MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# COVERSHEET

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| **Minister** | Hon Chris Penk | **Portfolio** | Building and Construction |
| **Title of Cabinet paper** | Enabling self-certification and speeding up building inspections | **Date to be published** | 29 May 2025 |

| **List of documents that have been proactively released** | | |
|---|---|---|
| **Date** | **Title** | **Author** |
| April 2025 | Enabling self-certification and speeding up building inspections | Office of the Minister for Building and Construction |
| April 2025 | Appendix One: Table of key elements and rationale for self-certification proposals | Office of the Minister for Building and Construction |
| 9 April 2025 | Enabling self-certification and speeding up building inspections<br>ECO-25-MIN-0052 Minute | Cabinet Office |
| 10 March 2025 | Regulatory Impact Statement: Improving the efficiency of building inspections | MBIE |
| 11 March 2025 | Regulatory Impact Statement: Establishing self-certification schemes for simple residential building work | MBIE |
| 11 March 2025 | Stage 1 Cost Recovery Impact Statement: Establishing self-certification schemes for simple residential building work | MBIE |

**Information redacted** **YES**

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 reasons of:

- Confidential advice to Government
- Confidentiality
- Commercial Information

In Confidence

Office of the Minister for Building and Construction

Chair, Cabinet Economic Policy Committee

# Enabling self-certification and speeding up building inspections

## Proposal

1. This paper seeks agreement to allow trusted house builders, plumbers and drainlayers to sign-off their own work by introducing an opt-in self-certification pathway for simple residential building work.

2. It also seeks agreement to require building consent authorities (BCAs) to do 80 per cent of building inspections within three working days.

## Relation to government priorities

3. The proposal will support growing the economy and making it easier to build faster.

## Executive Summary

4. It takes too long, and is too expensive to build houses in New Zealand. Building costs have increased by 40 percent since 2019 and it is around 50 percent more expensive to build a standalone house in New Zealand than in Australia.

5. To address this, I am seeking Cabinet agreement to progress self-certification pathways for house builders of entire simple homes, and for plumbers and drainlayers.

6. Self-certification means that house builders working on a large number of near identical houses each year and who have a good track record will be able to sign off their own work without the need for Building Consent Authorities (BCAs) to approve a building consent and carry out inspections.

7. This will reduce the time to build by up to 20 days, increase productivity and make homes more affordable. BCAs will not be liable for any defects related to self-certified work.

8. A basic house might go through 12 or more separate inspections, in addition to delays that can occur in getting a building consent. MBIE estimates the cost of a one-week delay on the construction of a new house is around $2,047[1].

9. Estimates show that builders responsible for circa 3000 houses per year may be eligible to self-certify[2]. The ability to meet eligibility criteria and risk level of buildings that can be self-certified (i.e. simple residential dwellings) will impact this.

[1] Note that these figures are based on those used in the attached Regulatory Impact Statement.

[2] MBIE estimates 10,944 buildings consent applications were for simple residential buildings. Actual numbers of buildings that will be self-certified will depend on uptake of the scheme among building companies, and their ability to meet the eligibility criteria. For the purposes of the preliminary regulatory impact analysis MBIE has assumed eligible home builders would be responsible for approximately 3,000 houses out of the 10,944 per year to begin with (however, only a portion of the 3000 may take this up).

10. Allowing plumbers and drainlayers to self-certify will also reduce building costs and will bring them in line with electricians and gasfitters who can already do this. There are approximately four inspections for plumbing and drainlaying out of a total of 10-14 for the entire building. Avoiding the cost of delays for plumbing or drainage work could generate a savings of $1,637 per build.[3]

11. I expect to introduce legislation by the end of 2025 to enable opt-in self-certification.

Confidential advice to Government

13. This paper also seeks agreement to speed up building inspections for work that cannot be self-certified. Waiting for an inspection is a key frustration for builders and can add significant cost.

14. Wait times of three to four weeks for building inspections were reported during times of peak demand in 2021 and 2022.

15. I am proposing to require BCAs to do 80 per cent of inspections within three working days and for MBIE to collect and publish inspection wait time data quarterly.

## Background

16. The building consent system is inefficient which makes it harder to build homes. This is due to several factors, including,

    BCAs are responsible for checking an application complies with the Building Code and that work is carried out in accordance with the building consent.

    The consenting process is not flexible in relation to risk. All buildings go through the same consenting process no matter the risk or complexity.

    There is a lack of incentives for sector participants to take responsibility and accountability for compliance and getting work right the first time.

    Inconsistency across BCAs, including for volume house builders who use and build to the same standardised designs across multiple BCAs nationally.

17. On 18 September 2024, Cabinet directed officials to explore policy options for an opt-in self-certification scheme.[4]

18. There are currently no legislative requirements for BCAs to undertake any form of inspection for building work. However, BCAs can and usually do undertake inspections to be ‘satisfied on reasonable grounds’ that building work complies with the building consent and to issue a code compliance certificate.

[3] Note that these figures are based on those used in the attached Regulatory Impact Statement.
[4] ECO-24-MIN-0199 and CAB-24-MIN 0362 refers.

## Opt-in self-certification for entire simple residential dwellings

19. I propose that the high-level eligibility to enter the scheme will include meeting a fit and proper persons test and demonstrating adequate means to meet any potential civil liabilities (with further detail in regulations). I also propose that self-certification be limited to 'simple residential dwellings' (to be defined in regulations) and that changes be made to the Building Act and (if required) the licensed building practitioner regime to allow for licence endorsements or a new "certifying" licence class, as part of the licensing regime for licensed building practitioners.

*Rationale for self-certification of an entire house*

20. A self-certification pathway for those building entire houses rather than for parts of a build or individual builders has the potential to provide the most efficiency gains. This proposal is less complex, and it will be clearer who is liable if something goes wrong.

21. MBIE estimates that self-certification of an entire house will reduce the time to build by approximately 20 days. Additionally, overall delays experienced by volume builders due to inconsistencies between different BCAs will be removed.

22. There will be an advantage for those in the schemes as they will be able to show that their work is trusted as being high quality. This will provide an incentive for others to be more accountable for risk and to deliver better quality work.

*Key functions to help make the system work efficiently and support sector confidence*

23. I propose that:

    the Ministry of Business, Innovation and Employment (MBIE) oversee the scheme and register house builders, including undertaking audits.

    BCAs must accept assurance documents provided by an approved house builder as establishing compliance with the Building Code under section 19 of the Building Act.

    good faith liability protections for BCAs under section 392 of the Building Act be amended to include reliance on material provided by an approved house builder

    offences and penalties be included for misrepresentations of status and work, aligning with equivalent offences and penalties for the 'BuiltReady' scheme under the Building Act

    'restricted building work' under the Building Act in relation to an entire simple residential build will continue to be undertaken by Licensed Building Practitioner

24. These proposals and their rationale for inclusion are discussed further in Appendix One.

25. Under these proposals BCAs would issue 'nominal' building consents to support necessary record keeping, bank lending and insurance, collection of the building levy, making the required link to the Resource Management Act 1991 and to ensure continued infrastructure funding.

26. BCAs would not assess plans and specifications for Code compliance, would not carry out regular inspections, and Code Compliance Certificates would be issued automatically. BCAs will check that the company is on the register and that the design complies with the definition of simple residential building.

## Opt-in self-certification for plumbers and drainlayers

27. I propose to allow plumbers and drainlayers to be able to self-certify their work. This will be implemented through the Plumbers, Gasfitters and Drainlayers Act, with more detailed requirements prescribed in subordinate legislation.

28. This will remove all relevant inspections from the build in a simple residential dwelling if the plumber and drainlayer chooses to self-certify their work.

*High level eligibility criteria and definitions*

29. I propose that:

> criteria for plumbers and drainlayers to enter the scheme will include specified technical competency, including relevant knowledge, and a minimum number of years of practical experience, with a proven track record of regulatory compliance.
>
> opt-in self-certification for plumbers and drainlayers be limited to work in a 'simple residential dwelling' (as defined in secondary legislation).
>
> changes be made, if required, to the licensing regime in the Plumbers, Gasfitters and Drainlayers Act to introduce endorsements for self-certifiers.[5]

*Rationale for proposal*

30. Plumbers already self-certify a substantial amount of work via Schedule 1 of the Building Act. This includes repairs, and replacement of sanitary plumbing.

31. Master Plumbers has long advocated for plumbers and drainlayers to be able to self-certify all their work, including in new residential buildings.[6] Feedback from the sector has confirmed that this group is ready to self-certify and that self-certification of plumbing and drainlaying work will make the overall build process quicker.

*Key functions to help make the system work efficiently and support sector confidence*

32. I propose that:

> The PGD Board will oversee the scheme, with new additional powers to be created through the Plumbers, Gasfitters and Drainlayers Act. The PGD Board will be responsible for assessing applicants to determine if they meet the eligibility criteria to self-certify, plus monitoring, auditing, investigating complaints and the power to take disciplinary action.

[5] Confidential advice to Government

[6] Around 70% of all registered plumbers, drainlayers and gasfitters in New Zealand are members of Master Plumbers.

BCAs must accept assurance documents provided by an approved plumber or drainlayer as establishing compliance with the Building Code under section 19 of the Building Act

good faith liability protections for BCAs under section 392 of the Building Act be amended to include reliance on material provided by an approved plumber or drainlayer.

penalties be increased under the Plumbers, Gasfitters and Drainlayers Act for claiming to be a registered or licensed practitioner when they are not, and for providing false and/or misleading information for the purpose of obtaining registration and/or licensing Confidential advice to Government.

33. I also propose to create a function in the Plumbers, Gasfitters and Drainlayers Act for the chief executive of MBIE to support the monitoring of the scheme. MBIE administers the Plumbers, Gasfitters and Drainlayers Act and adding this function would allow MBIE to draw on the building levy to support establishment costs for the PGD Board and to help ensure the integrity of the self-certification scheme for plumbers and drainlayers.

34. These proposals and their rationale are discussed in more detail in Appendix One.

*Assurance record and register of work*

35. I propose that a certificate of compliance must be issued by the plumber or drainlayer as the assurance document and lodged on the public register, with non-compliance attracting a penalty Confidential advice to Government This will be recognised under the Building Act.

36. I also propose that a public register of work is established by the PGD Board to make information easily accessible on plumbing and drainage work that has been self-certified for later use. This may be used by subsequent owners, regulators, banks and insurers or if something goes wrong.

## Speeding up building inspections

37. For work that cannot be self-certified I propose to require BCAs to carry out 80 per cent of inspections within three working days of the date requested. To ensure BCAs are publicly held to account I have also directed MBIE to collect and publish inspection wait time data quarterly.

38. A wait time requirement will ensure BCAs provide timely inspections with the flexibility to determine how they do will do that. This could include greater use of remote inspections, reducing the number of inspections for trusted builders, reallocating resources, hiring more staff or contracting out inspection functions and sharing inspection arrangements with other BCAs.

39. A requirement for 80 per cent of inspections to be completed within three working days will enable builders to plan with confidence. It also provides some flexibility for BCAs to manage daily fluctuations in demand and accommodate some scenarios where there are valid reasons an inspection cannot be done within three days

40. I do not propose requiring remote inspections by default. While I expect BCAs to be able to do inspections remotely, a Key Performance Indicator (KPI) will be more effective in maintaining low inspection wait times as demand increases.

*I propose to set the KPI in regulations*

41. The *Building (Accreditation of Building Consent Authorities) Regulations 2006* (the BCA Accreditation Regulations) set out the minimum policies, procedures, and systems that a BCA must have to perform its building control functions and to maintain accreditation. However, unlike the processing of building consents[7], there is currently no requirement to carry out inspections in a timely manner.

42. I propose to address this gap through amending the BCA accreditation regulations to require BCAs to have policies and procedures to ensure they meet the proposed KPI.

## Implementation

43. International Accreditation New Zealand (IANZ) has been appointed by MBIE as the national accreditation body for BCAs since the inception of the BCA accreditation scheme under section 248 of the *Building Act 2004*. Accreditation audits usually occur every two years. IANZ has confirmed that it will be able to assess compliance with the proposed additional requirement as part of the current audit process and it would have no overall effect on the assessment time or cost.

44. MBIE will update its guidance on the BCA accreditation scheme, to include guidance for BCAs on how to comply with the new requirement and the potential approaches BCAs could take to improve efficiency and inspection reduce wait times. MBIE will begin reporting on inspection wait times in late 2025.

## Cost-of-living Implications

45. The proposals aim to the reduce costs of building simple residential buildings.

## Financial Implications

46. Any establishment costs to MBIE and the PGD Board associated with the implementation of the self-certification schemes will be explored in more detail as part of work on regulations to support implementation. Confidential advice to Government

47. There will be resourcing implications for both MBIE and the PGD Board. Fees for registration and audits are intended to be fully cost recovered via fees.

## Legislative Implications

48. The policy proposals in this paper will require amendments to the Building Act and the Plumbers, Gasfitters and Drainlayers Act. These will be progressed through the omnibus Building Consent Reform Amendment Bill Confidential advice to Government

[7] Section 48 of the *Building Act 2004* requires Building Consent Authorities to process a complete building consent application within 20 working days, commencing from the next working day after receipt of a complete application.

49. Associated regulations will also be required to give effect to the decisions in this paper. I will seek Cabinet's approval of proposed regulations once they have been developed. This includes the definition of simple residential building work and eligibility criteria to enter the schemes.

50. Changes will be made to the Building (Accreditation of Building Consent Authorities) Regulations 2006 to require BCAs to have policies and procedures to ensure they meet the proposed KPIs in accordance with this proposal

51. The proposed amendments will commence by Order in Council at the same time as regulations necessary for implementation. Any building work underway at the time of commencement will be subject to the existing building consent process.

## Impact Analysis

### Regulatory Impact Statement

52. A quality assurance panel from MBIE and the Ministry for Regulation has reviewed the regulatory impact statement (RIS) on establishing self-certification schemes for simple residential building work. An MBIE panel has reviewed the RIS on improving efficiency of inspections.

53. Both panels consider the respective RIS' meet the quality assurance criteria, but note that the impact assessments were limited by a constrained timeframe which only allowed for an interim Cost Benefit Analysis. The RIS for establishing self-certification schemes for simple residential building work was also constrained by limited consultation.

### Climate Implications of Policy Assessment

54. The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the threshold for significance is not met.

## Population Implications

55. The proposals aim to get more houses built and building work done more quickly, at a lower cost, which would result in benefits for homeowners.

## Human Rights

56. This paper has no implications under the *New Zealand Bill of Rights Act 1990* or the *Human Rights Act 1993*.

## Use of external resources

57. Sapere were engaged to produce a Cost-Benefit Analysis (CBA) of this proposal. Sapere has the expertise necessary to consider the full costs, benefits and sensitivity analyses required for a CBA.

## Consultation

58. The following agencies have been consulted on this paper: The Treasury; DPMC: Ministry for Regulation, Department of Internal Affairs; Department of Corrections; Department of Conservation; Ministry of Housing and Urban Development; Kāinga Ora/Consentium, Ministry of Education; Ministry for Culture and Heritage; Te Puni Kōkiri; WorkSafe; Ministry for Pacific Peoples; Ministry of Health; Ministry for the Environment; Ministry of Transport; Ministry of Defence; Ministry for Primary Industries; Ministry of Social Development; Land Information NZ; Statistics NZ; NZ Infrastructure Commission; Taumata Arowai; NZ Public Health Agency; Climate Change Interdepartmental Executive Board, Natural Hazards Commission.

## Communications

59. The policy proposals will likely be announced following Cabinet decisions. The approach to communicating decisions will be determined closer to the time.

## Proactive Release

60. I propose proactively releasing this Cabinet paper and associated Cabinet minute within 30 business days, subject to any appropriate redactions.

## Recommendations

The Minister for Building and Construction recommends that the Committee:

1 **Note** that on 18 September 2024, Cabinet directed officials to explore policy options for an opt-in self-certification scheme. Cabinet also noted the high-level scope of a potential scheme would allow both individual practitioners and approved companies to apply, require that participants meet specified eligibility requirements, and that self-certification would be limited to simple residential work due to it being lower risk [ ECO-24-MIN-0199 and CAB-24-MIN 0362 refers].

2 **Note** that broadening the use of self-certification in the building sector is part of a broader programme of work to deliver an efficient, competitive building regulatory system and reduce overall building costs, including initiatives for quicker and more efficient pathways for low-risk building work.

3 **Note** that on 11 September 2024, Cabinet agreed to release a discussion document on options to improve efficiency in the inspection process [CAB-24-MIN-0350 refers].

*Amendments to the Building Act to enable opt-in self-certification for entire simple residential dwellings*

4 **Agree** to amend the Building Act to introduce an opt-in self-certification scheme for entire simple residential dwellings, which will enable house builders carrying out simple residential building work on an entire house to self-certify from start to finish.

5 **Agree** that high-level eligibility criteria for house builders to enter the scheme will include meeting a fit and proper persons test and having adequate means to meet any potential civil liabilities.

6 **Agree** that more detailed eligibility criteria for house builders, and the definition of simple residential dwelling, will be set out in regulations.

7 **Agree** that changes be made, if required, to the Building Act and Licensed Building Practitioner (LBP) regime to allow for licence endorsements or a new "certifying" licence class, as part of the licensing regime for LBPs.

8 **Agree** that the MBIE oversee the scheme and register house builders, with audits undertaken at least once every two years (with more frequent audits if needed).

9 **Agree** to amend the matters BCAs must accept as establishing compliance with the Building Code under section 19 of the Building Act to include material provided by an approved house builder.

10 **Agree** to amend the good faith liability protections for building consent authorities under section 392 of the Building Act to include reliance on material provided by an approved house builder.

11 **Agree** to amend the Building Act to include offences and penalties for misrepresentations of status and work, aligning with equivalent offences and penalties for the 'BuiltReady' scheme under the Building Act that incorporates self-certification in relation to offsite manufacturing.

*Amendments to the Plumbers, Gasfitters and Drainlayers Act to introduce opt-in self-certification for plumbers and drainlayers*

12 **Agree** to amend the Plumbers, Gasfitters and Drainlayers Act to introduce an opt-in self-certification scheme for plumbers and drainlayers, for work in simple residential dwellings.

13 **Agree** that high level eligibility criteria for plumbers and drainlayers to be able to self-certify is set out in the Plumbers, Gasfitters and Drainlayers Act and include specified technical competency and knowledge, a minimum number of years of practical experience and a proven track record of regulatory compliance.

14 **Agree** tha**t** more detailed requirements be prescribed in secondary legislation made by the PGD Board.

15 **Agree** that the Plumbers, Gasfitters and Drainlayers Act will be amended to allow for licence endorsements, as part of the licensing regime for plumbers and drainlayers.

16 **Agree** that the definition of simple residential building for the purpose of plumbers and drainlayer self-certification aligns with the definition under the Building Act proposals (Recommendation 6 refers).

17 **Agree** a certificate of compliance must be issued for any work that is self-certified by a plumber or drainlayer and lodged on the public register, with non-compliance attracting a penalty Confidential advice to Government

18 **Agree** to increase the penalty for claiming to be a registered or licensed building practitioner when they are not and providing false and/or misleading information for

the purpose of obtaining registration and/or licensing, Confidential advice to Government

19 **Agree** to create a function in the Plumbers, Gasfitters and Drainlayers Act for the chief executive of MBIE to support the monitoring of the scheme.

*Amendments to the Building Act 2004 to enable opt-in self-certification for plumber and drainlayers*

20 **Agree** to amend the matters BCAs must accept as establishing compliance with the Building Code under section 19 of the Building Act to include material provided by an approved plumber and/or drainlayer.

21 **Agree** to amend the good faith liability protections for building consent authorities under section 392 of the Building Act to include reliance on material provided by an approved plumber and/or drainlayer.

*Speeding up building inspections*

22 **Agree** to amend the *Building (Accreditation of Building Consent Authorities) Regulations 2006* to require BCAs to have policies and procedures to ensure they can carry out a minimum of 80 per cent of inspections within 3 working days of the date requested.

*Next steps*

23 **Authorise** the Minister for Building and Construction to issue drafting instructions to the Parliamentary Counsel Office to give effect to Cabinet decisions in this paper.

24 **Note** that changes will be progressed through the omnibus Building Consent System Reform Bill Confidential advice to Government

25 **Authorise** the Minister for Building and Construction to make further detailed decisions on any matters required to give effect to the proposals in this paper.

Authorised for lodgement

Hon Chris Penk
Minister for Building and Construction

# Appendix One: Table of key elements and rationale for self-certification proposals

## Opt-in self-certification for entire simple residential dwellings

| Key elements of proposal | Rationale |
|---|---|
| Scope: entire simple residential dwellings (houses) | Targets lighter-touch regulatory requirements where building work is likely to be simpler and more straightforward. Confidential advice to Government [redacted]<br><br>Self-certification for an entire house rather than for individual builders working on parts of house has the potential to provide the most efficiency gains, with a greater impact on the supply of simple residential houses. This proposal is less complex, will be quicker to implement and it will be clearer who is liable if something goes wrong. |
| Detailed criteria for house builder eligibility and the definition of a simple residential dwelling will be defined in regulations. | Allows for flexibility and possible extensions to broaden the types of building work in scope over time. Also allows for engagement with the sector on criteria and definitions to ensure sector support, uptake and confidence. |
| MBIE to oversee the scheme and register house builders, with audits undertaken at least once every two years (with more frequent audits undertaken if needed). | Helps to ensure the system will work efficiently, ensure quality and support sector confidence.<br><br>A two year audit frequency is consistent with the current requirements for the accreditation of BCAs (and competency testing of consent officers in BCAs) and for competency testing under the Licensed Building Practitioner scheme under the Building Act. The proposal retains the ability to audit more frequently where needed. |
| BCAs will issue a “nominal” building consent, and automatic Code Compliance Certificate (CCC) on completion. BCAs will not assess plans for Code compliance or carry out regular inspections. | A “nominal” consent is proposed for necessary record keeping, securing bank lending, collection of the building levy, making the required link to the *Resource Management Act 1991* and to ensure continued infrastructure funding. |
| Restricted building work under the Building Act in relation to an entire simple residential build will | Helps to make the system work efficiently, ensure quality and support sector confidence. |

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| continue to be undertaken by Licensed Building Practitioners. | The BuiltReady scheme incorporates self-certification for offsite manufacturing of homes and buildings. Maximum fines on conviction for misrepresentations of status and work (section 272ZI and 272ZJ) are $50,000 and $300,000 respectively for individuals, and $150,000 and $1.5 million respectively for bodies corporate (set in 2021). |
| Offences and penalties for misrepresentations, aligning with similar provisions in the Building Act in relation to the BuiltReady scheme | |

## Opt-in self-certification for plumbers and drainlayers

| Key elements of proposal | Rationale |
|---|---|
| Scope: plumbing and drainlaying work within a simple residential dwelling[1]. | As plumbing and drainage work in a simple house is relatively self-contained and is clearly distinguishable from other work, it is a good fit for self-certification. Determining who is accountable for the work if something goes wrong will be more straight forward, making it simpler to hold those who did the work to account and seek redress if required. |
| Detailed criteria for plumbers and drainlayers eligibility and the definition of a simple residential dwelling will be defined subordinate legislation. | Allows for flexibility and possible extensions to broaden the types of building work in scope over time. Also allows for engagement with the sector on criteria and definitions to ensure sector support, uptake and confidence. |
| The Plumbers, Gasfitters and Drainlayers Board (PGD Board) will oversee the scheme and register self-certifying practitioners, through new powers under the Plumbers, Gasfitters and Drainlayers Act 2006. | The PGD Board has well established complaints and disciplinary processes, and expertise to set technical competency. For self-certification, the PGD Board will need new additional powers to enable sufficient oversight and enforcement of plumbing and drainlaying work.<br><br>This is to enable the PGD Board to proactively audit and monitor self-certified plumbing work, to require a practitioner to provide a certificate of compliance and for rectification notices to be issued if defective work is identified that could affect the structure of the building or is a danger to life, public health or safety. |
| A register of self-certified work to be established by the PGD Board. Plumbers/drainlayers to be responsible for providing a record of any self-certified work they have done. A penalty will be attached for | A record of self-certified work will need to be held on this register and field with the PGD Board. This will help to ensure accountability and liability is clear and support system confidence. The record will be a certificate of compliance (modelled on electrical work certificate of compliance). This will also be |

| | |
|---|---|
| not complying with the requirement, comparable to what applies under the Electricity (Safety) Regulations 2010. | issued to house owners. |
| The role of the BCA will remain unchanged in relation to the issuing of building consent and a Code Compliance Certificate, but inspections will not be undertaken.<br><br>The building consent will need to specify if work is going to be self-certified by a plumber or drainlayer otherwise the BCA will include those inspections in the building consent. | The building design will still be checked by the BCA that the work will comply with the Building Code. The work that is self-certified will not need to be inspected by the BCA.<br><br>The Building Act will be amended to provide that the BCA must accept a certificate of compliance from the plumber or drainlayer as establishing compliance with the building code and for issuing the Code Compliance Certificate. |
| Penalties will need to be increased under the Plumbers, Gasfitters and Drainlayers Act for claiming to be a registered or licensed practitioner when they are not, and for providing false and/or misleading information for the purpose of obtaining registration and/or licensing. | The current penalties for misrepresentation of status and work are inadequate for self-certification and is out of step with other occupational regulation regimes. Confidential advice to Government |

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# Regulatory Impact Statement: Establishing self-certification schemes for simple residential building work

| | |
|---|---|
| **Decision sought** | Analysis produced for the purpose of informing: final Cabinet decisions on establishing self-certification schemes for simple residential work. |
| **Agency responsible** | Ministry of Business, Innovation and Employment |
| **Proposing Ministers** | ***Minister for Building and Construction*** |
| **Date finalised** | 11 March 2025 |

**The regulatory proposal in this regulatory impact statement is to:**

- establish an opt-in self-certification scheme for plumbers and drainlayers; and
- establish an opt-in self-certification scheme for companies to self-certify simple residential buildings.

