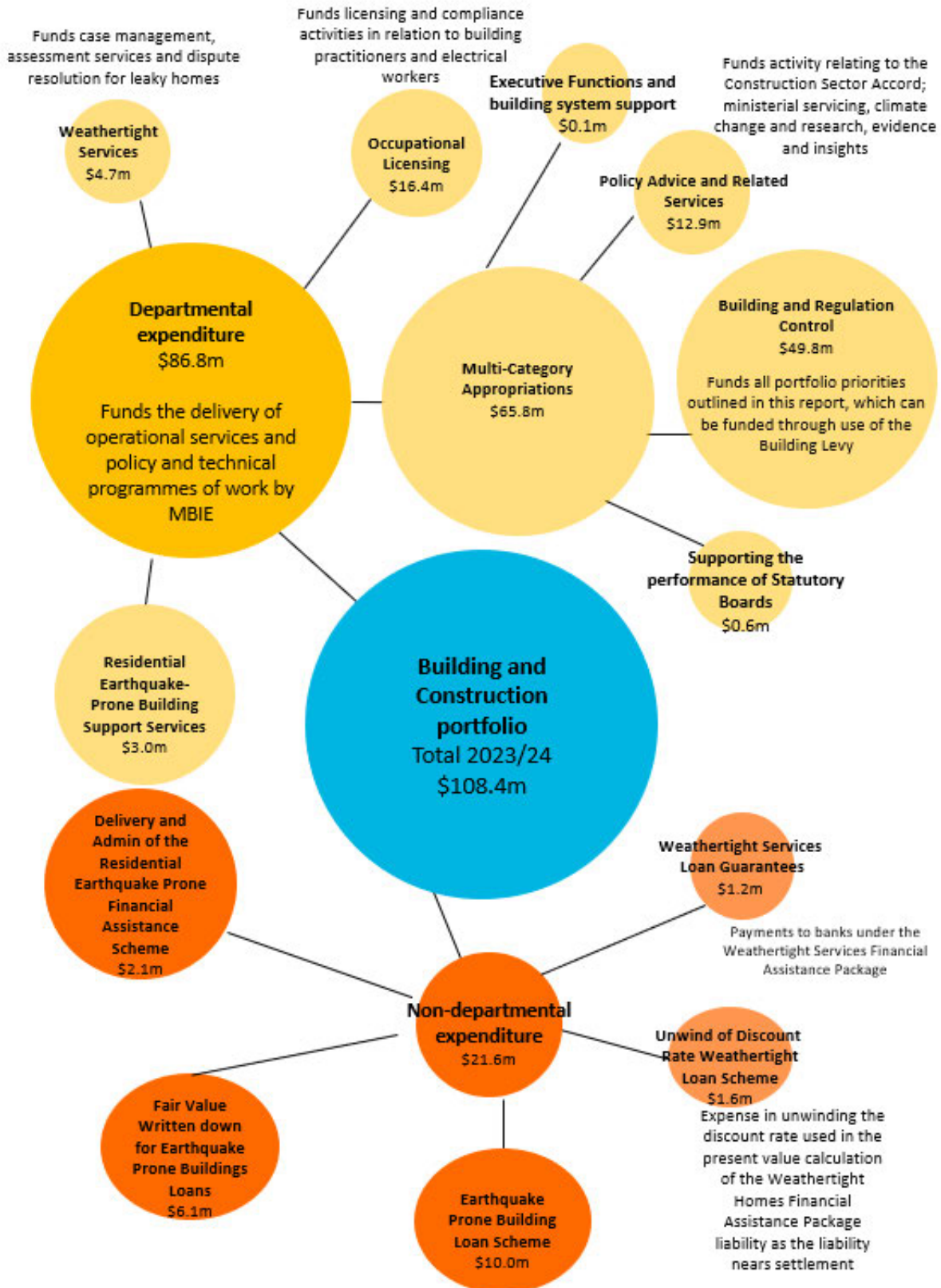
It also establishes the Electrical Workers Registration Board (see Annex 3) to carry out functions relating to registration and licensing electrical workers and disciplinary proceedings.

## Statutory boards

79. You are responsible for appointing members for six statutory occupational boards. These boards play a vital role in managing regulatory assurance for the building and construction industry and ensuring the competence of workers in the industry. See Annex 2 for current members.
80. There are several appointment processes underway across each of the six statutory boards. We will provide you with further advice on the appointments process. See Annex 2 for further information.
81. The Chief Executive of MBIE also appoints members to the Building Advisory Panel, as required under the Building Act, which provides independent strategic advice on issues facing the building and construction sector. See Annex 3 for a list of the current members.

## Funding and expenditure

82. You are responsible for Building and Construction expenditure of around \$108 million within Vote Building and Construction.



**Work in the Building and Construction portfolio is largely third-party funded**

83. Third-party funding in Vote Building and Construction (i.e. funding via levies or fees for cost-recovery services) totals \$65.4 million in 2023/24.

***The Building Consent Levy***

84. The Building Consent Levy (Levy) is paid by building consent applicants (i.e. homeowners and building owners) and is collected on all building work valued over \$20,444 (GST inclusive). The levy rate is set in regulations and is currently set at \$1.75 (GST inclusive) per \$1,000 of the estimated value of building work. The total Levy collected in any financial year is driven by the volume and value of building consents issued. In the 2022/23 financial year, the Levy collected was \$48.285 million (unaudited).

85. As per Treasury and the Office of the Auditor General guidance on charging for public sector services, the balance of memorandum accounts should trend to zero over time. As at 30 June 2023, the Levy memorandum account within which Levy revenue is held was sitting at approximately \$71.6 million. This is an increase of about \$19 million since 2019, when the rate was last adjusted.

