



New Zealand
**Construction
Industry
Council**

**Annual Report
2019-2020**



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A message from our Chair

This has been an incredible year in so many ways for the New Zealand Construction Industry Council and our members. 2019 was one of the construction industry's busiest years ever. Our sector grappled with skills shortages, insolvencies, low productivity and a terrible record for health, safety, and mental health.

In an effort to combat the shortcomings (pitfalls?) of the industry, the sector and government teamed up to establish the Construction Sector Accord (CSA) with a bold vision to revolutionise the sector. Additionally, the government has embarked on a programme of reforms for Building Regulations and the Review of Vocational Education, which is the biggest restructure of the vocational training system in decades.

If industry-wide reform wasn't enough to contend with, 2020 has seen the COVID-19 (coronavirus) pandemic sweep the world. NZ has been a world leader in containing the spread of the virus by closing borders and then going into almost total lockdown for 5 weeks, the single biggest social upheaval since WW2. We have managed to contain COVID 19 and limited the death toll to 21 people, but the economic cost will be huge.

NZCIC has experienced a year of changes. David Kelly and Teena Hale Pennington have provided outstanding leadership to NZCIC, and both were keen to hand over to a new leadership group at the 2019 AGM. There were no nominations for office at the AGM, however fortunes changed by September's Council Meeting and a new Chair and executive were appointed.

The following months have been a whirlwind of activity. The new executive have reviewed the strategic plan to align with the work of the Construction Accord, reviewed the constitution, developed a communications plan and appointed a new Communications & Operations Manager, Abby Goldstein. Abby has developed an effective social media platform and produced regular updates for members, which was especially valuable during the COVID-19 crisis. NZCIC has also defined our purpose; to be "the cohesive voice driving industry well-being and performance for a better built environment for New Zealand". This purpose has become a cornerstone for the executive when setting objectives and strategies. NZCIC has an ambitious work programme. This includes

improving standard construction contracts, engaging government on regulatory reforms, providing direction and leadership in the Review of Vocational Education, engaging with the Construction Sector Accord and developing a sustainability strategy.

Work in 2020 has been almost entirely focussed on the COVID-19 response. The current level of collaboration between government, industry bodies and businesses in the construction sector is unprecedented. It's been almost impossible to differentiate work from NZCIC, our members and the Construction Sector Accord. The CSA has acted as the interface with government and the NZCIC has worked hard to provide the feedback loop required with members and businesses. We need to leverage this unity to assist the construction industry to recover from COVID-19 and continue on the transformation required for a thriving sector.

It's been a privilege chairing NZCIC and working with the high-performing executive team. The year ahead is set to be challenging for the construction industry. NZCIC will continue to be, "the cohesive voice driving industry well-being and performance for a better built environment for New Zealand".



Graham Burke, New Zealand Construction Industry Council Chair

Highlights

We established our purpose

NZCIC – the cohesive voice driving industry well-being and performance for a better built environment for New Zealand.



Total New Zealand Construction Industry Council members



New members joined New Zealand Construction Industry Council



New Executive Committee members appointed



Papers submitted on behalf of the Building and Construction sector



New ways for us to communicate with our members and the public launched

The Construction Sector Accord (CSA) was signed by representatives from government and industry in April 2019 as a shared commitment to transform the Construction Sector.

The CSA established the Accord Steering Group (ASG) which includes several NZCIC members as well as construction business leaders and government officials. The ASG worked with MBIE and KPMG during 2019 to develop the Construction Accord Transformation Plan, which was published in January 2020. The Transformation Plan is a three-year action plan with six workstreams; Leadership, Business Performance, Developing Our People, Health Safety and Wellbeing, and Procurement and Risk.

NZCIC has been supporting the work of the CSA with several members on the ASG. NZCIC workstreams are closely aligned with those of the CSA, such as Fair Contracts and RoVE have integrated with CSA workstreams.

With the rapid onset of the COVID-19 crisis, the CSA has pivoted to focus on the immediate issues faced by the industry. The ASG has been supplemented by the COVID-19 Response Forum, which includes several NZCIC members, and developed the Construction Sector COVID-19 Response Plan. The CSA has been, and continues to be, a conduit between industry and government with direct access to senior government officials and ministers. There's been unprecedented collaboration enabling rapid feedback to government about issues and rapid development of essential information such as the Protocols for returning to work at level 3.

NZCIC will continue to collaborate with the CSA and work to ensure the principles of the CSA are followed in the response to COVID-19, the inevitable slowdown in the economy and the rebound which will follow.