## Summary: Problem definition and options

**What is the policy problem?**

The time and cost it takes to build a new home can be extensive. While there are multiple contributors, the Government has identified inefficiencies in the building consent system as a key factor. Building consent inefficiencies can relate to:

- variability in processes across different building consent authorities (BCAs), adding complexity for builders working across regions;
- poor quality consent applications and high inspection failures from some practitioners, requiring rework and reinspection;
- liability and system settings that encourage BCAs to take a more risk-averse approach to inspections and consenting and can discourage practitioners from taking responsibility for their own quality assurance;
- limited tools for BCAS to manage peaks in demand through focusing resource on higher risk consents; and
- demand for BCA services outstripping their capacity, leading to long wait times for processing consents, inspections and providing a code compliance certificate (CCC).

During busy periods, these consent system issues can cause significant time delays in building projects which can also lead to greater building costs. This was seen in 2021- 2022 where there was a sudden and significant increase in residential building activity, and the average time from project start to issuing a CCC was 569 days

These issues cannot be resolved without regulatory intervention.

**What is the policy objective?**

This policy intends to lower the time and cost to build simple residential dwellings making it easier and more affordable to build houses while maintaining quality and safety. It also seeks to reduce the pressure on BCA resources during times of high demand and allow them to concentrate resources on higher risk and more complex builds, and increase the responsibility of practitioners to ensure that their work meets Building Code requirements.

Within this overall policy objective, two specific objectives have been identified:

- enabling plumbing and drainlaying work to be completed more quickly and efficiently
- enabling simple residential buildings undertaken by building companies to be completed more quickly and efficiently

These areas have been identified as it is possible for a core individual to take responsibility for the work (either the plumbers or drainlayer, or the lead builder) and appropriately manage quality and risk, and to have a clear demarcation between the BCA and practitioner roles and responsibilities.

Success will be measured by whether houses that use self-certification are built faster and cheaper without an increase in building defects than those that do not use self-certification. However, it may be difficult to distinguish delays associated with the consent system from other factors that add cost or time to a building project. We will work with BCAs and the sector to find ways to collect this data.

**What policy options have been considered, including any alternatives to regulation?**
We have looked at options at the practitioner and company level to address the problem

***Plumbers and Drainlayers:***
**Option one** – Status quo
**Option two** – Opt-in self-certification for plumbers and drainlayers (**Preferred option**)
**Option three** – Compulsory self-certification for plumbers and drainlayers
**Option four** – Opt-in self-certification for parts of a building (all trades)
**Option five** – Quality assurance promotion and guidance campaign.

***Building Company:***
**Option one** – Status quo
**Option two** – Opt-in self-certification for an entire building by companies (**Preferred option**)
**Option three** – Fast-track consenting pathway for trusted builders
**Option four** – Promote existing alternative consenting pathways.

**What consultation has been undertaken?**
An external consultancy, Sapere completed limited consultation in 2020 in the development of a report on a self-certification scheme for plumbers and drainlayers. In 2023 MBIE consulted on the consenting system and potential reform, which included consideration of options for self-certification.

In 2024 and early 2025, MBIE conducted targeted engagement with BCAs and industry stakeholders on options for the development of a self-certification scheme, though not on the specific details considered in this RIS.

MBIE has carried out some limited consultation with the Plumbers, Gasfitters and Drainlayers (PGD) Board in the development of the policy option for self-certification for plumbers and drainlayers. We will continue to engage with them as this work progresses. There has not been consultation with the public or entire industry on any of the proposals. To meet ministerial timeframes, there are no plans for public consultation on primary legislation. We intend on conducting targeted consultation when developing secondary legislation.

**Is the preferred option in the Cabinet paper the same as preferred option in the RIS?**
Yes.

## Summary: Minister's preferred option in the Cabinet paper

### Costs (Core information)

Both self-certification schemes are intended to be cost recovered through registration fees and/or annual fees and levies paid by those who opt-in. Cost recovery is intended to fully fund the operational expenses of the schemes. However, this is dependent on getting a sufficient level of take-up from eligible practitioners and companies.

Establishment costs are expected to be lower for plumbers and drainlayers as the scheme will build on existing PGD Board systems and infrastructure. Establishment costs will be higher for building company self-certification as more work would be required to establish the scheme.

Self-certifying businesses will be taking on additional liability if things go wrong and will need to be prepared to manage this risk. Being part of the scheme may therefore result in additional costs to them in demonstrating quality assurance processes and 'adequate means' (e.g. higher insurance premiums).

It is possible that reduced BCA oversight will lead to an increase in building defects from non-compliant work, or to additional checks being placed on self-certifying practitioners from insurers or lenders to mitigate the risk of such defects. In either scenario, these costs may then be passed on to consumers.

### Benefits (Core information)

Each option is expected to reduce the time and cost for building simple residential buildings due to a reduction in building inspections and other time delays associated with the consent system. This results in benefits to individual homeowners, through cheaper building costs, and potential benefits to New Zealand through increases in housing supply.

There will also be benefits for businesses and practitioners who opt-in to the self-certification schemes as they will be able to show that their work is trusted as being high quality and can offer a faster completion time to customers. Over time, this may lift the overall performance of the sector if companies see added value in investing in better quality assurance systems to meet self-certification standards.

Self-certification will also enable consumers to identify which plumbers, drainlayers and building companies are trusted to provide high quality work, giving them greater confidence in the practitioner they choose.

### Balance of benefits and costs (Core information)

**Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?**

From the limited analysis we have conducted, the preferred options provide benefits when addressing the problem, assuming sufficient uptake by the sector, the readiness of the sector, and assurance the necessary safeguards are in place.

Plumbing and drainlaying work in residential buildings is generally lower risk than other parts of a build and more self-contained. Given that a lot of plumbing work is in effect already self-certified within existing buildings, it is a smaller step in terms of system and practitioner readiness to extend this to new building work. This means that while the cost and time savings are more marginal, we can be more certain about likely scheme uptake levels, and that the benefits will outweigh the costs.

Enabling building companies to self-certify an entire building, including the design and build stages, would be a much more significant change for the industry. The potential cost and time savings are large. However, these benefits are highly dependent on companies being prepared to take on the full responsibility for the work in the absence of BCA oversight. There are also greater potential consequences, in terms of building defects, if things do go wrong. We are therefore less certain that the benefits will outweigh the costs.

MBIE has commissioned Sapere to complete a more detailed cost-benefit analysis of both options which is due in late March and will be shared publicly when the RIS and other Cabinet materials are published. This will inform future work. There will not be sufficient time to incorporate the findings into this RIS.

## Implementation

**How will the proposal be implemented, who will implement it, and what are the risks?**

The Plumbers, Gasfitters and Drainlayers Board will manage the assessment and approval of practitioners for self-certification for plumbers and drainlayers. MBIE will perform this role for companies self-certifying entire buildings. There will need to be a transition period (timing to be confirmed) to allow for systems and regulations to be developed.

Funding required to establish the self-certification schemes and the source for this still needs to be confirmed.

## Limitations and Constraints on Analysis

**Limitations in data**

We have limited information on:

- the specific contribution of consent requirements to the time and cost to build a simple residential building in New Zealand
- likely uptake of self-certification options among practitioners and companies
- current BCA resource allocation and the impacts of these options on this
- likely changes in behaviour among practitioners who self-certify and BCAs
- availability of insurance products to support the scheme, including additional building defects insurance or indemnity insurance for building companies
- likely impact of self-certification schemes on levels of building defects (and costs associated with them)
- detailed costs to establish and operate the schemes

We have relied on existing data sources, where available. However, some data was collected in 2022 and reflects issues that building companies were dealing with post-COVID that may no longer be relevant. Where quantitative data is not available, we have estimated costs and

benefits based on information provided from BCAs, through targeted stakeholder engagement and through comparison with comparable consent system schemes.

**Short timeframes**
The short timeframes for completing this work have limited the level of analysis possible, including our ability to fully quantify costs and benefits. Time constraints have also limited the level of consultation on the design of the options analysed in this paper. We have relied on targeted engagement and information from previous consultations to inform the development of options where possible.

**I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.**

**Signed by the responsible**

**Antonia Reid (Policy Director)** Date: 11 March 2025

| **Quality Assurance Statement** | |
|---|---|
| **Reviewing Agency: MBIE** | **QA rating:** Meets |
| **Panel Comment:**<br>A quality assurance panel made up of representatives from MBIE and the Ministry for Regulation has reviewed the regulatory impact statement on Establishing self-certification schemes for simple residential building work. The panel considers it meets the quality assurance criteria, but notes that the impact assessment was limited by a constrained timeframe which only allowed for an interim Cost Benefit Analysis and limited consultation. | |

# Section 1: Diagnosing the policy problem

## What is the context behind the policy problem?

### The cost of housing in New Zealand is too high

1. The cost to purchase a home in New Zealand relative to household income is high. According to CoreLogic, in August 2024, the median property value was 7.7 times the gross annual median household income. The Minister for Housing has set a long-term target to bring house prices down to three-to-five times household incomes[1].

2. In 2024, the Government made a commitment to making it easier to build a home to increase the supply of houses to improve affordability. Growing the housing stock to

[1] Housing Minister Chris Bishop sets 'long-term' price target of three to five times household incomes | RNZ News

improve housing affordability is a priority for the Government and the speech from the throne noted that "…getting more houses built is essential to having a more affordable housing market."[2]

3. There are many contributors to the low supply of housing and the time and cost it takes to construct a house in New Zealand (e.g. costs of building materials, sector productivity, costs of land and resource consent). One of the contributors this Government is looking at is the building consent system.

## What are the key features of the regulatory systems already in place and what are its objectives?

4. The role of the building consent process is to ensure that building work is compliant with the New Zealand Building Code to ensure the safety and structural integrity of building work. Section 40 of the Building Act 2004 (the Act) requires that building work must not be carried out without a building consent unless it is work that is exempted under section 41 and 42A of the Act.

### Building Consent Authorities

5. Building Consent Authorities (BCAs) are regulators in the building control system whose functions include:

- issuing building consents (except consents subject to a waiver or modification)
- inspecting building work for which it has granted a building consent
- issuing notices to fix
- issuing code compliance certificates (CCC).

6. BCAs check to ensure an application for a building consent complies with the Building Code and that building work is carried out in accordance with the building consent for that work.

7. There are 67 BCAs in New Zealand with most of these being territorial authorities who must perform the role of a BCA for their city or district. A private person or company may become a BCA. As of 2025 there is only one private BCA, Consentium, who provide BCA services for Kāinga Ora (Housing New Zealand).

### Building Consents

8. A building consent is written approval from a BCA to carry out specific work in a specific place. An application for a new home includes the plans for the build and would show how it would be built to the building code.

9. Building work carried out under a consent must be done in accordance with the plans of that consent to ensure work is compliant. If a change to a building project is wanted or required, then a change to the consent must be applied for and approved by the BCA.

10. A BCA has a statutory requirement to process a building consent within 20 working days of receiving it. However, it can pause this processing time if it requires more information to process the application; this is called a request for information, or RFI.

[2] https://gazette.govt.nz/notice/id/2023-vr5697

### Building inspections

11. Inspections are an important part of the building consent process. They help ensure that work is being carried out in accordance with the building consent and the Building Code. The number and timing of inspections is not specified in legislation and varies depending on the design of the build, location and the BCA responsible for inspecting the work.

12. Building work can fail an inspection due to administrative failures like not having the right paperwork on site, or for more serious reasons such as the work not being compliant with the building code. If building work fails an inspection this can increase both time and cost to the project due to the time it takes to remediate the issue and the cost of labour and materials to do this.

### Code compliance certificates are issued to show a building has complied with Building Code

13. A CCC is a formal statement issued under section 95 of the Building Act 2004, that building work carried out under a building consent complies with that building consent.

14. The BCA issues a CCC following the final inspection if the work has been found to be compliant with the Building Code. This is the final step of the consenting process and generally required to complete a sale.

15. Banks, insurance companies and consumers also rely on the CCC. Banks rely on it to know the building is in sound condition when approving lending and insurance companies rely on it to know the potential risk of a building. Consumers use it to understand what level of risk a building may have of having non-compliant work or a building failure.

### Self-certification

16. A form of self-certification currently exists under the Act. Schedule 1 of the Act sets out a list of certain building work that does not require a building consent. While not requiring a building consent, this work but must still comply with the Building Code. The type of work included in Schedule 1 of the Act includes general repair, maintenance and replacement, as well as certain other lower-risk work (e.g. sleepouts up to 30 square metres in size).

17. In the broader building sector, 'energy work' in New Zealand operates under a self-certification scheme that covers electrical and gasfitting work.

18. The Government is also currently progressing policy proposals that will allow construction of 'granny flats' (simple residential structures up to 60 square metres) without resource or building consents.

### Joint and several liability

19. The framework for liability in New Zealand is called 'joint and several' liability. This is the common law rule used to allocate liability when multiple parties are found responsible for the same loss. This means that, if any liable party is absent (i.e. no longer in business or insolvent), the remaining parties must cover their share. It is designed to make sure the building owner is fully compensated for their loss.

20. In its current formulation, the joint and several liability rule has created incentives for industry participants to take steps to protect themselves from being one of the remaining parties to pay the share of any absent party. BCAs have been unable to do this and so have traditionally borne a disproportionate share of the loss considering their role in the building work: the so-called "last man standing" issue.

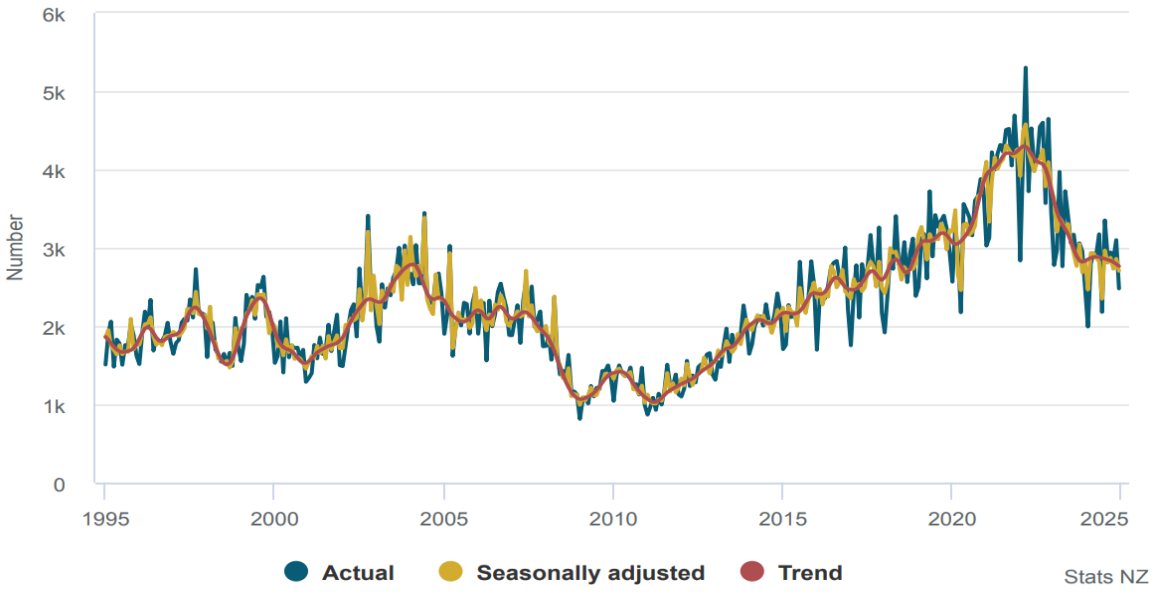
21. BCAs manage their risk by requiring detailed plans and specifications as part of the building consent process and undertaking many and detailed inspections at critical stages of the building programme.

22. MBIE has a programme of work underway to consider changes to liability and insurance settings, but no policy decisions have been made at this stage.

## State of the industry

23. New home construction has seen sharp increases and decreases since 2020 and now. Consents for new dwellings peaked at 51,015 in the year ending May 2022, an increase from 37,024 in the same period in 2020 (27.4 per cent increase). Since this peak, consents for new dwellings have fallen to 33,609 in the year ending November 2024. Around half of new dwellings consented are houses.

**New dwellings consented, monthly, January 1995–December 2024**




*Source - StatsNZ 4 February 2025 https://www.stats.govt.nz/information-releases/building-consents-issued-december-2024*

## Expectations if status quo maintained

24. In the short-to-medium term, it is likely that the building and construction sector will begin to recover from the recent downturn. It is unlikely that this recovery will see an increase in activity seen in 2021 – 2022, given the series of unusual circumstances that lead to that growth.

25. Growth would likely be at a steadier rate as seen between 2011 and 2020. This means that the delays experienced in the consenting system in 2021-2023 are unlikely to occur as BCAs will be able to better respond to slower growth over a longer period. However, if the sector were to experience high growth over a short period again, it is highly likely that significant delays would occur due to the current system and behaviours.

## Relevant Government decisions

26. The Government has signalled an overarching goal of 'going for housing growth' to increase the supply or and affordability of housing in New Zealand. It has identified streamlining the consent system as a key programme that will contribute to this goal.

27. Government decisions and announcements that are relevant for the issues outlined in this paper include:
    - amendments to the Act to make it easier to use overseas building products,
    - allowing the construction of granny flats without a resource or building consent
    - improving the efficiency of building inspections and increasing the uptake of remote inspections
    - exploring changes to BCA structure, including either a single national point of contact or greater regional consolidation
    - exploring changes to liability and insurance settings

### *Direction of a self-certification scheme*

28. In September 2024, Cabinet directed officials to explore policy options for a potential self-certification scheme. Cabinet signalled a high-level scope for the scheme including:
    - allowing a broad range of building professionals be eligible to apply (both individual practitioners and accredited companies).
    - requiring that participants meet specified eligibility requirements including being able to demonstrate an appropriate, specified level of competency and experience, and be trustworthy.
    - limiting the type of work that can be self-certified to lower risk activities (e.g. work on a simple residential dwelling)

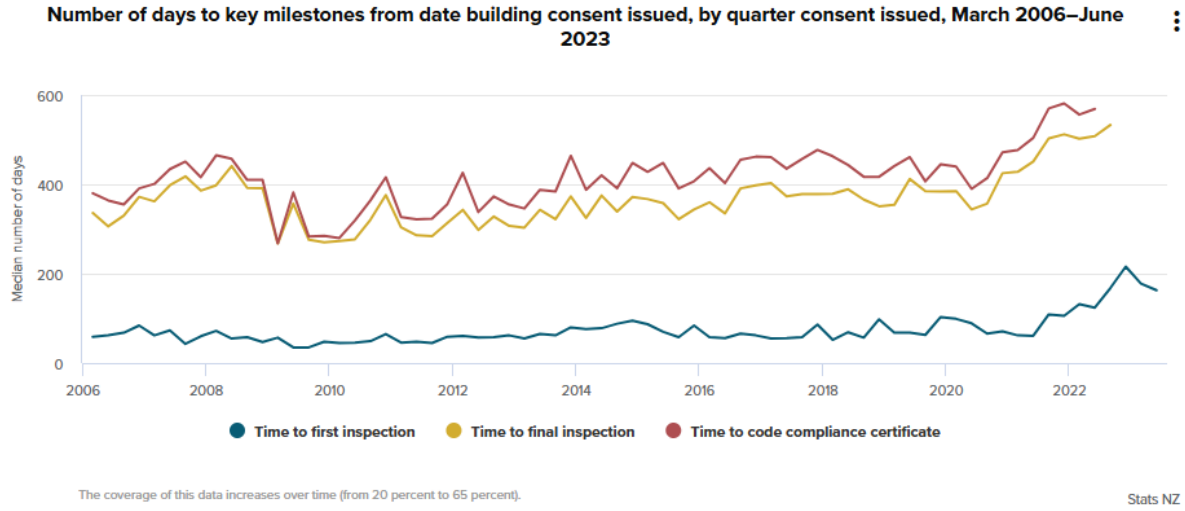
## What is the policy problem or opportunity?

What is the nature, scope, and scale of the problem that the intervention is seeking to address?

*The time to build new houses has increased in recent years*

29. 2022 data from Statistics New Zealand shows that the time between the building consent being issued and the code compliance certificate being issued was 569 days. Since then, it appears that the time to construct a building has been reducing.

30. In 2023, the time it took to reach the first inspection decreased from 216 days to 163 days, a reduction of 53 days. However, these statistics may reflect disruptions caused by COVID-19 (e.g. supply chain shortages) that are no longer present. MBIE does not have additional data for first inspections beyond 2022 and 2023 for final inspections and the CCC being issued.




*The cost to build has increased in recent years*

31. Recent years have seen a significant increase in the cost to build a home in New Zealand. Costs rose 10.4 per cent in 2022 and 2.4 per cent in 2023. The increases, however, appear to be softening with the Cordell Construction Index (CCCI) showing a 1.1 per cent growth in the cost to build in the 12 months to December 2024.

