



Department of  
Building and Housing  
*Te Tari Kaupapa Whare*

# Briefing for the Minister for Building and Construction

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# Introduction

This briefing provides an overview of the building and housing sector, sets out critical and emerging issues the sector faces and matters for your consideration.

It sets out the role of the Department of Building and Housing and provides an outline of the current work programme and key decisions to be taken in the next few months. Information is also provided on the Department's structure, funding and capability.





## Context

### **The building and construction sector is a key part of the economy and critical to economic recovery and growth**

Activity in the building and construction sector (including housing) has a significant impact on New Zealand's economic performance:

- the sector contributes more than 5% of GDP
- the total capital spend in the building and construction sector is more than \$20 billion per annum<sup>1</sup> of which around \$8 billion is surplus after input costs
- the sector also contributes to activity in a number of related sectors (such as manufacturing, transport, property and business services)
- has a significant impact on consumption levels (homeownership and the values of peoples' homes affects people's perception of their wealth and financial security)
- currently about 176,000 people are employed in the sector (about 8% of people employed) – this figure is projected to decline as a result of the current economic downturn
- housing, along with commercial/industrial construction, is a key component of the infrastructure needed to support the successful growth of Auckland (and other cities).

What happens in the building and construction sector has a 'multiplier effect' on the wider economy.

The level of activity and the productivity of the sector will be important to New Zealand's economic recovery and growth.

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<sup>1</sup> Investment amounts are gross fixed capital formation in current prices. Source: <http://www.stats.govt.nz/NR/rdonlyres/61D5633A-FC9C-4794-BFA9-23578BE9EC5A/23059/nayemar07revcapitalstock.xls>.

The successful performance and growth of Auckland is critical for New Zealand's economic growth and transformation.

Productivity in the sector lags behind the rest of the economy and is low relative to building and construction sectors in other countries.

#### Critical issues:

- New Zealand is currently experiencing a sharp downturn in the building and construction sector – this is having a dampening effect on the wider economy (the housing market downturn is discussed below).
- As construction activity weakens in New Zealand, we risk losing skilled workers. Loss of skills and capacity will reduce the ability of the sector to respond, once demand begins growing. This would contribute to delaying an economic recovery, inhibit housing supply and increase the cost of new building and housing.
- The successful performance and growth of Auckland is critical for New Zealand's economic growth and transformation – however, there is a projected shortage of dwellings to meet the future Auckland population and housing affordability remains a major problem. A recent survey of land supply undertaken by the Department of Building and Housing has indicated that, in Auckland City, North Shore and Manukau, land supply for conventional-density housing may be exhausted between 2015 and 2016.
- Homeownership is dropping and housing affordability remains an issue for an increasing number of people.
- Some aspects of the Resource Management Act 1991, and the way it is applied, create significant costs and uncertainties, which constrain development activity. Developers argue that the land use decision process under the Act is lengthy, adds cost and limits their ability to provide an adequate volume of housing.
- Development fees (infrastructure contributions) charged under the Local Government Act 2002 and the Resource Management Act by territorial authorities are highly variable between authorities. The way these charges are set lacks transparency, and the amounts charged can be high. These charges increase the costs of new construction (particularly homes) and may be constraining development activity in some areas.
- Productivity in the sector lags behind the rest of the economy and is low relative to building and construction sectors in other countries. This reflects low training and skill levels, a fragmented industry structure, and current purchasing and

sub-contracting arrangements on projects (which add cost and time to the construction process). It also reflects the rapid and sustained growth of the sector from the early 1990s – while industry output grew in line with the broader economy, both labour and capital input rose considerably faster.

- Risk aversion on the part of some territorial authorities, in issuing building consents and code compliance certificates, is likely to be impeding activity and innovation in the sector. Many territorial authorities seek to minimise risk by adopting a conservative approach in carrying out their building control functions (following the liability many are facing for historical weathertightness claims and the impact of joint and several liability).

Initiatives under way to address these issues are:

- Two sector taskforces – with leaders from industry, government and local government – have been established to address key strategic issues facing the sector.
  - An Urban Intensification Taskforce, chaired by Richard Harris (President New Zealand Institute of Architects, Director Jasmax), is examining the barriers to successful urban intensification and growth, and the way forward, with a focus on Auckland.
  - A Productivity Taskforce, chaired by Peter Fehl (Director Property Services, University of Auckland), is looking at how productivity in the sector could be increased, with an initial focus on skills and on purchasing and sub-contracting arrangements.

