

Consultation submission form

# Building Levy Review

April 2023



## How to submit this form

This form is used to provide your feedback to us on:

- increasing the levy threshold,
- increasing investment in MBIE's services, and
- changing the levy rate.

When completing this submission form, please provide comments and reasons explaining your choices. Your feedback provides valuable information and informs decisions about the proposals.

You can submit this form by 5pm, Monday 29 May 2023 by:

- › email: [building@mbie.govt.nz](mailto:building@mbie.govt.nz), with subject line Building Levy Review
- › post to: Ministry of Business, Innovation and Employment, 15 Stout Street, Wellington 6011  
or: Ministry of Business, Innovation and Employment, PO Box 1473, Wellington 6140

Your feedback will help MBIE to:

- ensure that the balance of the levy memorandum account trends to zero over time
- reduce the volume of lower value building consent applications paying the levy
- improve the building and construction regulatory services MBIE delivers to levy payers and the building sector and
- ensure that MBIE's building and construction regulatory services have a sustainable funding base going forward.

The OIA specifies that information is to be made available upon request unless there are sufficient grounds for withholding it. If we receive a request, we cannot guarantee that feedback you provide us will not be made public. Any decision to withhold information requested under the OIA is reviewable by the Ombudsman.

## Submitter information

MBIE would appreciate you providing some information about yourself. If you choose to provide information in the “About you” section below it will be used to help MBIE understand the impact of our proposals on different occupational groups. Any information you provide will be stored securely.

### A. About you

Name: Malcolm Fleming

Email address: malcolm@nzcb.nz

### B. Are you happy for MBIE to contact you if we have questions about your submission?

Yes

No

### C. Are you making this submission on behalf of a business or organisation?

Yes

No

If yes, please tell us the title of your company/organisation.

New Zealand Construction Industry Council (NZCIC)

### D. Privacy information

The Privacy Act 2020 applies to submissions. Please tick the box if you do **not** wish your name or other personal information to be included in any information about submissions that MBIE may publish.

MBIE may upload submissions or a summary of submissions received to MBIE’s website at [www.mbie.govt.nz](http://www.mbie.govt.nz). If you do **not** want your submission or a summary of your submission to be placed on our website, please tick the box and type an explanation below:

I do not want my submission placed on MBIE’s website because... [insert reasoning here]

## Introduction to New Zealand Construction Industry Council

The New Zealand Construction Industry Council (NZCIC) is the cohesive voice driving industry well-being and performance for a better built environment for New Zealand.

NZCIC is a not-for-profit peak industry association representing around 35 member organisations involved in the delivery of New Zealand’s built environment. Our member associations cover all aspects of the construction industry including contractors, workforce, manufacturers, and suppliers,

design, research, and compliance. The NZCIC membership can be viewed via the following link:  
<https://nzcic.co.nz/membership/>

## **Background**

MBIE is seeking stakeholder feedback on three proposals to address five issues with the current building levy.

MBIE last sought input on the Building Levy in 2020.

At the time NZCIC provided the following responses<sup>1</sup>.

The NZCIC support widening the purposes for which the building levy may be used. Acknowledging the significant surplus that has accrued in the building levy account more proactive use on aspects that support the building system such as Standards maintenance and development (this would include any cost for Joint standards participation fees), and working collaboratively with industry to target skills gaps, should be encouraged.

This investment of surplus building levy money could also extend to the establishment of the previously suggested National Registration Framework for Building Products.

A possible companion National Registration Framework for Building Practitioners could also be considered to address occupational regulation and refresh and extend the existing Licensed Building Practitioner Scheme.

This proactive spending can also support the Construction Sector Accord Transformation Plan workstreams.

In 2020 NZCIC recommended the following action

More proactive spending of the building levy surplus should be encouraged to support improvements of the building system.