86. The Building Act provides that levy funds can only be spent to fulfil the Chief Executive's functions under the Building Act, or any other Act related to the building sector (for some functions)<sup>21</sup>. There is some ability to be flexible in how the Levy is spent, if it can be directly attributed to a Chief Executive function. Chief Executive functions under the Building Act can be broadly categorised as:

- regulatory functions – such as issuing technical guidance to establish compliance with the Building Code, making determinations, Building Consent Authority registration and accreditation activities, and reviewing the operation of Territorial Authority functions
- policy, implementation and monitoring functions – such as advising the Minister on regulatory and policy matters, implementing the Building Act, and monitoring key trends
- information and education – such as issuing guidance documents and maintaining various information registers required under the Building Act, and
- enforcement, in certain cases.

87. The Building Act requires the Levy to be reviewed at least every three years. A review was initiated earlier in 2023, and public feedback was sought on options to increase the Levy threshold and adjust the levy rate while also using a portion of the account surplus to increase investment in building regulatory services.

**Recommendation**

88. MBIE recommends you consider reducing the levy threshold and amount to deliver savings to levy payers, in line with Government priorities to address cost of living issues.

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<sup>21</sup> For example, the recently passed Construction Contracts (Retention Money) Amendment Act 2023 includes chief executive functions relating to the retention money regime, including MBIE's compliance and enforcement function and policy advice and issuing guidance, information, and education on the regime.

89. We will provide you with further advice on options to progress with changes to the levy. Subject to Cabinet agreement, a reduced levy could be implemented in early 2024.

***Licensed Building Practitioners and Electrical Workers fees and Multiproof***

90. The other main category of third-party funding is for fees and a levy to recover the cost of the Occupational Licensing appropriation. This appropriation funds the activities related to the electrical workers (EW) registration board and licensed building practitioners (LBPs) scheme.
91. The fees are paid by practitioners for their application to be registered and annual licensing fees. An LBP scheme levy is payable by LBP practitioners to recover the cost of the LBP board and other administration costs. There is a level of Crown funding within this appropriation to fund activities related to unlicensed EWs. Of the total appropriation of \$16.367 million in 2023/24, \$7.858 million is for the EW scheme and \$7.755 million is for the LBP scheme. The appropriation will decrease to \$11.673 million in 2024/25.
92. A fees review is required to start this financial year to address identified cost pressures and the impact on future fee setting. In addition, the memorandum accounts for both schemes are reaching a nil balance by 2024/25. We recommend a new fees structure be in place within the 2024/25 financial year.
93. The National Multiple Use Approval (Multiproof) scheme was intended to operate solely on a cost recovery basis. The original assumptions about the level of demand the scheme would experience were significantly higher than what it has seen. This has resulted in a deficit accruing in the memorandum account. We will provide you with further advice about this.

**A smaller portion of the Building and Construction portfolio is Crown-funded**

94. The crown-funded component of the Building and Construction portfolio totals \$42.9 million in 2023/24.
95. Crown funding in the portfolio has been secured largely for work that cannot be funded via the Building Levy. This includes:
- the Weathertight Homes Resolution Service
  - core policy advice and related services – including funding parts of the Construction Sector Accord work, parts of the Building for Climate Change work programme, parts of the occupational regulation reforms, and research, data and insights to support evidence-based policy and assess performance and progress, and
  - the Residential Earthquake-prone Building Financial Assistance Scheme, including funding for loans.
96. While these funds have been set aside to deliver specific initiatives, there is more flexibility to reprioritise Crown funding in the Vote to fund new initiatives. MBIE reports to you regularly on any Crown underspends, and opportunities to make use of any underspends to further your portfolio priorities.

## Working with the industry: the Construction Sector Accord

### The Construction Sector Accord brings together industry and government in partnership

97. In April 2019, 14 industry leaders, the then Minister for Building and Construction and six other Ministers signed and launched the Construction Sector Accord (the Accord). The Accord is a joint commitment between government and industry to work together to tackle the sector's systemic challenges whilst building resilience across the country, complementing the regulatory work described above.
98. You are the lead Minister for the Construction Sector Accord, and the Accord's Minister Group includes Ministers for Economic Development, Workplace Relations and Safety, Education, Transport, Health, and Local Government. This is in recognition of the range of portfolios that impact on construction sector performance and the cross-portfolio focus needed to address some of its challenges.