The taskforces are both due to report by March/April 2009.

- Case studies of specific development projects are planned to identify the key constraints to urban development and renewal, and key changes that could enable or promote the successful growth of Auckland – this links with work under way on the use of Urban Development Agencies (this work is being led by the Department of Internal Affairs).
- A programme of change is under way to reduce the cost of building regulations and to streamline the building design and consent process. This includes:

Two sector taskforces... have been established to address key strategic issues facing the sector.

A programme of change is under way to reduce the cost of building regulations and to streamline the building design and consent process.

...'smart technology' to streamline the building consent process is being looked at...

The Department is undertaking further work with the sector to identify further adjustments that could be made to Building Act regulations

- The application of 'smart technology' to streamline the building consent process is being looked at. Feasibility studies have been completed on the potential for an "on-line" system that could have nationwide application.
- The Department is working closely with local government to lift its capability and performance in carrying out its building control functions, through the Building Consent Authority accreditation process.
- The sharing of services by various building consent authorities within a region is being piloted.
- The range of work that does not need a building consent has been expanded to reduce regulatory burden for low risk building activities.
- A set of legislative changes has been drafted (the Building Amendment Bill) to further simplify the building consent process.
  - including allowing multiple use approvals for home designs that are to be replicated on a substantial scale (this will support volume building and also reduce costs).
  - Guidance has been developed for the building of starter homes – the approval process for these homes will be faster and simpler as a result (a similar document is being developed for medium-density buildings).
- The Department is undertaking further work with the sector to identify further adjustments that could be made to Building Act regulations and the way these are applied, to reduce the costs faced by developers, builders, territorial authorities and the public.

### **Housing market downturn**

The sharp downturn in the housing and construction sector is resulting in markedly lower volumes of property sales and new construction, falling house prices and growing reports of firm closure and job retrenchment. This downturn follows wider

global financial market turmoil (the credit crisis) and has led to the Reserve Bank further reducing its forecasts of economic activity in New Zealand<sup>2</sup>. Treasury has also revised its forecasts downwards.

Following a period of strong house price growth from 2002 to 2007, current economic conditions – and predictions of how these will continue to change – are likely to have a constricting effect on the housing and construction market in the short to medium term. This is predicted on the back of the following conditions.

- A sharp fall in the number of building consents for new dwellings (down 18% – from 1988 in September 2007 to 1635 in September 2008), only partially offset by continued growth in the value of non-residential building consents (with a 10% increase in the year ended September 2008, although the average floor area/volume of new non-residential building consents increased by only 6% over the same period).
- Increasing liquidity issues for the sector following the collapse of mezzanine finance companies in New Zealand (which provided most of the financing for property development companies) and the risk of growing restrictions to the volume of lending from mainstream banks in New Zealand as a result of international banking sector problems.
- A 6% reduction in the average sale price of dwellings in the year to September 2008 (from \$351,500 in September 2007 to \$330,000 in September 2008) and with further reductions in prices forecast over the next year.
- A reduced volume of property sales (the 4220 house sales in August 2008 were the lowest since January 1992 – the starting point of REINZ data – which represents a 62.9% fall from a peak of 11,378 sales in March 2004); the number of days taken to sell a property has also increased – median days to sell are up 67% from August 2007 to August 2008 – from 33 to 55 days.
- A fall in employment in the construction sector (as at September 2008, the construction sector employed approximately 176,000 people, 8% lower than its peak of about 192,000 people in December 2006) and an estimated 10–20% of

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<sup>2</sup> Reserve Bank 'Monetary Policy Statement', October 2008.

As construction activity weakens in New Zealand, a lack of training and employment opportunities will potentially increase our migration of skilled building sector.

This downturn differs from previous property market adjustments in that it is not associated with negative net migration or an oversupply of housing.

people completing apprenticeships leaving for overseas almost immediately<sup>3</sup>.

- As construction activity weakens in New Zealand, a lack of training and employment opportunities will potentially increase our migration of skilled building sector labour which will affect the ability of the sector to respond once demand picks up again.
- Declining net migration gains, which result in reduced housing demand.

