



COVERSHEET

Minister	Hon Simon Watts	Portfolio	Building and Construction
Title of Cabinet paper	Building (Exempt Small Stand-alone Dwellings) Order 2026	Date to be published	12 October 2026

List of documents that have been proactively released

Date	Title	Author
September 2026	Building (Exempt Small Stand-alone Dwellings) Order 2026	Office of the Minister for Building and Construction
3 September 2026	Building (Exempt Small Stand-alone Dwellings) Order 2026 LEG-26-MIN-0183 Minute	Cabinet Office

Information redacted

YES / NO

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In-Confidence

Office of the Minister for Building and Construction

Chair, Cabinet Legislation Committee

Building (Exempt Small Stand-alone Dwellings) Order 2026

Proposal

- 1 This paper seeks authorisation for submission to the Executive Council of the proposed changes to Schedule 1A through the Building (Exempt Small Stand-alone Dwellings) Order 2026.

Policy

- 1 In October 2025, the Building and Construction (Small Standalone Dwellings) Amendment Act 2025 was passed, which introduced a new building consent exemption for small stand-alone dwellings (commonly referred to as granny flats) of up to 70 square metres. On 15 January 2026, the exemption commenced alongside the National Environment Standards for Detached Minor Residential Units.
- 2 There has been modest uptake of the exemption so far, with 580 applications for a project information memorandum, representing an estimated \$96 million in potential building work, issued in the first half of 2026. This is in line with initial estimates for uptake of the exemption.
- 3 Despite the exemption's initial success, I have heard from some in the sector that the exemption could be safely expanded to better provide for off-site construction models.
- 4 As such, in April 2026 Cabinet agreed to amend Schedule 1A of the Building Act 2004 by Order in Council. This amendment would allow the use of structural insulated panel (SIP) systems holding a CodeMark certificate to be included in the building or renovation of a granny flat [ECO-26-MIN-0041].
- 5 Cabinet also authorised the Minister for Building and Construction to make minor and technical changes to Schedule 1A to improve its clarity and workability, and to make decisions consistent with the above decisions on any matters that arise during drafting.

Structural Insulated Panel (SIP) systems

- 6 The first set of changes to Schedule 1A will permit the use of SIPs in granny flats, including solid-timber systems.
- 7 SIPs consist of high-performance building panels used for walls, roofs, and floors. The panels consist of an insulation core sandwiched between two structural facings (such as oriented strand board or particle board). SIPs can provide structural framing, insulation, and cladding within a building envelope. Because one panel can provide

multiple functions, SIPs can simplify the time and cost of building a granny flat, while not compromising on building quality or safety.

- 8 The Order proposes an amendment to clause 2 of Schedule 1A to provide that, as an alternative to meeting the requirements of clause 2(1)(e), a small stand-alone dwelling may be constructed using a ‘loadbearing composite building product’ that is covered by a current registered product certificate (CodeMark) issued under the Building Act 2004. This change also ensures that products similar to SIPs, in particular solid-timber systems, can be used in a granny flat.

Updating Schedule 1A conditions relating to Network Utility Operator and onsite systems

- 9 Schedule 1A currently requires granny flats to connect to Network Utility Operator (NUO) services (wastewater, stormwater, and drinking water) where available, with onsite systems permitted where those services are not available. It also allows connections to NUO and onsite systems to be undertaken without a building consent.
- 10 Sector feedback indicates that there is the possibility for NUOs to misinterpret Schedule 1A requirements to require wholly new connections to an NUO. This may be the case if an NUO considers that a secondary connection to the dwelling is not possible due to that secondary connection requiring modifications to be made to existing infrastructure. This interpretation is not consistent with the original intent of the policy to reduce the cost of building a simple residential dwelling.¹
- 11 In addition, further analysis by officials also found that the exemption could be interpreted as only permitting new onsite systems to be used if an NUO was not available. This could mean that granny flats may be unable to connect to existing onsite systems (including those built under a building consent or those that could be updated to meet the building code). This in turn could limit uptake in rural zones and zones where multiple dwellings connect to a single system (such as those on a marae).
- 12 As such, I am proposing changes to clause 2 of Schedule 1A to clarify that existing:
- 12.1 connections to an NUO can be modified if a NUO considers a secondary connection to a system is appropriate for a consent-exempt granny flat;
 - 12.2 onsite systems that already meet the building code can be connected to (for example, those previously built under a building consent); and
 - 12.3 systems that do not currently comply with the building code can be modernised to meet current code requirements without a building consent for the purpose of making use of the granny flats building consent exemption.