### The Construction Sector Accord's work programme targets the sector's systemic issues

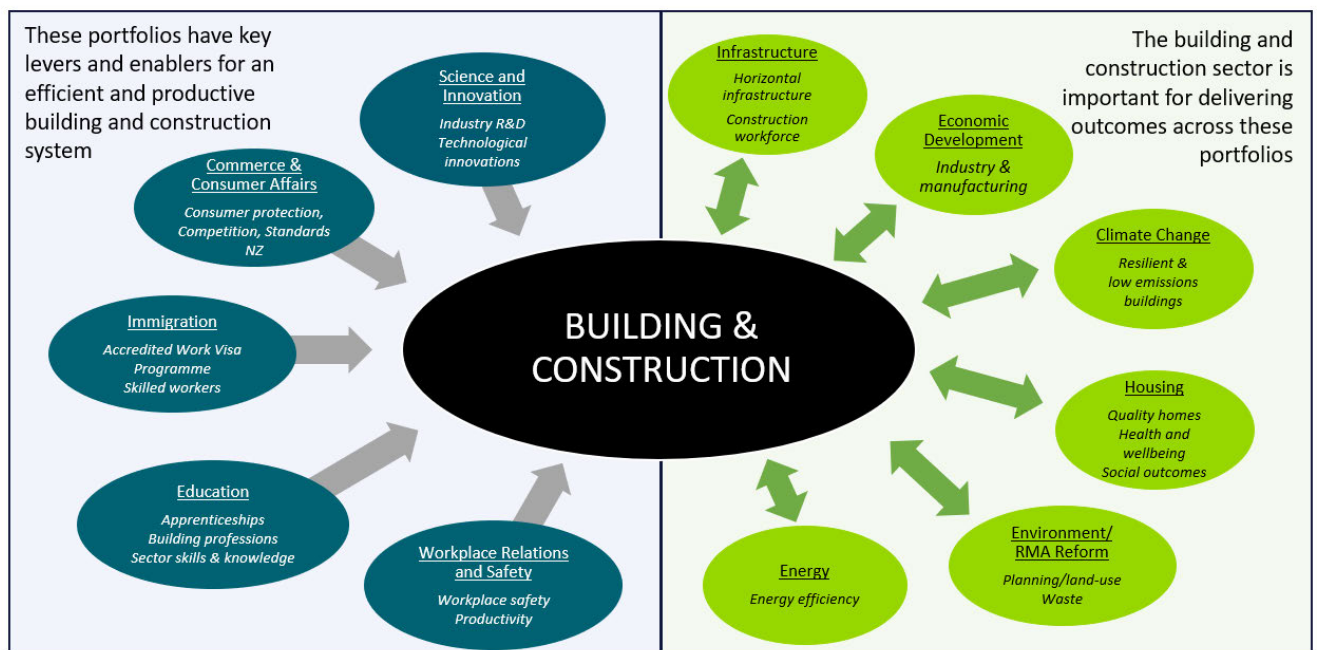
99. The Accord is driving industry momentum in innovation and environmental priorities, including through industry and government working groups focused on growing offsite manufacturing in New Zealand, as well as driving industry action on waste minimisation. There is also a growing focus on partnering with industry to enhance business capability and greater digitisation to improve productivity, as well as a stronger Māori construction economy.
100. The Accord also stepped in to provide coordinated leadership during COVID-19 and became a platform for industry and government to partner to address issues impacting the sector. This includes through the Accord Forum where the Accord Ministers could speak directly with industry leaders.
101. To date, the Accord has gained strong traction in client leadership and workforce development by:
- driving commitment from major government construction clients to better contracting and procurement and led improvements to the standard construction contract NZS3910
  - accelerating the work of organisations like Mates in Construction, Construction Health and Safety New Zealand (CHASNZ), and WorkSafe to prioritise the wellbeing, health, and safety outcomes necessary for the future of the sector
  - brokering stronger industry engagement with immigration policy to allow a more targeted suite of skills to support the industry
  - bringing together industry and government to share sectoral needs and deliver workforce projections for cyclone recovery to support better planning and prioritisation of rebuild work, and
  - putting the spotlight on good practice in the sector and providing forums for businesses to learn from each other (e.g. through a workforce leadership summit and Beacons case studies).



102. The Accord was responsible for leading the development of the first Construction Sector Industry Transformation Plan (the Transformation Plan), which was a three-year work programme developed with strong industry and agency input. This plan targeted the challenges faced by the sector across eight workstreams and made significant progress towards addressing systemic issues. The second Transformation Plan 2022-2025 builds on the previous plan, with a greater focus on growing innovation, resilience, the Māori construction economy, and sustainability.
103. The Government has identified as a priority halting work on all industry transformation plans. MBIE officials are ready to discuss with you the best way to do this, including options for work that is currently underway or contracted.
104. Halting work on the Transformation Plan would deliver fiscal savings, Confidential advice to Confidential advice to Government Should you wish, there are also options to continue to leverage the Accord to support delivery of your priorities, with scaled back or reprioritised funding.

### Major links with other portfolios

105. As Minister for Building and Construction, there are opportunities to work closely with Ministers across a range of other portfolios to deliver broader outcomes. The portfolio is linked to the following MBIE and non-MBIE portfolios:



## 5. How MBIE assists you

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### Our primary ways of engaging with you

106. We engage with you primarily through the following mechanisms:

- meetings between yourself and MBIE officials, based on your preference
- weekly update reports on key policy and operational issues in the portfolio, and
- regular work programme reporting.

107. We are happy to adjust any of these based on your preferred way of working.

### MBIE is responsible for policy and operational functions in the building and construction system

108. MBIE assists you in fulfilling your portfolio responsibilities for regulating the building and construction sector. MBIE looks across the system as a whole and provides advice on how to ensure the building regulatory system is high performing.

109. As the central regulator, MBIE manages the rules, procedures, and other key functions for regulating building work. This includes:

#### Building Policy and Performance

- advising you on key regulatory settings, including the Building Act and related statutes
- maintaining an overview of the performance of the building regulatory system
- providing technical expertise, informed by sector intelligence and performance data
- implementing policy and regulation based on modern service design and regulatory principles
- routine maintenance of building codes and supporting documents, and commissioning of new standards and revisions, and
- supporting the Construction Sector Accord partnership between Government and industry.

#### Service Delivery

- monitoring the performance of Building Consent Authorities and overseeing their accreditation and registration schemes
- providing information on rights, responsibilities and dispute resolution to consumers and practitioners, and making determinations about disputes on certain matters
- administering occupational regulation schemes and certification schemes and investigating complaints
- assisting Territorial Authorities manage buildings in designated emergency management areas, and
- See Annex 4 for more detail on Te Whakatairanga Service Delivery operational functions.

**Labour, science, immigration and other policy areas relevant to building and construction**




- providing advice on policy with a building and construction sector component, including labour market policy, immigration policy, science and innovation, workplace health and safety and accident compensation policy. Note, advice on these areas will be provided via the relevant portfolio Ministers.

**Statutory Boards**





- support and advice to the Minister for the six occupational statutory boards within the Building and Construction portfolio
- managing board appointment processes, monitoring the performance of the boards and providing the boards with governance advice
- drafting the performance agreement between each board and the Minister for Building and Construction, and
- regularly reviewing the board members' fees in accordance with the Cabinet Fees Framework.