Recent Reserve Bank reviews of the economy point to the New Zealand business sector coming under pressure from both rising costs and falling demand,<sup>4</sup> and the Treasury now forecasts that house prices will fall 11% from their peak in late 2007 and remain depressed over the next year as a result of high interest rates, low net migration flows and falling consumer confidence. A weak housing market will in turn affect private consumption and residential investment.<sup>5</sup>

This downturn differs from previous property market adjustments in that it is not associated with negative net migration or an oversupply of housing. The reduction in prices and activity levels has also been much sharper and larger than most forecasters expected. These factors – along with feedback from industry on their decisions and expectations, and the trend direction of market indicators – suggest a high risk of continued strong negative movement in sector activity (i.e. prices, volumes and employment levels). The speed and scale of the downturn in the industry suggest that we may be facing a larger adjustment shock than a normal downturn at the end of the property cycle.

### **The building and housing sector also contributes to New Zealand's social and environmental goals**

Housing costs (including utilities) absorb 23% of household income.<sup>6</sup> They are also the main part of both household assets and debts, and have significant implications

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<sup>3</sup> Infometrics report, prepared for the Department of Building and Housing, 2008.

<sup>4</sup> Reserve Bank 'Monetary Policy Statement', September 2008.

<sup>5</sup> <http://www.treasury.govt.nz/budget/forecasts/prefu2008/prefu08-pt2of9.pdf>.

<sup>6</sup> Statistics New Zealand's Household Economic Survey for the year ended 20 June 2007.

for employment, labour mobility and consumption levels (through wealth and multiplier effects).

- House prices have steadily increased since 2001 – with the median house price increasing by 101% between early 2001 and the high point of \$352,000 in November 2007. The value of housing stock more than doubled from \$236 billion in early 2001 to \$616 billion in early 2008.
- In the year to March 2007, there was \$10.8 billion invested in new residential building, \$5.4 billion invested in non-residential building and \$5 billion invested in other construction.<sup>7</sup>
- There were 1,478,709 occupied dwellings recorded on census night in 2006. Sixty-seven percent of occupied dwellings were owner-occupied and 28% were rental properties.<sup>8</sup>
- The Housing New Zealand Corporation is the largest single landlord in New Zealand, with 68,000 properties amounting to just over 4% of the total housing market.
- The majority of rental accommodation is provided by private sector landlords.

The sector influences a wide range of occupations, from builders and local authorities to real estate agents, property investors and mortgage providers.

All New Zealanders are affected by the quality, affordability and supply of residential and commercial buildings. They are also affected by the contribution these make to effective communities, towns and cities.

The government's involvement in the housing sector is changing, moving beyond the core roles of providing state housing and housing-related benefit supplements and regulating the building and construction industry.

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<sup>7</sup> Investment amounts are gross fixed capital formation in current prices. Source: <http://www.stats.govt.nz/NR/rdonlyres/61D5633A-FC9C-4794-BFA9-23578BE9EC5A/23059/nayemar07revcapitalstock.xls>.

<sup>8</sup> A further 5% of dwellings come under other tenure arrangements (eg, dwellings not owned but no rents are paid).

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All New Zealanders are affected by the quality, affordability and supply of residential and commercial buildings.

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The Building Act 2004 made significant changes to New Zealand's building regulatory system, to address systemic failures identified following 'leaky homes' issues.

Recent work has been aimed at reducing compliance costs and streamlining building design and consenting processes.

This new approach recognises the impact building and housing have on economic, social and environmental outcomes. Building and housing are a core infrastructure component to wider economic and social objectives.

The Department's role in regulating aspects of the building and housing sector is important in ensuring that the sector performs as well as possible.

### **Quality of existing housing stock**

Of the existing 1.6 million homes in New Zealand, 900,000 were built prior to the introduction of insulation requirements in 1978, with 300,000 of these having little or no insulation. These homes perform poorly in terms of energy use, comfort and indoor environmental quality. While a number would have been improved through renovation, many of these homes will not meet current building standards. Poor indoor environmental quality has been linked to higher asthma and other adverse health outcomes.

The New Zealand Business Council for Sustainable Development has just completed a two year collaborative project on sustainable buildings in New Zealand. The Department of Building and Housing was a major funder of this project. They are due to release the report 30 November. The report notes that New Zealand is lagging behind international experience in improving the performance of our existing building stock. And that the greatest potential for improvement in sustainable building performance came from upgrading existing housing stock.

