



## BRIEFING

### Fiscal sustainability options for the Building and Construction portfolio

<b>Date:</b>	27 November 2023	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	2324-0930

Action sought		
	Action sought	Deadline
Hon Chris Penk <b>Minister for Building and Construction</b>	<b>Discuss</b> proposed fiscal sustainability options in the Building and Construction portfolio	4 December 2023

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Paul Stocks	Deputy Secretary, Building, Resources and Markets	Privacy of natural persons		✓
David Hall	General Manager, Building System Performance	Privacy of natural persons		
Privacy of natural persons	Policy Director	Privacy of natural persons		

The following departments/agencies have been consulted

- Minister's office to complete:
- |  |   |                                    |
|--|---|------------------------------------|
| <input type="checkbox"/> Noted               | <input type="checkbox"/> Needs change         | <input type="checkbox"/> Declined  |
| <input type="checkbox"/> Overtaken by Events | <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Seen      |
|  |   | <input type="checkbox"/> Withdrawn |

#### Comments



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### Purpose

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This briefing sets out reprioritisation options in the Building and Construction portfolio to support the Government's fiscal objectives.

### Executive summary

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- The Government has identified several priorities for work within the Building and Construction portfolio, including new measures to streamline building consents, reduce the costs of building products and boost innovation.
- You have some strategic choices about how to reprioritise activity within the portfolio to deliver fiscal savings to the Government and progress priority work.
- Over half of the Building and Construction portfolio (\$65.5 million out of \$108 million total) is third-party funded. The Ministry of Business, Innovation and Employment (MBIE) recommends adjusting the building levy rate and threshold to deliver direct cost savings to the public.
- You may also wish to make use of a portion of the \$71.6 million surplus within the building levy memorandum account to accelerate government priorities or address future cost pressures, while managing the balance in the account down to zero.
- MBIE has already realised savings within the portfolio through the planned wind-down of the Weathertight Homes Resolution Service. Officials have identified additional areas of reduction that can deliver \$1.5 million of savings in 2023/24 and \$1.3 million in 2024/25.
- There are options to significantly reduce spending associated with the Construction Sector Accord and Transformation Plan. MBIE has identified an option which would deliver savings of \$11.1 million over two years (across the Building and Construction and Economic Development portfolios).
- You may also wish to consider changes to the earthquake prone buildings loan scheme and remediation support services. Potential savings range between \$3 and \$7 million depending on options chosen but have some trade-offs to consider in terms of managing non-compliance with seismic strengthening requirements.

- The total impact of the savings options identified within the Building and Construction portfolio is outlined in the table below. Final amounts will depend on a range of factors, including the scale of changes agreed to and the timing and phasing of these.

	2023/24 ('000s)	2024/25 ('000s)	2025/26 ('000s)	2026/27 ('000s)	2027/28 & Outyears	FTE
Baseline (Crown)	\$42,970	\$20,527	\$11,766	\$11,016	\$7016	26
Baseline (Third Party)	\$65,413	\$60,170	\$60,148	\$60,148	\$64,148	207
<b>Total Baseline</b>	<b>\$108,383</b>	<b>\$80,697</b>	<b>\$71,164</b>	<b>\$71,164</b>	<b>\$71,164</b>	<b>233</b>
<b>Reprioritisation Options (Crown)</b>	\$4,750 - \$7,750	\$5,550 - \$6,550	\$2,400	\$2,900	-	
1) Weathertight Homes Services	\$1,500	\$1,300	\$200	\$200	-	-5
2) Construction Industry Transformation Plan	\$1,500	\$3,000	-	-	-	-15
3) Earthquake-prone remediation	\$1,750 - \$4,750	\$1,250- \$2,250	-	-	-	
<b>Reprioritisation Options (Third Party)</b>	\$0	\$0	\$0	\$0	\$0	
<b>Cost Pressures</b>	\$0	\$0	\$0	\$0	\$0	
<b>Total Net</b>	<b>\$100,633 – \$103,633</b>	<b>\$74,147 - \$75,147</b>	<b>\$69,514</b>	<b>\$68,264</b>	<b>\$71,164</b>	<b>213</b>
<b>Net Fiscal Impact</b>	\$4,750 - \$7,750	\$5,550 - \$6,550	\$2,400	\$2,900	-	20

- MBIE officials are available to discuss these options in more detail with you. We also recommend that you meet with other MBIE Ministers to agree the best approach across portfolios.

