



COVERSHEET

Minister	Hon Simon Watts	Portfolio	Building and Construction
Title of Cabinet paper	Modernising building research: system design and new levy rate	Date to be published	28 September 2026

List of documents that have been proactively released

Date	Title	Author
August 2026	Modernising building research: system design and new levy rate	Office of Minister for Building and Construction
2 September 2026	Modernising Building Research: System Design and New Levy Rate ECO-26-MIN-0179 Minute	Cabinet Office

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 reason of confidentiality.

In Confidence

Office of the Minister for Building and Construction
Cabinet Economic Policy Committee

Modernising building research: system design and new levy rate

Purpose

- 1 I am seeking Cabinet's agreement to the high level design of the new levy-funded building research system, additional transparency mechanisms to include in the Building Amendment Bill (the Bill), and to maintain building research levy funding at the current rate.

Relation to government priorities

- 2 The Bill's changes will lead to a more innovative and productive construction sector.

Executive Summary

- 3 The new levy-funded building research system will be more answerable to levy payers. Reforms included in the Bill will achieve this by:
 - 3.1 bringing levy-funded building research under Parliament's purview;
 - 3.2 increasing transparency over how the funding is used and what is achieved;
 - 3.3 increasing value for money through more contestability and more focus on efficiency;
 - 3.4 ensuring levy-funded research has a clear pathway to impact for the construction sector.
- 4 The Building Research Levy will be combined with the Building Levy, and the Ministry of Business, Innovation and Employment (MBIE) will be responsible for allocating building levy funding. The Building Research Association of New Zealand (BRANZ) currently performs this function. BRANZ have made it clear that the organisation would prefer to retain its ability to decide how levy funding for building research is spent and be the principal beneficiary of that funding. But modern research funding regimes feature an institutional funder / provider split, to guard against conflicted decision making.
- 5 More fundamentally, no modern levy regime would grant an independent entity "no strings attached" levy funding in perpetuity. The householders and businesses who pay for building consents, and hence for BRANZ, deserve more say in how their money is spent. The Bill achieves this by widening consultation requirements and making the levy-funded building research system answerable to Parliament.
- 6 Unlike BRANZ, MBIE does not undertake building research. Thus, there will be a clearer separation between funder and provider. I have been clear with MBIE that it will perform its new role efficiently and transparently.
- 7 The proposed changes will not compromise the operation of BRANZ's core operations and facilities. They will, however, require that BRANZ competes for contestable funding with other entities, and that it must demonstrate value for money.
- 8 The changes will ensure that the construction sector inputs into research priorities and funding decisions. As is appropriate, however, the government of the day will determine priorities for levy-funded building research on the basis of wider public consultation.

9 The proposed improvements in this paper are summarised in the table below:

	Current State	Future State
Stakeholder input	BRANZ has established advisory groups to help it determine research priorities and funding allocations.	MBIE will establish advisory groups to help it determine research priorities and funding allocations. But it will also need to consult more widely, particularly in respect of overall research priorities and the benefits for levy payers.
Transparency and accountability	BRANZ's performance is not subject to parliamentary scrutiny, nor the Official Information Act (OIA). BRANZ's transparency requirements are those of any incorporated society.	Levy expenditure is subject to parliamentary scrutiny and the OIA. Confidentiality
Pathway to impact	BRANZ uses Building Research Levy funding for a wide range of activities (eg support for builders).	Levy funding will be ringfenced for research (including research facility maintenance and dissemination of research outputs). Research proposals will need to demonstrate benefit for levy payers.
Value for money	BRANZ Inc grants most contestable funding to BRANZ Ltd (its commercial arm). Its levy revenue is guaranteed, thus blunting the need for fiscal discipline.	More levy funding will be made contestable, to increase competition. For its baseline (non-contestable) levy funding, BRANZ will need to demonstrate value for money via the fiscal discipline of a commercial contract.
Administrative efficiency	BRANZ's administration costs are unknown.	MBIE's administration costs will be transparent.
Levies	A Building Levy of \$1.52 paid to MBIE, and a Building Research Levy of \$1 paid to BRANZ.	A single Building Levy of \$2.52 paid to MBIE, with \$1 ringfenced for building research.