Timing and 28 day rule

- 13 I am not seeking a waiver to the 28-day rule. As such, if the changes are gazetted on 10 September 2026 they will come into force on 8 October 2026.

¹ While costs vary across the country, WaterCare’s 2025/26 Infrastructure Growth Charges for Wellsford are \$46,684 for wastewater and drinking water, or \$20,074 for water only (where there is an existing wastewater connection and the new connection will not increase demand on the network).

Compliance

- 14 The regulations comply with:
- 14.1 the principles of the Treaty of Waitangi;
 - 14.2 the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 or the Human Rights Act 1993;
 - 14.3 the principles and guidelines set out in the Privacy Act 2020;
 - 14.4 relevant international standards and obligations; and
 - 14.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

Regulations Review Committee

- 15 I do not consider there are any grounds for the Regulations Review Committee to draw the regulations or the Order in Council to the attention of the House of Representatives under Standing Order 327.

Certification by Parliamentary Counsel

- 16 The Order in Council was prepared and certified by the Parliamentary Counsel Office as being in order for submission to Cabinet.

Regulatory Analysis

- 17 A Regulatory Impact Statement (RIS) exemption was provided by the Ministry for Regulation on 23 March 2026 on the grounds that there are no or only minor economic, social, or environmental impacts. An exemption from Regulatory Analysis Summary (RAS) requirements was confirmed on 3 July 2026.

Consistency with principles of responsible regulation

- 18 A Consistency Accountability Statement and Summary of Underpinning analysis are attached to this paper as set out in the Regulatory Standards Act 2025 and the Cabinet Office circular *Expectations for Good Law-making* [CO (26) 2]. No inconsistencies have been identified.

Publicity

- 19 I propose to make a joint media statement with Ministers Bishop and Jones to announce these changes.

Proactive release

- 20 I intend on proactively releasing this Cabinet paper within 30 business days.

Consultation

- 21 The following agencies were consulted on this paper: The Treasury; Department of the Prime Minister and Cabinet; Ministry for Regulation; Ministry of Cities, Environment, Regions and Transport; Department of Corrections; Department of Conservation; Ministry for Culture and Heritage; Te Puni Kōkiri; Ministry for Pacific Peoples; Ministry of Health; Ministry of Defence; Ministry for Primary Industries; Ministry of Social Development; Land Information NZ; Statistics NZ; Ministry of Disabled People; Office for Seniors; Ministry of Defence; Ministry of Justice.

Recommendations

I recommend that the Cabinet Legislation Committee:

- 1 **note** that on 1 April 2026 the Cabinet Economic Policy Committee agreed to amend Schedule 1A of the Building Act 2004 so that the use of structural insulated panel systems with a CodeMark certificate are permitted in non-consented small stand-alone dwellings [ECO-26-MIN-0041];
- 2 **note** that Cabinet authorised the Minister for Building and Construction to make minor and technical changes to improve the clarity and workability of Schedule 1A;
- 3 **note** that Cabinet authorised the Minister to make decisions consistent with the above decisions on any matters that arise during drafting;
- 4 **note** that I have made decisions to clarify and improve the workability of the exemption conditions as they relate to Network Utility Operator systems and onsite systems so that existing connections can be modified without a building consent, and that existing onsite systems can be used or altered under the exemption;
- 5 **note** that the Building (Exempt Small Stand-alone Dwellings) Order 2026 will give effect to recommendations 1-4 above;
- 6 **authorise** the submission to the Executive Council of Building (Exempt Small Stand-alone Dwellings) Order 2026;
- 7 **note** that the Building (Exempt Small Stand-alone Dwellings) Order 2026 will come into force on 8 October 2026.

Authorised for lodgement

Hon Simon Watts
Minister for Building and Construction

Appendices

Appendix 1: Consistency Accountability Statement

Appendix 2: Summary of Underpinning Analysis