## Recommended action

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The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that MBIE has undertaken a fiscal sustainability and efficiency programme to support the government to achieve its fiscal objectives and ensure value for money in government spend  
*Noted*
  
- b **Note** that MBIE has identified choices in how you invest in your Building and Construction portfolio that could create fiscal savings of \$4.7 - \$7.7 million this financial year, and \$5.5 - \$6.5 million in 2024/25  
*Noted*
  
- c **Note** that there are additional options identified in the MBIE ownership fiscal briefing (2324-0917 refers) and these savings will be apportioned to your portfolio  
*Noted*
  
- d **Discuss** the contents of this briefing with officials at your initial meeting with MBIE  
*Noted*

### Next Steps

- e **Agree** to attend a meeting for MBIE portfolio Ministers to discuss the reprioritisation options presented in this paper and how best to achieve your respective portfolio priorities as well as overall fiscal objectives.  
*Agree / Disagree*
  
- f **Note** that we will provide further advice on options you would like to progress, including phasing, costs of change, and risk management.  
*Noted*



Paul Stocks  
**Deputy Secretary, Building, Resources and Markets, MBIE**

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Hon Chris Penk  
**Minister for Building and Construction**

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## Strategic choices for reprioritisation

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1. This paper sets out the key choices for where to invest or reprioritise in the Building and Construction portfolio.
2. The building and construction sector underpins New Zealand's economy and society – it is a significant contributor to employment and GDP, accounting for 10.6 percent of the country's workforce. However, building activity is reducing from the record highs of two years ago and there are systemic challenges such as low productivity and low levels of investment in innovation and sector improvement. An increasingly complex global context also means challenges in terms of supply chains, access to products and labour.
3. The Government has indicated several priorities for the building regulatory system, including measures to:
  - a. lower building materials costs – legislative changes to mandate approval of building materials meeting international standards equivalent to New Zealand's;
  - b. streamline building consents – widening the use of the National multi-proof approval process, increasing remote inspection, amendments to enable minor variations in consenting, dedicated consenting teams for category 3 building consents; and
  - c. boost innovation to drive better building outcomes.
4. In addition to supporting you to deliver on these priorities, MBIE officials have identified some key areas we recommend you consider to set the building and construction sector up for an increasingly challenging and complex future environment (outlined in more detail in the Building and Construction Briefing to Incoming Minister):
  - a. creating a more efficient and productive building system through changes to the consenting system, and occupational regulation, updating and streamlining compliance pathways and sector-facing information and guidance;
  - b. improving climate change resilience and reducing building-related emissions;
  - c. effectively managing seismic risk; and
  - d. strengthening fire safety.
5. You have some choices about re-directing resources to support these priorities and/or returning funds to the centre:
  - a. You have choices about managing the building levy surplus, including through reducing the levy rate and threshold to benefit levy payers and directing additional investment to support new priorities.
  - b. The Government identifies Industry Transformation Plans (ITPs) for closure to recover cost savings. The Construction Sector Transformation Plan is funded through both the Building and Construction and Economic Development portfolios and delivered through the Construction Sector Accord. You have a range of options to consider, which include halting the plan, or scaling back and reprioritising the Accord to deliver a more targeted series of initiatives in line with your priorities.