32. COVID-19 related pressures such as materials shortages which contributed to the large increases in previous years have waned and building activity has slowed. Core Logic noted that because of reduced pressure on the industries capacity, cost growth for materials and labour have dampened.[3]

[3] Construction conditions look set to improve in 2025 | CoreLogic New Zealand

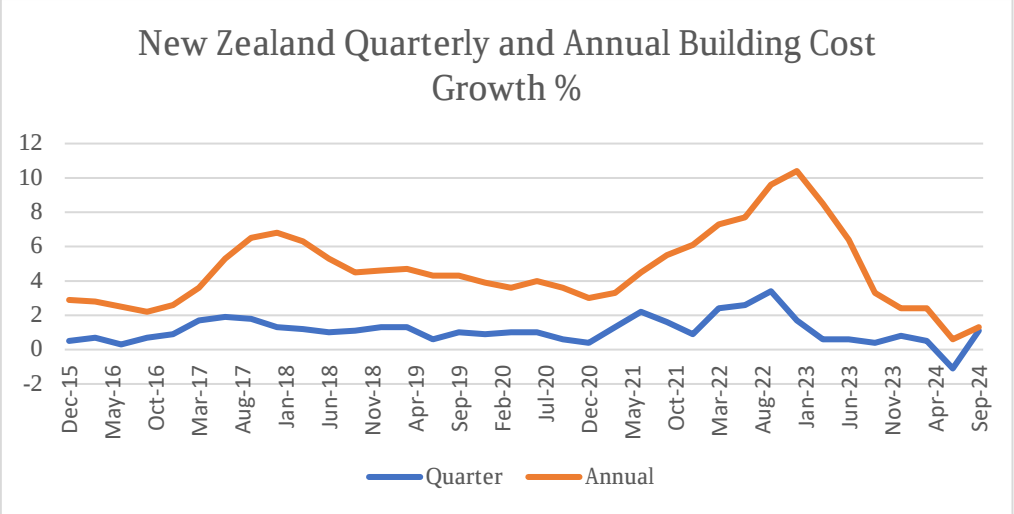



***Figure 1 - New Zealand Building Cost Growth % Source: Cordell Construction Cost Index***

*The consent system can add additional cost and time delays to residential building work*

33. The building consent system can add additional cost and time delays to residential building work. MBIE has been unable to quantify this impact (other than the direct consenting fees cost) compared to other factors such as cost of building materials and labour.

34. There are two main issues that contribute to delays in the consenting system. The first is the concentration of responsibility on BCAs to ensure building work is compliant with the building code with few tools to manage the liability associated with this role. The second is the quality of consent applications and building work due to poor quality assurance systems and little incentive to get things right the first time.

*Concentration of responsibility on BCAs to manage risk, high levels of variability in BCA practice*

35. All building work (unless specifically exempted) is required to go through the same consenting process, regardless of the complexity of the project, the level of risk involved, or the level of competence of the person doing the work.

36. BCAs do have some discretion to provide lower levels of scrutiny within a consent process, such as by setting lower inspection requirements or a faster timeframe for trusted building companies. However, such approaches vary across the country and have had limited take-up and limited impact overall on consenting efficiency.

37. There are two main reasons for this:

- under current liability settings, BCAs can be held jointly and severally liable if building work is found to be non-compliant. As the 'last-man standing' participant, BCAs risk paying more than their share of costs in the event that a building company or practitioner becomes insolvent and cannot pay its share
- there is no comprehensive, consistent and reliable information available across New Zealand on the quality of individual building companies or practitioners. This can make it difficult for a BCA (or a consumer) to make informed decisions about the level of consent oversight that is required to prevent defective work.

38. Because of these factors, BCAs are incentivised to maintain high levels of inspection and oversight of all building consents, even when this may not be needed for high-performing practitioners completing low-risk work.

39. This becomes most problematic when there is strong demand for BCA services. Bottlenecks can be created holding up building projects.

40. Inspection wait times vary depending on the level of demand from construction activity. If there is little activity, then getting an inspection within a few days is quite possible. However, when demand is high it can take a long time to book an inspection. As outlined above, consents for new homes peaked in 2021 and 2022 due to the COVID-19 response. During this time, wait times of three to four weeks were reported in some areas, with Christchurch experiencing wait times of up to 33 days.

41. Inspection wait times are currently around 0 to 6 days, although this can vary across different BCAs and regions and by inspection type. These shorter wait times are largely due to lower levels of building activity compared to the earlier peak. BCAs see this as maintainable for the next two to three years.

42. The above problem is compounded by the considerable variation in approach across the 67 BCAs. Stakeholders told us through targeted consultation that different BCAs will treat the same standardised design differently. For example, one BCA may require different information to be with a design than another. This is likely due in part to the performance-based building code where building designs that do not use acceptable solutions must show how they would meet the building code.

43. This inconsistency can add cost for practitioners or companies that work with multiple BCAs. For example, a large building company planning to build simple, residential buildings to a repeatable design may find themselves needing to submit different information for different BCAs and this may not be clear from the outset. This can lead to increased RFIs which pauses the processing timeline for the consent and requires more work to correct the application. It can make it difficult for companies to have certainty and confidence to scale up to increase building activity when building in multiple areas across the country.

*There are poor incentives for companies to get work right the first time*

44. Poor or defective building work can add to the total cost and time of a building project, resulting in re-work or future additional costs for the homeowner.

45. A 2024 research report on building consents in Auckland and Tauranga, found that 86 per cent of the time a request for information (RFI) was triggered by an applicant providing an inadequate application. Designers made up the largest portion of practitioners who triggered an RFI.[4] RFIs slow down the time it takes to process a consent. In Auckland a consent would take on average 55 days to process with 36 days waiting for a response to the RFI. For Tauranga this was 40 days to process and a wait time of 18 days.

46. A reduction in RFIs would reduce the time to process a consent application and the time and cost to build.

[4] ***ModelDocs: Transforming building consenting behaviour for Better Housing*** (2024)**,** BRANZ

47. However, the current levels of scrutiny from BCAs can disincentivise practitioners from taking responsibility for the quality of their work. There is anecdotal evidence from BCAs that some builders are using inspections as a quality assurance process. Rather than the builder assuring themselves that the work is completed to the required standard, they wait for the BCA to do an inspection to find any non-compliant work. This causes inefficiencies in the consenting system due to the additional inspections that are required.

48. There is some data on inspection failure rates, but it does not provide insight into why an inspection may have failed so there is not a way to decern between an inspection that failed because of poor paperwork or due to non-compliant work[5].

49. Auckland Council has reported that close to half of the inspections that are booked are later cancelled by the applicant. This suggests that applicants are pre booking inspections on the expectation that they will fail and require a follow up inspection when work has been remediated. This creates unnecessary inefficiencies and likely creates delays due to inspection times being booked unnecessarily.

50. Some companies have invested in quality assurance systems and processes. However, they are not able to leverage this to take on the liability for their work if they would like to and they are required to go through the same consent process. There is also little incentive for companies to develop these systems and processes as it may only provide them with marginal benefits.

*Why is intervention required?*

51. The period between 2021 and 2022 highlighted that the building consent system does not deal well with strong demand. The difficulties BCAs face managing their liability for certifying building work and the few tools they have to do this mean the time and cost to build increases when construction activity is high.

52. To achieve the Government's objective to build more houses to increase affordability, New Zealand needs to be constructing new homes at a greater rate than it is today to make up for years of deficits in housing supply. Dealing with inefficiencies in the building consent system could assist in achieving this objective.

53. If no changes are made to enable more flexibility in the consenting system and improve quality assurance, then when activity increases the time and cost to build will increase as seen in 2022.

54. Some parts of the sector have indicated they are ready and supportive of being able to take on the responsibility of their own work but are currently unable to without legislative change. BCAs have also told us that they are comfortable with light touch approaches to consenting in the right circumstances and support steps to improve quality assurance in the sector.

## What objectives are sought in relation to the policy problem?

55. The objective is to improve the consenting system to make it cheaper and faster to build homes through a more flexible system.

[5] Sapere report - Self-certification in construction industry trades (2020) - https://www.mbie.govt.nz/dmsdocument/13712-sapere-report-self-certification-in-construction-industry-trades

### Reducing the cost to build

56. This objective seeks to reduce the cost of taking a building through the consenting process and therefore reducing the cost of the build overall. A reduction in the cost to build would be seen as achieving this objective.

### Reducing the time to build

57. Reducing the time it takes to take a building through the consent process and therefore reducing the overall build time. This would be measured by the number of days it takes to go from the consent being issued to the CCC being issued. A reduction in the number of days would be seen as achieving this objective.

### Introduce more flexibility to the consenting system

58. Creating more flexibility in the consenting system through shifting risk to those best placed to manage it. A system which allows those who can and want to manage the liability of their work would be seen as achieving this objective.

59. Achieving the objectives outlined above should not come at the expense of building safety or the protection of consumers. The policy intervention should aim to achieve the above objectives while also ensuring that:

    - building professions in the system are competent
    - consumers can remedy non-compliant work
    - careless or incompetent work can be identified and those responsible held to account.

60. This would be measured by comparing defects in self-certified buildings to buildings which has not been self-certified or had self-certified plumbing or drainage work.

## What consultation has been undertaken?

61. The Minister wishes to pass legislation to give effect to the schemes by early 2026. To ensure that these timeframes are met, wider consultation on the options has not been undertaken. We have relied on previous consultation:

    - 2020 – targeted consultation on a self-certification scheme for plumbers and drainlayers for a Sapere report
    - 2023 – public consultation on building consent system reform
    - 2024 – targeted consultation on self-certifying parts of a building and a fast-track regime for trusted builders.

62. The 2020 targeted consultation undertaken by Sapere looked specifically at self-certification for plumbers and drainlayers. Its scope was different to the Minister's current proposal in that it was not limited to simple residential buildings. Some practitioners supported self-certification while others were not convinced the industry was ready for the change.

63. The 2023 consultation sought feedback on a wide variety of issues in the building consent system and potential solutions to these problems, including self-certification.

64. Limited and targeted consultation with industry groups and BCAs took place in late 2024 on options for self-certification for all building trades (including plumbers) and on a fast-track consenting pathway (where BCAs would still provide a consent).

65. The table below outlines some of the themes that we have heard from key stakeholder groups:

| Stakeholder group | Themes |
|---|---|
| BCAs | BCAs had concerns that around consumer protection in cases where building work was defective. They also had concerns that fewer inspections would also mean that they would have fewer opportunities to upskill their staff doing inspections. |
| Industry | Industry stakeholders noted that only a few of them could be part of a fast track or self-certification scheme. They also noted that any sort of alternative pathway which required them to take on more liability would need to have good incentives to offset the cost of taking on that liability.<br><br>Some groups such as the New Zealand Institute of Building Surveyors have reservations about the proposal and do not believe the industry education processes are up to standard to support a self-certification scheme. |
| MasterBuilders | MasterBuilders and some of their volume builder members have recently supported self-certification for volume builders. |
| MasterPlumbers | MasterPlumbers have been advocating for their members to be able to self-certify for some time (around 70 per cent of the industry are members of Master Plumbers). They are of the view that good plumbers and drainlayer should be able to take responsibility for their own work. |
| Homeowners | The Home Owners and Buyers Association New Zealand had concerns relating to consumer protection in relation to changes to the consenting system that would lead to less oversight of building work from BCAs. We understand |
| Overview | There was a running theme that stakeholders were open to alternative consenting pathways and self-certification as long as the appropriate safeguards were in place. |

66. There hasn't been consultation on the specifics of the preferred options. As a result, MBIE cannot be sure what the appetite is for a self-certification scheme from practitioners and has used conservative estimates about the level of up-take. However, if uptake is too low, it may be difficult to cost recover the systems and processes necessary to facilitate the scheme.

67. From the limited consultation that has been undertaken, MBIE is aware that BCAs would welcome a more streamlined consenting process. However, they have some reservations about their liability if they were still involved in issuing a consent.

68. No further consultation is planned on the development of primary legislation other than through the select committee process. We intend to consult on the detail in the regulations before they are finalised.

## Section 2: Assessing options to address the policy problem

69. MBIE has looked at options which would either allow practitioners or companies to take responsibility for their work, improve existing light touch and alternative consenting approaches, or improve quality assurance of work.

### What criteria will be used to compare options to the status quo?

#### Reduces cost to build

70. Whether the option reduces cost to the builder to construct a new simple residential building. This is in line with the policy objective to reduce the cost of construction for simple residential buildings.

#### Reduces time to build

71. Whether the option reduces the time it takes to construct a new simple residential building. This is in line with the policy objective to reduce the cost of construction for simple residential buildings.

#### Maintains or improves building quality

72. How likely the option is to minimise building deficiencies. This relates to ensuring that the policy intervention does not compromise consumer protection or safety.

#### Increased system responsiveness

73. It is important that the building control system can be responsive to changes in the building industry to ensure it is efficient while managing risk. This includes being adaptable to changes in the types of buildings being built, the volume of building work, and the performance of practitioners in the industry.

#### Appropriately allocates risk and liability

74. The degree to which the option allows the responsibility and liability for the work to sit with the participant in the system who is best placed to manage this risk.

### What scope will options be considered within?

#### *There are opportunities at an individual and a company level*

75. There are opportunities to make changes to the status quo at both an individual level and a company level. That is, individual practitioners who work on both new builds and existing buildings, and companies that specialise in building homes, such as group home builders.

#### *Making progress now to deliver immediate benefits*

76. The Minister is only considering options that can be delivered relatively quickly, to deliver immediate benefits. For this reason, the scope of practitioners or companies that are targeted in the Minister's options are kept to those that are most ready to take on self-certification and would require little structural change to implement the scheme.

77. ***Self-certification for plumbing and drainlaying work***. This means giving eligible individual plumbers and drainlayers the ability to take responsibility for their own work

where they have a desire and ability to do so. Options targeting this group would apply to work both in new builds and existing buildings. This would enable practitioners who do good work to do so faster and cheaper.

78. ***Self-certification for entire buildings for companies.*** This means giving eligible companies the ability to take responsibility for the entire construction project of a new build where they have the desire and ability to do so. This would only apply to new builds. This would enable companies to build homes faster and cheaper and provide a more consistent building process across the country.

79. These areas have been identified as it is possible to identify a core individual to take responsibility for the work (either the plumbers or drainlayer, or the lead builder) and appropriately manage quality and risk. Compared to self-certification for other building trades for parts of a build, it is also easier to have a clear demarcation between the BCA and the practitioner roles and responsibilities and liability.

80. There are also already factors in place for plumbers and drainlayers and for larger building companies and that can mitigate the reduction in BCA oversight. For example, plumbers are already in effect self-certifying a reasonably large proportion of work within existing buildings.

81. In MBIE's assessment, more significant work would be required across the system (e.g. in practitioner competency and consumer protection) in order to extend self-certification to other trades.

*The policy options will only be applicable for simple residential construction*

82. The Minister is only considering reform for simple residential building work. This will be defined in regulations to enable it to be adjusted over time. Initially this is likely to mean work covered under the competency level 'Residential 1'. These are generally single-story standalone dwellings designed to a common standard (e.g. NZS 3604), with low weathertightness risk.

83. This scope has been set this way to manage the risk of deficiencies that may not be picked up due to less regulatory oversight. The building work involved in a simple residential dwelling also generally includes work that is considered restricted building work which can only be done by a licenced practitioner, such as a licenced building practitioner. This means people doing self-certified work can still be held to account if it is done poorly.

## What options are being considered?

### Options for practitioners

*Option One – Status Quo / Counterfactual*

84. No changes are made to the building consent system. While building activity is currently moderate and wait times for consents are not as long as they were, if no changes are made, the same bottlenecks may appear if building work picks up again.

*Option Two – Opt-in self-certification scheme for plumbers and drainlayers only (preferred Option One)*

85. This would allow plumbers and drainlayers to self-certify their work through the establishment of an opt-in self-certification scheme through the Plumbers, Drainlayers and Gasfitters Act 2006 (the PGD Act). This would shift the risk of managing the liability of this work from the BCA to the practitioner.

86. Some current plumbing work is exempt from a building consent under Schedule 1 of the Building Act. This is work in relation to existing buildings, and includes repair, maintenance and replacement of sanitary plumbing and drainage (involving the use of comparable products). Although exempt from building consent this work must still comply with the Building Code.

87. Plumbers and drainlayers already in-effect self-certify this work, as no building consent or inspections are involved. This work may be carried out as part of house renovation e.g. replacing toilets, hot water cylinders etc. Consumers may engage plumbers directly in relation to this work, alternatively, plumbers may carry out this work via a main contractor from a building company that carries out renovations.

88. This change would extend self-certification for plumbers and drainlayers to new builds as well. A 2020 report from Sapere noted that the response to a self-certification scheme for plumbers was mixed. However, industry bodies have said that they are ready to take on the responsibility for their own work.

89. There are approximately twelve inspections for a new build with four being for plumbing and drainlaying work. This option could reduce the number of BCA inspections by four per build.

90. Assuming a 3-day wait time for an inspection in normal times and a 14-day wait in busy times, this would save approximately 12 to 56 days. The benefits become greater as strain on BCA resources increase. We note, however, this assumes that during the wait period the practitioner would be doing no work. However, there will be practitioners who will book an inspection ahead of requiring it and do the work in the wait time.

91. We conservatively assume that approximately 20 per cent of simple residential homes would have plumbing or drainlaying work self-certified to begin with. As the capability of plumbers and drainlayers increase over time and more of them can self-certify this number could increase.

92. To ensure that only competent plumbers and drainlayers can self-certify, they will need to meet the registration requirements to attain a licence. This would add costs for plumbers and drainlayers to ensure that they can comply with the requirements. However, it could also provide reputational gains, with practitioners being recognised and trusted to do higher quality work, as well as being able to offer to complete jobs faster.

93. The BCA's role for plumbing and drainlaying work would be limited to the design of the building when a consent is lodged. The BCA would still need to ensure that the design of plumbing and drainlaying work is compliant with the Building Code when designs are submitted for a building consent. The BCA would have no role in inspecting and certifying that plumbing and drainlaying work is compliant with the Building Code if that work is self-certified. A code compliance certificate would not be issued for plumbing work in simple residential buildings; however, the plumber would instead issue a certificate of compliance (similar to that issued currently by electricians).

94. It is possible that there may be an increase in non-compliant work due to less oversight from BCAs. However, if eligibility requirements are set properly this risk should be mitigated by ensuring only the highest performing plumbers and drainlayers could self-certify.

95. The PGD Act would be amended to enable the Board to undertake auditing of self-certified work as part of its enforcement duties. A requirement for plumbers and drainlayers to keep records would need to be made to ensure a record of self-certified work can be kept. This is a gap in the current regulatory system so this change would apply for all plumbing and drainlaying work, not just self-certified work.

96. There would be some investment required to establish this scheme. It will likely be possible to leverage existing infrastructure for the regulation of plumbers, drainlayers and gasfitters. The PGD Board have told MBIE that they would be unable to cover this cost with their current budget.

97. It is intended that the operational costs will be recovered by those who opt into the scheme as they stand to benefit from being in it. A Stage One Cost Recovery Impact Statement providing further detail is attached at **Annex 1**.

*Option Three – Compulsory self-certification for plumbers and drainlayers*

98. This is similar to Option Two with the difference being that self-certification would be compulsory for all plumbers and drainlayers. Minimum requirements could be set for plumbers to meet (as apply to electricians who self-certify at the moment). This would allow a lot more plumbing and drainlaying work to be self-certified more quickly than in Option Two.

99. This would also be a change to how the licencing system currently works which requires plumbers and drainlayers to meet a set of criteria to self-certify work in existing builds.

100. While it would deliver faster and cheaper construction for a great number of new builds, there is also a greater change to the plumbing industry and would require a longer period of adjustment and transition to meet the new requirements.

101. Through prior consultation in 2020, Sapere found that there are some concerns with the current consistency of training for plumbers and drainlayers and that they may not all have the competence to safely self-certify work. This could lead to an increase in defects. Alternatively, the additional requirements could act as a barrier to entry for some plumbing businesses, and result in some plumbers existing the market if they were unable or unwilling to adjust their practice to meet the new requirements. This could have the unintended consequence of reducing the overall supply of plumbers.

*Option Four – Opt-in self-certification scheme for parts of a building*

102. This would amend the Building Act 2004 to create a scheme which would allow building professionals to self-certify their work if it is part of a simple residential build. Whether the work is in-scope to be self-certified would be determined by the BCA at the beginning of the consenting process.

103. By implementing this through the Building Act, there could be a single system for self-certification for many different trades, rather than this being split across occupational regulatory regimes. This would reduce the complexity for practitioners who want to self-certify across multiple regimes, such as plumbers doing roofing work as a licenced building practitioner.

104. On the other hand, it could increase the complexity for BCAs and for homeowners, as some parts of building work would be self-certified while others were still progressing through the standard consent process.

105. Self-certification could be limited to more easily defined parts of a building to ensure these complexities between work that is self-certified and work that isn't are minimised. Some examples of work that could be in-scope include a roof or the drainage system.

106. The parts of a building and who could self-certify them would be set out in regulations. This would enable a responsive system that could easily allow for additional parts to be added as the sector was ready to take on additional responsibility. No changes to primary legislation would be required.

107. However, MBIE considers that there would need to be shifts in practitioner competence, processes and safeguards in the system for practitioners outside of plumbers and drainlayers to self-certify. There is currently no plan to make these changes in the short term. Therefore, the initial benefits of this option would be the same as Option Two.

108. This option would be suitable if there was an intention to expand self-certification. The Minister has indicated that he does not wish to do this currently. MBIE also considers that additional mechanisms should be in place before self-certification is expanded more widely, such as greater consumer protection and improved occupational regulation.

109. To establish a new scheme to enable self-certification for part of a building would require significant investment into supporting infrastructure. However, we have been unable to quantify this cost.

*Option Five – Awareness campaign for quality assurance in construction*

110. MBIE could work with the industry to raise awareness on how to implement good quality assurance practices as well as make use of existing tools, such as Artisan. MBIE could also provide guidance about what good quality assurance looks like.

111. This option would not introduce self-certification for plumbers, but it may improve the work they do and reduce failed inspections which would free up resources in the consenting system.

112. Good quality assurance processes can reduce the time it takes to go through an inspection by building right the first time. Building work would only need to be inspected once and building professionals would not need to remediate as much work.

113. There would be an opportunity for a quality assurance campaign to sit alongside one of the other options. Having a robust quality assurance process could be one of the requirements to be part of a self-certification scheme, providing an incentive for practitioners to improve their quality assurance practices.

### Options for companies

*Option One – Status quo*

114. No changes are made to the building consent system. While building activity is currently moderate and wait times for consents are not as long as they were, if no changes are made, the same bottlenecks may appear if building work picks up again.

*Option Two – Opt-in self-certification for entire buildings by companies (Preferred Option Two)*

115. This would allow companies or lead contractors6 to certify entire simple residential buildings as being compliant with the Building Code without inspections or sign off from

[6] A lead contractor is a person who holds the primary responsibility for a project. This person would be liable for any building defects in the work they oversee.

the BCA. This shifts the risk and liability of ensuring a building is code compliant from the BCA to a company which has the means and desire to take on this responsibility.

116. We anticipate that one of the requirements to be part of the scheme would be that a company must have the financial standing to be able to remediate any deficiencies that may arise. This is also intended to mitigate the risk that the company won't be able to cover it and become insolvent.

117. Rather than an individual practitioner certifying their own work, a company would instead certify all work done in a building project they are overseeing. Unlike the options for plumbers and drainlayers, this option would also include self-certifying the building's design.

118. A nominal building consent would still be required but a BCA would only check that the building is a simple residential building and that the company has been approved to self-certify. The BCA would not check that the design is compliant with the building code as they do currently. We consider that a nominal consent is necessary for:

    - buyers securing bank lending
    - securing insurance
    - collecting the building levy to fund the building system
    - ensuring the building complies with a district plan and to inform any required resource consent.

119. This option would allow approved companies to build homes faster and cheaper by not having to go through the consent processing stage, inspections, or getting a code compliance certificate from the BCA.

120. The potential savings would be greater than the plumbing options outlined above and could be significant overall, as it would remove all BCA inspections and associated costs, and result in greater time savings. However, MBIE notes that consent costs do not represent a high portion of overall cost in a construction project (compared to labour, materials, land etc).

121. Being approved to self-certify would act as a quality mark for eligible building companies. They would also be able to build homes faster than companies not in the scheme. These may be additional selling points for consumers.

122. For BCAs, this would allow them to concentrate resources on more complex builds or builds being undertaken by companies with poor track records. It would also allow for more capacity to absorb increased demand on services when building activity increases.