## Key MBIE officials

Table 5: Key MBIE officials

Contact	Role	Priority Area	Contact details
<p><b>Carolyn Tremain</b></p> 	Secretary, Ministry of Business, Innovation and Employment	All	Privacy of natural persons
<p><b>Paul Stocks</b></p> 	Deputy Secretary, Building, Resources and Markets (BRM)	BRM leads policy development to ensure a fair, competitive business environment and well-functioning telecommunications, building and construction, small business, manufacturing, and resources sectors and operations. We also serve as the Government's Procurement System Leader and the Government's Property System Leader. BRM oversees many of the regulatory systems that govern Aotearoa New Zealand's markets: commerce and consumer affairs; energy markets; minerals and petroleum; energy efficiency; communications; and building performance.	
<p><b>Suzanne Stew</b></p> 	Deputy Chief Executive, Te Whakatairanga Service Delivery (TWSD)	Te Whakatairanga Service Delivery provides critical functions and services that support businesses, employees, and consumers to operate successfully in the marketplace. We deliver information, advisory, dispute resolution, regulatory and enforcement services across the majority of MBIE's regulatory systems and on behalf of other government agencies. Te Whakatairanga Service Delivery works to ensure Fair Markets that Thrive: an environment where businesses can succeed, and New Zealanders are protected.	

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<p><b>David Hall</b></p> 	<p>General Manager, Building System Performance, Building, Resources and Markets</p>	<p>Responsibility for building policy and performance</p>	<p>Privacy of natural persons</p>
<p><b>Sanjai Raj</b></p> 	<p>General Manager, Market Integrity, Te Whakatairanga Service Delivery</p>	<p>Occupational regulation (covering registering and licensing of building practitioners and electrical workers)</p> <p>Standards New Zealand (development of and access to standards)</p>	
<p><b>Ingrid Bayliss</b></p> 	<p>General Manager, Building and Tenancy Services, Te Whakatairanga Service Delivery</p>	<p>Operational functions including building system assurance, determinations, dispute resolution, and weathertight services</p>	
<p><b>Michael Bird</b></p> 	<p>General Manager, Entity Performance and Investment, Labour, Science and Enterprise</p>	<p>Building and Construction board appointments, governance, and performance monitoring (covering all statutory boards in Annex 3)</p>	

## 6. Upcoming actions and issues to be aware of

110. This section outlines a number of matters that will, or may, require your attention. These are categorised as follows:

- **For your immediate attention:** Issues and work programme areas where you may need to do something (e.g. consider advice, indicate your preferred approach) in the short-term.
- **Matters to be aware of/medium-term consideration:** Matters that you may need to be aware of (e.g. because of stakeholder interest) and issues and work programme areas that will require a decision in the medium-term.

**Table 6: For your immediate attention**

Topic	Description	Action/Next step
100-day commitment on mandating approval of building materials	The Government has signalled a commitment to introduce legislation mandating the approval of building materials and product systems meeting international standards equivalent to New Zealand's.	We are ready to brief you on options for progressing this priority at your earliest convenience.  In order to introduce legislation within 100 days, Cabinet policy approvals will be required by late January/ early February.
Improving the Building Regulatory System	<p>MBIE is progressing work to create a more efficient and productive building regulatory system. This work focuses on streamlining the building consent system and ensuring we have an appropriate mix of occupational regulation and consumer protection measures to ensure building work is done right the first time.</p> <p>Our occupational regulation work focuses on ensuring that people have confidence in professionals in the sector and the quality of the work that they do. It also responds to issues identified through the Canterbury Earthquakes Royal Commission.</p> <p>Legislation is currently being drafted to implement Cabinet policy decisions to:</p> <ul style="list-style-type: none"> <li>• reform regulation of the engineering sector by requiring mandatory registration</li> <li>• strengthen the Licensed Building Practitioner's scheme under the Building Act by aligning the</li> </ul>	<p>We will brief you on a proposed programme of work in early December 2023, including advice on how we can support your objectives to streamline the Building Consent System, additional options that support your policy intent, and stakeholder feedback provided through recent public consultation.</p> <p>MBIE will also seek your direction on progressing occupational regulation reforms in late 2023 / early 2024.</p>

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	<p>complaints and investigation model with best practice</p> <ul style="list-style-type: none"> <li>improve the operation of the Plumbers, Gasfitters, and Drainlayers Act.</li> </ul>	
Seismic resilience	<p>MBIE’s Seismic Work Programme has three key work streams:</p> <ul style="list-style-type: none"> <li>implementing the earthquake-prone building system</li> <li>managing risk settings for existing buildings, and</li> <li>incorporating new knowledge and ensuring the performance of new and future buildings.</li> </ul> <p>Standards New Zealand has nearly completed work on a draft Technical Specification on structural design for earthquake strengthening buildings, that proposes to update the way engineers assess and calculate the force that earthquakes are likely to have on buildings and other structures.</p> <p>MBIE also manages the New Zealand Geotechnical Database.</p>	<p>We will brief you on key issues and opportunities for improving the management of seismic risk to New Zealand’s buildings in December 2023, alongside specific information about the draft Technical Specification</p> <p>In early 2024, MBIE will brief you on immediate issues and opportunities to improve the earthquake-prone building system, including scoping a proposed issues paper that will seek feedback on how to improve building owners’ understanding of seismic risk and how to manage it.</p>
Climate Change: setting the foundations for climate resilience and emissions reduction	<p>MBIE’s work focuses on increasing the resilience of our buildings to future climate hazards (including severe weather events) and reducing building-related emissions.</p>	<p>MBIE will brief you on a proposed programme of work relating to climate change in December 2023.</p> <p>Subject to your feedback, we will brief you in early 2024 on options for progressing climate change-related amendments to the Building Act.</p>
Building Levy	<p>MBIE completed a review of the Building Levy in early 2023 and consulted with stakeholders on options to adjust the levy rate and threshold.</p>	<p>MBIE will brief you on options to adjust the Building Levy in December 2023/January 2024</p>
Fire safety	<p>MBIE is investigating options to strengthen fire safety requirements in boarding houses and across the sector and is considering different interventions, including how the Building Code and supporting documents might be improved in respect of fire.</p>	<p>MBIE will seek your direction on the scope on a programme of work and possible interventions, including fire safety regulation in early 2024.</p>