Construction Sector Accord

The Review of Vocational Education (RoVE) programme is the biggest restructure of vocational training in decades. RoVE includes seven key changes designed to unify the vocational education system:

- Create six Workforce Development Councils, industry-governed bodies, to give industry greater leadership across vocational education
- Establish Regional Skills Leadership Groups to provide regional advice about the skills and social needs to the Tertiary Education Commission (TEC), workforce development councils, and local vocational education providers
- Establish Te Taumata Aronui to ensure that the Reform of Vocational Education reflects the Government's commitment to Māori/Crown partnerships
- Create the New Zealand Institute of Skills & Technology to unify the 16 current polytechnics and provide a sustainable, public network of regionally accessible vocational education
- Shift the role of supporting workplace learning from ITOs to providers to achieve seamless integration between off-job and on-job learning
- Establish Centres of Vocational Excellence to bring together the IST, existing providers, WDCs, industry experts, and leading researchers to develop and share excellent vocational education provision across the system
- Unify the vocational education funding system which will apply to all provider-based and work-integrated education at certificate and diploma qualification levels 3 to 7 (excluding degree study) and all industry training.

The Institute of Skills and Technology (IST) has officially been formed as of 1 April and the 16 ITPs have become subsidiary companies. The announcement of the new name of the IST has been delayed by the COVID-19 crisis.

NZCIC joined a consortium in March to develop a registration of interest (ROI) to form the Construction and Infrastructure Centre of Vocational Excellence. The ROI is with the Tertiary Education Commission (TEC) awaiting evaluation and a request for proposal if the ROI is successful.

Work continues on the formation of the Construction and Infrastructure Workplace Development Council. TEC have formed a design group to design a working model for all WDCs as well as a reference group to critique and approve the design.

A working group has been formed to develop the governance model of the I&C WDC. This group includes several NZCIC members and has been working on a stakeholder map for the new WDC. An engagement plan is being developed to approve a governance model and representation model for the WDC. As coverage of the WDC is finalised, a gap analysis will be conducted to ensure all stakeholders have been engaged and the makeup of the current representative group and working group will be reviewed. The current working group has voted Graham Burke as Chair.

Vocational Education

Industry Attractiveness

During the 2019/2020 financial year, the NZCIC spent \$27,500 to develop a programme designed to: frame, validate and cost an initiative that will broadly:

- Move the perception of the construction industry amongst college aged students (and their influencers) from being negatively biased to being positively biased;
- Provide an overview of the roles that the construction industry currently provides; and
- Paints the picture of what the construction industry of the future will look like, an environment that will be considerably more innovative and high-tech than the current industry status.

The result is a concept that carries the working title, 'Constructa Career'. This is a primarily digital programme that will feature the full range of career opportunities that are available within the broader construction industry, and encourage students to explore the myriad of options available; to build career paths and explore the possibilities. Constructa Career would create an engaging, interactive, fun, digital experience that students enjoy and share. The programme would enable students to interact, have a dialogue, with answers to questions that assist their journey/discovery. It would not be in the style of traditional 'careers advice' delivery, rather, it would be gamified. Constructa Career would be built by developers who have unparalleled insights into this generation.

The Constructa Career concept was presented to the NZCIC Council at the June 2019 NZCIC meeting. The cost of realising Constructa Career is \$3,000,000 + GST over three-years. Since the June 2019 presentation:

- BRANZ's Industry Transformation Agenda, and the Construction Strategy Group provided formal support to Constructa Career
- Advice Limited's, Kim Wicksteed joined working group members, Malcolm Fleming and Warwick Quinn in presenting Constructa Career to the Tertiary Education Commission (TEC)
- Various other funding avenues were explored.

2019 proved to be a year of significant change for construction and education, which potentially provides some funding opportunities. The emergence of the Construction Sector Accord, and their focus on 'people development', potentially provides an opportunity for high-level support of Constructa Career, particularly if alignment with the government's Construction Skills Strategy can be achieved. In addition, the transition of the BCITO and the other Industry Training Organisations that service the construction industry, into a new Construction and Infrastructure Workforce Development Council, also has the potential to deliver some funding. The broadening of the Building Levy usage may also provide opportunities.

Finding a funding source for Constructa Career will continue into the 2020/2021 financial year. In the interim, the NZCIC profile has benefited from having self-funded the development of an industry attractiveness concept, that if realised, will be the game changer the industry needs to encourage college students to consider a career in construction.

Fair and Equitable Contracts and Allocation of Risk

Issues around fair contracts and risk allocation have plagued building and construction for many years. However, they've been brought into clearer focus with the recent failure of several companies and the subsequent establishment of the Construction Sector Accord. NZCIC supports the Construction Sector Accord and has taken an active role in discussions around risk and fairness of contracts. This has ensured that members are aware of key issues and provided them with opportunities to contribute and work closely with the Accord Steering Group and Infrastructure Commission, Te Waihanga.