123. Regulations would outline eligibility criteria. To be approved to self-certify an entire building, a company would need to demonstrate that it has:

    - competent staff taking responsibility for overseeing projects
    - adequate means to cover their liability of self-certifying their work
    - financial standing to not go insolvent
    - consumer protection guarantees in place
    - robust quality assurance processes.

124. When setting the criteria it will be important to ensure that they are set at an appropriate level to provide assurance, while not being so strict that they unduly restrict who could

qualify. MBIE would engage with the sector as these criteria were developed through regulations.

125. Engagement with sector representative organisations (e.g. Master Builders) indicates strong interest in self-certification options from some volume building companies, though we have not been able to test fully what proportion of the building sector would be likely to opt-in.

126. Taking on the certification for an entire building, entails significantly more responsibility and liability sitting with the building company in the event that something goes wrong. Take-up may be related to the ability of a company to get indemnity insurance to cover this liability. From conversations that MBIE has had to date with the insurance sector, there is limited appetite to offer these products. It is likely that insurers would require additional assurances that companies opting to self-certify had the capabilities and processes in place to do this effectively.

127. The cost to establish the infrastructure to support this scheme would likely be higher than for the plumbers and drainlayers scheme, as more systems and processes would need to be developed. We have been unable to fully quantify these establishment cost in the time available. Sapere is conducting a cost-benefit analysis, and this will inform further work.

128. It is intended that operational costs will be recovered by those who opt into the scheme as they stand to benefit from it. However, as noted above, it is unclear what the appetite is among building companies and therefore whether it would be large enough to recover the operational costs of the scheme. A Stage One Cost Recovery Impact Statement providing further detail is attached at **Annex 1**.

*Option Three – Fast track consenting system for volume builders*

129. This would create a new alternative consenting pathway (with fewer inspections and/or a guaranteed quicker consent processing time) for volume builders who construct low-risk simple residential buildings - similar to some existing schemes in Auckland, Christchurch, and Selwyn.

130. The existing pathways provided by the Auckland, Christchurch, and Selwyn BCAs all have different requirements and require the same company to apply separately to each scheme. This option would make a single consistent scheme which companies would only need to register for once to access it across all BCAs.

131. These have seen good uptake from builders, but from targeted consultation we understand that they are more attractive when inspection wait times are significant, such as during COVID. We are also aware that some BCAs, such as Tauranga City Council used to provide a similar scheme but have since wound it down due to poor uptake.

132. Unlike Option Two, this option would not allow self-certification. However, there would be time and cost savings for companies due to a reduction of inspection wait times, and increased certainty that a consent application would be processed within a specified time period.

133. While companies would not take full responsibility for their work, being part of this programme could show that they are recognised as being a high-quality builder.

134. If a company wanted to be part of this scheme, they would need to meet requirements set in regulations. These requirements would be similar to those in Options Two (e.g

demonstrating competence, adequate means etc) but less rigorous, due to there still being some BCA oversight.

135. The BCA would still be jointly and severally liable for building work under this scheme. As with the present pathways that are available through some Councils, this could limit the BCAs willingness to participate, as inspections are one of the key tools they use to manage their liability. This means the scheme design would need to carefully consider where BCAs had discretion about company participants and where this was decided on a national basis.

136. However, having to conduct fewer inspections will mean that they can free up resources to concentrate on more complex builds or higher risk builders.

*Option Four – Promote existing alternative consenting pathways*

137. There are already existing alternative consenting pathways in the consenting system. When used, these can take some pressure off the consenting system and shift liability and responsibility to those who can best achieve it. The existing alternative pathways are:

- **MultiProof** – a consenting pathway which allows for the faster consenting on repeatable building designs. It intends to make constructions faster for volume builders. There were 532 MultiProofs on the MultiProof register as at 10 March 2025.
- **BuiltReady** – a faster consenting pathway for modular homes which are built offsite. This is not yet operational.
- **BCA fast-track processes** – some BCAs such as Auckland, Selwyn, and Christchurch provide alternative consenting pathways for trusted builders. This is generally aimed at volume builders and includes fewer inspections.

138. This option would leverage off existing schemes to reduce build time and cost for simple residential dwellings. However, there have been some issues with the existing pathways. Although they were intended to provide a more streamlined process, elements of the design and operation of the schemes have limited the number of buildings and companies who are eligible, or who see sufficient value in the scheme to participate. Legislative change may be required to make them more attractive to increase uptake.

### Options that were ruled out

139. We have ruled out any option that would allow enable work outside of simple residential building work to be self-certified, such as self-certification of all entire residential buildings. This is due to the increased complexity of this work and we are not confident that the sector is ready to take on liability for this work.

140. Recent statistics on RFIs highlight the issues with more complex building work. An RFI can be issued when information is missing or incomplete within a consent application, or an element of the building design needs further explanation. The number of RFIs can be a proxy indication for the level of complexity within a project.

141. For the year ending December 2024 the percentage of applications for res1 work (likely to be the definition of simple residential) was 53.6 per cent. For res 2 work[7] this was 68.2 per cent and res 3[8] was 79 per cent.

142. We have also ruled out options that look at commercial building work as this does not support the Government's immediate objective of enabling more affordable housing. Commercial buildings are also more complex requiring additional safety systems such as fire suppression systems. The latest RFI rates for commercial buildings were between 73.7 per cent and 78.1 per cent.

143. Commercial work is also not considered restricted building work and so fewer practitioners doing this work are covered by an occupational regulatory scheme. This would make it difficult to hold a practitioner to account if they did poor self-certified work on a commercial build.

[7] Res 2 - detached dwellings (SH) designed to a common Standard (eg, NZS 3604, NZS 4229) that are less than or equal to two storeys and have an E2/AS1 risk matrix score less than or equal to 12.
[8] Res 3 - detached dwellings (SH) or other dwellings (SR) that are less than or equal to three storeys but limited to vertical plane fire separation and direct egress to the outside. E2/AS1 risk score of 13–20

**How do the options compare to the status quo/ counterfactual?**

Plumbers and Drainlayers

| | Option One – [*Status Quo / Counterfactual*] | Option Two – Opt-in self-certification scheme for plumbers and drainlayers only (preferred option) | Option Three – Compulsory self-certification scheme for plumbers and drainlayers | Option Four – Opt-in self-certification scheme for parts of a building | Option Five – Awareness/ education campaign for quality assurance |
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| **Reduction in the cost to build** | **0**<br>The impact of consenting on the cost to build will stay the same. If building activity increases and demand for BCA services increases then the costs to build may increase due to time delays. | **+**<br>There will be some savings from the cost to build from fewer consenting and inspection fees and related expenses. However, as plumbing and drain laying does not make up a large proportion of building work cost in a home, any reduction in the cost to build compared to the status quo is unlikely to be significant.<br>There would also be a cost to plumbers and drainlayers to be part of the scheme which they may pass on to consumers through higher prices. This could include self-certification fees, and increased insurance premiums to cover plumber's increased liability. | **0**<br>More plumbing and drain laying work could be self-certified due to there being no constraints on who can self-certify, which would reduce up-front costs such as consent and inspection fees. However, more work would be required to upskill the whole plumbing and drainlaying sector to the required level of competence. If those practitioners did not upskill, there would be an increase in plumbing issues requiring remediation, increasing the cost of the build or cost to repair defects. Alternatively, plumbers unable or unwilling to upskill could exit the market, reducing overall supply of practitioners.<br>There would also be a cost to be part of the scheme which will impact the amount saved. | **+**<br>The scope of this scheme would be initially limited to plumbers and drainlayers. While it could be expanded in the future the initial cost impacts would be the same as for option two. Longer-term costs impacts would depend on the level of up-take across the sector. | **0**<br>Improved quality assurance would reduce the cost to build as building deficiencies would be more likely to be picked up earlier and costs to fix these would be lower.<br>However, how much quality assurance improves because of this option would depend on uptake. Without an incentive to improve quality assurance improvements are likely to be minimal. |
| **Maintains or improves building quality** | **0**<br>BCAs will continue to have oversight over building work to ensure that it complies with the Building Code. | **0**<br>There is a possibility that with less BCA oversight that there could be an increase in deficiencies and non-compliance not being picked up and remediated before construction concludes.<br>However, eligibility settings will be in place to ensure that only competent practitioners can self-certify. This will mitigate the risk of increase non-compliance.<br>Plumbers and drainlayers can already self-certify certain work in relation to existing buildings under Schedule 1 of the Building Act, so it is unlikely that deficiencies and Building Code non-compliance would be much worse that than the status quo. | **-**<br>Less oversight of plumbing and drain laying work could result in more building deficiencies. While eligibility settings could be in place to mitigate this risk, as noted above much more work would be required to upskill the whole sector. | **0**<br>Reduced oversight by BCAs would likely lead to an increase in non-compliant work and building deficiencies. Due to the high-trust nature of this model it is unlikely that defects would be caught during construction.<br>This option would need to ensure practitioners are competent and have quality assurance processes in place to mitigate against non-compliant work.<br>There would also need to be improved consumer protection measures in place to protect against non-compliant work where a building company phoenixes. | **0/+**<br>Improved quality assurance would reduce deficiencies in building work. However, as above, this may be limited without an incentive to improve quality assurance measures. |
| **Reduction in the time to build** | **0**<br>Build time will remain the same. If building activity increases, build time may also increase due to bottlenecks | **+**<br>There would be some reduction in time to complete a build with a reduction of approximately four inspections per build. | **0**<br>There would be time savings from fewer inspections and from delays caused by failed inspections but these gains may be offset by more work not being done properly. | **+**<br>As this option is currently only looking to include plumbers and drainlayers, there would only be a small reduction in time saved due to not having to wait for inspections and the CCC to be | **0**<br>Better quality assurance processes would catch non-compliant work before an inspection providing an opportunity to remedy it first. This would reduce |

| | Option One – [*Status Quo / Counterfactual*] | Option Two – Opt-in self-certification scheme for plumbers and drainlayers only (preferred option) | Option Three – Compulsory self-certification scheme for plumbers and drainlayers | Option Four – Opt-in self-certification scheme for parts of a building | Option Five – Awareness/ education campaign for quality assurance |
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| | caused by higher demand on BCA services. | This impact would become greater as building activity increases and wait times for inspections also increase. | | issued. This would increase if more parts of a building were able to be self-certified<br>The uptake of the scheme may be limited and so there will be a small pool of professionals. | delays caused by failed inspections. However, as above this may be limited without an incentive to improve quality assurance measures. |
| **Increased system responsiveness** | **0**<br>Currently the system has few mechanisms to allow certain work or buildings to either have less oversight from BCAs or go through a different process.<br>Some BCAs have programmes to allow trusted builders to go through a streamlined consenting process.<br>BCAs are able to exercise differing levels of discretion on a building professionals work depending on their previous experience with them. For example, if a building professional has a history of producing poor quality work a BCA may take a more thorough look at their work. | **0**<br>Eligibility settings will be set via the Plumbers, Drainlayers and Gasfitters Board rules. Where there may be an increase in self-certified work being non-compliant the Board could make rules to respond to this. For example, testing different competencies.<br><br>Regulations could allow for some types of work to be taken out of the self-certification scheme if there were widespread and consistent issues. However, the detection of these would be dependent on the frequency of audits by BCAs. | **-**<br>Board rules and/or licensing requirements would need to ensure self-certifiers have the right competencies.<br><br>Due to there being no oversight from BCAs, there would be no feedback loop to understand where there may be issues that need to be responded to, and this would rely on the level of Board oversight.<br><br>Regulations could allow for some types of work to be taken out of the self-certification scheme if there were widespread and consistent issues. However, the detection of these would be dependent on the frequency of audits by BCAs. | **--**<br><br>The reduced oversight from BCAs would make it harder to detect when and where issues were occurring. This would make it more difficult to intervene through measures such as improved education in certain areas or making changes to the scope of work that could be self-certified. | **+**<br>Improved quality assurance may change BCAs' approach to evaluating work for builders who use good quality assurance processes but this would not be a change from the status quo. |
| **Appropriately allocates risk and liability** | **0**<br>BCA will remain unable to manage the demand on their resource by allowing different build types to go through consenting different processes. | **+**<br>This allow plumbers and drainlayers to take responsibility for their work and shift the liability of ensuring their work is compliant to the practitioner.<br><br>BCAs will be able to focus on more riskier practitioners and work. | **+**<br>This would allow plumbers and drainlayers to take responsibility for their work and shift the liability of ensuring their work is compliant to the practitioner. | **+**<br>Allowing low-risk simple residential builds to go through alternative pathways adds flexibility to the consenting system. It would recognise that some work does not need the same oversight as higher-risk and more complex work.<br><br>This would also allow for self-certification for work outside of new builds, such as renovations.<br><br>This would also provide more capacity for BCAs to focus on the higher-risk and more complex work. | **0**<br>There would be no change to simplicity as this focusses on improving quality assurance and makes no changes to the consenting system. |
| **Overall assessment** | **0** | **+++ 3** | **-1** | **+ 1** | **0/ + 1** |

Companies

| | Option One – [*Status Quo / Counterfactual*] | Option Two – Opt-in self-certification for an entire building by companies (preferred option) | Option Three – Fast track consenting pathway for volume builders | Option Four – Promote existing alternative consenting pathways |
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| **Reduction in the cost to build** | **0**<br>The impact of consenting on the cost to build will stay the same. If building activity increases and demand of BCA services increases, then the costs to build may increase due to time delays. | **+**<br>By not going through the building consent system, builders will be able to reduce some costs from consenting fees and delays caused by waiting for inspections or delays due to a failed inspection.<br><br>Consenting fees make up a small amount of the total build cost so the lack of them will make little difference to the overall cost of a project. The largest cost savings will be made from a reduction in time delays relating to the consenting system.<br><br>There would also be a cost to be part of the scheme which will impact the amount saved. | **0**<br>The reduction or lack of inspections would see some improvement in the cost to building a home. The cost of insurance to be part of the scheme may be too great to offset the benefits for some, especially single contractors. These costs may be passed onto the consumer.<br><br>There would also be a cost to be part of the scheme which will impact the amount saved. | **0/+**<br>May slightly reduce cost to build but would depend on additional uptake following a promotion campaign.<br><br>These pathways already exist and it is unlikely that they are not used due to a lack of awareness given the industries familiarity with them. |
| **Maintains or improves building quality** | **0**<br>BCAs will continue to have oversight of building work to ensure that it complies with the building code. | **-**<br>The lack of oversight from BCAs means that there is a greater chance of an increase of building defects. There would be a reliance on a company's quality assurance process to pick up deficiencies. However, from targeted consultation BCAs have told us that there may not be many companies who currently have a robust QA process. This could limit overall uptake of the scheme, particularly as without adequate assurances about a building company's competence and quality, insurers may not offer comprehensive insurance products. | **0**<br>Reduced oversight is expected to increase the rate of non-compliant work and building deficiencies. This scheme would still have some inspections from the BCA for work and would rely on producer statements in place of inspections in some areas. As there is slightly more oversight than Option Two, MBIE expects that this option would have fewer defects and instances of non-compliance than Option Two. | **0**<br>As these systems already exist there would be minimal impact on code compliance of building work. |
| **Reduction in the time to build** | **0**<br>Build time will remain the same. If there are increases to building activity, build time may also increase due to bottlenecks caused by higher demand on BCA services. | **++**<br>This would introduce moderate time savings due to not requiring a building consent or oversight from BCAs on building work.<br>The time savings would be most pronounced when construction activity increases and there is a greater demand on BCA services. | **0**<br>This option would save a small amount of time in the total build due to not having to wait for inspections and the CCC to be issued.<br>As some inspections would be required it is expected that the time savings would not be as great as Option Two but the trade-off is there would be better management of non-compliant work and building deficiencies. | **0**<br>May slightly reduce time to build but would depend on additional uptake following a promotion campaign.<br><br>These pathways already exist and it is unlikely that they are not used due to a lack of awareness given the industries familiarity with them. |
| **Increased system responsiveness** | **0**<br>Currently the system has few mechanisms to allow certain work or buildings to either have | **-**<br>The lack of a feedback loop from inspections by BCAs would mean that failures in the building control | **0**<br>There would be some oversight from BCAs in this option which would provide some opportunities to respond to | **0**<br>There would be no change to responsiveness through this option as they are existing schemes. |

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|---|---|---|---|---|
| | less oversight from BCAs or go through a different process.<br>Some BCAs have programmes to allow trusted builders to go through a streamlined consenting process.<br>BCAs are able to exercise differing levels of discretion on a building professional's work depending on their previous experience with them. For example, if a building professional has a history of producing poor quality work a BCA may take a more thorough look at their work. | system for self-certified buildings would be difficult to detect and respond to. Building deficiencies can take time to present themselves following the completion of construction.<br>The regulator would have some auditing capabilities to ensure work was still up to standard. If it was found that a company was consistently failing it could be removed from the scheme or the criteria to be in the scheme could change in response. | failures before the completion of a build. This would enable the system to respond faster to take action against companies who may not be producing work to the standard required to use this process. | |
| **Appropriately allocates risk and liability** | **0**<br>It will remain difficult for BCAs to manage demand on their resources by allowing different built types to go through different processes. | **+/++**<br>This would enable companies to take responsibility for managing the liability of ensuring all of their work is compliant.<br>This would create more capacity for BCAs to absorb demand on their services if building activity were to increase.<br>However, these benefits depend on the degree to which Companies are able to get indemnity insurance, and the level of assurance that is required from insurance companies. | **+**<br>This would create some flexibility into the system by requiring fewer inspections for low-risk simple residential buildings built by trusted builders.<br>This would create more capacity for BCAs to absorb demand on their services if building activity were to increase. | **0**<br>May slightly increase flexibility, but would depend on additional uptake following a promotion campaign. |
| **Overall assessment** | **0** | **++/+++ 2/3** | **+1** | **0/+1** |

**Key for qualitative judgements:**

| | |
|---|---|
| **++** | much better than doing nothing/the status quo/counterfactual |
| **+** | better than doing nothing/the status quo/counterfactual |
| **0** | about the same as doing nothing/the status quo/counterfactual |
| **-** | worse than doing nothing/the status quo/counterfactual |
| **--** | much worse than doing nothing/the status quo/counterfactual |

## What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

144. Due to time constraints, MBIE has not been able to conduct a full and thorough analysis of the cost-benefit for the options in this RIS, nor consult and test options with industry stakeholders and those impacted by the proposals. Sapere is undertaking a CBA for both options and we expect this to be delivered by the end of March 2025. We have received some early indications from Sapere that their analysis shows the preferred options would have a net benefit assuming the level of defects is not greater than the status quo.

145. The preferred options are:

- opt-in self-certification for plumbers and drainlayers
- opt-in self-certification for entire buildings by companies

146. From the limited analysis we have conducted we consider that the preferred options provide some benefits when addressing the problem. The degree to which the options achieve these benefits are highly dependent on the level of uptake by the sector, and the degree to which those choosing to self-certify can maintain quality work. Given that the changes proposed for self-certification of plumbers and drainlayers are lower risk and represent a smaller step-change for the sector, we can have greater confidence in likely uptake and benefits. On the other hand, as plumbing work only represents a relatively small proportion of overall consent-related costs, the impact of the change on overall building time and costs is also lower.

147. There would also be a cost imposed on plumbers and drainlayers to meet the self-certification requirements. We have not been able to conduct a thorough analysis to understand how much these costs will be, but we consider the benefits practitioners would receive would outweigh these costs.

148. Allowing reputable companies to self-certify entire simple residential buildings is likely to have a more significant impact on cost, time, and flexibility. As it is a much more significant change, it will require additional levels of assurance to ensure only companies who have the skills to self-certify can do so.

149. Given that the potential liability risk for building companies is much higher, we can be much less certain about likely levels of uptake, and overall costs of implementing the scheme. This means our confidence that the benefits outweigh the costs is also lower than for the plumber and drainlayer option.

### Key assumptions in the cost benefit analysis

#### *Time saved from avoidance of inspection delays*

150. Both options include a benefit of avoiding delays relating to inspections. For the purposes of the CBA a delay is where the work to be completed has been finished and the builder is waiting for the day of inspection. For example, if a builder books an inspection on Monday for Friday and work is completed on Wednesday, then there is a delay of one day.
151. The data we have available to conduct these calculations is limited and we have had to make a series of assumptions. These are:

- normal inspection wait times are 4 business days (the day of booking is including in this number). If booked on Monday, the inspection will occur on Thursday.

- busy inspection wait times are 10 business days (the date of booking is including in this number). If booked on Monday, the inspection will occur on Friday the following week.
- a builder in the self-certification scheme would normally book an inspection with 5 business days of work for that inspection remaining including the day of booking.
- in the case of self-certification, a builder would spend 1 business day after work is complete doing their own quality assurance.
- the number of avoided inspections will be 4 for plumbers and drainlayers and 12 per entire build.

152. It is unlikely that the wait time will be consistent in the entire duration of the building work. To account for this, we have assumed that if consenting volumes are below the median, there will be normal wait times (0 days). If volumes are between the 50th and 75th percentile, it is a delay of 2 days (midpoint of normal and high wait times). If volumes are above the 75th percentile, it is a delay of four days (high wait times). This provides us with an estimated time saving of 1 day per inspection.

153. However, this does not account for time where the builder may be able to do other work while wait for the inspection, so our certainty of actual days saved is low.

| **Percentile volumes** | **Weighting** | **Days saved** | **Days saved (weighted)** |
|---|---|---|---|
| 0-50th | 0.6 | 0 | 0 |
| 50th-75th | 0.3 | 2 | 0.6 |
| 75th-100th | 0.1 | 4 | 0.4 |
| **Total wait times saved per inspection** | | | **1** |

*Opt-in self-certification of plumbers and drainlayers*

154. We assume that all plumbers and drainlayers who hold a certifying plumbing or drain laying licence would be able to meet the competency requirements for this scheme – 7,965. We also assume that 80 per cent of these practitioners would also want to self-certify work under this new scheme (6,372 practitioners).

155. Of these practitioners we assume that 70 per cent of them would be able to meet other requirements such as adequate means. This is an estimate and its certainty is low. Consultation with practitioners would be required to understand how many of them would be likely to meet adequate means requirements.

156. There were 10,400 consents for single story detached houses in 2024 and we have assumed that these would meet the definition of a simple residential building. Of these we have conservatively assumed that 20 per cent of them would have plumbing and drain laying work self-certified in the first year. This is an estimate and its certainty is low.

*Opt-in self-certification of entire buildings*

157. The RIS estimates 3,000 residential builds out of the 10,944 residential building consents per annum would meet the definition of simple residential. This aligns with what we heard from volume builders that have expressed an interest in self-certification. This also equates to data from 2024, where the top 9 out of 20 builders in the country account for approximately 3,400 houses per annum.

158. To account for the fact that not all companies may choose to opt-in and take on the additional responsibility and liability we have assumed the scale of builds that might be self-certified under the scheme to be between 30 per cent (900) and 50 per cent (1500) of these. This is based on the assumption that only volume builders or those who build at significant scale would opt-in as a medium to large business would have the scale required to justify the upfront costs to meet eligibility requirements and the cost to undertake their own quality assurance processes in lieu of BCA inspections.

159. We have also based some of our figures on existing or recently proposed schemes such as:

- Modular Component Manufacturer homes (BuiltReady);
- Establishment of a new regulatory regime for engineers;
- Granny flats consent exemption.

160. These provide an estimate of what costs could be but as these schemes vary in scope and size and comparability to the proposals in this RIS, our certainty for these figures is low.

**Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?**

161. Yes, however, we note that our certainty of the estimated costs and benefits is low. A cost-benefit analysis is currently being undertaken by Sapere and will provide us with greater certainty of the costs and benefits. We expect this will be delivered by late March 2025.