Table 7: Matters to be aware of/medium-term considerations

Topic	Description	Action/next step
Contribution of building and construction to the second Emissions Reduction Plan (ERP)	<p>In line with requirements under the Climate Change Response Act, the Government must publish a second Emissions Reduction Plan by the end of 2024.</p> <p>Decisions on key policies and options for the building and construction sector will be required by early to mid-2024 to allow public consultation in the second half of the year.</p>	<p>Ministers with climate change responsibilities will receive high-level advice on the ERP in December 2023. MBIE officials will brief you on building and construction specific policy options in early 2024.</p>
Building Consent Authority Accreditation Regulations	<p>MBIE has completed a targeted review of the Building (Accreditation of Building Consent Authorities) Regulations 2006, prompted by a need to review the fees charged by International Accreditation New Zealand (which is currently appointed by the MBIE Chief Executive to provide accreditation services under the Building Act). The review has also considered whether to reduce the frequency of competency assessments for building consent officers and bring these in line with registration requirements of building and construction occupational regulation regimes.</p>	<p>MBIE will seek your agreement to take policy decisions on the review to Cabinet at the earliest opportunity. This will enable new regulations to be made in time for the 2024 financial year.</p>
Building System Reforms: consumer protection	<p>In 2022, MBIE reviewed the consumer protection measures in the Building Act.</p> <p>The review identified opportunities to better support consumers to understand their rights and ensure builders understand their obligations. It also recommended considering ways to better enable consumers to resolve disputes, such as early intervention service.</p> <p>MBIE is currently implementing a range of the non-regulatory recommendations and is developing options to address the remaining recommendations.</p>	<p>MBIE will brief you in April 2024 with advice on options to better support consumers and to seek your direction on the next steps for the review.</p>
Building (Levies and Other Matters) Amendment Bill	<p>This Bill is part of the Regulatory Systems Amendment Bill (No. 3) package of Bills. You are responsible for this Bill, while the Minister for Economic Development is responsible for the overall package.</p> <p>This Bill contains amendments which will make significant improvements to the building</p>	<p>Drafting of the Bill is well underway and subject to confirmation of the Government’s legislation programme, it will be ready for introduction in early 2024.</p>



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	regulatory system, including clarifying provisions relating to pools and certificates of acceptance for building work, and providing a more efficient process for standalone Building Consent Authorities to make Building Levy payments to MBIE.	
Building Code Update	MBIE consult regularly on updates to the Building Code and its supporting documents (acceptable solutions and verification methods). Following consultation, updates are gazetted and published with a transition period until the requirements take effect.	Changes for plumbing and drainage and protection from fire were published on 2 November 2023. The changes were previously announced in May 2023. MBIE will provide you with regular updates on progress with implementation in the weekly report.
Accessibility	In response to the 2022 recommendations of the United Nations Convention on the Rights of Persons with Disabilities, MBIE is engaging with representatives of the disabled community, senior community, and industry stakeholders to ensure we understand the problems disabled people face with building accessibility and developing options for change.	MBIE will seek your direction on next steps once the first phase of the engagement process concludes. The intention is to present options by June 2024.
Building Legislative Reform: operationalisation	MBIE is implementing and operationalising the change to the CodeMark Scheme, the Modular Component Manufacturing Scheme (BuiltReady), and the new Building Product Information Requirements.	We will provide regular updates in the weekly report.

## Annex 1: How the building regulatory system works

### The regulatory system focuses on building performance to a specified minimum standard

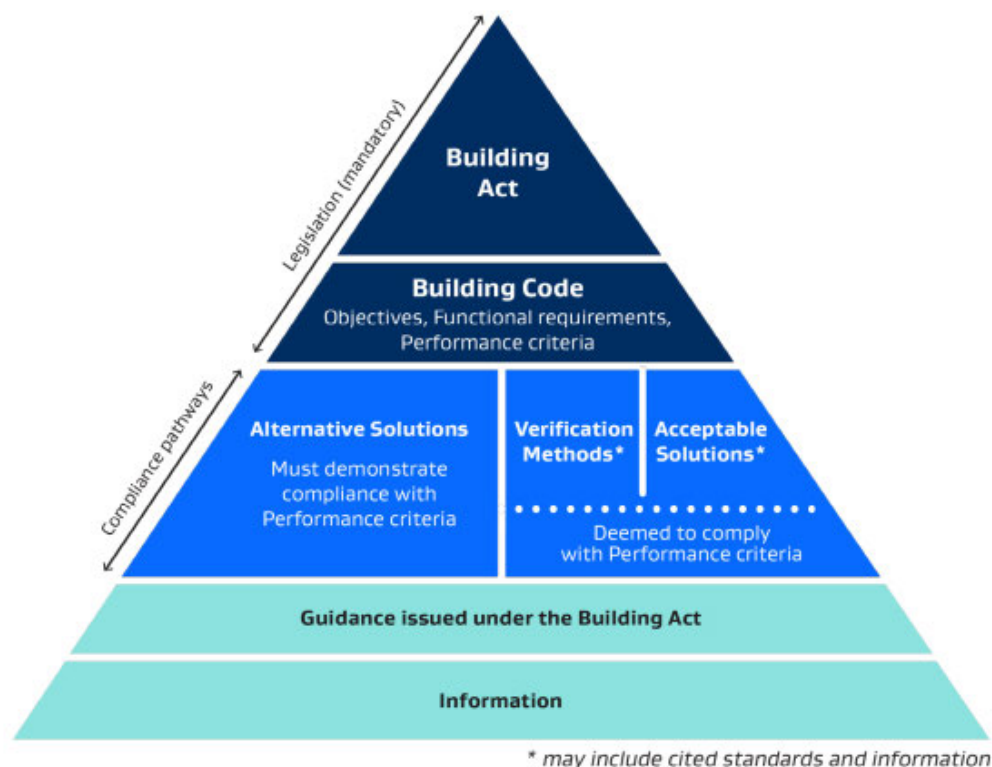
As shown in Figure 3 below, the Building Act (the Act) is the primary legislation governing the building industry and provides the framework for New Zealand's Building Code System. Amongst other things, the Act aims to protect consumers and provides assurance that buildings are safe and fit-for-purpose.<sup>22</sup>