Background

10 In November 2025, Cabinet agreed to repeal the *Building Research Levy Act 1969* and instead, fund building research from the Building Levy [ECO-25-MIN-0188]. These changes are included in the Bill. As part of these decisions, Cabinet invited me to report back to Cabinet Economic Policy Committee (ECO) with proposals for:

- 10.1 regulations to provide for a new building research funding allocation model including details of a contestable funding mechanism and funding decision making arrangements;
- 10.2 detailed operational design for how to deliver the new system and the ongoing role and funding of BRANZ.

The new system will widen the span of stakeholder input...

Current State	Future State
BRANZ has established advisory groups to help it determine research priorities and funding allocations.	MBIE will establish advisory groups to help it determine research priorities and funding allocations. But it will also need to consult more widely, particularly in respect of overall research priorities and the benefits for levy payers.

- 11 BRANZ has good engagement with the sector, including via its Building Research Advisory Council. But there is limited opportunity or obligation for other stakeholders, including levy payers (which in practice, are households, building owners and businesses), to provide input into research priorities or funding decisions.
- 12 Unlike the *Building Research Levy Act 1969*, the Bill establishes a statutory consultation requirement and a transparent approach to identifying research priorities and allocating them with funding. This provides opportunities for researchers and building owners, as well as the construction industry, to input into the process.
 - 12.1 MBIE must publicly consult on and publish a Research Investment Strategy (Strategy), which sets out high level priorities for research funding.
 - 12.2 MBIE must also run contestable funding rounds. Each round will be governed by an Investment Plan, which sets out the focus for that round. The focus of each Investment Plan must fall within the parameters of the Strategy.
 - 12.3 An external Investment Advisory Panel will provide advice on contestable funding allocations. Its recommendations will be public.
- 13 These features are set out in the Bill, rather than regulations as originally envisioned. This is because they will be enduring features of the new system and should not need to change over time.
- 14 Some features of the current system will carry over. For example, BRANZ issues documents similar to the Strategy and Investment Plan and has its own advisory groups which comprise representatives from the construction industry and sector regulators. When MBIE establishes advisory groups, it will look to learn from BRANZ's experience, and where possible co-operate with BRANZ to avoid duplication.

... and substantially increase transparency and accountability.

Current State	Future State
BRANZ's performance is not subject to parliamentary scrutiny, nor the Official Information Act (OIA). Its transparency requirements are those of any incorporated society.	Levy expenditure is subject to parliamentary scrutiny and the OIA. Confidentiality [REDACTED]

The new building research system will reflect modern levy design, consultation, and expenditure practice.

- 15 Modern levy setting models provide checks and balances on how levies may be established and spent. The 1969 legislation does not provide for this.

- 16 The current system requires levy payers to fund an independent entity over which their elected representatives have no authority. In contrast, the new system will ensure parliamentary oversight over levy-funded building research.
- 17 Currently, the only stakeholders who must be consulted on changes to the Building Research Levy are BRANZ and Master Builders. Modern levy regimes require much broader consultation and reporting.

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It will require a more demonstrable pathway to impact for research funding...

Current State	Future State
BRANZ uses levy funding for a wide range of activities (eg support for builders).	Levy funding will be ringfenced for research (including research facility maintenance and dissemination of research outputs). Research proposals will need to demonstrate benefit for levy payers.

- 20 The general principle underlying all levy expenditure is that the people who pay the levy should be the primary beneficiaries of it, either directly or indirectly. *The Building Research Levy Act 1969* states that the levy will be paid by builders but in practice the levy is paid by building consent applicants, who are largely householders and businesses. This distinction is important, as BRANZ has positioned itself as an industry good organisation that exists to serve the construction sector. To this end, it uses levy funding to fund free 'sector-good' activities and tools for sector practitioners.
- 21 The new building research system will more directly serve levy payers. The Bill achieves this shift in emphasis by:
 - 21.1 requiring that the Building Levy's research component (research funding) be used for researching the design, construction, and performance of buildings, or to build scientific or technical expertise of particular importance to the building sector;
 - 21.2 ringfencing research funding for research, support for research facilities, and the dissemination of that research to practitioners. 'Sector-good' activities that do not fall within these parameters will need alternative funding sources.

The private sector will pay for products it values.

- 22 Some of BRANZ's free tools and products for sector practitioners may fall outside the definition of building research (for example, its Artisan app for remote building inspections). BRANZ has indicated that these tools have value in the market. As such, they can be priced accordingly. While there may be some disgruntlement at the loss of free services, levy funding for building research is limited and must be prioritised for that purpose. Also, the rationale for using levy payers' money to subsidise commercial tools is questionable, as this disadvantages other potential providers of these tools.