Key activities and events during the past year have included;

- Several Government Agencies have reviewed and amended their special conditions of contract and risk allocation as a result of their Accord commitments
- August 2019 – The publication of the Advisian Report “An examination of issues associated with the use of NZS Conditions of Contract”
- September 2019 – Infrastructure Commission, Te Waihanga established
- October 2019 – Publication of the “Fourth Version of the Governments Procurement Rules”
- November 2019 – The Infrastructure Commission advises that it is looking further at issues raised in the Advisian Report including the role of Engineer to the contract, novation of design, the potential to have tracked changes on NZ Standard documents, and providing further guidance to public sector procurers in a range of areas, including allocation and quantification of risks.
- December 2019 – NZCIC convenes a successful meeting of key agencies and industry participants to align thinking and get agreement to initiate a process to address the issues identified in the Advisian Report around standard construction contracts.
- February 2020 – A discussion paper on the “Process for amending NZS 3910” was completed by a subgroup appointed by the December meeting. Issues related to COVID-19 have prevented further work on this at this stage.

NZCIC members have also provided input to officials, MP's and Ministers regarding the proposed law changes to ensure retentions are better protected particularly in the event of insolvency and to amend the law around voidable transactions to reduce the claw back period. Supporting the Accord principles, initiating the process of updating and amending NZS 3910 and key legislative changes around retentions and voidable transactions will be our key focus in 2020/2021.

One of our core intentions is to advocate for the betterment of the building and construction sector and those that work within it.

After MBIE announced the first wave of building regulatory reforms, we established the Regulatory Reform sub-committee. The goal of the sub-committee was to do a complete stock-take of our members' views to determine the industry's hesitations and desired outcomes with the reforms. Following that, we can engage with MBIE to work towards a better and healthier building practice and culture.

NZCIC gained measurable traction and added leadership value in the regulatory reform space in June 2019 and January 2020. We submitted a position statement on behalf of our members to the government outlining our views following the Building System Legislative Reform consultation conducted in 2019.

However, our endeavours to achieve outcomes will extend beyond legislative efforts. NZCIC wants to advocate for further reform, and to build a culture of trust and accountability within the sector.

In the next year, we want to continue working towards more robust solutions to regulatory reform and assert our collective voice into the conversation surrounding building reforms.

Regulatory Reform

Sustainability

Sustainability has been a major point of contention for the building and construction sector. We've been working off of old information for a long period of time. One older study in particular states that 50% of waste produced in New Zealand is "construction waste". Our biggest goal is to change that perception and identify ways that can progress the industry to show our dedication to more sustainable approaches.

The sub-committee was established to:

- Inform the executive and wider Council on environmental and sustainability issues affecting the industry
- When directed by the NZCIC Executive, the sub-committee will initiate, recommend and deliver work programmes, tangible outputs and outcomes.
- The first step towards achieving this was identifying measurable goals under our newly elected Executive team. In the short-term this included:
- Circulating a survey to all Council members to access the current approaches and initiatives being taken towards sustainability within the industry.

In the longer-term:

- We plan to build a sharable best-practice framework that includes scanning for technological solutions that can minimise the entire sector's environmental impact.
- Deliver on the aforementioned programme of work across our members' organisations to significantly minimise building and construction's environmental impact.

In March 2020 we distributed the environmental impact survey to our members. A third of NZCIC's members responded to the survey. From it we gathered that the following issues were the dominant matters we should be addressing:

- Reduce waste created onsite; creating a Sustainability Committee and guidelines
- Reducing our carbon output as an industry
- Facilities Management policy and practice
- More communication about Zero Carbon Emissions Policy and construction's role
- Transitioning to a low-carbon, circular economy; and promoting the use of recycled materials
- Strong interest in developing sustainability road maps.

Ensuring a sustainable future is a key part of attracting young people to pursue careers in building and construction. The vitality of the sector, particularly as we navigate our way through the COVID-19 pandemic, is reliant on us taking a proactive stance when it comes to environmental stewardship.