- c. MBIE recommends that you preserve the core functions supporting the operation of the building regulatory system with a focus on front-line services, compliance and enforcement functions that help manage risks relating to building. There are also a range of building policy and operational functions which will be important to retain to deliver on your priority areas (for example through work to review the consent system).
  - d. There are opportunities for scaling back or reducing activities in some areas, and officials have identified possible savings through the progressive wind-down of the Weathertight Homes Resolution Service and reducing work on Earthquake Prone Building remediation services and loans. If you do wish to realise these savings, you may also wish to consider what alternative measures are required to manage impacts on building owners and ensure key building outcomes are achieved.
6. We recommend you discuss relative priorities for achieving Government goals across the MBIE portfolios with other Ministers. To that end, we have recommended that the MBIE ownership Minister (Minister for Economic Development) call a meeting of all MBIE portfolio Ministers.

## **Fiscal background for the Building and Construction portfolio**

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- 7. The Minister for Building and Construction and the Minister of Housing are responsible for the appropriations in Vote Building and Construction.
- 8. Through Vote Building and Construction, MBIE administers the building regulatory system, including operating licensing and product certification schemes, overseeing Building Consent Authorities, running building emergency management systems, delivering building and tenancy services, administering earthquake prone building requirements, and providing education and guidance to the building sector and consumers so they understand their rights and obligations.
- 9. The Vote also funds policy staff to provide you with advice and work on making changes to the Building Act and regulations and develop and update regulations relating to a range of issues such as building consents, competition, building occupations, seismic risks and climate change.
- 10. Over half of building and construction portfolio expenditure is third-party funded. This includes revenue from the Building Consent Levy, Licensed Building Practitioner Fees and Electrical Workers fees, and cost recovery of the Multiproof scheme. Building and Construction third party funding totalled \$65.4 million in 2023/24. Levy funding can only be used for purposes specified in the relevant legislation. For example, the building levy must be spent on activities associated with the Chief Executive's functions under the Building Act or other related Acts.
- 11. The remaining appropriation the building and construction portfolio is Crown-funded, equalling \$42.9 million in 2023/24. This funding covers those areas of work within the portfolio that cannot be funded through levies or cost-recovery mechanisms.
- 12. Key areas of growth/change in the last five years include:
  - a. the addition of a range of new service delivery and compliance functions (e.g. Building Emergency Management, dam safety assurance, BuiltReady, Earthquake Prone Building Remediation Support Service, and enforcement of the soon to be in force Building Product Information Requirements)

- b. increased building activity over 2020-22 resulting in increased demand for MBIEs building regulatory compliance and enforcement activities (e.g. oversight of Building Consent Authorities, disputes resolution)
- c. a decrease in some programme spending (e.g. Weathertight Homes Resolution Service).

*Current portfolio baseline*

\$000's	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyears	FTEs
Departmental Crown Revenue	\$21,338	\$16,185	\$7,407	\$6,657	\$2,657	26
Departmental Third Party Revenue	\$65,413	\$60,143	\$60,148	\$60,148	\$64,148	207
<b>Total - Departmental</b>	<b>\$86,751</b>	<b>\$76,328</b>	<b>\$67,555</b>	<b>\$66,805</b>	<b>\$66,805</b>	<b>233</b>
Non-Departmental Crown Revenue	\$21,632	\$4,369	\$4,359	\$4,359	\$4,359	-
Non-Departmental Third Party Revenue	\$0	\$0	\$0	\$0	\$0	-
<b>Total – Non-Departmental</b>	<b>\$21,632</b>	<b>\$4,369</b>	<b>\$4,359</b>	<b>\$4,359</b>	<b>\$4,359</b>	<b>-</b>
<b>Total Appropriation</b>	<b>\$108,383</b>	<b>\$80,697</b>	<b>\$71,914</b>	<b>\$71,164</b>	<b>\$71,164</b>	<b>233</b>
Fiscal impact	\$42,970	\$20,554	\$11,766	\$11,016	\$7016	-
No Fiscal Impact (third party revenue that cannot be transferred to other functions)	\$65,413	\$60,143	\$60,148	\$60,148	\$64,148	-

## Strategic Choices for Reprioritisation in the Building and Construction portfolio

13. This section sets out the key choices for managing funding and reprioritising spending within the Building and Construction portfolio.

