



COVERSHEET

Minister	Hon Chris Penk	Portfolio	Building and Construction
Title of Cabinet paper	Requiring the Use of Remote Inspections for Building Work	Date to be published	9 July 2024

List of documents that have been proactively released		
Date	Title	Author
May 2024	<i>Requiring the use of remote inspections for building work</i>	<i>Office of the Minister for Building and Construction</i>
29 May 2024	<i>ECO-24-MIN-0085: Minute of decision</i>	<i>Cabinet Office</i>

Information redacted	<u>YES</u> / NO
-----------------------------	------------------------

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

Some information has been withheld for the reason of confidential advice to Government.

In Confidence

Office of the Minister for Building and Construction

Cabinet Economic Policy Committee

Requiring the use of remote inspections for building work

Proposal

- 1 This paper outlines work underway to increase uptake of remote inspections and seeks Cabinet agreement to develop options for public consultation to require building consent authorities to use remote inspections as the default approach to conducting inspections.

Relation to Government priorities

- 2 The proposal relates to the Government's commitment to increase affordable housing supply by improving efficiency and competition in the building system, reducing barriers and driving down costs.

Background

- 3 Building costs are too high and have cumulatively risen 41.3 per cent since 2019; it is about 50 per cent more expensive per square meter to build a standalone house in New Zealand than in Australia.¹ Construction data from Stats NZ shows that it takes around 569 days on average for a home to be built after it receives a building consent.
- 4 The 100-point Economic plan '*Rebuilding the Economy*' includes a number of commitments that are intended to streamline the building consent process, improve the consistency of decision making across building consent authorities, and reduce the overall time and cost of a build. This includes a commitment to 'streamline building consents and make construction more efficient by requiring councils to accept video and photo evidence of work done'.
- 5 In March 2024, I set out for Cabinet a programme of work to deliver an efficient, competitive building regulatory system and reduce overall building costs which included work to ensure greater use of remote inspections [ECO-24-MIN-0019 refers].
- 6 Public consultation is required to inform policy decisions on remote inspections and other commitments to streamline the building consent process and reduce the cost of construction.

¹ The average cost per square metre to build in New Zealand includes demolition costs and 15% GST, whereas the Australian figures exclude demolition costs and includes 10% GST.

Remote inspections provide an opportunity to reduce delays to the building process

- 7 While reliable data on inspection wait times is not currently available, I have heard complaints from building firms and industry groups about long wait times to schedule building inspections, and the impact that having to wait for in-person inspections to be carried out has on the overall time and cost to build.
- 8 Conducting inspections remotely (rather than visiting sites) can reduce the time and cost to build by removing delays associated with waiting for an in-person inspection and lift efficiency in the inspection process by:
 - 8.1 not needing to travel to site, which enables inspectors to conduct more inspections per day, thereby increasing overall availability of inspection slots (also reduces transport-related emissions),
 - 8.2 increasing flexibility throughout the workday for both inspectors and building professionals, (eliminates time wasted if the work is not ready at the time of the scheduled inspection, allowing inspectors to quickly shift to other projects),
 - 8.3 enabling inspectors to carry out inspections in other regions (to support a region with greater demand/less inspection capacity, or to share expertise between regions),
 - 8.4 supporting good record keeping practices.

However, uptake is low, and practices are inconsistent

- 9 The use of remote inspections in the building and construction sector is relatively recent. While COVID-19 lockdowns caused a spike in the use of remote inspections, uptake still varies across the country, with some building consent authorities regularly using remote inspections, right down to those who do not use them at all. Overall uptake is still fairly low.
- 10 Approaches to remote inspections practices are inconsistent across the country and this can lead to frustration for the sector. Key differences in approach relate to whether a remote inspection is conducted in real-time (ie video) or evidence is provided after the fact (ie photos) as well as the type of work that will be considered appropriate for remote inspection.
- 11 Remote inspections are not being used as much as they could be and there are opportunities to increase their use to help improve efficiency and help drive down the overall number of days to build.

Barriers to greater use of remote inspections

- 12 There are currently no legislative requirements for building consent authorities to undertake any form of inspection. However, building consent authorities can (and usually do) undertake inspections to enable them to be 'satisfied on reasonable grounds' that building work complies with the building consent and to therefore issue a code compliance certificate.

- 13 An approved building consent will set out the required inspections during a build process and whether they will be conducted in-person or remotely. These include inspections such as drainage, foundations, framing, pre-clad, pre-line, pre-roof, plumbing. Decisions on inspections are based on an assessment of risk.
- 14 Inspections are one tool to confirm compliance with the consent and building consent authorities can also use other tools, such as inspections by third parties and producer statements². These are professional opinions based on sound judgement and specialist expertise.
- 15 Over the past two years, MBIE has consulted the sector at a high-level on the use of remote inspections, undertaken preliminary work to identify the benefits of remote inspections and key issues to be resolved, and conducted a pilot project on the use of remote inspections to create digital records for low-risk plumbing and drain-laying work.
- 16 This work has identified a number of issues which are affecting the uptake of remote inspections:
- 16.1 it can be harder to pick up defects via remote inspections,
 - 16.2 building practitioners may misrepresent building work and stakeholders have indicated the need for controls to prevent misuse, eg random audits,
 - 16.3 building consent authorities and the sector have concerns around potential liability as claimants could request a copy of photos/footage and search for anything that could be non-compliant,
 - 16.4 investment in training and technology will be required for both building consent authorities and the sector,
 - 16.5 smaller building consent authorities may not anticipate sufficient return on investment for training and technology,
 - 16.6 some inspections are fundamentally less suited to remote inspections, such as where physical testing is required (eg moisture testing), or for complex work,
 - 16.7 on-site inspections may be more efficient in some cases eg if photos and videos relating to a complex piece of building work prove insufficient to confirm compliance, it may be more efficient to use an onsite inspection rather than considerable back and forward communication,
 - 16.8 a formalised understanding of the required competence, responsibility, and accountability of the person taking photos and videos will be required,
 - 16.9 some rural areas and new developments have poor internet coverage, impeding the use of remote inspections.