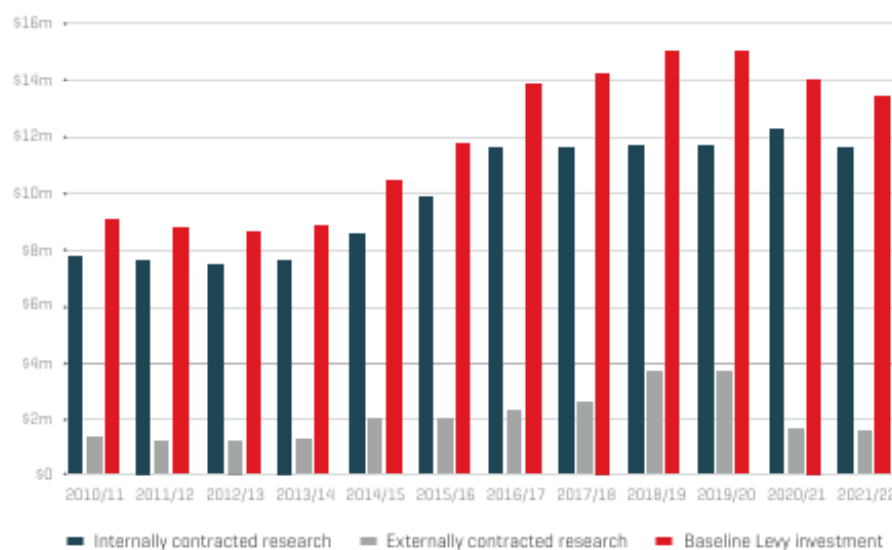
... and place more focus on value for money.

Current State	Future State
BRANZ Inc grants most contestable funding to BRANZ Ltd (its commercial arm). Its levy revenue is guaranteed, thus blunting the need for fiscal discipline.	More levy funding will be made contestable, to increase competition. For its baseline (non-contestable) levy funding, BRANZ will need to demonstrate value for money via the fiscal discipline of a commercial contract.

Increasing contestability

- 23 BRANZ Inc runs contestable funding rounds, but historically has reserved and/or awarded a large proportion of the funding to BRANZ Ltd. The graph below only shows data to 2021/22, but I am advised by MBIE that this pattern remains consistent to the present day.¹ Perceptions of conflict of interest are inevitable.

Figure One: BRANZ revenue and research expenditure (BRANZ, 2022)



- 24 Under the new system, MBIE will administer contestable funding rounds (for which BRANZ will be free to apply, alongside other entities). MBIE will not make any funding bids and so cannot award any contestable funding to itself.
- 25 I have directed MBIE to, over time, increase the amount of research funding that is made contestable. BRANZ will be uniquely well-equipped to make bids for contestable funding, given the levy-funded assets it has built up over the years.

¹ For example, BRANZ's 2025/26 Investment Priorities Statement indicates that it pre-allocated \$13.5 million of available funding to itself, and \$3.5 million for contestable funding for external parties.

For non-contestable funding, BRANZ will face the discipline of a commercial contract.

- 26 Some of BRANZ's facilities are unique in New Zealand and should be retained. Its key infrastructure includes fire, materials and structural engineering labs, and outdoor exposure sites. BRANZ also carries out important longitudinal research, which I have heard from sector participants should be preserved.
- 27 For building research to benefit levy payers, it needs to be disseminated to, and used widely by, the construction sector. This will be a strong emphasis in the new system, and I expect BRANZ to play a leading role in disseminating research outputs.
- 28 To ensure BRANZ receives sufficient funding for core research and dissemination activities, and to maintain its research infrastructure, MBIE will enter into a funding agreement with it. MBIE advises me that it envisages a term of up to six years, with provision for review midway through the term of the agreement and renewal at its end.
- 29 Rather than prescribe in detail every activity and output to be delivered over that term, the funding agreement will set out core research priorities and deliverables, consistent with the Strategy. BRANZ will be free to exercise discretion as to how it delivers these.
- 30 The quantum of this funding agreement is yet to be determined and will be subject to negotiation between BRANZ and MBIE.² In undertaking this agreement, MBIE will adhere to the Procurement Rules, which under this Government have a strong focus on ensuring taxpayers get value for money.
- 31 One part of this is encouraging BRANZ to leverage its existing expertise to increase its commercial revenues. It already has a commercial arm (BRANZ Ltd) and may choose to increase its commercial operations following these changes. This need not be at the expense of its core research activities. In fact, more commercial revenue could support these activities (and ensure that levy-funded infrastructure is well utilised).
- 32 MBIE will need to ensure, however, that levy-funded facilities and infrastructure remain available to serve levy payers first and foremost. BRANZ's assets are protected under the *Incorporated Societies Act 2022*. If these provisions prove to be insufficient under the circumstances, further intervention could be considered.