### Building Levy – opportunities to reduce costs for levy payers

14. The Building Consent Levy (the levy) is paid by building consent applicants and is collected on all building work valued over \$20,444 (GST incl). The levy rate is set at \$1.75 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.
15. In early 2023 MBIE consulted on proposals to increase the threshold at which the levy is payable and reduce the levy rate, which if adopted would result in an estimated \$7.5 - \$8 million (17%) reduction in levy revenue. While changing levy settings will not create fiscal savings in Crown appropriations it does deliver direct savings to levy payers (ie homeowners, building owners, Kainga Ora), supporting the government goal to address cost of living pressures. It aligns with Treasury and Office of the Auditor General best practice guidance on charging for public services. Officials recommend you make these changes to the levy rate and threshold.
16. Officials will report to you shortly with updated modelling to reflect project consented numbers and levy revenue and will provide you with recommended options for changes to the levy. Subject to Cabinet agreement, a new levy rate and threshold can be implemented in early-to-mid 2024.

## **Wind-down of weathertight homes services**

17. Weathertight issues, or 'leaky buildings' were a significant public policy and regulatory issue for the first decade of the 2000s. There may be a general perception that the problem is now fixed along with the majority of the leaky buildings. However, for the people still discovering or living through longstanding weathertight issues in their homes, the issue remains very real, and support from central government is still sought.
18. Over time, the number of open claims being managed and resolved by Weathertight Services has reduced significantly, although the work associated with the remaining open claims will be complex as many of them involve multi-unit properties or have unique circumstances. Future work is likely to focus on the later stages of the Financial Assistance Package, with the number of repair plans and payment plans continuing to reduce, and the number of variations and final payment claims increasing.
19. Therefore, Weathertight Services is transitioning towards closure over the next five years. Over the 2023/24 financial year this includes adjusting the operating model and integrating some operations and systems functions, leading to a reduction in FTEs and less reliance on technical specialists. Through Budget 2023 savings have already been identified of \$1.1 million in 2024/25, \$2.2 million in 2025/26 and \$2.9 million in 2026/27 and outyears.
20. In addition to this, MBIE has now identified options to scale back the service by 15%. This could deliver additional savings of \$1.5 million in 2023/24, \$1.3 million in 2024/25 and \$0.2 million in following years.

## **Construction Industry Transformation Plan**

21. The Construction Sector Accord is a partnership between industry and government to tackle systemic challenges within the building and construction sector. The actions to drive changes are set out in the Construction Sector Transformation Plan 2022 to 2025 which is delivered in partnership with industry for the three-year term.
22. The Construction Sector Accord received \$37.6 million in Budget 2022 to deliver on the Transformation Plan actions. This includes resourcing of the programme delivery unit housed within MBIE (departmental funding through Vote Building and Construction) and funding for delivering identified actions (non-departmental funding through the Economic Development portfolio). Funding is time limited and is due to end at the end of the 2024/25 financial year. Industry has made in-kind contributions to the programme through oversight of the Plan as well as at the initiative level.
23. We understand that the Government's commitment is to halt work on industry transformation plans. MBIE officials are available to discuss with you the best way to do this in relation to the Construction Sector Transformation Plan, including returning unallocated funding and decided an approach for any work that is already contracted or underway.
24. You may wish to retain some of the functions of the Construction Sector Accord and leverage the Accord's government-industry leadership to accelerate the pace of change needed across construction and infrastructure in New Zealand, including refocussing the Accord to help deliver on your priority work.
25. Should you wish to do this, there are options to deliver savings by scaling back or halting some work. This could be achieved by reprioritising the funding allocated to Transformation Plan delivery to focus on initiatives to improve efficiency, productivity and performance



across the sector. There would be a proportionate decrease in the MBIE-hosted programme delivery unit resourcing over the same period.