## **NZCIC position in 2023**

From 8 June 2021, the Building Act 2004 allows for the building levy collected after this date to be used to fund MBIE functions and activities related to the building sector in other Acts. These functions must be related to monitoring, overseeing, or improving the performance of the building sector or regulatory systems under that Act.<sup>2</sup>

Given the critical importance of Building and Construction Standards to the performance of New Zealand's building sector it beggars belief that MBIE have not been using the Building Levy surplus to fund more NZ and Joint Standards reviews and to better resource Standards Committees and Standards NZ to expediate review processes. Broadening the usage of the Building Levy to include the reviewing of NZ and Joint Standards that relate to the building and construction industry, is a key focus of the NZCIC submission.

Building Standards underpin our building system. They need to be underpinned by robust research. Without a comprehensive package of Building Standards, informed by robust research, New Zealand risks systemic failure on the scale of weathertightness.

## Increase the levy threshold

1. Should the threshold remain at \$20,444 or increase to \$65,000?

Remain at \$20,444

Increase to \$65,000

Not sure

Please explain your answer.

NZCIC supports the increase in threshold to \$65,000.

This would be well received by the sector as it means lower costs for smaller projects (those costing \$20k to \$65k).

2. (For building consent authorities) How will increasing the threshold to \$65,000 impact you (eg system changes and administration cost)?

Not appropriate for NZCIC to comment on.

3. What are the unintended consequences of changing the threshold? What would be the best way to minimise these?

NZCIC do not envisage any unintended consequences. Refer our response to Question 5 for a more robust approach to levy setting based on anticipated service costs.

## Increase investment in MBIE's services

4. Do you agree that MBIE should invest in regulatory service improvements?

Yes, I agree

No, I disagree

Not sure

Please explain your answer.

NZCIC supports the proposed investment in BSP's services.

NZCIC suggests that given the rapid pace of change across these three initiatives that MBIE is signalling, there is a need to invest heavily in sector education.

NZCIC proposes that the usage of the Building Levy be broadened further to include the funding of NZ and Joint Standards that relate to the building and construction sector. Currently, the cost of this critical work is borne by the sector, both through provision of expertise to sit on panels, and through payment to NZ Standards for the cost incurred by the agency in resourcing the work. That the sector is then required to pay for the completed NZ Standard that they paid to produce. This situation is quite outrageous and inhibits regular updates to NZ Standards to be undertaken for the benefit of the building and construction sector and ultimately, to those who own buildings and houses.

We agree with the proposal that the use of the Building Levy be expanded to allow for education and training on policy. An example of this could be educational and training support provided to the sector on how to create lower carbon and more resilient homes and buildings, while there will be a range of other topics that likewise would benefit from this type of support.

## Changes to the levy rate

5. Do you agree with reducing the building levy rate to \$1.48??

Yes, I agree

No, I disagree

Not sure

Please explain your answer.

NZCIC does not agree with reducing the building levy, our preference is to keep the Building Levy rate 'as is', to ensure adequate income to allow for the investment needs of the Building System Performance branch (BSP), and to fund the updating of NZ and Joint Standards and investment needed in training & guidance to prepare the sector for the Building for Climate Change programme, potentially leading with lower carbon homes.

For BPS's work specifically, NZCIC proposes that MBIE takes a more strategic approach to building levy funding. NZCIC suggests that MBIE should take a systems approach to sector needs. For example:

- What are BCA's requirements?
- What are the education/learning requirements of the sector and how can MBIE facilitate/support those requirements?
- What does a robust and effective Building Standards process require?

Having identified sector needs, BSP needs to then develop a robust process to deliver solutions to those needs.

## Levy changes take effect on 1 October 2023 or shortly thereafter

6. Do you agree with the proposed start date of 1 October 2023 for the changes to the building levy rate and threshold?

Yes, I agree

No, it should be earlier

No, it should be later

Please explain your answer.

NZCIC suggests that lifting the threshold could happen by 1 October.

7. (For building consent authorities) How long would you need to implement the proposed changes to the building levy rate and threshold??

Not appropriate for NZCIC to comment on behalf of BCA's.