The Building Code regulates all building work (design and construction) in New Zealand. It sets minimum performance standards for buildings in terms of objectives, functional requirements, and performance requirements, covering aspects such as structural stability, fire safety, energy efficiency, access, moisture control, durability, services, and facilities. The Code is performance-based, allowing innovative building solutions to be developed and used, provided they meet the performance requirements.

To facilitate compliance, the Act allows for MBIE to publish certain documents that specify design and construction methods that are 'deemed to comply', such as Acceptable Solutions and Verification Methods. Building Consent Authorities must accept these documents as establishing compliance with the Building Code. Many Acceptable Solutions and Verification Methods also refer to cited information (such as Standards) that provided technical details where required.

Alternative Solutions can be relied on to demonstrate compliance with clauses of the Building Code. This is where all, or part, of the building design differs from an Acceptable Solution or Verification Method, and other means are used to show how building work still complies with the Building Code.

**Figure 3: the building regulatory system**

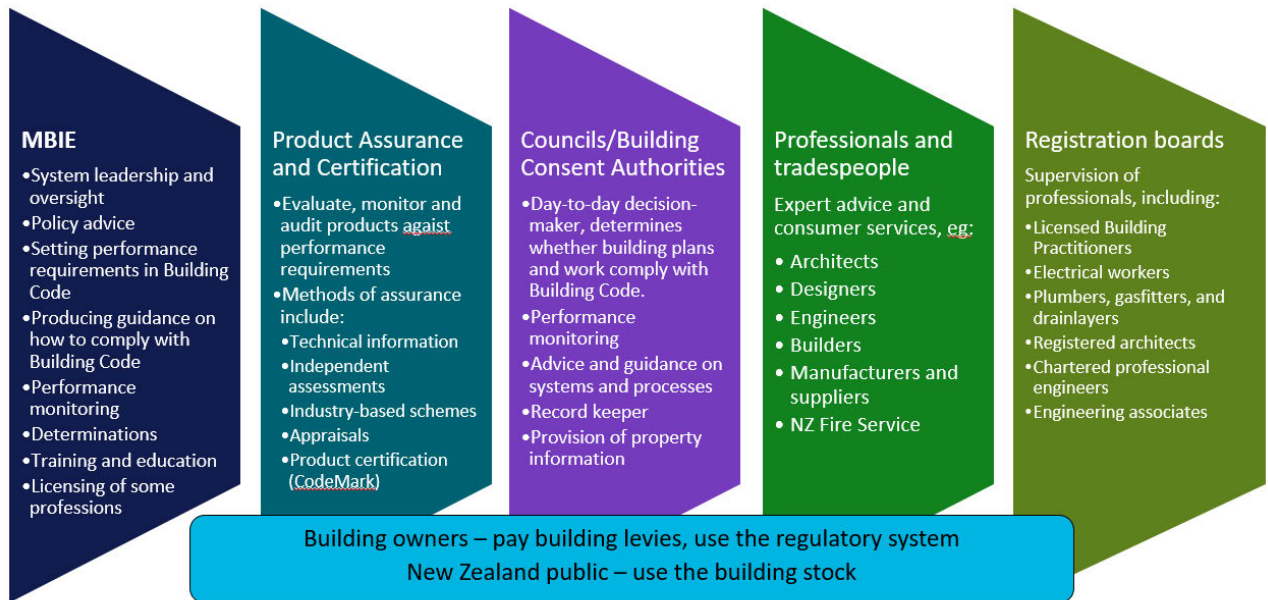


<sup>22</sup> A discussion of other relevant legislation is provided in Section 3 'Portfolio responsibilities.'

**There are a range of participants with different roles in the building regulatory system**

The effectiveness of the building regulatory system relies on MBIE as steward, central regulator, and a standards developer; Building Consent Authorities as co-regulators; and occupational boards to oversee the regulated occupations and the capability and capacity of the workforce. Figure 4 below provides an overview of the different participants and roles in the regulatory system.

**Figure 4: overview of the different participants and roles in the regulatory system**



**‘Building for the Future’ – our vision for building regulation**

The building regulatory system plays a critical role in addressing the challenges and supporting the shifts needed to achieve the outcomes identified above. A strengthened regulatory system is crucial to support the sector to build safe, healthy, durable, and low emissions buildings. The regulatory system must provide the incentives to get it right the first time and protect consumers and the range of people who use buildings.

MBIE is expected to improve the quality of regulation over the long-term. This includes considering lessons learnt and feedback from stakeholders, adapting to reflect the priorities of the Government and changes to technology and business practices.

MBIE has also developed a vision for our regulatory work in the building system to support better buildings for New Zealanders now and into the future. Building for the Future sets out MBIE’s vision for building regulation over the next 10 to 15 years and what MBIE needs to do to achieve that future, including a focus on social, environmental, and economic outcomes.

MBIE uses a 4P framework (people, process, products, and performance) to define both the outcome and the regulatory levers available to set standards and influence change in the building regulatory system. The 4P framework covers all the major components in the building system and allows relevant and targeted regulatory interventions to be identified and developed. This is illustrated below.