26. As an indication, a 30% reduction in spending in 2023/24 and a further 20% reduction in the 2024/25 financial year, would deliver the following savings across the Building and Construction and Economic Development portfolios:

	2023/24	2024/25	Total savings 2023- 2025	FTE reduction
Departmental spending (Building and Construction Portfolio)	\$1.5 million	\$3 million	\$4.5 million	9
Non- departmental spending (Economic Development Portfolio)	\$2.8 million	\$3.8 million	\$6.6 million	6
			\$11.1 million	15

27. MBIE Ministers in the Building and Construction, Economic Development, Digital Economy and Communications and Tourism portfolios lead industry transformation plans, alongside the Ministers of/for Agriculture, Oceans and Fisheries, and Forestry supported by the Ministry for Primary Industries. The multi-category appropriation for ITPs sits within the Economic Development Portfolio. The Minister for Economic Development is the responsible Minister for Industry Transformation Plans and will formally make the decisions related to it.
28. MBIE recommends that relevant Ministers discuss the approach to industry transformation plans to ensure that decisions taken across portfolios are aligned with the Government’s priorities and economic strategy.

### **Earthquake prone building remediation services and loans**

29. To effectively manage seismic risk, New Zealand’s most vulnerable buildings are managed through the earthquake-prone building system, which requires building owners to undertake remediation work within set timeframes.
30. A review of the system in 2021 identified a risk of non-compliance with these requirements, in particular for residential multi-unit buildings. The previous Government established a multi-year appropriation of \$10 million (\$7.5 million in 2023/24) to provide access to owners of earthquake prone buildings to interest free loans of up to \$250,000 to support remediation work. The loan scheme is administered by Kainga Ora. A range of factors mean that no loans have been issued to date, although there are approximately 50 applications at pre-approval stage, totalling \$13.5 million.
31. In addition, MBIE has established an earthquake prone building remediation support service pilot to help building owners meet the statutory deadlines for remediation. This pilot has identified 10 earthquake prone buildings in Wellington of different typologies and ownership structures with the objective of supporting the owners to agree to a remediation plan. The support offered includes financial, legal and facilitation services. The pilot is also helping to identify key barriers to remediating earthquake prone buildings to inform further policy options.

32. However, you have some choices to achieve savings within this area. As an indication, halting the pilot and scaling back the loan scheme by 10% could result in \$1.75 million in savings this financial year, while a 50% reduction would deliver \$4.75 million in savings.
33. If you wish to make changes to the earthquake prone building remediation support service and loans scheme, officials will provide you with further information on key trade-offs, and options for mitigating risks. This will include considering impacts on overall seismic resilience outcomes, implications for building owners who have remediation obligations and/or are currently seeking support, implications for Kainga Ora, and the timing of any changes.

### **Building regulatory policy and operational functions**

34. MBIE has completed a review of all functions across the building and construction portfolio to identify additional options for fiscal savings. Many functions are necessary to manage risk (ensuring buildings are safe and healthy, ensuring all participants in the building sector play their part, managing building emergency responses), maintain standards and systems, or set the sector up for future change. Officials recommend preserving core operational and policy functions relating to front-line delivery and managing building risk.
35. In line with MBIE-wide proposals, we have identified potential areas for savings. Officials recommend discussing these options with you in more detail, to ensure changes are well aligned with your priorities for the portfolio.

#### *Reduce spending on policy advice*

36. MBIE has a multi-category appropriation in each of its Votes, covering a range of policy functions to provide flexibility in delivering against government priorities. We are proposing a 10% reduction for the activity as a whole. The current allocation of resourcing reflects existing work programmes, therefore we recommend that MBIE Ministers discuss how best to allocate the remaining 90% across portfolios, given the incoming Government's priorities. Further advice on this matter is covered in the Fiscal Omnibus Briefing.