## What are the marginal costs and benefits of the preferred option in the Cabinet paper?

*Plumbers and Drainlayers*

| Affected groups | Comment | Impact | Evidence Certainty |
|---|---|---|---|
| **Additional costs of the preferred option compared to taking no action** | | | |
| Practitioners | Initial registration costs | $1.73m | **Low**<br>This is based on the current fees in the Plumbing, Gasfitters and Drainlayers regime for registration of a licence. The level of uptake is not clear, we assume that 20 per cent of plumbers would meet all requirements. |
| | Annual fees and levies | $1.67m | **Low**<br>This cost is based on existing fees and levies. The level of uptake is not clear we assume that 20 per cent of plumbers would meet all requirements. |
| | Cost of meeting eligibility criteria | Low | **Low**<br>The eligibility criteria has not been developed yet so the cost is unclear, but the cost to meet adequate means may not be possible for some. |
| PGD Board | Establishing licensing system | Medium | **Low**<br>We have not estimated how much it would cost to establish a new licence class or to expand the existing one. However, the PGD Board have told us that this cost could not be covered from their baselines. |
| | Operational costs | Low | **Low**<br>Operational costs are intended to be cost recovered. We have not established the cost for operating this scheme. Operating costs would include FTE to process and manage |

| | | | |
|---|---|---|---|
| | | | applications, IT costs, auditing work, and managing complaints. |
| MBIE | Monitoring | Medium | **Low**<br>These costs would not be cost recovered. We have not established the cost for operating this system. |
| Consumers | Defects in buildings | Low | **Low**<br>We are not sure what the level of defects could be or to what extent these would be covered by the practitioner. |
| **Total monetised costs** | | **$3.4m per annum** | |
| **Non-monetised costs** | | **Medium impact** | |
| **Additional benefits of the preferred option compared to taking no action** | | | |
| Practitioners | Avoided delays waiting for inspections | Time saving of 4 days per build.<br><br>$1,637.60 per build<br><br>$3.58m per annum | **Low**<br>We have used an estimate used for the Granny Flats CBA to work out the cost per day a project is delayed. This comes to $409.40 per day.<br>There were 10,944 consents for single story residential buildings in 2024 which we have assumed would meet the definition of simple residential building. This is a rough assumption as it does not account for the weathertightness risk which would need to be six or below to meet the definition. We assume that initially 20 per cent of these would have self-certified plumbing and drainlaying work. This is expected to increase with time as more practitioners enter the scheme.<br><br>We are not certain of how many practitioners would use the scheme and how many homes would have self-certified work. |

| | | | |
|---|---|---|---|
| | Lower inspection costs | offset – see comment | While practitioners would not need to pay inspection fees, this benefit will likely be offset by the building professionals own auditing processes and the process to certify their work. It would be a savings if the quality assurance was already undertaken. Targeted consultation indicated that this isn't the case. |
| | Competitive advantage | Medium | **Low**<br>Being part of the scheme may be seen as a mark of quality by consumers that these practitioners can be trusted to provide good quality work. |
| BCAs | More capacity | Low | **Low**<br>Building Consent Authorities will have some additional capacity due to having to do fewer inspections however as we do not have a strong indication of how many practitioners would be in the scheme we have low certainty as to the impact of this. |
| Consumers | Lower construction costs | Low | **Low**<br>We expect that some of the cost savings will be passed onto consumers. We are not certain as to how significant this might be. Consenting costs are not a major cost in a build and plumbing work does not make up a significant cost either. |
| | Consumer awareness | Low | **Medium**<br>Consumers will be able to see which plumbers and drainlayers have been approved to self-certify work which would give them a better idea of which practitioners have been trusted to provide high quality work. |
| **Total monetised benefits** | | **$3.58m per annum** | Low certainty |

| | | | |
|---|---|---|---|
| **Non-monetised benefits** | | **Medium**<br>**Time saving of 4 days per build** | Low certainty |

*Entire building*

| **Affected groups** *(identify)* | **Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.* | **Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.* | **Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.* |
|---|---|---|---|
| **Additional costs of the preferred option compared to taking no action** | | | |
| Companies | Initial registration costs | $6,162 per building professional | **Low** This has been based on the registration fees in the BuiltReady scheme. These fees are charged on a per hour basis, and we have used the maximum fee. The requirements for the self-certification scheme have not been developed yet so we are unsure how long it would take to process an application. It is unlikely that the cost would be greater than this. |
| | Auditing costs | $6,162.19 per audit, every two years | **Low** This has been based on the auditing fees of the BuiltReady scheme, where it was assumed this cost will be equivalent to the initial cost to register. There would be an audit at least every two years with the possibility of more frequent auditing if required. We are not sure how thorough they will be at this stage. |
| | Cost of meeting eligibility criteria | Medium | **Low** Companies will need to show they meet the eligibility criteria, such as adequate means. What the criteria would be and how they could be expressed is still being developed so we are unsure what the cost may be. BuiltReady requires the companies prove their financial |

| | | | |
|---|---|---|---|
| | | | standing is sound and that they could cover any deficiencies with their work. This scheme may have similar provisions. |
| MBIE | Establishment and administration costs | One-off costs: $106,982<br><br>Ongoing costs per annum: $141,078 | **Low**<br>The costs to establish the infrastructure for a new regulatory regime can be considerable. Its cost will depend on what data needs to be collected, the volume of this data, FTE required to process applications etc. We are still designing what this may look like, so we do not have exact costs at this time. |
| Consumers | Increased defects in buildings | $48,276 per self-certified building.<br><br>If 900 homes were self-certified per annum and 12 per cent had defects, this would equate to $5.2m per annum. If 24 per cent had defects, this would equate to $10.4m per annum. | **Low**<br>We are not sure what the level of defects could be or to what extent these would be covered by the practitioner. This RIS assumes the home to be 200 square metres for the cost of construction. The estimates in the Granny Flats CBA for the cost of construction ($4,023 per square metre) and cost of a defect (6 per cent of the total build cost) are used. |
| **Total monetised costs** | | **$5.34m - $10.4m per annum** | |
| **Non-monetised costs** | | **Medium** | |
| **Additional benefits of the preferred option compared to taking no action** | | | |
| Regulated groups | Avoided costs of consents | $4,141 per self-certified building. | **Low** |

| | | | |
|---|---|---|---|
| | | If between 900 and 1500 homes are self-certified each year, this could equate to $3.7m to $6.2m per annum. | This assumes there will be no consent fee. As a nominal consent will still be required, there is likely to be a charge. |
| | Avoided cost of delays from processing consent applications | $3,275.20 per self-certified building.<br><br>If between 900 and 1500 homes are self-certified each year, this could equate to $2.94m to $4.91m per annum.<br><br>Time saving of 8 days per build. | **Low**<br>For the BuiltReady scheme, it is estimated the time savings from faster consenting would be 8 days. We have adopted this assumption for the RIS. We have used the savings per day used for the Granny Flats CBA ($409.40 per day). |
| | Avoided inspection fees | Offset - see comment | While companies would not need to pay inspection fees, this benefit will likely be offset by the building professionals own auditing processes and the process to certify their work. It would be a savings if the quality assurance was already undertaken. Targeted consultation indicated that this isn't the case. |
| | Avoided delays waiting for inspection | Time saving of 12 days per self-certified building.<br>$4,912.8 per self-certified building. | **Low**<br>For this RIS, the number of inspections assumed to be avoided is 12 per build. To calculate for variance of wait time across a building project, we have assumed if consenting volumes are below the median, there will be |

| | | | |
|---|---|---|---|
| | | If between 900 and 1500 homes are self-certified each year, this could equate to $4.4m to $7.3m per annum. | normal wait times (0 days). If volumes are between the 50th and 75th percentile, it is a delay of 2 days (midpoint of normal and high wait times). If volumes are above the 75th percentile, it is a delay of four days (high wait times).<br>We then estimate that each self-certified building would save 12 days from avoiding inspection delays.<br>We have used an estimate used for the Granny Flats CBA to work out the cost per day a project is delayed. This comes to $409.40 per day.<br>Our certainty of these figures is low as we do not have complete data for inspection wait times or insight into when builders book inspections.<br>Our certainty of the monetary benefits is low as the figure assumes each day of delay is wasted and no work is done. However, it is likely that builders will do other work while waiting for an inspection and so every day of delay wouldn't be completely wasted. |
| | Competitive advantage | Medium | **Medium**<br>Companies in this scheme will be able to build faster and slightly cheaper than their competitors. We are unsure if consumers would be comfortable with purchasing a self-certified home so the impact of this advantage is medium. |
| BCAs | More capacity | Medium | **Low**<br>Due to not having to conduct inspections for self-certified homes BCAs will have greater capacity to provide their services. However, we are unsure how many houses may be covered by the scheme and so are unsure of the extent to which BCA capacity will be increased. |
| Consumers | Lower construction costs | Low | **Low** |

| | | | |
|---|---|---|---|
| | | | We are not sure how much of the cost savings would be passed onto the consumer. It could be possible that the faster time is used as a premium feature. |
| | Consumer awareness | Low | **Medium**<br>Consumers will be able to see which companies have been approved to self-certify work which would give them a better idea of which companies have been trusted to provide high quality work. |
| **Total monetised benefits** | | **$13.6m - $22.7m per annum** | Low certainty |
| **Non-monetised benefits** | | **Medium**<br>**Time saving of 20 days per build.** | Low certainty |

# Section 3: Delivering an option

## How will the proposal be implemented?

*Legislative vehicles and implementation timeframes*

162. The opt-in self-certification scheme for plumbers and drainlayers would be established through amendments to the Plumbers, Gasfitters and Drainlayers Act 2006.

163. The self-certification scheme for entire buildings would be established through amendments to the Building Act 2004 (option 4). These changes would likely progress in separate bills as more time would be required to establish the entire buildings scheme.

164. Secondary legislation would be required for both options. Board rules would be required for plumbers and drainlayers to establish the registration criteria and fees. For the entire buildings self-certification scheme regulations would be created through the Building Act to establish criteria and fees and levies for the scheme.

| Option | Primary legislation | Secondary legislation |
|---|---|---|
| Plumbers and drainlayers | Plumbers, Gasfitters and Drainlayers Act 2006 | Plumbers, Gasfitters and Drainlayers Board rules |
| Entire buildings | Building Act 2004 | New regulations through the Building Act |

***Table 1: Legislative vehicles for preferred options***

165. The Minister wishes to pass both pieces of primary legislation in early 2026. The legislation would provide the framework for both schemes with details such as the definition of simple residential buildings and the criteria to be in each regime. Confidential advice to Government [redacted]

166. The PGD Board will be responsible for developing the secondary legislation, however MBIE will provide support. MBIE will be responsible for developing the regulations for the entire build scheme.

167. Secondary legislation would begin development as the legislation proceeds through the House to enable the schemes to be functional within a year of the legislation gaining Royal assent.

168. Supporting infrastructure, such as systems to manage records, will be needed for the schemes to be functional. This is expected to be done alongside the development of secondary legislation to ensure there is sufficient time to establish them.

*Regulator*

169. The regulator for the plumbers and drainlayers scheme would be the Plumbers, Gasfitters and Drainlayers Board. They would be responsible for assessing and approving applications. There has been limited consultation with the Board on how this would be designed or implemented. If Cabinet proceeds with this option, we will continue to engage with the Board during drafting to ensure the design of the scheme is feasible.

170. It is assumed that MBIE would be the regulator for the entire building self-certification scheme. Specific functions would depend to some degree on the detailed design of the scheme, and there would be options for these to be delegated to another party or retained by MBIE.

171. Due to time constraints, there has not been sufficient time to test the potential design of the scheme to understand what processes and infrastructure would be required to enable it and what this would cost. If Cabinet proceeds with this option, we will continue to engage internal staff to get assurances of this.

| Option | Regulator |
|---|---|
| Plumbers and drainlayers | Plumbers, Gasfitters and Drainlayers Board |
| Entire buildings | Ministry of Business, Innovation and Employment |

*Table 2: Regulator for preffered options*

### *Funding*

172. It is intended that the schemes are to be self-funded once they are fully operational. There will need to be some initial funding to establish the infrastructure for the schemes and to support the operational functions until enough people have opted in to fully cost recover. It has not been determined what these costs will be and the funding source is to be confirmed.

173. Any establishment costs to MBIE and the PGD Board associated with the implementation of the self-certification schemes will be explored in more detail as part of work on regulations to support implementation. Confidential advice to Government

174. In recent years, the building levy account has been in surplus due to high levels of building activity and costs in 2020-2023. Confidential advice to Government

175. Current forecasting does not consider the impact of several policy initiatives the Government is considering that will reduce revenue further by reducing the numbers of buildings that need to pay the building levy. There may also be establishment costs for new regulatory functions that need to be funded via the building levy (for example costs associated with establishing the self-certification scheme before cost-recovery could begin).

176. A key consideration going forward will be achieving a balance between providing sufficient funds for MBIE to run its building system functions and maintaining a close to zero balance in the memorandum account. MBIE has work underway or planned that will support this.

### *Other work required to implement the options*

177. With any of the options communications would need to be made with the industry and public on the changes. This would include letting professionals and companies know what their new obligations would be if they were to self-certify. Engagement with the public would include letting consumers know what self-certification might mean if they were to purchase a self-certified home, a home with self-certified work in it or engaging with a building practitioner who self-certified their work.

### *Uptake is crucial to the success of each option*

178. The costs to operate each scheme is intended to be recovered from those in it through fees and levies. There is a risk that if uptake is too low the schemes will not be able to fund themselves and will require additional funding.

179. Those applying for self-certification in either scheme will be charged rates which recover the costs of assessing their applications and providing approvals. For plumbers and drainlayers costs will be recovered by the PGD Board who conduct the assessments through the existing regulatory regime for plumbers, gasfitters and drainlayers. For entire builds, costs will be recovered by MBIE through a new function.

180. There will also be costs recovered for other operational activities, such as disciplinary functions. For plumbers and drainlayers this will be an annual levy. Plumbers and drainlayers currently pay a levy to be registered with a base rate of $275 with an additional $100 for every additional licence they receive we expect this model to continue. For companies there will be a fee to cover the cost of an audit which is expected to occur at least once every two years (or more frequently if needed).

181. There is a risk that if there are no appropriate insurance products available on the market to cover self-certified work that this may limit the number of people and companies that would have adequate means to be part of the scheme. The detail of what the requirements will be set in regulations. MBIE intends to do consultation on the regulations to ensure the requirements are balanced correctly.

182. The Government are currently looking at the liability settings in the building and construction sector. This includes potentially introducing supporting structures to support the liability settings which are intended to drive better accountability, efficiency and behaviours in the sector. These would ensure that when something goes wrong there is an efficient resolution. This may assist those wanting to self-certify to meet adequate means.

## How will the proposal be monitored, evaluated, and reviewed?

*Managing complaints and poor work*

183. People will be able to file a complaint with either the Plumbers, Gasfitters and Drainlayers Board or MBIE for the entire building scheme. For plumbers and drainlayers the existing processes for considering and investigating a complaint would be undertaken. The Board keeps note of complaints and reports them in their annual report.

184. For entire buildings, MBIE would investigate any complaints received about companies. Upon upholding a complaint MBIE will take disciplinary action which may include removing a company or lead contractor from the scheme.

*Monitoring financial performance*

185. Numbers of self-certifying plumbers and drainlayers will be recorded by the Plumbers, Gasfitters and Drainlayers Board. These numbers would be reported by the Board in their annual report along with a report of their financial performance.

186. For entire build self-certification, MBIE would record the number of lead contractors and businesses who are part of the scheme. Fees will be set according to needs to cost recover, and the financial performance will be monitored by MBIE. The financial performance of the scheme would be reported to the Minister of Building and Construction on an annual basis.

*Monitoring the effectiveness of the option*

187. MBIE will develop a plan on how the policy proposals will be monitored and evaluate. We have an existing relationship with BCAs to collect data on consent and inspection timeframes that we can build on.

188. MBIE expects to be able to monitor the improvements to the time to build using consent data. For plumbers and gasfitters, BCAs will be made aware during the consent application stage whether plumbing or drainlaying work is self-certified. For entire buildings we could use data on the number of nominal consents.

189. We would then be able to compare the time these builds take to get from a consent being issued to the CCC being issued to understand how much time might be saved. However, we may not be able to tell if the time to build is being impacted by self-certification or another factor, such as material or labour availability.

190. For entire builds, companies will receive a ‘nominal’ consent. We will be able to work with BCAs to receive the number of these consents that are issued. Companies will be required to notify BCAs that work has been completed to receive a CCC. We will be able then compare the time to build these homes and those going through the normal consent process. However, this data will have similar limitations to the plumbers and drainlayers scheme mentioned above.

191. Cost savings may be more difficult to measure as accurately or as frequently as time savings. Cost savings will only be known to companies or practitioners, and we would have to ask them for this data directly. House price data or similar metrics may not reflect the extent of cost savings as the cost savings may not be passed onto consumers or practitioners and companies may instead charge a premium to provide services faster than their competitors.

192. It may be difficult to measure how much of an impact each option may have toward non-compliance with the Building Code, especially entire building self-certification which has no Building Consent Authority oversight. There is no central scheme for consumers to claim against building deficiencies of non-compliance so being able to collect data on non-compliance may not possible after a build has been completed.

193. Auditing may provide some insight into the level of non-compliance that may be occurring. Similarly upheld complaints against self-certifiers may also provide some insight into the level of non-compliant work that had been self-certified.

# Appendix A: Stage One Cost Recovery Impact Statement

# Stage 1 Cost Recovery Impact Statement

Establishing self-certification schemes for simple residential building work.

## Status quo

### What is being proposed?

The Government is seeking ways to reduce the time it takes to build and is investigating options to speed up the consenting process. The Minister has identified two preferred options to introduce a new scheme to allow some building professionals and building companies to self-certify that their work complies with the Building Code, without the need for a Building Consent Authority to certify the work.

In both cases only new simple residential building work would be eligible for self-certification, and the professional or company would hold sole liability for all self-certified work.

Option one would allow appropriately qualified plumbers and drainlayers to self-certify their work. The Building Consent Authority would still need to ensure that the design of plumbing and drain-laying work is compliant with the Building Code when designs are submitted for a building consent, but would have no role in inspecting and certifying the work. A Certificate of Code Compliance would not be issued for plumbing work in simple residential buildings.

Option two would allow companies or lead contractors to certify entire house builds as being compliant with the Building Code without inspections or sign-off from the Building Consent Authority. A building consent would still be required but the Building Consent Authority would only check that the company is registered to self-certify and that the building is a simple residential building. The Building Consent Authority would not check that the design is compliant with the Building Code as they do currently.

| Options | Who can opt-in? | What work? | Regulator |
|---|---|---|---|
| **Option one: Self-certification for plumbers and drainlayers (Certificate of Code Compliance not issued).** | Registered plumbers and drainlayers who hold the certifying class (the highest class available). | Plumbing and drain-laying work for new simple residential builds. | Plumbers, Gasfitters and Drainlayers Board. |
| **Option two: Self-certification for volume builders (consent still required).** | Lead contractor for trusted volume builders who meet requirements. | Entire build for new simple residential builds. | MBIE (specifics to be determined). |

The two options will require administration and regulation which will need to be cost recovered, within three principal functions:

- assessing and approving people to self-certify
- auditing and monitoring self-certified work

- dealing with complaints and discipline.

In the case of plumbers and drainlayers these functions will be administered by the Plumbers, Gasfitters, and Drainlayers Board, the statutory regulator for these professions. A new licence class for plumbers and drainlayers will be created for those who opt-in to the scheme.

In the case of lead contractors for volume builders these functions will be administered centrally by MBIE. Specifics of how these functions will be administered and run will be set out in regulations, which we intend to begin developing as the bill is going through the legislative process. This is expected to begin in late 2025. We will get a clearer idea of the resourcing and budget implications through this development.

## Problem definition and policy outcomes

Self-certification supports the Government's commitment to increase housing supply by improving efficiency and competition in the building system, reducing barriers and driving down costs.

The cost of building houses in New Zealand is high and unaffordable for many. In order to address this issue more homes have to be built to meet the current housing deficit. However, building a new home can be expensive and time-consuming depending on a variety of different factors.

One factor is the time it takes to go through the building consent process, which can be rigid and inflexible in relation to risk. Self-certification presents the opportunity to speed up the consenting process and make building faster and more efficient. But it also presents greater risks of mistakes and building defects slipping through undetected, which could cause harm to health, safety and the economy.

This means there is a need to ensure only appropriate professionals are able to self-certify, and that there are robust monitoring and auditing mechanisms, as well as complaint and disciplinary systems in place.

## What has been agreed?

The Minister has agreed to seek final Cabinet decisions on introducing a self-certification pathway for plumbers and drainlayers, and for trusted volume builders to self-certify a entire build for a simple residential dwelling.

Cabinet has noted that officials are exploring policy options to introduce a self-certification scheme, and we are now seeking final approval from Cabinet to implement the scheme after receiving the Minister's approval. This will require changes to the ***Plumbers, Gasfitters, and Drainlayers Act*** and the ***Building Act,*** including authorisation to recover costs for the new functions.

The activities to be cost-recovered are all new and the specifics will be determined through the development of regulations beginning in late 2025. While most will require new charges to be added (see below) it is possible that some may be able to be recovered through existing charges. For example, the Plumbers, Gasfitters and Drainlayers Board's disciplinary levy may potentially be used for self-certification.

## Policy Rationale: Why a user charge? And what type is most appropriate?

Self-certification has the potential to make it easier, quicker and more efficient to build, which will benefit building professionals and consumers. However, it also creates greater risks of poor-quality building work slipping through undetected, which creates risks to health, safety and the economy.

These risks need to be mitigated through appropriate processes:

- ensuring that individuals meet high standards, including experience, qualifications, and are fit and proper persons.
- robust auditing and monitoring processes
- effective complaints processes and disciplinary measures (including when a professional or company falsely claims to be registered for self-certification).

These measures will create costs for the Plumbers, Gasfitters and Drainlayers Board and MBIE. It is appropriate and fair that those standing to benefit from increased building activity and creating the risk be the ones to pay for this mitigation.

The proposals meet the principles of cost recovery, as self-certification is opt-in (charges are only imposed on those who choose to participate) and will be administered and charged for separately from other similar charges, such as existing charges under the Plumbers, Gasfitters and Drainlayers Board. Both MBIE and the Board will recover their costs separately. The real costs can be easily identified, meaning they will be accurately reflected in the charges. This means the charges will be equitable, efficient, justifiable and transparent.

While the specific outputs are yet to be determined, they are expected to meet the definition of private goods, as the benefits will only be used by the individuals who opt-in.

We are proposing full cost recovery as those participating in the scheme are also the main beneficiaries of the risk. We expect that most costs can be recovered, but there may need to be some Crown funding to set up the scheme.

We have not yet determined exactly what charges should be in place. We have identified three key activities to be cost-recovered and potential outputs, but the specific outputs to be charged are yet to be determined:

| Activities | Plumbers (Plumbers, Gasfitters and Drainlayers Board) | Entire build (MBIE) | Potential outputs/ charges |
|---|---|---|---|
| **Assessing, approving and registering** | Board assesses and approves professionals who hold existing “certifying” class.<br><br>New licence class for professionals who are able to self-certify. | MBIE assesses and approves applications for people to be the lead contractor for a volume builder to self-certify entire build.<br><br>MBIE holds database of registered people that Building Consent Authorities can access. | Initial registration fee.<br><br>Annual licencing fee (Plumbers and drainlayers only). |

| | | | |
|---|---|---|---|
| **Auditing and monitoring** | Board audits and monitors self-certified plumbing and drain-laying work (new function). | MBIE audits and monitors self-certified entire builds by volume builders (could use existing functions). | Auditing fee or levy. |
| **Complaints and disciplinary measures** | Board investigates complaints into self-certified work and performs disciplinary functions (new function, but could use existing functions). | MBIE investigates complaints into lead contractor self-certified work and performs disciplinary functions. | Annual discipline levy.<br><br>(For plumbers and drainlayers this could be part of the existing disciplinary levy). |

Charges will be paid by those plumbers and drainlayers who choose to register to self-certify. We assume that all plumbers and drainlayers who hold a certifying plumbing or drain laying licence would be able to meet the competency requirements for this scheme (7,965 practitioners). We also assume that 80 per cent of these practitioners would also want to self-certify work under this new scheme (6,372 practitioners).