### **Building Act reforms of the past 3–5 years**

The Building Act 2004 made significant changes to New Zealand's building regulatory system, to address systemic failures identified following 'leaky homes' issues. The reforms aimed to collectively lift the performance of the building and construction sector, while promoting and improving skills and rebuilding consumer confidence.

The changes introduced were:

- comprehensive review of the Building Code to ensure it is easily understood
- a product certification scheme as a means of establishing Building Code compliance for building products to reduce complaints



- a licensing scheme to improve and formally recognise the skills and competence of the building practitioner and increase practitioner accountability for the quality of their work
- accreditation of building consent authorities to increase capability and capacity to improve decision making
- introduction of implied warranties and restrictions of sale for property developers.

The Department reviews the effectiveness and efficiency of the Act on an ongoing basis. Recent work has been aimed at reducing compliance costs and streamlining building design and consenting processes.

### **Rental housing market**

A consequence of rising house prices and the changing demographics of households is that the size of the rental market is growing and it needs to cater for a growing volume of longer term and permanent renters (families and older people). The current structure of the rental market is mainly suited to the younger and more mobile 'flatting' population.

While rents may hold or drop in the immediate to short term due to the current housing market situation, predictions are for rents to rise in the medium term, with some analysts predicting increases of 6% per annum over the next five years. This will put considerable stress on some low income families and communities. Increased rent stress will inevitably flow through to increase in demand for the Accommodation Supplement, which has already seen a 50% increase in the numbers of people receiving the maximum payment between 2005 and 2007 and greater pressure on waiting lists for state housing.

### **Working with the sector to deliver results**

The Department values its positive relations with the business and construction community, property investors, local government, consumer representatives and other participants across the wider housing sector. It recognises that only by working together can the Department deliver value to the sector and consumers.

To boost building skills and consumer confidence while providing effective advice and dispute resolution services and administering legislation requires engagement from partners across the building sector.

As trusted partners, groups representing the interests of builders, architects, engineers, consumers, local government, and others, regularly offer advice and guidance to help the Department achieve those aims. The insights and practical advice generously given by them is greatly valued. It contributes to the work we do and helps resolve sometimes difficult and complex issues. It also helps us do things better or differently in ways that add more value and reduce costs.

### **Value for money**

The Department has commenced a value-for-money exercise to look at expenditure and identify potential efficiencies and cost savings across its operations. The Department is committed to improving the efficiency of its operations and continuing to lift its performance. In line with this commitment the Department has:

- reformed the way it delivers services at the front line, to improve access for clients and speed up the process
- introduced centralised processing services for Tenancy Tribunal applications and licensed building practitioner applications
- implemented changes to the process for resolving problems with weathertight homes (with options for further improvement, discussed below)
- taken steps to ensure that evaluation and monitoring of the Department's services and projects are carried out in a cost-effective and timely way
- commissioned independent reviews of key processes, to identify what improvements can be made (for example, a review of the building consent accreditation process is under way)
- begun a programme of internal business system improvements (financial, human resources and electronic document management), to improve the effectiveness and efficiency of our operations.

The Department is committed to improving the efficiency of its operations and continuing to lift its performance.

# Critical issues

## Building industry downturn

*A sharp drop in building sector activity levels and increasing business failures have negative effects on wider economic and employment outcomes.*

*A sharp drop in construction volumes leads to a loss of skilled labour, which in turn contributes to future volatility in property market cycles.*

*The sector has a limited ability to adapt to changing conditions except through staff lay-offs.*

Wider economic and banking sector conditions are constraining the volume of new housing construction and the value of non-residential building activity. This has:

- increased the risk of emerging housing/rental shortages and price effects
- in the past resulted in reduced employment numbers, and increased the loss of skilled trades people to Australia or to other employment options in New Zealand – which accentuates the 'boom/bust' nature of the sector, and contributes to lower productivity and rising price pressures when the business cycle improves
- Loss of apprentices and building professionals (e.g. engineers, architects and designers) can have a significant long-term impact on the overall level of skills in the sector.

## Work currently under way

The Department is currently preparing advice on:

- a 'development fund' which could lower the cost of (or remove barriers to) readying land for development

Loss of apprentices and building professionals... can have a significant long-term impact on the overall level of skills in the sector.

...strong arguments to view the building and housing sector as providing essential economic and social infrastructure.