² Regarding inspections, the most relevant producer statements are PS 3 – Construction and PS 4 – Construction Review.

Work is underway to drive uptake of remote inspections

- 17 My officials are developing a guide for building consent authorities on conducting quality and compliant inspections remotely. This guide will increase uptake by helping building consent authorities better understand the benefits of remote inspections and support more consistent approaches across the country. The guide is due for publication in mid-2024. Complementary educational materials will also be released around this time.
- 18 The guide will include information on work that is suitable for remote inspections, what needs to be captured, processes, record keeping and integration with records management systems.

Further changes are needed to increase uptake of remote inspections

- 19 While the guide will ensure consistency in the delivery of remote inspection services across building consent authorities, it is unlikely to achieve the reduction in delays or degree of uptake that I am seeking.
- 20 For this reason, I have asked MBIE to develop options to reduce delays in the building inspection process, including through greater uptake of remote inspections. I intend to report back to Cabinet in Q3 2024 with a discussion document for public consultation.
- 21 The discussion document will include a range of regulatory and non-regulatory options for supporting the uptake of remote inspections and increase the efficiency of the building inspection process, including, but not limited to:
 - 21.1 requiring building consent authorities to use remote inspections as the default approach (where the need for inspections has been identified at the consent stage)
 - 21.2 requiring building consent authorities to have documented policies and processes for undertaking remote inspections,
 - 21.3 setting an expectation (eg in guidance) that building consent authorities have policies and processes in place to undertake remote inspections
 - 21.4 non-regulatory initiatives to improve building inspection processes, for example, setting targets for completing inspections, or sharing building inspection resources across building consent authorities.
- 22 The discussion document will seek information on the potential economic benefits of remote inspections (including productivity gains, reduced building costs, and reduced additional homeowner expenses while waiting for homes to be built eg rent and financing costs).
- 23 It will also seek information on potential costs (including implementation costs to establish and maintain technology and training requirements for remote inspections) and seek feedback on possible mitigations to address the issues and risks identified in the work and engagement to date, including:

- 23.1 implications for liability and where it should sit,
 - 23.2 the required competence, responsibilities, and accountability of those providing evidence,
 - 23.3 how to mitigate the risk of false or misleading evidence being provided,
 - 23.4 the potential risk of an increase in building defects, including whether some inspections should always be carried out in person (for example because of the complexity of the work, or the consequences if non-compliant).
- 24 I propose that the discussion document will also consult on options to fulfil other Government commitments that relate to streamlining the building consent system.

Confidential advice to Government

- 25 After public consultation is complete, I intend to return to Cabinet in Confidential advice to Government to seek agreement on final policy proposals to require building consent authorities to use remote inspections as well as other commitments to streamline the building consent system.

26 Confidential advice to Government

Implementation

- 27 Implementation requirements will be assessed during the development of final policy proposals.

Cost-of-living Implications

- 28 Policy proposals will be assessed for cost-of-living impacts during development.

Financial Implications

- 29 This work will be funded from within baselines. Proposals will be assessed for financial implications during development.

Impact Analysis

Regulatory Impact Statement

- 30 Final proposals will include a Regulatory Impact Statement.

Climate Implications of Policy Assessment

- 31 Proposals will be assessed for climate impacts during development. Options are likely to have positive climate implications due to reduced emissions from conducting inspections remotely.

Population Implications

32 Proposals will be assessed for population implications during development.

Human Rights

33 Proposals will be assessed for human rights impacts during development.

Use of external Resources

34 Development of the remote inspection guide (for publication in mid-2024) has been contracted to an external provider at a maximum cost of \$60,000. This is being funded through the Building Levy.

35 No external resources will be used in the development of policy proposals.

Consultation

36 The following agencies were consulted on this paper: Department of Internal Affairs; Department of Prime Minister and Cabinet; Ministry of Housing and Urban Development; Kāinga Ora; Ministry of Education; Te Puni Kokori; WorkSafe New Zealand; Ministry for Pacific Peoples; The Treasury; Ministry of Health; Ministry for the Environment; Land Information New Zealand; Ministry for Regulation.

Communications

37 I intend to communicate the Government's intention to require remote inspections via press release.

Proactive Release

38 This paper will be proactively released.

Recommendations

The Minister for Building and Construction recommends the Committee:

- 1 **Note** that on 11 March 2024, Cabinet agreed to my work programme that included work to ensure greater use of photo and video evidence by building consent authorities.
- 2 **Note** that MBIE will publish a guide for building consent authorities on remote inspections in mid-2024.
- 3 **Agree** to the development of options for public consultation to require building consent authorities to use remote inspections as the default approach to conducting inspections.
- 4 **Note** that, subject to your agreement to recommendation 3, I will return to Cabinet in Quarter 3 of 2024 seeking approval to release a discussion document for public consultation.

I N C O N F I D E N C E

5 **Note** that following public consultation, I intend to return to Cabinet in Confidential advice to Government Confidential advice to Government to seek agreement on final policy proposals to require building consent authorities to use remote inspections.

6 Confidential advice to Government

7 **Note** that I intend to communicate the Government's intention to require remote inspections via press release.

Authorised for lodgement

Hon Chris Penk

Minister for Building and Construction