We estimate there will be around 19 volume builder companies who will meet eligibility criteria and will opt-in to self-certification for entire builds. This is based on the expression of interest we have received from the Registered Master Builders Volume Builder Group and our assumption from stakeholder engagement that around 25% of interested companies will be able to meet the criteria.

We expect uptake may increase over time if the schemes are working well and adding value for professionals and consumers.

## High level cost recovery model (the level of the proposed fee and its cost components)

We have not yet determined what specific outputs should be in place, but there are likely outputs that would be paid under both options. We are unable at this stage to provide estimates for activity expenses, revenue, or estimates for what user charges may be. We will consult with the Plumbers, Gasfitters and Drainlayers Board and with internal teams in MBIE to develop a detailed model for cost recovery as part of the development of regulations, which will take place as the bill goes through the legislative process.

The below table lists some of the likely charges and compares with existing charges. These comparisons are from similar schemes, but we cannot say with any degree of confidence or certainty that self-certification charges will necessarily be similar. These figures would be finalised as we develop secondary legislation and the PGD Board develops new rules that would set fee levels.

| Potential Self-certification charge | Similar existing charge | Amount | Scheme/Regulations |
|---|---|---|---|
| Assessing, approving and registering (plumbers and drainlayers). | Registration (per registration class, per trade). | $390.00 | Plumbers, Gasfitters, and Drainlayers Board. |

| | | | |
|---|---|---|---|
| Assessing, approving and registering (lead contractor/volume builders). | Application for registration as modular component manufacturer. | $90.15 per hour, up to $5,859.75 | Building (Modular Component Manufacturer Scheme) Regulations 2022. |
| Auditing and monitoring. | Building work inspection fee. | $271.50 per hour | Wellington city Building Consent Authority. |
| Complaints and discipline. | Disciplinary and prosecution levy (Similar levy could be used by MBIE for entire build). | $275.00 per year | Plumbers, Gasfitters, and Drainlayers Board. |

We expect underlying assumptions to change as we develop detailed models with more information over time. Factors that may impact estimates include:

- final eligibility criteria for applicants
- expectations around uptake
- outcomes of consultation with Plumbers, Gasfitters and Drainlayers Board and internal MBIE teams.

Due to time constraints a full cost-benefit analysis has not been done for the options in this Cost Recovery Impact Statement. A Cost-Benefit Analysis is being undertaken by Sapere which we expect to receive by the end of March, which will inform our analysis of final cost recovery levels.

## Consultation

No consultation has been undertaken on the proposed fees in this Cost Recovery Impact Statement.

There has been targeted consultation with building consent authorities and industry stakeholders on the general idea of self-certification but not on the design and feasibility of these proposals.

Some consultation has been undertaken on similar proposals in 2020 on a wide variety of issues in the building consent system and potential solutions to these problems.

In 2022 targeted consultation was undertaken by Sapere looking specifically at self-certification for plumbers and drainlayers. Its scope was different to the Minister's current proposal in that it was not limited to simple residential buildings.

From previous consultation, particularly from 2022, MBIE is aware that there is not a consistent view on self-certification. Some practitioners supported self-certification while others were not convinced the industry was ready for the change.

Some industry groups such as Master Plumbers are supportive of self-certification proposals, believing plumbers should take accountability for their work. Master Builders and some volume builders have also been supportive of enabling companies to self-certify their work. Other groups such as the New Zealand Institute of Building Surveyors have reservations

about the proposal and do not believe the industry education processes are up to standard to support a self-certification scheme.

We will consult closely with the Plumbers, Gasfitters, and Drainlayers Board and internal MBIE teams to obtain data and evidence to inform the development of detailed cost recovery models. We also intend to undertake targeted consultation when developing regulations, including fees.

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# Regulatory Impact Statement: Improving the efficiency of building inspections

| | |
|---|---|
| **Decision sought** | This analysis has been produced for the purpose of informing final Cabinet decisions on proposals to improve the efficiency of building inspections |
| **Agency responsible** | Ministry of Business, Innovation and Employment |
| **Proposing Ministers** | Building and Construction |
| **Date finalised** | 10/03/2025 |

**Regulatory proposal**
Amend the Building (Accreditation of Building Consent Authorities) Regulations 2006 to ensure timely inspections by requiring building consent authorities (BCAs) to have policies and procedures to ensure they can carry out 80 per cent of inspections within three days of the date requested.
The Minister has also directed the Ministry of Business, Innovation and Employment (MBIE) to progress non-regulatory measures, including collecting and publishing wait time data, guidance and information to support training on remote inspections for inspectors and builders, standardised inspection conventions, and identifying and addressing common causes of inspection failure.

## Summary: Problem definition and options

**What is the policy problem?**

Building inspection wait times are often cited as a reason for delays in building projects. Delays caused by long wait times can make it difficult for builders to plan with confidence and have an impact on the time required to complete building work and the overall cost of a building project. For the builder, this includes higher financing costs, and for home buyers it could mean delayed occupancy and higher rental costs.

Generally, 'wait time' is defined as 'how many days beyond their preferred timeslot an applicant must wait before an inspector can visit the site'[1]. Standalone residential houses typically have around 12 inspections – waiting for each of these can impact the overall time it takes to build.

[1] Not all BCAs use the same definition due to the range of approaches to measuring and recording data.

Currently, inspection wait times range from zero to six days[2], though this can vary across different BCAs and regions. BCAs see this as maintainable, however, wait times can lengthen when demand for building consents increases. During peak demand in 2021 and 2022, wait times of three to four weeks were reported in some areas, with Christchurch experiencing wait times of up to 33 days per inspection.

Long wait times impact consumers, builders, and BCAs. Delays affect the time it takes for homeowners to move into their new home, potentially increasing accommodation costs while waiting, or to begin to recover costs of their investment (if they are renting it out). For builders, slower completion may restrict cashflow and reduce profit.

Long wait times also make scheduling more difficult, especially if work needs to stop, as resources or people may need to be reallocated. They can make it challenging to estimate the completion time and align inspections – builders or building owners usually book an inspection before the work is complete, hoping that it will be ready in time, but if it is not, it will result in failure and will need to be reinspected.

MBIE does not have reliable information on the extent to which building work is delayed while waiting for inspections. The extent to which work could be delayed will be less than the 'wait time' as builders will typically book the inspection in advance of the work being finished and may be able to continue to work on other parts of the building. It is also common for builders and trades to work across multiple sites, minimising any 'down time'.

***Factors that impact on inspection wait times***

In addition to the level of building activity and short-team peaks in demand, factors that can impact wait times for inspections include:

- the number of failures and re-inspections required, either due to work not being ready or non-compliant work
- 'block booking' multiple inspections and late cancellations of those not needed[3]
- the number of inspections a BCA chooses to do – a standalone residential house typically has 12 inspections, but BCAs can choose to do more or fewer
- travel time to, from, and between onsite inspections, which can be particularly important for large, rural areas
- staffing levels and unplanned absences.

High inspection failure rates of around 20-35 per cent across BCAs mean rework is often required and can place resourcing pressure on some BCAs to direct resources towards re-inspection.

***Remote inspections can support more efficient consent processes, but uptake is low***

Use of new technologies such as remote inspections can support more efficient inspections. However, there is low uptake of remote inspections across BCAs – on average across the BCAs that offer them, they comprise less than five per cent of all inspections. This is due to:

- liability concerns from the risks of missing non-compliant work

[2] For all residential inspections. This is based on data provided by 20 of the 36 BCAs that submitted on the discussion document (the others did not provide data).

[3] Block booking is usually intended to get the inspection when it is needed and to allow for potential failures. This takes up inspection slots and, if they are cancelled at late notice, can make it hard to fill.

- the upfront and ongoing costs of new systems
- technological limitations, such as internet connectivity, and access to devices for builders and inspectors
- contractual implications for how inspectors work (from potentially more office-based work due to greater use of remote inspections)
- a relatively immature market for the technology, with only one established provider of real-time remote inspection technology in New Zealand.

Without further intervention to address inspection failures and improve inspection efficiency and consistency, including increasing the use of remote inspections, wait times for in-person inspections could lengthen as building activity picks up.

***Cabinet has previously agreed to develop options to increase uptake of remote inspections, as part of a systems approach to reforming the building consent system***

On 29 May 2024, the Cabinet Economic Policy Committee agreed to the development of a consultation document on increasing the uptake of remote inspections. This was to deliver on the Government's commitment to require councils to accept video and photo evidence of work done, and previous Cabinet decisions on the building regulatory system work programme.

The options in this Regulatory Impact Statement (RIS) focus on improving the efficiency of inspections. This analysis sits alongside other changes to the building consent system aiming to deliver on the Government's objective of housing growth and improving affordability. Related work includes enabling a risk-based approach to consenting requirements (eg self-certification and granny flats), improving efficiency and consistency in consenting processes (BCA consolidation, liability, and insurance), and ensuring occupational licensing and registration settings are fit for purpose and practitioners can be held to account.

**What is the policy objective?**

The primary objective of this proposal is to minimise delays through flexible and timely building inspections and provide certainty around inspection wait times, so that builders can plan with confidence and ensure inspections are scheduled for when work will be ready.

The Government has identified improving the building and construction system as one of the core enablers of its 'Going for Housing Growth' policy. This includes creating a more efficient building consent process to reduce time and cost delays, to support more affordable housing, as well as increasing the responsibility and accountability of system participants to get building work right and reducing the level of BCA oversight for lower-risk work.

**What policy options have been considered, including any alternatives to regulation?**

Officials have considered the following options, of which one or more may be selected:

- Status quo/do nothing
- Option 1 **(Preferred)**: non-regulatory measures, including collecting and publishing inspection wait time data, guidance and training for inspectors and builders, standardised inspection conventions, and identifying and addressing common causes of inspection failure
- Option 2 **(Preferred)**: require BCAs to complete inspections within a specified timeframe
- Option 3: require BCAs to have the systems and capability to conduct remote inspections

- Option 4: require BCAs to use remote inspections as the default approach to conducting certain inspections
- Option 5: establish a new offence to deter deceptive behaviour.

Officials consulted on options 1 and 3-5 in late 2024 (further described below).

**What consultation has been undertaken?**

From 2 October to 29 November 2024, MBIE sought feedback through a discussion document on options to increase the use of remote inspections. MBIE also carried out targeted consultation with a wide range of industry stakeholders and BCAs.

From the 2024 public consultation, MBIE received 248 submissions from a wide range of submitters, including BCAs, industry bodies, Accredited Organisations (Building), builders and building companies, designers, and architects.

Some of the key feedback received was:

- a Key Performance Indicator (KPI) for inspection wait times would incentivise BCAs to prioritise inspections
- a clear preference for BCAs to have remote inspection capability while retaining flexibility and autonomy over how inspections are conducted
- support for non-regulatory measures
- limited support for making remote inspections the default approach.

Most BCAs supported the remote inspections capability option, either on its own (10) or in combination with a new offence and/or non-regulatory measures (15). Seven BCAs supported non-regulatory measures on their own. No BCAs supported requiring remote inspections by default. More builders supported requiring remote inspections by default compared to other groups, but they were still relatively evenly split between options.

This consultation did not include the option of setting a KPI, which was suggested by several BCAs and developed further. MBIE undertook targeted consultation with some BCA cluster groups and industry organisations in early 2025. Key feedback was that a KPI (or maximum wait time) in regulations is a much better option than requiring remote inspections by default, as it would incentivise BCAs to focus on lower wait times while giving them flexibility for how they do so. It would also provide certainty to builders to help them plan with confidence.

**Is the preferred option in the Cabinet paper the same as preferred option in the RIS?**

The preferred option in the Cabinet paper is the same as the preferred option in the RIS. This is to set a maximum wait time for inspections, through amending the Building (Accreditation of Building Consent Authorities) Regulations 2006, and introduce non-regulatory measures to improve inspection efficiency.

## Summary: Minister's preferred option in the Cabinet paper

We engaged an external contractor to complete a quantitative cost-benefit analysis. We received a draft report on 17 March and have provided feedback on scope of what has been costed, the assumptions undermining the analysis and how the costings have been derived. We will provide updated costs and benefits after considering the final report, which is due on 31 March.

### Costs (Core information)

We expect the main costs for BCAs to include:

- providing data to MBIE on inspection wait times and performance against the maximum wait time (one-off set up costs for systems, and ongoing reporting)
- updating policies, procedures, and systems (one-off and ongoing)
- implementation costs (ongoing), potentially including some or all of hiring new staff, contracting out inspection functions, staff training, and licensing of remote inspection software

Some BCAs may need to increase inspection fees to recover the costs of meeting the maximum wait time. These costs would be passed on to building owners.

Confidential advice to Government We expect these BCAs would need more inspectors (or engage contractors) in addition to any costs associated with implementing measures to increase efficiency (eg upgrading IT and licensing remote inspection software). Commercial Information

Some BCAs only visit remote areas once per week (due to low demand) and increasing the number of visits to these areas would increase costs.

Some builders may end up waiting longer for urgent inspections or re-inspections, as BCAs may be less able or willing to accommodate urgent requests if it takes resource away from delivering other inspections within the required timeframe. BCAs may also impose or increase fees for late cancellations or when work is not ready for inspection.

There is a potential (likely minor) cost to builders if they need to update or acquire technology to participate in remote inspections.

We expect the main cost for MBIE to be systems for gathering and publishing data, and developing guidance and materials to support training for builders and inspectors.

### Benefits (Core information)

A package of a maximum wait time and non-regulatory measures will allow builders to book inspections closer to when they are needed and give them greater certainty for planning inspections. This should reduce the risk that work will not be ready on the date the inspection takes place, meaning there will be fewer failures on those grounds, fewer re-inspections, and lower cost of rework.

Commercial Information

It will also reduce builders' incentive to 'block book' multiple inspections of the same type, to ensure they get the slot they want. This will free up inspection slots, enable more inspections to be done each day, and support the BCA to meet the maximum wait time.

A shorter timeframe will also mean that, in cases where the builder does not book ahead, or needs to reschedule at late notice, the impact on time and cost to build will be reduced compared to longer wait times.

The proposed package will push councils to focus on eliminating inefficiencies and consider all options to reduce unnecessary delays. This could result in improved productivity (able to do more inspections per day and more efficient use inspection slots) and savings in travel time and fuel (if they choose to do more remote inspections. It will also mean fewer block-bookings and late cancellations, and reduced inspection failures, which will free up resources.

It will also offer greater support for business cases for investment to reduce wait times, and incentivise innovation in how inspections are done (eg more remote inspections, particularly for lower-risk work).

We expect the main benefit for building owners to be fewer delays and therefore a faster overall build process.

We expect the main benefit for MBIE to be better evidence to inform policy development and system monitoring. Standardised inspection conventions will also allow MBIE to develop more specific guidance and help future-proof for a new BCA structure.

## Balance of benefits and costs (Core information)

Overall, we expect the costs to BCAs to comply with the preferred package of options will marginally outweigh the benefits to builders and building owners from more timely inspections. These costs will be passed on through higher inspection fees.

Opportunities to reduce wait times through efficiencies (in the short- to medium-term) are constrained by:

- competence and confidence of builders and inspectors to use remote inspection tools and limitations of the tools – remote inspections in Auckland can take 10-25 per cent longer than on-site inspections
- liability concerns (due to joint and several liability), which affects BCAs willingness to take on more risk (eg through requiring fewer inspections).

There are a range of choices available when setting the maximum wait time and the level of compliance required. These decisions will affect the quantum of benefits and costs. The Government has signalled it wants to set an ambitious target to ensure timely inspections and fewer delays. The maximum wait time can be amended through regulations if monitoring indicates it is not achieving the intended outcome.

This Regulatory Impact Analysis does not consider the impact of proposals to change the structure of the BCA system, liability settings, and occupational regulation. MBIE expects the combined impact of these reforms would help BCAs to meet the maximum wait time, by reducing the number of inspections that BCAs need to do, and how many inspections they choose to do and how they do them.

MBIE estimates between 900 to 1500 homes could be self-certified each year nationally, reducing the total annual number of inspections BCAs need to do in total by up to 18,000. Other reforms to the BCA structure and liability could provide BCAs with a greater range of options to comply, including options that enable inspectors to be used more productively (eg through fewer inspections for trusted builders).

## Implementation

The performance of BCAs against the maximum wait time will be monitored through MBIE's performance monitoring and accreditation audits by International Accreditation New Zealand (IANZ).

Alongside the regulations, MBIE will also support the Minister to set clearer expectations for Councils on wait times and the use of remote inspections through a Ministerial letter.

The regulatory approach will complement and be enhanced by non-regulatory measures (Option 1), which includes updated guidance and training for inspectors and builders, collecting and publishing wait time data, standardised inspection conventions, and addressing common causes of inspection failure

## Limitations and Constraints on Analysis

This RIS contains several limitations and constraints which have impacted the analysis. These include:

Short timeframes – we have engaged an external contractor to complete a quantitative cost-benefit analysis, however short deadlines have meant the final report is not yet available. This has limited our ability to quantify the impacts of the preferred option. A final report is due on 31 March.

Quality of evidence-base – there are significant gaps in the evidence base, particularly around the impact on the cost of wait times and the potential impacts of the preferred option. In particular, we lack comprehensive quantitative data on:

- the extent to which inspection wait times cause delays to building work, including from any potential 'down time', the cost of these delays, and the impact on overall build times
- the total number of inspections carried out each year
- inspection wait times across BCAs (due to inconsistent reporting and systems).

We received some anecdotal information from the sector on capability and skills, current inspection systems, and remote inspection technologies being used. However, we do not have detailed information about the potential costs of upgrading systems across BCAs, which will vary significantly depending on extent to which BCAs currently do remote inspections, the number of inspectors, and how many inspections they do.

Where quantitative data is not available, we have estimated costs and benefits based on information provided from BCAs, through targeted stakeholder engagement and comparison with comparable consent system schemes.

**I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.**

**Responsible Manager(s) signature:**

**Suzannah Toulmin**
**Manager, Consenting and Practitioners Policy**
**Building System Performance**
**10/03/2025**

## Quality Assurance Statement

| **Reviewing Agency:** MBIE | **QA rating:** Meets |
|---|---|

**Panel Comment:**
An internal quality assurance panel from the Ministry of Business, Innovation and Employment has reviewed the Regulatory Impact Statement: Improving the efficiency of building inspections and assessed it against the quality assurance criteria. The panel considers that the Regulatory Impact Statement meets the quality assurance criteria for Ministers to make informed decisions on the proposals in this paper.

# Section 1: Diagnosing the policy problem

## What is the context behind the policy problem and how is the status quo expected to develop?

### *The cost of housing in New Zealand is too high*

1. Aotearoa New Zealand has some of the least affordable housing in the world[5]. Home ownership dropped from 74 per cent in the 1990s to 66 per cent in 2023. The 2023 Census showed a marginal increase for the first time in nearly 30 years.

2. Over the 12 months to June 2023, average housing costs per week increased 14.5 per cent. Data from 2023 shows over a quarter of households that do not own their home now spend more than 40 per cent of their income on housing[6].


Figure 1: Change in Housing Affordability Index (Ministry of Housing and Urban Development)

### *Building inspections help to ensure compliance with the Building Code*

3. There are no requirements in the ***Building Act 2004*** (the Act) for building consent authorities (BCAs) to undertake inspections. However, the Act entitles them to undertake inspections to be satisfied on reasonable grounds that building work complies with the building consent, in order to issue a code compliance certificate (CCC). A CCC is a formal statement issued under section 95 of the Act, that building work carried out under a building consent complies with that building consent.

4. A BCA may supplement or substitute inspections with other measures to satisfy itself that the building work will be carried out in accordance with the consent (such as a report from a chartered professional engineer.

5. A BCA will usually determine what inspections are required when issuing the building consent. The number and type of inspections will vary depending on the design of the build, location, and the BCA responsible for inspecting the work. A single detached dwelling could have around 12 inspections at various stages of the building work.

[5] OECD (2020) How's Life? 2020: Measuring Well-being. OECD Publishing, Paris
[6] Statistics New Zealand (2023) https://www.stats.govt.nz/information-releases/household-income-and-housing-cost-statistics-year-ended-june-2023/

6. BCAs are responsible for developing their own policies and procedures for managing and performing inspections. This includes the booking process, how the inspection is carried out, what happens if it fails, and the inspection fees.

7. The building owner is responsible for booking most inspections and often need to do so in advance of when they need the inspection. Builders and installers can arrange inspections relevant to their work.

***Waiting for inspections can add to the time and cost to build***

8. Delays caused by long wait times can make it difficult for builders to plan with confidence and have an impact on the time required to complete building work and the overall cost of a building project.

9. Long or uncertain wait times make it challenging to estimate the completion time and schedule inspections appropriately, which means work may not be completed in time. Poor coordination and sequencing of trades on-site has a significant impact on build times and increases the risk of defects (which can add more time due to the need for rework).

10. Regulatory delays, including delays waiting for inspections and processing variations to consents, are also often cited as a reason for delays in building projects. Inspections will usually need to be carried out sequentially and each inspection passed before work can continue on the relevant parts of the building.

11. These delays increase the cost of a building project, which reduces the sector's capacity to supply affordable housing. As noted in the limitations, we are not able to quantify the impact of wait times on actual delays and therefore the time and cost to build[7].

***There is a range of factors that impact inspection wait times***

12. In addition to the level of building activity and short-team peaks in demand, there are several other main factors that can impact wait times for inspections:

    - **The number of inspections a BCA chooses to do:** The number of inspections can vary from one BCA to another, depending on their view of risk. BCAs may require fewer inspections for simple builds by trusted builders or more inspections inspection for more complex builds. Auckland Council alone carries out approximately 4,000 inspections per week and 200,000 inspections per year[8] (for 40 per cent of all consents nationwide).

    - **Staffing levels and unplanned absences:** Low inspection capacity among BCAs, especially during times of high demand, can lengthen wait times. We have heard that many BCAs shared inspectors to help deal with high demand post-COVID-19. Anecdotal evidence from BCAs suggests that there is a lack of qualified inspectors in New Zealand. Further, inspectors have different competencies and may not be qualified to conduct certain types of inspections, meaning longer wait times for more complex inspections (eg final inspection) or dealing with different inspectors for the same project, which can lead to inconsistencies.

[7] This is because many builders will book inspections well in advance, and because builders and trades usually work across multiple sites. We lack data on how much actual delay exists due to work stopping.
[8] For all residential buildings, not only standalone dwellings.

- **The number of failures and re-inspections required:** Building work can fail an inspection due to administrative failures, such as not having the right paperwork on site, or more serious reasons, such as the work not being compliant with the Building Code. Inspection failure rates currently sit at 20-35 per cent across all BCAs. A failed inspection can increase the time it takes to complete a build. At a minimum, a failed inspection means the builder needs to book another inspection slot, which adds time[9].
- **'Block booking' of inspections and late cancellations:** It can be common for builders to book several inspections at a time and later cancel those they do not need, on the expectation that they will fail and require a follow up inspection once work has been remediated, or because they are unsure when the work will be ready[10]. Auckland Council reports that close to half of the booked inspections are later cancelled by the applicant.
- **Travel time to, from, and between onsite inspections:** Inspectors usually conduct multiple inspections each day. The time it takes an inspector to travel from one site to another, and the need to account for this in planning the day, can impact on wait times. This is particularly important for local authority BCAs that cover a large area. For example, information from Mackenzie District Council shows a driving time of around three hours per inspection, while Marlborough District Council reports that it has saved over 36,000 km in travel distance to building sites since August 2021 through doing more inspections remotely.
- **Inconsistent inspection conventions and practices:** There is no nationally consistent naming convention or scope of what is covered by each inspection type. BCAs can also take their own approach to how and when they inspect different types of building work, as well as how they interact with different building professionals. This also applies to whether remote inspections are available and when a BCA may do them. This creates uncertainty for building professionals around what an inspection might cover and what is needed to pass (eg what documentation the inspector may need to see).