- the feasibility of strategic purchase of land by the Government for the development of affordable housing
- ways to improve the adequacy of land supply in Auckland and the development process
- urban development, including contribution to the Department of Internal Affairs' Sustainable Urban Development project
- encouraging more longer-term investors into the housing market (i.e. institutional investors and not-for-profit providers), particularly in the areas of affordable housing, long-term rental and social housing.

A common thread in this work is of central government's interest and level of involvement in urban development outcomes, and how it could engage with the sector to achieve both continued industry viability and wider social and economic objectives.

### **Options for consideration**

An increase in government infrastructure investment is already proposed. The Department considers that there are strong arguments to view the building and housing sector as providing essential economic and social infrastructure. Increased infrastructure investment in roading/transport and other capital projects, without consideration of the investment needed in building and housing, risks blockages to future economic growth. In addition, counter-cyclical investment is an emerging strategy in Australia and other western economies to maintain economic activity and employment. Maintaining activity in the building and housing sector would also minimise the loss of skills in the sector and reduce the potential for future price volatility resulting from labour market shortages.

Immediate opportunities that might be considered are:

- bringing forward the maintenance programme for state housing
- improving the performance of existing housing stock with a focus on energy efficiency improvements.

## **Ensuring Auckland is a successful city which drives economic growth**

*The residential and commercial built environment in Auckland is a critical part of the infrastructure needed for achieving economic growth.*

*How central government can effectively contribute to effective urban growth is the subject of current discussion.*

About 72% of the population live in New Zealand's 16 main urban centres. Larger cities are an increasingly important economic engine of our society. The shape of our cities and communities, and the location and type of housing available, influence economic performance, social cohesion and the ability of New Zealanders to lead sustainable, productive and enjoyable lives. Availability of land for business and industry is also important.

Research commissioned by the Department into land supply in Auckland found that:

- there is not enough available land (i.e. land that can reasonably be expected to be developed) to respond to population growth forecasts beyond the next 4–8 years
- meeting projected future household population growth on the basis of current land availability will require a significant shift from conventional to higher-density housing and growth in higher-density dwellings suitable for families
- territorial authorities have no effective way of achieving this required volume of intensive mixed use and transport/employment-oriented development (beyond establishing land use zones)
- the time taken to get building development sites through the land supply chain has increased because of regulatory constraints, adding cost.

There has been considerable commentary on the effect of the Resource Management Act in constraining urban development and growth. The Department has sponsored building and construction sector leaders from across industry, local

There is not enough available land to respond to reasonable population growth forecasts beyond the next 4–8 years.

government and central government to meet and work together to identify options for improving urban development. That strategy and plan will be presented to the Department by March/April 2009, and is to be considered at an industry/government forum scheduled to be held in mid-2009.

Urban developments internationally are increasingly focused on using land, infrastructure and public assets more effectively to create new developments and communities in particular places. Such 'place-based' developments require:

- better coordination of national, regional and local planning and implementation for larger-scale urban development projects
- more effective integration between land use, transport and utility planning, and other services and amenities. This goes beyond ensuring that buildings meet minimum performance standards – it is about lifting the quality of urban design and helping to build communities
- the ability to assemble useful parcels of land from fragmented groups of properties (particularly for redeveloping existing neighbourhoods and town centres), or purchasing and/or ensuring appropriate development of strategic sites
- developing capacity and capability across all levels of government and in the development industry to undertake such developments successfully
- a planning and development regulatory framework that facilitates good urban design and construction practices that supports innovation and quality without imposing excessive costs. This may require consideration of whether the current regulatory environment is "fit for purpose"
- building public and consumer support for more intensive urban environments through ensuring that developments provide wider public benefits and contribute to improved community and social outcomes.

### **Work currently under way**

A set of case studies of the development process in Auckland is planned, to identify the key constraints to urban development and renewal that are operating in practice and key changes that could enable or promote the successful growth of Auckland.

A set of case studies of the development process in Auckland is planned, to identify the key constraints

The costs associated with residential development arising from the current regulatory framework – i.e. the Resource Management Act, the Local Government Act and the Building Act – have been assessed with the Ministry for the Environment and the Department of Internal Affairs. The most significant regulatory costs are attributable to the Resource Management Act – in particular, the direct and indirect costs (i.e. costs of professional survey and impact studies, but also the financial holding costs) associated with acquiring permission for changed land use.

The inherent flexibility in the Resource Management Act and delegation of power to local authorities provides for greater local democracy and input from communities. It also provides for greater inconsistency in the application of the legislation, and provides the opportunity for anti-competitive behaviour – i.e. the strong consultative process enables objections to be raised that may significantly impact on the costs of the development.