**Table 8: The 4P Framework**

	<b>Outcome</b>	<b>Regulatory intervention lever</b>
<b>Performance</b>	Good performance includes ensuring buildings are safe and durable; buildings are designed, constructed and able to be used in ways that promote sustainable development; and buildings contribute appropriately to people's health, physical independence, and wellbeing.	Setting clear performance requirements while enabling innovation to ensure the building system performance standards are clear and reasonable and look to the future.
<b>People</b>	People are participants in and end users of the building system. They include regulators, business owners, the construction workforce, consumers, and others who interact with the system. People need to be informed, available, skilled, accountable, and protected, depending on their roles and responsibilities in the system.	Setting clear rules for construction occupations and requirements of protection for consumers to ensure an available, accountable workforce with the right skills for the industry, and appropriate protection for consumers.
<b>Processes</b>	Processes refers to the regulatory and commercial processes used to carry out activities in the building system. The effectiveness of the system depends on how well these processes work for system participants.	Using accreditation of regulatory bodies and consumer protection tools to ensure regulatory and commercial processes are risk-based, balanced and efficient.
<b>Products</b>	Products are key inputs to building work, both tangible (building materials) and intangible (digital technologies, research, and innovation). Products are central to the safety, durability, costs, and environmental impact of buildings.	Setting clear requirements for building products to be reliable, fit-for-purpose and used appropriately.

## Annex 2: Statutory Boards

Board/entity	Members	Appointment dates
<p><b>Building Practitioners Board</b></p> <p><i>Established under the Building Act 2004</i></p> <p>You are responsible for appointing members to this Board. The Board and MBIE are jointly accountable for the performance of the registration and licensing system, and you are able to set expectations relevant to the Board's functions, as laid out in its legislation.</p>	<p>Melbourne Orange (Chair)</p> <p>David Fabish</p> <p>Jacqui Clark</p> <p>Paul Thompson</p> <p>Faye Pearson-Green</p> <p>Graham Anderson</p> <p>Karen Reynolds</p> <p><i>Vacant position</i></p>	<p>12/08/2013 – 20/11/2024</p> <p>1/02/2020 – 31/01/2024</p> <p>1/07/2021 – 30/06/2024</p> <p>26/06/2023 – 25/06/2025</p> <p>22/05/2017 – 20/11/2025</p> <p>1/02/2022 – 31/01/2026</p> <p>1/02/2022 – 31/01/2026</p>
<p><b>Chartered Professional Engineers Council</b></p> <p><i>Established under the Chartered Professional Engineers of New Zealand Act 2006</i></p> <p>You are responsible for appointing members to this Board (four members are nominated by associations). You and the Council have a performance agreement which sets out expectations relevant to the Board's functions as laid out in its legislation, as well as governance of the Council.</p>	<p>Christopher Harrison (Chair)</p> <p>Tony Fairclough</p> <p>Alan Winwood</p> <p>Sandra Hardie</p> <p>Megan Neill</p> <p>Manjit Devgun</p> <p>Simone Eldridge</p> <p>Mark Holland</p>	<p>21/12/2014 – 31/08/2023*</p> <p>1/09/2020 – 31/08/2023*</p> <p>18/12/2015 – 20/11/2023*</p> <p>30/10/2016 – 20/11/2025</p> <p>1/04/2022 – 21/03/2025</p> <p>1/12/2020 – 10/04/2028</p> <p>20/04/2023 - 19/04/2028</p> <p>20/04/2023 - 19/04/2028</p> <p>*Remains until replacement confirmed</p>
<p><b>Electrical Workers Registration Board</b></p> <p><i>Established under the Electricity Act 1992 – the Minister of Energy and Resources has overall responsibility for the legislation</i></p> <p>You are responsible for appointing members to this Board. The Board and MBIE are jointly accountable for the performance of the registration and licensing system, and you are able to set expectations relevant to the Board's functions, as laid out in its legislation.</p>	<p>Russell Keys</p> <p>Han (Ashley) Yan</p> <p>Sarah Cameron</p> <p>Erin Mogford</p> <p>Thomas Wiseman</p> <p>John Hutton</p> <p><i>Vacant position</i></p>	<p>1/06/2019 – 20/11/2025</p> <p>1/06/2019 – 20/11/2025</p> <p>1/09/2023 – 31/08/2026</p> <p>1/09/2023 – 31/08/2026</p> <p>1/09/2023 – 31/08/2026</p> <p>1/09/2023 – 31/08/2026</p>
<p><b>Engineering Associates Registration Board</b></p> <p><i>Established under the Engineering Associates Act 1961</i></p> <p>You are responsible for appointing members to this Board (six members are nominated by associations). You and the Board have a</p>	<p>Deborah Cranko (Chair)</p> <p>Ernest (Bruce) Hurley</p> <p>Dharmika (Danny) Muthumala</p> <p>Warren Crawley</p> <p>Phil Huse-White</p> <p>Glynn Cowley</p>	<p>14/12/2012 – 31/03/2024</p> <p>14/12/2014 – 31/01/2024</p> <p>1/03/2018 – 31/01/2024</p> <p>14/03/2016 – 31/01/2024</p> <p>1/02/2020 – 31/01/2024</p> <p>14/12/2012 – 31/01/2024</p>