Our Board



Graham Burke,
NZCIC Chair



Nick Collins,
NZCIC Executive Member



Malcolm Fleming,
NZCIC Deputy Chair



Rob Gaimster,
NZCIC Executive Member



Nick Hill,
NZCIC Executive Member



Nick Batchelor,
NZCIC Executive Member



Christine Johnston,
NZCIC Executive Member



Peter Silcock,
NZCIC Executive Member

Statement of financial performance | Construction Industry Council

Project outputs	2019/2020 Actual	2019/2020 Budgeted	2018/2019 Actual
Industry Attractiveness	27,537	30,000	0
Regulatory Reform	0	0	0
Vocational Education	0	0	0
Construction Sector Accord	0	0	0
Fair and Equitable Contracts and Allocation of Risk	0	0	0
Sustainability	0	0	0

Income	2019/2020 Actual	2019/2020 Budgeted	2018/2019 Actual
Full membership subscriptions	67,000	67,000	64,250
Associate membership	6,000	6,000	7,000
Voluntary donations	2,200	2,200	2,200
Interest	7,022	7,000	6,983
TOTAL INCOME	82,222	82,200	80,433

Expenditure	2019/2020 Actual	2019/2020 Budgeted	2018/2019 Actual
Bank fees	100	65	80
Audit fee	3,417	3,400	3,264
Insurance	264	–	–
Meeting expenses	6,597	7,000	6,430
General expenses	692	1,000	810
Telecommunications	420	420	420
Treasury services	1,000	1,000	1,000
Secretariat	20,811	28,000	22,357
Legal expenses	1,035	–	–
PR/ Communications	7,663	10,000	–
Travel	890	1,000	122
TOTAL OPERATING EXPENSES	42,889	51,885	34,483

Project expenses	2019/2020 Actual	2019/2020 Budgeted	2018/2019 Actual
Projects – General	–	–	–
Projects –Industry Attractiveness	27,537	30,000	0
TOTAL PROJECT EXPENSES	27,537	30,000	0

Total expenditure	70,426	81,885	34,483
NET SURPLUS/(DEFICIT) PER THE YEAR	11,796	315	45,950
Taxation expense	4	(1,686)	(1,675)
NET SURPLUS/(DEFICIT) AFTER TAXATION	10.110	(1,485)	44,275

Statement of financial performance | Construction Safety Council

Income	2019/2020 Actual	2019/2020 Budgeted	2018/2019 Actual
Industry funding (NZCF)	–	–	–
Interest	5	–	12
TOTAL INCOME	5	–	12
Expenditure	2019/2020 Actual	2019/2020 Budgeted	2018/2019 Actual
Grant paid to CHASNZ	12,041	–	–
Contractor fees and expenses	–	–	–
General expenses	–	–	–
Advertising	–	–	–
TOTAL EXPENDITURE	12,041	–	–
NET SURPLUS/(DEFICIT) AFTER TAXATION	(12,036)	–	12

Statement of financial performance | Movement in Equity

	2019/2020	2018/2019
Equity at the beginning of the year	288,788	244,501
NET SURPLUS/(DEFICIT) – Construction Industry Council	10,110	44,275
NET SURPLUS/(DEFICIT) – Construction Safety Council	(12,036)	12
TOTAL EXPENDITURE	12,041	-
EQUITY AT THE END OF THE YEAR	286,862	288,788

Statement of financial position

	2019/2020	2018/2019
EQUITY	286,862	288,788
Represented by:		
CURRENT ASSETS		
Construction Industry Council – Cheque account	55,558	48,994
Construction Industry Council – Term deposits	234,462	227,281
Construction Safety Council – Cheque account	–	12,035
Accrued interest	1,240	1,440
Accounts receivable	–	5,582
Provision for Doubtful Debts	–	–
GST refundable	3,020	3,009
TOTAL CURRENT ASSETS	294,280	298,341
LESS CURRENT LIABILITIES		
Accounts payable	1,230	4,614
Other payables	3,783	3,264
PAYE accrued	719	–
Income tax payable	1,686	1,675
TOTAL CURRENT LIABILITIES	7,418	9,553
NET ASSETS	286,862	288,788

Statement of cash flows

	2019/2020	2018/2019
CASH FLOWS FROM OPERATING ACTIVITIES	286,862	288,788
Construction Industry Council cash received and applied		
Full, Associate and Voluntary Donation Memberships	86,737	85,300
Investment interest	7,221	6,669
Operating income	5,945	–
Net GST	(1,398)	(9,034)
Operating expenses	(51,418)	(44,740)
Project expenses	(31,667)	–
Taxation expense	(1,675)	(1,048)
	13,745	37,147
Construction Safety Council cash received and applied		
Industry funding	–	–
Investment interest	6	12
Contractor fees and expenses	–	–
Project expenses	–	–
Grant paid to CHASNZ	(12,041)	–
	(12,035)	12
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,710	37,159

Statement of cashflows continued

	2019/2020	2018/2019
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Cash received	–	–
Cash applied	–	–
NET CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES	–	–
Net increase/(decrease) in cash	1,710	37,159
Opening cash	288,310	251,151
CLOSING CASH	290,020	288,310
This is represented by		
NZCIC bank and cash	290,020	276,275
NZCSC bank and cash	–	12,035
NET CASH FLOWS FROM OPERATING ACTIVITIES	290,020	288,310

Our members