Encouraging growth, scale, and innovation in the construction and research sectors.

- 33 A key component of the science sector reforms is to maximise the scale of impact of research funding through collaborations. I expect to see provider consortiums bringing forward research proposals. This will help maximise the scale of impact as well as value for money. Widening access to levy funding will, over time, help a wider range of providers enter the market, leading to more innovative research proposals.

MBIE will be publicly accountable for its administrative efficiency.

Current State	Future State
BRANZ's administration costs are unknown.	MBIE's administration costs will be transparent.

- 34 To date, BRANZ has not set out what proportion of its levy revenue it uses for administration. I have directed MBIE to provide full transparency over its administration costs Confidentiality

² The funding available will depend on forecast levy revenue, which reflects construction sector activity.

35 I have also directed MBIE to minimise its administration costs, so there is more funding available for building research. In response, it has committed to follow these high level principles in operating its new function:

35.1 Avoid duplication: Utilise existing resources wherever possible to administer contestable funding.

35.2 Benchmark against comparable funders: MBIE will benchmark its costs against what it incurs in the functions provided to Research Funding NZ, as well as what organisations like the Natural Hazards Commission spend.

35.3 No conflict of interest in funding allocations: MBIE will not use research funding for policy and regulatory-related research (it will instead continue to use the building levy's general component).

MBIE will have clear rules in place to avoid any perception of conflict of interest.

36 Maintaining a clear separation between MBIE's policy and regulatory functions and its allocation of levy-funded building research will maintain the integrity of research funding ringfencing. There cannot be a perception that MBIE is using research funding to cover expenses it would otherwise fund from budget for staff salaries and overheads. This would represent a conflict of interest.

37 Accordingly, I have directed MBIE that research funding:

37.1 cannot be used for research or evaluations that are intended to inform policy or regulatory changes (these will need to be paid for from MBIE's policy and regulation budget, as currently);

37.2 may only be used for the BRANZ funding agreement, contestable funding rounds, and administration costs (which will cover monitoring, evaluation, and stewardship of the research funding). This position reinforces the statutory ringfencing set out in the Bill.

For now, I propose to retain building research levy funding as it is.

Current State	Future State
A Building Levy of \$1.52 paid to MBIE, and a Building Research Levy of \$1 paid to BRANZ.	A single Building Levy of \$2.52 paid to MBIE, with \$1 ringfenced for building research.

38 As part of its decisions on changes to the building research system, Cabinet noted that a new proportionate rate for the expanded Building Levy will be set in regulations [ECO-25-MIN-0188]. I am seeking approval for the new consolidated Building Levy rate, to take effect from commencement of the Bill's building research provisions.

39 I propose that the new Building Levy rate be \$2.52 (plus GST) per \$1,000 (or part thereof) of building work. This is a combination of the current Building Levy (\$1.52 plus GST for every \$1,000) and current Building Research Levy (\$1 plus GST for every \$1,000).

40 The threshold for levy payment would reflect the current Building Levy threshold of \$65,000 including GST. The current Building Research Levy threshold is \$20,000 including GST (the building levy threshold was increased in 2024 to account for inflation, whereas the Building Research Levy threshold has never been updated).

- 41 As per Cabinet's decisions, the regulations will set out that the consolidated Building Levy rate includes a ringfenced component for building research. The ringfenced component will be \$1 (plus GST) per \$1,000 (or part thereof) of building work. This maintains the current allocation for building research. The ringfenced portion can be adjusted in future as part of scheduled Building Levy reviews.
- 42 Combining the two levies in this way means there will be no reduction in the proportion of levy funding available for building research (although the mix between contestable funding and that allocated to BRANZ directly may shift).³
- 43 The Building Levy must be reviewed every three years. The review provides an opportunity to examine how MBIE is optimising use of the levy and achieving value for money, and whether funding is being spent in the right place. The next Building Levy review will include looking at the case for any changes to building research funding. Any changes to the levy rate that arise from this review will take place from mid-2028.