***Residential building activity, and therefore the number of inspections, is forecast to increase over the next five years***

13. Consents for new homes peaked at 51,015 in the year ending May 2022, an increase from 37,024 in the same period in 2020 (27.4 per cent increase). This was largely due to the response to COVID-19. Since this peak, consents for new homes have fallen to 33,600 in the year ending December 2024, a 34.1 per cent decrease and 9.8 per cent down from the previous year.

14. In the short- to medium- term, it is likely that the building and construction sector will recover from the recent downturn. The number of new dwelling consents is forecast to increase steadily over the next couple of years before rising to 37,000 in 2028 and over 40,000 in 2029[11].

[9] Consultation on the granny flats proposals indicated that some building professionals use inspections in place of quality assurance processes to identify work that does not comply with the Building Code.
[10] https://www.mbie.govt.nz/assets/evaluation-of-the-building-consent-system.pdf
[11] https://www.mbie.govt.nz/dmsdocument/29978-national-construction-pipeline-report-2024-pdf

***Inspection wait times are currently low but will likely increase***

15. As outlined above, consents for new homes peaked in 2021 and 2022 due to the COVID-19 response. During this time, wait times of three to four weeks were reported in some areas, with Christchurch experiencing wait times of up to 33 days.

16. Inspection wait times are currently around zero to six days, although this can vary across different BCAs and regions and by inspection type. These shorter wait times are largely due to lower levels of building activity compared to the earlier peak. BCAs see this as maintainable for the next two to three years.

17. However, wait times can lengthen when demand for building consents increases. Consents for standalone houses alone are forecast to increase to 22,440 by 2029. Assuming no change to the average number of inspections per house, this will mean 269,280 inspections and 33,660 person days, an increase of 10,160 compared to today[12].

18. Although this is not as high as the 2021-22 peak, without further intervention to address inspection failures and improve inspection efficiency and consistency, including the use of remote inspections, this could mean long wait times for in-person inspections.

***New technologies, including remote inspections, can support more efficient inspection processes but have limited uptake at present***

19. Remote inspections can offer benefits to BCAs and building owners. They can save on travel time for inspectors and allow them to perform more inspections per day, as well as help produce detailed reports. A case study of remote inspections in the Mackenzie District showed that a driving time of around three hours per inspection could be saved by doing an inspection remotely[13]. Marlborough District Council also reports that, since August 2021, it has undertaken approximately 1,200 inspections remotely, which has saved over 36,000 km in travel distance to building sites. Confidentiality

20. There are two main methods of remote inspection, summarised below:

| | |
|---|---|
| **Real time remote (live video stream)**: An inspector directs the building professional around the site during a video call. The inspector can zoom in and out and capture images at key points to assess compliance. Real time is like an on-site inspection, with the inspector recording decisions and reasons for decisions on the inspection checklist as the inspection progresses. | **Evidence-based**: Building professionals upload photo/video evidence of building work to council or third-party systems and the inspector assesses it for compliance soon after it is uploaded. This approach is well suited to lower risk work and re-inspections, and for use with trusted builders with low failure rates. Quality imagery is required along with clear requirements from the inspector on what will be accepted as evidence. |

[12] Based on forecasts from the National Construction Pipeline Report 2024, consents for standalone houses over the last two years were around 15,700 per year. Assuming each house has 12 inspections, and an inspector can do eight inspections per day, this represents 188,400 inspections per year and 23,500 person days (excluding leave, administrative time, professional development).

[13] https://www.building.govt.nz/about-building-performance/transcripts/transcript-remote-inspection-mackenzie-district

21. However, the market for remote inspection technology is relatively young, with only one established provider of real-time remote inspection technology.

22. While COVID-19 lockdowns caused a spike in the use of remote inspections, levels of uptake still vary across the country, with some BCAs regularly using remote inspections, while others do not use them at all.

[redacted]

24. Overall, approximately one third of BCAs that responded to the public consultation[14] offer remote inspections, but they comprise less than five per cent of all inspections. A few BCAs have offered real-time remote inspections in the past, with some experiencing uptake during COVID-19 lockdowns [redacted]

25. MBIE published guidance in July 2024 to assist BCAs to make informed decisions when adopting remote inspection technology and to inform the sector on what to expect from different remote inspection approaches[15]. It is too early at this stage to assess what impact this guidance will have.

26. Uptake of remote inspections may increase as the technology improves and new providers enter the market. However, it is likely that without further intervention, uptake will remain low and practices across the country will continue to vary.

**Relevant government decisions**

27. The Government's 100-point economic plan includes a commitment to '***streamline building consents and make construction more efficient by requiring councils to accept video and photo evidence of work done***'.

28. In March 2024, Cabinet agreed to a work programme to deliver an efficient, competitive building regulatory system, which included remote inspections. On 29 May 2024, the Cabinet Economic Policy (ECO) Committee agreed to the development of a consultation document, including options to require BCAs to use remote inspections as the default approach to inspections.

29. The options in this RIS focus on improving the efficiency of inspections through increasing uptake of remote inspections and non-regulatory initiatives to lift inspection productivity.

[14] MBIE received submissions from 36 of the 67 building consent authorities.
[15] https://www.building.govt.nz/assets/Uploads/building-officials/guides/remote-inspection-guidance-for-building-consent-authorities.pdf

***Other initiatives that could help reduce the time and cost to build***

30. This analysis is part of a systems approach to reduce red tape by streamlining building consent systems and processes to deliver housing growth and improve affordability. Related work includes enabling a risk-based approach to consenting, improving efficiency and consistency in consenting, and ensuring occupational licensing and registration settings are fit for purpose.

| **Decisions already made** | **Ongoing work** |
|---|---|
| • The Building (Overseas Building Products, Standards, and Certification Schemes) Amendment Bill intends to improve competition in the building materials market by making it easier for overseas products to be used in New Zealand.<br>• Amending regulations to clarify the definition of 'minor variation' to make product substitution more predictable and consistent, and defining 'minor customisation' for MultiProof to allow minor design changes without voiding a certificate.<br>• Exempting granny flats (standalone buildings less than 60m$^2$) from requiring a building consent and strengthening occupational licensing regimes (***work is ongoing on implementation and legislative changes***). | • Amending the ***Plumbers, Gasfitters and Drainlayers Act 2006*** to enable plumbers and drainlayers to self-certify for simple residential work.<br>• Amending the ***Building Act 2004*** to enable building companies to self-certify for whole simple residential buildings.<br>• Investigating a single national BCA and single point of contact models, as well as the liability implications of such a change.<br>• Confidential advice to Government<br>• Strengthening occupational regulation to lift practitioner performance. |

31. These workstreams can all help to lower the time and cost to build by improving wait times, reducing delays, and enhancing consistency within and between BCAs. Some of these proposals (eg self-certification, granny flats) will reduce the proportion of new building work that is subject to inspections while others (eg BCA reform, liability) could impact how many inspections BCAs choose to do for each build and how they do them.

32. This Regulatory Impact Analysis does not consider the impact of these proposals to change the structure of the BCA system, liability settings, and occupational regulation, as no policy decisions have been made on these proposals.

## What is the policy problem or opportunity?

### *Long wait times impact builders, consumers, and building consent authorities*

33. Any delay or hold-up in the building process has a knock-on effect for all involved, increasing overall build costs which leads to rising house prices. MBIE estimates the cost of a one-week delay at around $2,047 per project ($409.40 per working day)[16].

34. Delays on inspections impact homeowners and consumers, affecting the time it takes for them to move into their new home, have their renovation completed, or begin to recover costs of their investment if they are renting a property out.

35. For the builder, faster completion may improve cashflow and it enables overheads to be spread over more projects, thereby increasing profit. For the owner, quicker construction may result in lower accommodation costs while waiting to move in.

36. Long wait times make it challenging for builders to estimate the completion time for work and align the inspections appropriately. This means building work is often not completed in time for inspections and results in failures on those grounds. BCAs agree this is an issue and inspectors can often turn up to building sites and find that the work to be inspected is not complete[17].

37. Long or uncertain wait times also make scheduling more challenging. A long wait time does not necessarily mean that work must stop, as builders can book ahead to ensure an inspection is scheduled when they need it or continue to work on other parts of the building or another site.

38. However, if work does need to stop to wait for an inspection, building professionals may need to reallocate resources to different sites, arrange for subcontractors to return once the inspection is passed, or re-schedule or extend when they need certain materials or equipment. For example, a project manager may need to account for possible delays when planning how long they need scaffolding for.

39. Under the status quo, builders may need to start planning for inspections two to four weeks in advance to account for delays in the project itself and from missed or failed inspections. It is common for lead contractors, subcontractors, and suppliers to build in margins to account for project delays.

40. Similarly, long wait times incentivise 'block booking', which is discussed further in paragraph 12. If a builder knows they must wait for an inspection, they are more likely to book multiple inspections further in advance and later cancel the ones they do not need. This can create further delays.

### *Remote inspections provide an opportunity to improve efficiency but there are barriers to its uptake*

41. Remote inspections can make it easier, faster and cheaper to build by enabling BCAs to carry out more inspections per day. By reducing the need to travel to site (saving on time, fuel costs, and vehicle emissions), offering greater flexibility for inspections to be done

[16] Internal analysis based on 2012 BRANZ report (SR259 Value of time savings in new housing) and adjusted for inflation. The BRANZ research is based on the cost of new dwellings.
[17] MBIE, Evaluation of the Building Consent System, 2022, https://www.mbie.govt.nz/assets/evaluation-of-the-building-consent-system.pdf

once work is ready, and speeding up certain inspections (eg re-inspections or simple elements), remote inspections can reduce inspection wait times due to greater availability of inspection slots. This, in turn, helps reduce on-site delays so building work can progress at greater pace.

42. However, there are several barriers to greater use of remote inspections:

- **Limitations and risks of technology**: responses to public consultation highlighted that many people are concerned about the risk of non-compliant work or defects being missed, and the suitability of some building work to be inspected remotely, such as where physical testing is required (eg moisture testing) or for complex work.
- **Confidence in technology**: there is uncertainty around whether a remote inspection can be done efficiently and effectively or whether an on-site inspection would be quicker. There is evidence that remote inspections can take longer than on-site inspections in some instances (eg where inspectors have to re-direct the builder on site, or if it is difficult to see a particular item via video). Auckland Council reports that remote inspections can take 10-25 per cent longer than on-site inspections (not accounting for travel time).
- **Liability concerns**: many BCAs are concerned about the liability implications of, and the greater level of risk associated with, remote inspections. Under the joint and several liability rule, BCAs that provide a consent are jointly and severally liable with other parties, if they are found to be negligent in carrying out their role. Since BCAs are often the "last person standing", they have tended to carry a significant share of the costs of settlements and can end up liable for the whole cost of remediation (in the case of defective work being missed) if one or more other party is not able to contribute their share.
- **Inertia and uncertainty**: familiarity bias in favour of on-site inspections may be contributing to a lack of interest from builders at present, although this can change if inspectors cannot travel to site or wait times lengthen significantly (eg during COVID-19). While some BCAs may look to use remote inspections more, others are unlikely to take them up even as the technology improves. This could be influenced by technological limitations (as above), the time it will take to become confident is using the technology, and the limited options available in the market.
- **Cost factors**: there can be significant upfront and ongoing costs to BCAs to adopt remote inspections. This includes the cost of the technology or software itself, establishing consent systems that can incorporate remote inspections, and training for inspectors to do inspections remotely. Funding pressures within Councils can make it difficult to get the upfront investment required for things that could enable the BCA to be more efficient and reduce wait times. There are also potential implications for how inspectors work (ie more office-based inspections rather than on-site), which could impose costs on BCAs to hire new staff or update working arrangements.

***Poor feedback loops and uncertainty prevent systematic issues from being addressed***

43. Poor feedback loops, whereby the system is dependent on individual inspectors and builders talking to each other about issues and how to improve, make it difficult to determine what system-level interventions may be required, such as changes to competency settings or professional development. This means participants often make

the same mistakes. For example, we have heard that there are often issues with junction details[18], which could lead to weathertightness issues if not rectified.

44. Further, while MBIE does not currently have reliable data on the common reasons for failed inspections, we have heard that inspections can fail because the builder does not have the right documentation on site (eg there may be no record of site notes from the engineers responsible for construction monitoring).

45. While this may appear relatively minor, it indicates that some builders may not have a good understanding of what inspectors will be looking for during an inspection, and what documentation may need to be reviewed. This means inspections may fail because the builder is not fully prepared. This could be exacerbated by inconsistent naming conventions and differences in scope for inspection types across BCAs.

### What objectives are sought in relation to the policy problem?

46. The primary objective of this proposal is to minimise delays through timely and flexible inspections. This will provide certainty around inspection wait times to support builders to plan with confidence and ensure inspections are scheduled for when work will be ready.

47. Timely and flexible inspections will enable faster building and less cost overall to build (from time, labour, materials). This means more affordable housing and also supports the Government's 'Going for Housing Growth' policy. This proposal is part of a package of proposals to streamline the building consent system and make it quicker, easier, and less expensive to build.

### What consultation has been undertaken?

48. MBIE released a discussion document seeking feedback on options to increase the use of remote inspections, which was open for public consultation from 2 October to 29 November 2024. MBIE also carried out targeted consultation with a wide range of industry stakeholders and BCAs.

49. The options consulted on were:

    a) review remote inspection guidance, address failure rates and/or publish wait times (non-regulatory)

    b) require BCAs to have the systems and capability to conduct remote inspections

    c) require BCAs to use remote inspections as the default approach to conducting inspections

    d) create a new offence to deter deceptive behaviour (stand-alone or complementary option).

50. MBIE received 248 submissions from a wide range of submitters, including BCAs, industry bodies, Accredited Organisations (Building), builders and building companies, designers, and architects.

[18] A junction is where materials meet or change direction and can be a weakness in the weathertightness of the building envelope.

51. Most submitters agreed with the opportunity, risks, and barriers to remote inspections.

52. Submitters acknowledged there are barriers to BCAs doing more inspections remotely but that remote inspections should be used more than they currently are because they can save time through, for example, fewer delays or fewer inspections, and reduced travel time for inspectors.

53. Many builders had no concerns with using remote inspection technology, but noted that it needs the right training, systems, and clear responsibilities.

54. However, most submitters also argued that remote inspections should be approached carefully. Reasons for this included:

    - a greater risk of non-compliant work being missed, either from poor builder competence or deceptive behaviour, meaning higher failure rates and/or increased cost of remediation
    - some work not being suitable to be inspected remotely
    - remote inspections taking longer than on-site inspections
    - missing out on the benefits of on-site inspections, particularly the interpersonal connections with inspectors and the ability to discuss potential issues ahead of time.

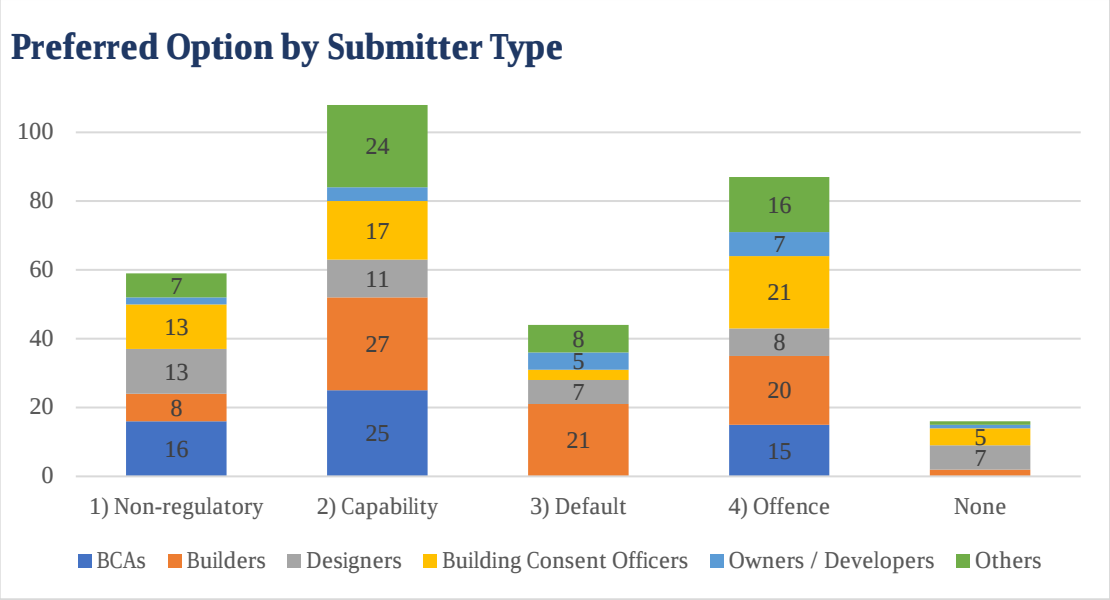
55. Regarding the options and a preferred approach to remote inspections, submissions revealed some key themes:

    - several BCAs proposed a Key Performance Indicator (KPI) for inspection wait times as an alternative option to incentivise BCAs to prioritise inspections
    - a clear preference for BCAs to have remote inspection capability but retain the choice of inspection method
    - support for improving wait times through non-regulatory measures
    - limited support for making remote inspections the default approach.

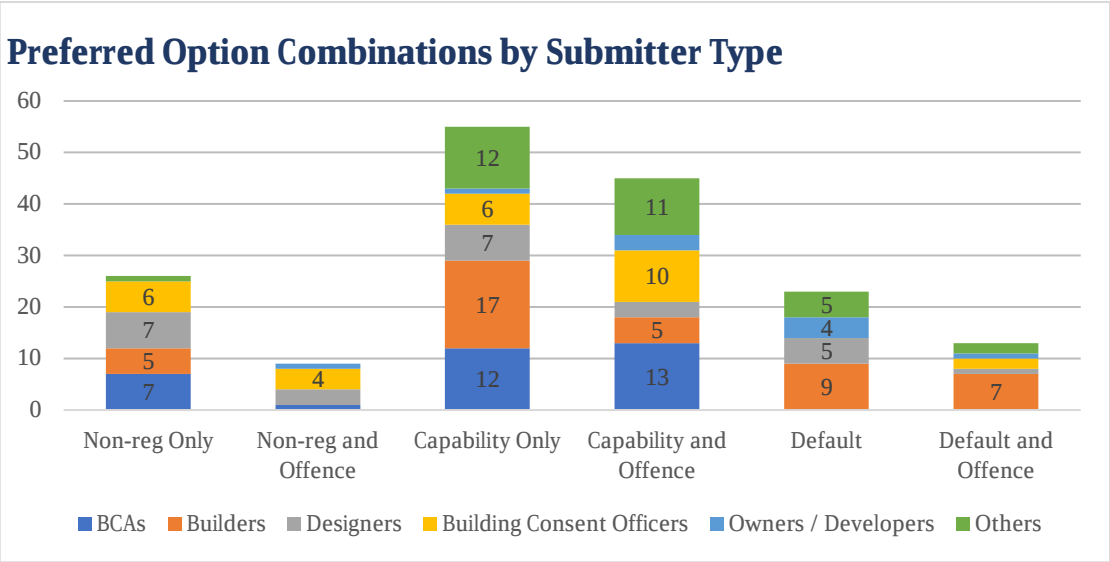
56. In terms of support for the various options, most submitters supported requiring BCAs to have the systems and capability to conduct remote inspections (106) and a new offence to deter deceptive behaviour by building professionals (87). The non-regulatory measures and requiring BCAs to use remote inspections as the default approach were supported by 60 and 44 submitters respectively.

57. Most BCAs supported the remote inspection capability and new offence options, though some preferred non-regulatory measures. No BCAs and very few individual consent officers supported requiring remote inspections by default.

58. While more builders supported requiring remote inspections by default compared to other groups, they were still relatively evenly split between requiring by default, requiring remote inspection capability, and a new offence. Designers were also evenly split between all four options. Very few submitters selected ‘none’.




59. The most common combination of options (after capability alone) was requiring BCAs to have the capability and a new offence for deceptive behaviour (45). This includes submitters who both did and did not select non-regulatory measures as part of their preferred package.




60. Further targeted engagement was carried out in early 2025 with some BCA cluster groups and industry organisations on the alternative proposal to set a maximum wait time for inspections.

61. Key feedback was:

- A five day wait time (80 per cent of the time) is reasonable and achievable. BCAs are largely achieving this now and believe they can continue doing so, and the 80 per cent compliance rate allows for scenarios where there are valid reasons an inspection cannot be done (eg an issue from a previous inspection is unresolved, a notice to fix has been issued, or a natural hazard or emergency event). A maximum wait time also provides builders certainty to plan when inspections are needed.

- A three day wait time would be challenging for many BCAs to meet and they would likely require additional resources. It is likely that BCAs would need to increase inspection fees to meet the cost of complying with the shorter timeframe.
- Amending regulations to set a maximum wait time is a much better option than requiring remote inspections by default. This is because it gives BCAs flexibility in choosing how to lower wait times (including potentially using remote inspections where suitable) and it provides a stronger incentive than a Ministerial expectation (or other non-regulatory approach).

# Section 2: Assessing options to address the policy problem

## What criteria will be used to compare options to the status quo?

62. MBIE has considered the following key criteria in its assessment of options:

    - Time and cost to build – the option improves the timeliness of inspections and the building consent process overall and reduces cost.
    - Consumer confidence – building owners can be confident that the option supports buildings that comply with the Building Code and are safe, healthy and durable.
    - Flexibility – the option itself is flexible and supports the consent system to be responsive and continually improve through system monitoring and good information flows.
    - Ease of implementation – the option is simple and practical to implement, and the transition is smooth.

## What scope will options be considered within?

63. The Government's 100-point economic plan includes a commitment to 'streamline building consents and make construction more efficient by requiring councils to accept video and photo evidence of work done'. In March 2024, Cabinet agreed to a work programme for improving the building regulatory system, which included remote inspections. On 29 May 2024, the Cabinet ECO Committee agreed to the development of a consultation document on increasing the uptake of remote inspections.

64. As outlined in paragraphs 30-32, these options sit alongside other proposed system changes that will impact the time and cost to build. This includes self-certification, granny flats, BCA reform, liability and insurance, and occupational licensing and registration settings.

65. The options considered in this RIS include those that were developed to deliver on these decisions and were consulted on in late-2024 (see paragraph 50). These options were informed by previous public consultations and subsequent direction from the Minister for Building and Construction. This includes non-regulatory options.

66. Several BCAs suggested an additional option of a KPI for inspection wait times in their submissions. Officials have carried out further policy work and targeted consultation with BCAs and key industry organisations to develop this option, which is Option 2 in this RIS. This option was tested with the Minister in February 2025, who agreed to the approach and the broader focus on improving the efficiency of inspections.

67. Some of the options are non-exclusive (ie they could be chosen alongside other non-exclusive options). The only exclusive options are requiring BCAs to have the systems and capability to conduct remote inspections (option 3) and requiring BCAs to use remote inspections as the default approach to conducting certain inspections (option 4), as option 4 would require BCAs to have remote inspection capability.

## What options are being considered?

### Status Quo / Counterfactual

68. Under the counterfactual, BCAs would retain discretion over their policies, processes, and systems for carrying out inspections, including if and when they carry out inspections remotely.

69. Inspection wait times will remain in the range of zero to six days in the short-term but may stretch out as building activity picks up from 2027.

70. The uptake of remote inspections – both the number of BCAs using them and as a proportion of inspections overall – may increase as the technology improves, new providers enter the market, and inspectors and builders become more confident using remote inspection tools. However, barriers to uptake will mean that the potential efficiencies offered by remote inspections are not realised.