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<p>performance agreement which sets out expectations relevant to the Board's functions, as laid out in its legislation.</p>	<p>Colette McCartney Joyana Finch Joanne Johnston</p>	<p>1/09/2020 -20/11/2024 1/9/2020 - 20/11/2024 1/9/2020 – 20/11/2024</p>
<p><b>New Zealand Registered Architects Board</b> <i>Established under the New Zealand Registered Architects Act 2005</i></p> <p>You are responsible for appointing members to this Board (four members are nominated by associations). You and the Board have a performance agreement which sets out expectations relevant to the Board's functions as laid out in its legislation, as well as governance of the Board.</p>	<p>Gina Jones (Chair) Rob Hall Kimberly Browne Louise Wright Tony Orgias Judith Thompson Craig O'Connell David Ivory</p>	<p>23/01/2018 - 31/08/2023* 22/01/2019 - 21/01/2023 3/10/2016 – 21/01/2023 1/12/2014 – 31/08/2023 11/07/2022 – 10/07/2025 1/09/2020 - 20/11/2025 17/04/2023 - 16/04/2028 17/04/2023 – 16/04/2028  *Remains until replacement confirmed</p>
<p><b>Plumbers, Gasfitters, and Drainlayers Board</b> <i>Established under the Plumbers, Gasfitters, and Drainlayers Act 2006</i></p> <p>You are responsible for appointing members to this Board. You and the Board have a performance agreement which sets out expectations relevant to the Board's functions as laid out in its legislation, as well as governance of the Board.</p>	<p>Dianna Kuhtz-Covich (Chair) Beth Healy Tofa Gush Ming-Chun Wu Barry Wilcox Deborah Cranko James Smith Sue Simons Martin De Gouw Selwyn Hikuroa</p>	<p>17/09/2016 – 31/12/2024 1/09/2020 – 31/08/2023 1/09/2020 – 31/08/2023 1/09/2020 – 31/08/2023 17/09/2015 – 31/12/2023 17/09/2015 – 31/12/2023 1/01/2022 – 31/12/2024 1/09/2019 – 20/11/2025 1/09/2019 – 20/11/2025 20/04/2023 – 21/04/2026</p>

## Annex 3: Building Advisory Panel members

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Member	Current position
Sally Grey	Manager, Premium Building Consents, Auckland Council
Malcolm Fleming	Chief Executive, New Zealand Certified Builders
Chantelle Bailey	Lead Structural Engineer, Aurecon
Jared Bernard	Merchandise Manager, Building Products, Mitre 10
Scott Fisher	Chief Executive Officer, Offsite NZ Inc.
Adrienne Miller	Chief Executive Officer, Urban Development Institute New Zealand (UDINZ)
Dr Troy Coyle	Chief Executive Officer, NZ Heavy Engineering Research Association (HERA)
Patrick Dougherty	General Manager, Construction and Innovation, Kāinga Ora

## Annex 4: Te Whakatairanga Service Delivery Group operational functions

Te Whakatairanga Service Delivery Group delivers operational services. It works with businesses, employees, and consumers to help them participate effectively in the building and construction market.		
Team	What we do	Current Priorities
Information & Education	Provides information on rights, responsibilities and dispute resolution to consumers and practitioners. Leads the development of promotional, education and behaviour change programs to drive awareness and compliance.	<ul style="list-style-type: none"> <li>• Developing and delivering targeted information and education programmes to build confidence in the building regulatory system and drive behaviour change.</li> <li>• Ensure audiences are aware of and understand upcoming legislation and system changes.</li> <li>• Work with sector training organisations to ensure regulatory system educational content is fit for purpose for industry learning.</li> </ul>
Occupational Regulation	Operates several occupational regulatory schemes. Two of these are within the Building and Construction portfolio – the Licensed Building Practitioners Scheme and the Electrical Workers Licensing Scheme.	<ul style="list-style-type: none"> <li>• Licensing and registering individuals.</li> <li>• Investigating complaints about licensed people and investigating people who hold themselves out to be licensed when they are not and/or carry out work that is restricted to licensed people.</li> <li>• A fees review is underway to address identified cost pressures and the impact on future fee setting. A new fees structure is planned to be in place within the 2024/25 financial year.</li> <li>• Implementing changes to the classes of registration for electrical workers, which come into force in September 2024.</li> </ul>



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<p>Building System Delivery and Assurance</p>	<p>Monitors the performance of Building Consent Authorities (BCAs) and Territorial Authorities (TAs), investigates significant building failures, manages the national multiple use approvals scheme, administers product assurance schemes, maintains the earthquake-prone buildings register, administers the new Modular Component Manufacturing Scheme (BuiltReady), supports TAs under Building Emergency Management provisions, and investigates complaints against BCAs and TAs.</p>	<ul style="list-style-type: none"> <li>• Oversight of the Building Consent Authority Accreditation Scheme, and reviews territorial authority functions.</li> <li>• Monitoring the performance of territorial authorities' obligations in respect of earthquake-prone buildings.</li> <li>• Implementing and operationalising the new Modular Component Manufacturing Scheme (BuiltReady) and the new Building Product Information Requirements.</li> <li>• Provide Building Emergency Management assistance to Territorial Authorities who are managing the 20 designated areas across New Zealand.</li> </ul>
<p>Determinations</p>	<p>Provides binding decisions, guidance, and clarity on matters of doubt or dispute related to building work outlined in the Building Act and the Building Code. The team is responsible for end-to-end management of the Determinations process under the Building Act 2004.</p>	<ul style="list-style-type: none"> <li>• Implementing the recommendations from the end-to-end review of decision-making and operating model.</li> <li>• Reducing the backlog of applications awaiting determination decisions.</li> </ul>
<p>Weathertight Services</p>	<p>Administers the Weathertight Homes Resolution Services Act 2006 to support owners of leaky homes to resolve their claims and administers the Financial Assistance Package to help eligible claimants remediate their homes.</p>	<ul style="list-style-type: none"> <li>• Resolution and closure of remaining claims.</li> <li>• Develop the strategy for transitioning the service to closure.</li> </ul>
<p>Standards New Zealand</p>	<p>Develops New Zealand, joint Australian and New Zealand standards and adopts international standards.</p> <p>Provides access to standards both domestic, regional, and international standards (through retail sales and subscription services).</p>	<ul style="list-style-type: none"> <li>• Developing standards to add value to the New Zealand economy and social prosperity.</li> <li>• Supporting consumer protection, product safety and performance, regulatory system effectiveness, health, safety and security, trade and market access opportunities, and business efficiencies and quality assurance.</li> </ul>