### **Reprioritisation options in stewardship and enablement functions**

37. MBIE has considered a wide range of options for reprioritisation. This includes stewardship (such as economic strategy), enablement functions (such as human resources and finance) and shared services (such as call centre services).
38. The financial impact of these options on the Building and Construction portfolio will depend on the scale of changes progressed, and the relative change in sizes of each portfolio. For example, property costs are allocated as a share based on head count in each location. Further savings will likely emerge based on Ministers' decisions. MBIE will provide final advice on re-sizing its enablement functions and financial implications by portfolio as part of the briefing to the MBIE ownership Minister. Any savings in stewardship and enablement functions will have a proportional saving for each portfolio.

#### *Shared services relevant to Building and Construction*

39. Some MBIE functions are provided as a shared service, rather than portfolio-specific functions, as this is more efficient. Examples include the MBIE service centre which provides contact centre services across a large number of functions. For the building and construction portfolio there are also significant information and education functions, aimed at supporting the building sector and public to understand and comply with relevant building requirements. MBIE can advise you on further options to maximise savings across these services.

## Revenue options – Potential Changes to the Building Levy

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40. As at 30 June 2023, the Building Levy memorandum account contained approximately \$71.6 million. This is an increase of \$19 million since 2019. Note, however that as building consent numbers are now trending down new building levy revenue is also expected to decrease.
41. 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. 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:
  - a. regulatory functions – such as issuing technical guidance to establish compliance with the Building Code, making determinations, building consent authority registration and accreditation activities;
  - b. policy, implementation and monitoring functions – such as advising the Minister on regulatory matters, implementing the Building Act, and monitoring key trends;
  - c. information and education – such as issuing guidance documents and maintaining various information registers required under the Building Act; and
  - d. enforcement, in certain cases.
42. As noted above, MBIE recommends reducing the levy rate and increasing the threshold at which it is payable, to deliver savings to building owners. In addition, there is scope and industry support to use the Levy memorandum account to fund additional services or priorities as these arise, while reducing the surplus within the account.

## Next steps

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### *An All-of-MBIE approach to reprioritisation*

43. MBIE operates several functions across portfolios, as well as working to realise synergies between them. We therefore recommend considering the portfolios as a suite, this enables:
  - a. Consideration of enablement and stewardship functions as part of the whole (which will have proportional savings for each portfolio)
  - b. Opportunities to align and consolidate related functions between portfolios, including Crown Entities
  - c. Enabling trade-offs across functions to calibrate/equalise impacts, such as directing policy resource.
44. We recommend that MBIE Ministers meet to consider their portfolios jointly.

### *Progressing options*

45. We will provide you with further advice on areas you indicate you would like to reprioritise. This advice will include how fast savings can be realised, any costs associated, and further information on the likely impacts of those changes.
46. We also expect to receive advice from Treasury shortly about the process for submissions for the Fiscal Sustainability Payment, and/or Budget processes. We will take direction from Ministers on which of the potential reprioritisation options in this briefing should be included in those submissions.

# Annexes

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Annex One: A3 Fiscal Summary for Building and Construction

# Fiscal Summary for Building & Construction portfolio



## Current Baseline

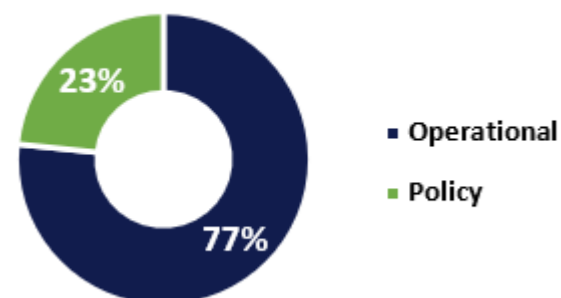
The following table sets out the appropriated funding for the Building and Construction portfolio, by funding source. Departmental funding is received by MBIE to directly provide services. Non-departmental funding is provided via MBIE to other agencies, including Crown Entities and grant recipients.

Changes to Crown funded activities will have a direct impact on the Government's financial position. Changes to Third Party funded activity will generally have no impact on the Government's financial position, as most third-party charges are set on a cost-recovery basis.