Some matters remain to be determined

- 44 These are:

44.1 *Timing of commencement.* As introduced, the Bill's building research provisions commence on 1 April 2027. This date was selected on the basis of early planning and will need to be updated to account for the select committee process.

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44.2 *The quantum of the funding agreement between BRANZ and MBIE.* This negotiation will be commercially sensitive and as such, further detail will be provided when an agreement is concluded. MBIE is aiming to have an agreement in place by mid-2028 (as agreed by Cabinet, BRANZ will receive transitional funding before that date if required, to ensure the continuity of its operations).

44.3 *Timing of the first MBIE-run contestable funding round.* This will depend on what commencement date is chosen. MBIE's intention is to ensure a contestable funding round is held every year, meaning that BRANZ should continue to hold contestable rounds until commencement. MBIE has informed BRANZ that it will seek to uphold contestable funding commitments that require funding beyond commencement, so multi-year projects that BRANZ approves in advance of commencement have funding certainty.

Implementation

- 45 The timeline is contingent on the Bill's progression, with the regulations not coming into force until the commencement date. MBIE will continue work on the development of the operating model and engage with BRANZ where necessary.

Cost of living implications

- 46 No direct cost of living implications arise from this paper.

Financial implications

- 47 No direct financial implications arise from this paper.

³ Apart from the small reduction caused by the higher threshold for the Building Research Component.

Legislative implications

- 48 This paper proposes amendments to the Building Amendment Bill. It also proposes to amend the *Building (Levy) Regulations 2019* with a new, consolidated, Building Levy rate. I intend to seek final agreement for the regulations from Cabinet Legislation Committee following Royal assent.

Regulatory analysis

- 49 The Ministry for Regulation has determined that the Building Levy rate amendment proposal is exempt from the requirement to provide a Cost Recovery Impact Statement on the grounds that it has no or only minor economic impacts.

Climate implications of policy assessment

- 50 The Climate Implications of Policy Assessment (CIPA) requirements do not apply to this policy proposal, as the thresholds for significance are not met.

Population and human rights implications

- 51 There are no population implications arising from this paper.

Use of external resources

- 52 No external resources were used in the development of this paper or policy.

Consultation

- 53 Treasury; Ministry for Regulation; Ministry for Cities, Environment, Regions, and Transport; Parliamentary Counsel Office; Policy Advisory Group.

Communications

- 54 I intend to announce these decisions via Press Release.

Proactive release

- 55 I propose that this paper, along with the Cabinet minute, be released on MBIE's website within 30 working days of the Bill receives Royal Assent. The release of the information is subject to redactions consistent with the *Official Information Act 1982*.

Recommendations

The Minister for Building and Construction recommends that the Committee:

- 1 **note** that in November 2025 Cabinet agreed to repeal the *Building Research Levy Act 1969* and instead, fund building research from the Building Levy [ECO-25-MIN-0188];
- 2 **note** that Cabinet invited the Minister for Building and Construction to report back on the new levy-funded building research system's operational design, and the ongoing role and funding of the Building Research Association of New Zealand (BRANZ);
- 3 **agree** that MBIE develop the new system in accordance with the high level design and operating principles set out in this paper;
- 4 **agree** that MBIE negotiate a funding agreement with BRANZ in accordance with the high level design and operating principles set out in this paper;

5 Confidentiality

- 6 **agree** to amend the *Building (Levy) Regulations 2019* to include a new rate of \$2.52 plus GST per \$1,000 of building work, to take effect on commencement after the *Building Research Levy Act 1969* is repealed;
- 7 **agree** that \$1 plus GST per \$1,000 of building work be ringfenced for building research, thus maintaining its current proportion;
- 8 **invite** the Minister for Building and Construction to issue drafting instructions to the Parliamentary Counsel Office to give effect to recommendations in this paper;
- 9 **authorise** the Minister for Building and Construction to make decisions consistent with the proposals in these recommendations, on any issues which arise during the select committee process;

Authorised for lodgement

Hon Simon Watts

Minister for Building and Construction