71. The time spent to carry out re-inspections (of work that failed at first inspection) – irrespective of how they are done – will continue to be an unnecessary drain on inspection resources and the ability to provide efficient and timely inspection service.

### Option One – Non-regulatory measures (collecting and publishing wait time data, guidance and training for inspectors and builders, standardised inspection conventions, and identifying and addressing common causes of inspection failure)

72. This option would include introducing all the following non-regulatory measures:

    a) **Collecting and publishing wait time data:**

    In April 2024, MBIE began collecting and publishing data on the performance of this building consent system on a quarterly basis[19]. This data is currently limited to compliance with statutory timeframes for making decisions on applications for building consents and code compliance certificates. MBIE could build on this performance monitoring to collect and publish data on inspection wait times. This would provide greater transparency and public accountability at a local level, and enable builders to know how far advance they may need to book to avoid having to wait.

    b) **Guidance and training for inspectors and builders on remote inspections:**

    This option would see MBIE review and update its existing guidance on remote inspections[20]. MBIE would develop additional guidance based on feedback from BCAs to address barriers to uptake.

    MBIE would also develop content for (and partner with the sector to provide) training on how to undertake remote inspections, to enable remote inspections to be done more quickly with fewer risks.

[19] https://www.mbie.govt.nz/building-and-energy/building/building-system-insights-programme/building-consent-system-performance-monitoring
[20] https://www.building.govt.nz/assets/Uploads/building-officials/guides/remote-inspection-guidance-for-building-consent-authorities.pdf

c) **Standardising inspection conventions**:

MBIE would develop guidance on a set of standardised inspection conventions, which BCAs would be encouraged to adopt, in order to comply with regulation 7(2)(e) of the Building (Accreditation of Building Consent Authorities) Regulations 2006[21].

This would include standardised naming conventions, clear description of the scope of what will be inspected at each stage of the process, and a standardised checklist, available to both inspectors and builders that will include any other requirements, such any documentation that will be required to be provided to the inspector.

This option would support a more consistent and predictable inspection process for builders, and the sharing of inspection resource across BCAs. It could help builders to make sure the work is ready for inspection, which could reduce the number of inspection failures due to work not being ready, or builders not having the appropriate documentation, such as the site notes from engineers.

d) **Identifying and addressing common reasons of inspection failure:**

MBIE would also collect and analyse data on common causes of inspection failure and use this information to develop guidance or information for builders to help reduce failure rates.

Insights would also be shared with the occupational regulators (eg the Building Practitioners Board, the Plumbers, Gasfitters and Drainlayers Board) for their information when considering competency settings and continuing professional development requirements.

### Option Two: Require BCAs to complete inspections within a specified timeframe

73. To be accredited, a BCA must meet the criteria of the Building (Accreditation of Building Consent Authorities) Regulations 2006. This includes a requirement to have policies and procedures for planning, performing, and managing inspections.

74. This option would amend the Building (Accreditation of Building Consent Authorities) Regulations 2006 to require BCAs to have policies and procedures to ensure they can carry out inspections within a specified timeframe, as a condition of accreditation.

75. There is a range of options for where the maximum wait time could be set, and it could be amended if monitoring indicates it is not achieving the intended outcome. The Minister has directed that the maximum wait time be set at three working days. Targeted consultation has indicated that a three day wait time would have higher costs and higher benefits than a five day wait time.

76. International Accreditation New Zealand (IANZ) would monitor and enforce compliance through the existing two-yearly accreditation assessments of BCAs. This includes assessing whether the policies and procedures are fit for purpose, and whether they are being consistently and effectively implemented. Failure to comply with the proposed timeframes would result in a non-compliance recorded. Any BCA that fails to address any non-compliances within a specified timeframe risks having their accreditation revoked.

[21] This regulation requires BCAs to have policies and procedures for planning, performing, and managing inspections

The same process is used to enforce BCA compliance with statutory timeframes for processing applications for consent and code compliance certificates.

77. MBIE would also be able to request IANZ to carry out an out of cycle assessment, if its monitoring of inspection wait time data revealed issues with the performance of one or more BCAs.

78. MBIE would update its guidance on the BCA accreditation scheme, to include guidance for BCAs on how to comply with the new requirement and the potential approaches BCAs could take to improve efficiency and reduce wait times. This could include:

- greater use of remote inspections
- reducing the number of inspections for trusted builders
- reducing inspections for low-risk work and re-inspections
- guidance on how to disincentivise 'block booking', late cancellations, and/or not being ready for inspection
- reallocating resources (eg training processors to inspect)
- hiring more staff
- contracting out inspection functions
- sharing arrangements with other BCAs to undertake onsite inspections and/or remote inspections.

79. Officials considered statutory and non-regulatory approaches for setting a maximum wait time.

80. A regulatory approach is preferred as it provides a stronger incentive to BCAs to lower wait times, greater clarity around performance expectations for inspections, and stronger support for business cases for investment in systems and processes.

81. While a similar outcome would be achieved through setting a maximum wait time in the primary legislation, consequential amendments would have been required (as there is currently no legislative requirement for BCAs to undertake inspection). Setting the maximum wait time in regulations means it can be more easily amended if required.

### Option Three – Require BCAs to have the systems and capability to conduct remote inspections

82. This option would amend the accreditation regulations to require BCAs to have the policies, procedures, and systems to be able to conduct inspections remotely, as a condition of maintaining accreditation. Like option 2, this option would be monitored and enforced through IANZ's accreditation assessments.

83. BCAs would be able to comply by ensuring they have in-house capability to provide inspections remotely, or arrangements for another BCA or third party to provide remote inspections on its behalf. However, BCAs would retain discretion on when they inspect remotely.

84. Building owners will have confidence that risks are being managed, and that their homes will be healthy, safe, and durable.

### Option Four – require BCAs to use remote inspections as the default approach to conducting certain inspections

85. This option would amend the Building Act to require BCAs to use remote inspections as the default approach for carrying out certain inspections.

86. Regulations could specify the inspection types or criteria for which inspections should be carried out remotely. The requirement to use remote inspections could initially focus on lower risk building work or inspections such as plumbing and/or elements of single level builds, re-inspections, and inspection types with low failure rates. This could be expanded over time, as technology improves, and BCAs and the sector become more confident and skilled in the use of remote inspection tools.

87. There would be some exclusions from the default requirement, such as when:

- there is poor internet connectivity at the inspection site
- there is poor lighting or adverse weather that may impair video/photo quality
- the inspector and/or builder deem it necessary to conduct an on-site inspection to ensure critical details are not missed
- a building professional has previously been deceptive or regularly failed inspections.

88. BCAs would still need to be satisfied on reasonable grounds that the work has been carried out in accordance with the building consent, before issuing a code compliance certificate. There would be no change to BCA liability under this option. However, inspectors would retain the ability to follow up with an on-site inspection[22].

### Option Five – Establish a new offence to deter deceptive behaviour

89. It can be easier to hide or disguise non-compliant work during a remote inspection.

90. This option would create a new offence to deter deceptive behaviour that could result in non-compliant work passing an inspection. The offence would relate specifically to deliberate actions to hide, disguise, or otherwise misrepresent non-compliant building work, such as providing images of other completed building work, or trying to prevent the inspector from seeing certain aspects of the work.

91. Prosecution could be in addition to any disciplinary action a regulated practitioner may face. For example, licensed building practitioners are required to comply with a code of ethics and failure to comply with the code of ethics can result in disciplinary action.

[22] Section 90 of the Building Act also enables on-site inspections at any time, including for the purposes of spot checks.

## How do the options compare to the status quo/ counterfactual?

| | Status Quo | Option 1 – Non-regulatory measures | Option Two – Require BCAs to complete inspections within a specified timeframe | Option Three – BCAs have systems and processes for remote inspections | Option Four – Require remote inspections by default | Option Five – New offence |
|---|---|---|---|---|---|---|
| **Time and cost to build** | 0 | ++<br>Publishing wait time data allows comparison across BCAs and incentivises measures to keep wait times low.<br>Standardised inspection conventions and addressing common causes of failure would help builders to be better prepared for onsite and remote inspections. This could, in turn, reduce delays associated with rework and re-inspections, and free up resources to provide more timely inspections.<br>Guidance and training would support remote | +<br>Supports business case for investment in systems and processes to deliver more timely inspections.<br>Ensures local authority BCAs prioritise inspections.<br>Enables builders to plan with confidence, knowing how far to book ahead and avoid pausing work.<br>Risk that inspection costs rise as BCAs may need to recover costs of meeting wait time. However, option provides flexibility for lower cost solutions to deliver. | +<br>Would enable more flexible and timely inspections, or lighter touch approach for lower risk work.<br>May enable more inspections to be done per day in some areas, due to less travel time.<br>May provide builders in rural areas more choice for when inspections can be booked.<br>Extent to which BCAs use remote inspections (and impact on wait times) will continue to be limited by barriers discussed in section 1.<br>Inspection fees may need to increase to cover set up and implementation costs. | 0<br>May enable more inspections to be done per day in some areas.<br>Inspections may take longer, which could outweigh any travel time savings.<br>Inspectors may need to schedule on-site follow-up inspections if they cannot adequately do inspection remotely (further delays).<br>Would make it harder for inspector and builder to proactively identify and address potential issues, which could cause delays and need for rework.<br>May create perverse incentives (eg BCAs adding inspections). | 0<br>May give BCAs more confidence to offer remote inspections. However, the extent to which BCAs use remote inspection tools (and impact on wait times) will continue to be limited by barriers discussed in section 1. |

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| | | inspections to be done more quickly. | | | | |
| **Consumer confidence** | 0 | + Could provide building owners with greater confidence that work will be done right first time, if evidence shows failure rates decreasing due to information/education. Building owners can be confident in the reliability of remote inspections. | 0 Building quality maintained as BCAs encouraged to take most suitable approach to inspections. | 0 Some risk that defects or non-compliant work would be missed, but BCAs would have choice on when to inspect remotely. | – – Greater risk that non-compliant work or defects not identified during remote inspection, where on-site inspection would have been more suitable. This would require the owner to organise for the builder to return and rectify defect. | 0 Would deter deceptive behaviour and enable building owners or BCAs to hold builders to account. |
| **Flexibility** | 0 | + Publishing data on inspection wait times and providing guidance to help reduce failure rates will support continual improvement. | + Targets desired outcome while providing for flexibility and choice about how to deliver it. Setting a maximum wait time rather than prescribing a particular technology solution encourages ongoing improvement. Maximum wait time could be updated over | + Would provide greater flexibility for how inspections are carried out in areas that do not currently offer remote inspections. Policies and processes can be easily amended as technology improves. BCAs could lose accreditation if they do | – – Builders cannot do other work while inspection is ongoing. Would make it more difficult for inspectors and builders to problem solve and find compliant solutions. Prevents BCAs from determining on a case-by-case basis which inspection method | 0 Would enable BCAs to appropriately respond to deceptive behaviour. |

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| | | | time to reflect changing situations. | not have policies for remote inspection. | would be most efficient and effective. | |
| **Ease of implementation** | 0 | 0<br>More certainty and clarity for builders about how far in advance they need to book an inspection.<br>Easy to implement. | 0<br>Provides greater clarity about performance expectations for doing inspections.<br>Provides flexibility for BCAs to implement simple and practical measures to achieve the wait time.<br>Some BCAs already have internal wait time targets, making transition easier.<br>Should be easy to comply once reporting systems are in place.<br>Some BCAs may incur additional cost to implement measures to achieve the required wait time. | –<br>Set up and implementation costs to introduce or update policies, procedures, and systems may outweigh benefits in some areas. This could change as technology improves and providers enter market.<br>Enforcing compliance may be challenging, as some local authorities may be unwilling to invest in new technology without certainty on the outcome BCA reform. | – –<br>Most complex option.<br>Potentially higher set up and implementation costs than option 3, and same enforcement challenges.<br>Requires defining inspection types and carve-outs for when remote inspections are not suitable (no legislative requirement to inspect).<br>Some BCAs may need to renegotiate employment contracts (where contracts are field based) or recruit additional staff to do remote inspections.<br>Some builders may need new devices. | 0<br>Would help clarify builders' responsibilities and the consequences of engaging in deceptive behaviour. However, would be challenging and costly to prove intent. |
| **Overall assessment** | 0 | **+4** | **+2** | **+1** | **-6** | 0 |

## What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

92. MBIE considers a package combining the elements of options 1 and 2 will be the most efficient and effective way of achieving the objective of minimising wait times through flexible and timely inspections.

93. The package will:

- provide strong incentives for BCAs to deliver lower wait times, while providing flexibility to implement lower cost solutions (eg through doing more inspections remotely, taking a more-risk based approach to how many inspections are required, recruiting more inspectors, or entering arrangements for other parties to do the inspections)
- enable builders to plan with confidence, as they will have more certainty about how far in advance they need to book to ensure work can progress without delay
- support builders to be better prepared for inspections and reduce risk of inspection failure and the need for re-inspections. The package will ensure builders have greater clarity about what the inspection will cover and what the inspector will be looking at, any documentation the inspector may need to review, and how to avoid some common compliance errors.
- ensure remote inspections can be done more quickly and effectively, including through more targeted guidance and training
- ensure building work progresses as quickly as possible, with timely inspections and fewer re-inspections. For building owners, this means a faster overall build process, ensuring they can occupy the building faster, resulting in reduced rental costs and/or faster repayment on investment.

94. While some of these benefits could be achieved through a non-regulatory package, combining the non-regulatory measures in option 1 with a maximum wait time for inspections will ensure BCAs prioritise the delivery of inspections over other outcomes (such as reducing costs through fewer inspectors). It will also support business cases for investment in processes and systems that will improve productivity and enable more inspections to be done per day, which will mean lower wait times for builders.

95. While option 3 (require BCAs to have the systems and capability to conduct remote inspections) scored higher than the counterfactual, it would not offer any additional benefits over what can be achieved through either option 1 or 2 on their own.

96. Requiring BCAs to have policies, procedures, and systems to carry out remote inspections (option 3) could result in greater use of remote inspections and lower wait times compared with the counterfactual. However, it would be unlikely to offer any additional benefit over either option 1 or 2. It is also not clear that the benefits would outweigh the initial and ongoing costs (particularly for smaller BCAs with low consent volumes). The need for regulatory intervention could be revisited once decisions have been made on a preferred option for BCA reform.

97. Requiring BCAs to use remote inspections as the default approach to conducting certain inspections (option 4) would be the most complex and costly to implement and comply with. It would be unlikely to deliver more benefits than MBIE's preferred package.

98. A new offence targeting deceptive behaviour (option 5) could give BCAs more confidence to inspect remotely (which could enable more timely inspections through reduced travel time). However, challenges proving intent could limit its effectiveness as a deterrent, and it is not likely to lead to greater use of remote inspections or lower wait times compared with the counterfactual.

### Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

99. The preferred option in the Cabinet paper is the same as the preferred option in the RIS. This is to have two complementary measures:

    a) setting a maximum wait time for inspections through changes to Building (Accreditation of Building Consent Authorities) Regulations 2006

    b) introducing non-regulatory measures (Option 1) to enhance the regulatory approach.

100. There is a range of options for where the maximum wait time could be set, and it could be amended if monitoring indicates it is not achieving the intended outcome. The Minister has directed that the maximum wait time be set at three working days. Targeted consultation has indicated that a three day wait time would have higher costs and higher benefits than a five day wait time.

101. The Minister has also expressed interest in setting clearer expectations for Councils on wait times and the use of remote inspections through a Ministerial letter.

### What are the marginal costs and benefits of the preferred option in the Cabinet paper (3-day maximum wait time and non-regulatory measures)?

| Affected groups | Comment | Impact | Evidence Certainty |
|---|---|---|---|
| **Additional costs of the Minister's preferred option compared to taking no action** | | | |
| Building consent authorities | Cost to provide data to MBIE (one-off set up for system, and/or ongoing reporting)<br>Additional staff to bring wait times down<br>Updating and implementing policies, procedures, and systems (one-off set up and ongoing review) could also include:<br>• Contracting out inspection functions<br>• Training<br>• Remote inspection software | High<br>Confidential advice to Government | Medium (varies between BCAs) |

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| Builders / building companies | Potential cost to update or acquire remote inspection technology<br>Reduced flexibility, restricted bookings and less availability for urgent requests and faster re-inspections<br>Possible penalties for cancellations or work not being ready | Low | High (any increase to inspection fees or penalties will be passed on to building owners) |
| Homeowners / building owners | Higher inspection fees, including impact of potential penalties (passed on from BCAs to recover costs of meeting required wait time) | Medium | Medium |
| Other industry participants (eg designers, architects, engineers) | - | None | High |
| MBIE | Gathering and publishing data<br>Developing guidance and training materials<br>Standardising inspection conventions and addressing causes of failure | Low | High |
| Others (eg wider govt, consumers, etc.) | - | None | High |
| **Total monetised costs** | - | - | - |
| **Non-monetised costs** | - | High | Medium |
| **Additional benefits of the Minister's preferred option compared to taking no action** | | | |
| Building consent authorities | Improved efficiency and productivity (able to do more inspections per day, better use of inspection slots)<br>Fewer block-bookings/late cancellations and reduced inspection failures<br>Travel time savings and cost of fuel | Medium | Medium (depends on extent to which failure rates lower and remote inspection technology improves) |
| Builders / building companies | Certainty for planning inspections and keeping work moving/fewer delays | Medium-high | Medium (depends on extent to which |

| | | | |
|---|---|---|---|
| | Better prepared for inspections – less inspection failures, fewer re-inspections, and lower cost from rework (less labour time and materials) | | builder performance improves) |
| Homeowners / building owners | Fewer delays (and faster overall build process) | Low<br>Save up to 12 days (per house) | Low (unclear whether or how savings will be passed on) |
| Other industry participants (eg designers, architects, engineers) | - | None | High |
| MBIE | Better evidence to inform policy development | Medium | High |
| Others (eg wider govt, consumers, etc.) | - | None | High |
| **Total monetised benefits** | - | - | - |
| **Non-monetised benefits** | - | Medium-high | Medium |

102. We engaged an external contractor to complete a quantitative cost-benefit analysis. We received a draft report on 17 March and are evaluating the results and assumptions. Our feedback will be used to inform the final draft, which is due on 31 March.

103. It is not yet clear what the magnitude of impact of other building consent system proposals will be, particularly BCA reform, liability, and self-certification. Collectively, these reforms would likely reduce the number of inspections that BCAs need to do and/or impact how many inspections BCAs choose to do and how they do them.

104. While it is likely that the costs to implement a 3-day maximum wait time would exceed the benefits when considering this policy in isolation (assuming BCAs could find sufficient resource to meet the requirement), this policy would complement other measures under consideration to reduce red tape and incentivise BCAs to take a more risk-based approach. If subsequent changes reduce the number of BCAs and BCA exposure to liability, this provides BCAs with a greater range of options to meet the requirement of shorter wait times.

***Summary of results***

105. We would expect the costs of a 3-day maximum wait time combined with non-regulatory measures to outweigh the benefits. We also expect the benefit-cost ratio to increase over time as inspection failure rates fall, the sector becomes more confident in using remote inspections, and as the quality of data improves to support better reporting.

106. The expected benefits, such as those outlined in paragraph 93, would likely to be ongoing while the costs would be temporal (ie one-off upfront or incurred only over the short-term).

107. Although this option provides opportunities for BCAs to find efficiencies, the costs to comply would be high. Opportunities to reduce wait times through efficiencies (in the short- to medium-term) are constrained by:

- competence and confidence of builders and inspectors to use remote inspection tools and limitations of the tools –remote inspections in Auckland can take 10-25 per cent longer than on-site inspections
- liability concerns (due to joint and several liability), which affects BCAs willingness to take on more risk (eg through requiring fewer inspections).

108. Most of the metro BCAs would not currently be able to comply with a 3-day maximum wait time without changing their approach to inspections or investing in additional resources. Confidentiality We expect that all these BCAs, as well as others experiencing wait times greater than three days, would need more inspectors to bring wait times under three days. It is unlikely that BCAs would be able to recruit sufficient staff to achieve this, and it can take up to a year to train inspectors to become competent for residential inspections (five years for complex commercial inspections)

109. Any potential increase in inspection fees (as discussed above) could disproportionately impact building owners in rural areas where BCAs are carrying out fewer inspections and it could be harder to recovery upfront investment through efficiencies.

110. However, the flexibility of the preferred option allows BCAs to implement lower cost solutions to improve the efficiency of inspection service delivery and lower wait times, such as contracting out inspections, doing fewer inspections, entering into shared services with other BCAs, or transferring their functions.

***Time saved from avoidance of inspection delays***

111. The proposal includes a benefit of avoiding delays relating to inspections. For the purposes of the cost-benefit analysis, a delay is where the work to be completed has been finished and the builder is waiting for the day of inspection. For example, if a builder books an inspection on Monday for Friday and work is completed on Wednesday, then there is a delay of one day.

112. The data we have available to conduct these calculations is limited and we have had to make a series of assumptions. These are:

- Normal inspection wait times are 4 business days (the day of booking is including in this number). If booked on Monday, the inspection will occur on Thursday.

Confidentiality

- Busy inspection wait times are 10 business days (the date of booking is including in this number). If booked on Monday, the inspection will occur on Friday the following week.
- A builder in the self-certification scheme would normally book an inspection with 5 business days of work for that inspection remaining including the day of booking.
- In the case of self-certification, a builder would spend 1 business day after work is complete doing their own quality assurance.
- The number of avoided inspections will be 4 for plumbers and drainlayers and 12 per entire build.

113. It is unlikely that the wait time will be consistent in the entire duration of the building work. To account for this, we have assumed that if consenting volumes are below the median, there will be normal wait times (zero days). If volumes are between the 50th and 75th percentile, it is a delay of two days (midpoint of normal and high wait times). If volumes are above the 75th percentile, it is a delay of four days (high wait times). This provides us with an estimated time saving of one day per inspection.

114. However, this does not account for time where the builder may be able to do other work while wait for the inspection, so our certainty of actual days saved is low.

| **Percentile volumes** | **Weighting** | **Days saved** | **Days saved (weighted)** |
|---|---|---|---|
| 0-50th | 0.6 | 0 | 0 |
| 50th-75th | 0.3 | 2 | 0.6 |
| 75th-100th | 0.1 | 4 | 0.4 |
| **Total wait times saved per inspection** | | | **1** |

## Section 3: Delivering an option

### How will the proposal be implemented?

116. IANZ has been appointed by MBIE as the national accreditation body BCAs since the inception of the BCA accreditation scheme (section 248 of the Building Act refers). Accreditation audits usually occur every two years.

117. IANZ has confirmed that it will be able to assess compliance with the proposed additional requirement as part of the current audit process, and it would have no overall effect on the assessment time or cost.

118. A suitable transition period (to be confirmed) will provide time for BCAs to update and implement policies, procedures, and systems before compliance with the new requirement becomes subject to the accreditation audits.

119. MBIE will also produce guidance on the new regulation with more detail on the potential approaches BCAs could take to comply with the regulations and deliver more timely inspection services.

120. MBIE will also establish a regular cycle of public reporting on inspection wait times. The first step will be to provide BCAs with clear and consistent expectations on how to record and provide data to MBIE. MBIE will work closely with BCAs during the initial months to resolve any issues and to ensure BCAs are able to sustain the new requirements as business-as-usual activities.

Confidential advice to Government

### How will the proposal be monitored, evaluated, and reviewed?

122. Once consistent data recording has been achieved, inspection wait time reporting will be added to the quarterly collection and reporting of BCA statutory timeframe data. This will help monitor the impact of the package on wait times as well as understand BCA performance against the maximum wait time, improve transparency, and enhance overall building consent system performance monitoring.

Confidential advice to Government

124. Further data collection will not be required for the purposes of evaluating these programmes. MBIE will rely on existing regular forums with BCAs (eg BCA cluster group meetings, the Building Advisory Panel) to understand any issues in providing data.