Baseline \$million	2023/24	2024/25	2025/26	2026/27	2027/28 & Outyrs	Current FTE
Dept.	\$21,338	\$16,185	\$7,407	\$6,657	\$2,657	26
Non-Dept	\$21,632	\$4,369	\$4,359	\$4,359	\$4,359	n/a
<b>Total Crown</b>	<b>\$42,970</b>	<b>\$20,554</b>	<b>\$11,766</b>	<b>\$11,016</b>	<b>\$7,016</b>	<b>26</b>
Dept.	\$65,413	\$60,143	\$60,148	\$60,148	\$64,148	207
Non-Dept	\$0	\$0	\$0	\$0	\$0	n/a
<b>Total Third Party</b>	<b>\$65,413</b>	<b>\$60,170</b>	<b>\$60,148</b>	<b>\$60,148</b>	<b>\$64,148</b>	<b>207</b>

## People Resources in MBIE

The Building and Construction portfolio is supported by MBIE with 233 FTE, as of 30 September 2023, which is 3.6 per cent of the total MBIE workforce. This is broken down as follows:



Operational includes 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.

Policy includes people responsible for: making changes to the Building Act, other relevant Acts and regulations, developing and updating policy relating to building consents, competition, building occupations, seismic risks, energy efficiency and other issues that arise.

**Note:** the portfolio view does not include enablement functions (e.g. finance, legal, communications, ICT, Ministerial services)

## Fiscal Sustainability

The following table summarises options identified for reprioritisation within the Building and Construction portfolio (either within the portfolio, or for return to the centre). This includes programmes that could be stopped, and others that can be scaled.

Option for reprioritisation	Fiscal implication \$million	FTE implication	Implementation	Comment
Building Consent Levy - reduce costs for levy payers	0	0	2023/24	Cost savings for public through reduced 3 <sup>rd</sup> party levy settings
Weathertight Home Services - savings being realised	\$ 3.2 m over 4 years	5	2023/24	Weathertight Services is transitioning towards closure over the next five years. Over the 2023/24 financial year this includes adjusting the operating model and integrating some operations and systems functions, leading to a reduction in FTEs and less reliance on technical specialists. Additional savings identified for following financial years.
Earthquake Prone Building Remediation - options for saving	\$3 – 7 m over 2 years	0	2024/25	Loans and support services pilot could be scaled back or halted. Decisions could have implications for Kainga Ora who administers the loan scheme and for building owners who need support to remediate earthquake prone buildings.
Construction Industry Transformation Plan - options for savings*	\$4.5 m over 2 years	15	2023/24	Savings could be realised through halting work on the Transformation Plan, and/or reprioritising work and leveraging the Construction Accord to refocus on government priorities for building and construction. Note, savings of \$4.5 million identified in Building and Construction, an additional \$6.6 million in savings would be possible within the Economic Development portfolio.
A share of cross-MBIE reprioritisation options	To be determined	To be determined	These savings will be apportioned to portfolios, following discussions with Ministers.	The MBIE ownership fiscal briefing includes options for reductions in core services (both immediate efficiencies, and further "right-sizing" following portfolio decisions), 15% reduction in specified discretionary spend, and 10% reduction in policy capacity with resources to be redirected based on Government priorities.
<b>Total</b>	<b>\$10.7 - \$14.7 m</b>	<b>23</b>		This is approximately 25% percent of Crown funding in the portfolio

The Fiscal Briefing has further details on the options for you to consider and the trade-offs and implications for different choices.

Items marked \*are drawn from, or consistent with, Government Commitments and Coalition Agreements.

Options with FTE implications will need to be phased, and may incur transition costs

## Government Commitments relating to Building and Construction

The Government has identified several priorities for the Building and Construction portfolio. The high-level costing estimates are set out below. Note: this excludes Government priorities for building and construction that would fall within other portfolios (e.g. Immigration, Health and Safety):

Manifesto Commitment/Coalition Agreement	High level cost estimate \$million p/a	FTE implication (existing & new)	Implementation	Comment on estimates
Introduce legislation mandating approval of building materials and product systems meeting international standards equivalent to New Zealand's <b>(100-day commitment)</b>	\$ to implement will depend on options chosen	5– 7 FTE time limited to develop policy 5 – 10 FTE ongoing to implement 1 - 2 FTE to service new group	Initial legislation in first 100 days 2 – 3 years for full implementation (depends on choices about option) < 6 months establishing group	Policy work includes changes to legislation. Implementation cost and time depends on choices made about approach.  Could require ongoing monitoring function for cases where approval by overseas jurisdictions is revoked, and ongoing \$ for licensing. Could require changes to Crown liability insurance.  Nature and structure of technical group depends on decisions above.
Appoint a small group of experienced practitioners and technical advisors to review material and product systems				
Make promotion of competition a building regulatory system goal	\$500,000 one-off (Crown)	7 – 8 FTE to develop and implement	6 months for policy decisions 12 – 18 months for amendment to Act 1 – 3 years for phased implementation of regulations where required (eg regulations to enable self-certification)	Policy work to change legislation, assumed to use existing policy FTE and involve re-shaping of current work underway (e.g. consent system review).  Additional \$ and FTE could be needed to accelerate work – e.g. commission research/ technical expertise  Work is already underway to create a building standard for remote virtual inspection.  Note: most work can be funded through the Building Levy, but changes to occupational regulations require Crown funding.
Make construction more efficient by requiring councils to accept video and photo evidence of work done	\$1 million p/a (Levy)			
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				
Work with the industry to allow plumbers, gasfitters and drainlayers to self-certify				
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	(Multi-proof levy)	-	12 – 18 months for amendment to Act 2 – 3 years implementation	Multi-proof scheme is cost recovered but fees are not currently sufficient to cover full costs, a fees review is due in 2024. An expansion of the scheme would require new fees.
Investigate options to reduce potential council liability for building performance	\$1 million (Levy/ Crown)	2- 3 FTE	12 – 18 months	Work required to develop options
Transfer the processing of Category 3 building consents (buildings over 10 metres) to dedicated consenting teams	(Levy)	1 -2 FTE	12 – 18 months for amendment to Act	Degree of change depends on policy intent
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	(Levy)	3 – 4 FTE	6 months	Assumes accelerating work on technical standards with BRANZ. FTE includes MBIE technical building specialists.
Encourage building standards to reduce environmental impact and greenhouse gas emissions	(Levy/ Crown)	6 – 8 FTE	1 – 2 years	Assumes work can be progressed within MBIE's existing climate change programme
Explore allowing homebuilders to opt out of needing a building consent provided they have long-term insurance for the building work <b>(National / ACT coalition agreement)</b>	\$650,000 initial work (Levy) > \$5 million for detailed design Additional \$ to implement, depending on options chosen	2 - 3 FTE time limited to develop policy 5 – 10 FTE ongoing to implement	12 months for initial policy options 1 – 2 years additional policy work and Act changes 1 – 2 years implementation	First stage assumes development of initial policy advice and high-level options and includes an initial cost-benefit analysis.  Fundamental change to Building regulatory system, could be a large and complex piece of work. Ongoing costs could include development and oversight of insurance market and alignment between insurance and Building Act systems.
Amend the Building Act and the Resource Consent system to make it easier to build granny flats or other small structures up to 60m <sup>2</sup> requiring only an engineer's report <b>(National / New Zealand First Coalition agreement)</b>	\$500,000 - \$ 1 million one-off (Crown/ Levy) \$1 million p/a (Levy)	2 -3 FTE time limited to develop policy	12 months for policy decisions 12-18 months for amendment to Act(s) 1 – 3 years for phased implementation of regulations where required	Will require changes to Building Act and strengthening occupational regulation (aligned with existing occupational regulation work with some adjustments). Could include investment in Granny Flat Multiproof designs.  Note: most work can be funded through the Building Levy, but changes to occupational regulations require Crown funding. Additional compliance and enforcement costs for Territorial Authorities.