Contributions charged under the Local Government Act to (partly) fund the additional infrastructure and amenities required as a consequence of population growth can also be large and vary significantly across the country.

As a priority, we are investigating possible changes to the Resource Management Act and the way it is being implemented, that could reduce costs and uncertainty for developers while still enabling the sustainable management of resources.

The Department (together with other agencies) is also working with the Department of Internal Affairs to develop a new possible 'place-based' approach to urban development. In particular, consideration is being given to the use of Urban Development Agencies. Under this approach, existing and new tools and powers would be used to achieve new development or redevelopment of suburbs and town centres in agreed locations. We are working with other agencies on how a more integrated approach, across government, to infrastructure planning and funding can be established.

Technical guidance to assist the industry to construct well-designed, good-quality medium-density developments is being prepared, in consultation with the sector. This is part of the broader programme looking at how good-quality, intensive housing developments that are attractive to consumers can be promoted in New Zealand.

The Department is working... to develop a new 'place-based' approach to urban development.

Technical guidance to assist the industry to construct well-designed, good-quality medium-density developments is being prepared...

Central government could improve urban development outcomes by more effective use of its ownership of land and existing investment in capital infrastructure.

### **Options for consideration**

Central government could contribute to improved urban development outcomes by more effective use of its ownership of land and existing investment in capital infrastructure (e.g. by better integration across government agencies, and with the local government and private sectors).

Improved management of central government's existing land portfolio, and an expanded role in the strategic purchase of land, could also enhance future urban development.

Incentives directed at increasing housing supply, achieving mixed communities in new developments and reducing regulatory compliance costs could contribute to improved urban development outcomes.



## Housing supply risks

*Potential for new housing supply to fall below population growth rates.*

*Housing shortages in Auckland (and other urban/population growth centres).*

*Shortages in affordable homes in particular.*

New construction volumes of approximately 20,000 units per annum are required to respond to natural population growth, household formation trends, net migration gains (of between 5000 and 10,000 per annum) and loss of existing housing stock from demolition. Approximately 60% of that population growth is forecast to be in the Auckland region.

New housing construction volumes are dropping as a result of a general economic slowdown and the collapse in financial markets severely constraining access to development funding. Other factors which are expected to reduce housing market activity levels include:

- a reduced expectation of future capital growth in residential property values
- very low (or negative) cash yields from rental investment properties.

Current economic and financial market conditions, compounded by structural constraints on housing supply, indicate that housing supply is being constricted. Work undertaken as part of the house prices work programme identified that without some supply-side intervention, housing shortages (especially affordable housing) could be expected to emerge in the medium term which would further exacerbate housing affordability problems. The Department considers that supply-side interventions are required to mitigate the risk of housing shortages and housing affordability as a whole.

New housing construction volumes are dropping as a result of a general economic slowdown and the collapse in financial markets severely constraining access to development funding.

Strengthen the role of central government to influence the quality of new housing development...

## Work currently under way

Work currently under way includes:

- the concept of a development fund, (with a focus on affordable housing supply) which would be directed at reducing infrastructure and holding costs incurred in the early stages of development
- encouraging the growth of institutional investment and not-for-profit involvement in housing provision
- strategic acquisition of land by the Crown for housing development.

## Options for consideration

- Increase central government investment in new housing construction to mitigate reduced private market construction volumes. This could include more active partnering with the private and not-for-profit sectors.
- Strengthen the role of central government to influence the quality of new housing development – i.e. mixed communities and tenure which includes 'affordable' housing.
- Development of a wider range of 'tools' available to government to:
  - ensure that the volume of new housing construction broadly aligns with population growth and changing household trends
  - achieve more effective integration of capital investment in land and infrastructure across both central and local government, and improve community outcomes
  - encourage and provide a wider range of housing choices so that households are able to choose housing styles and tenure options that suit their needs and are within their means
  - increase support to both first-home buyers and renters to access affordable homes in mixed communities.

The Department's existing work programme to reduce regulatory costs associated with construction (e.g. regional processing, online consenting, simple design, multiple use approvals) will also contribute to assisting construction activity levels.

## Productivity is low in the building and construction sector

*Low building and housing sector productivity negatively impacts economic growth rates, and contributes to housing cost and affordability issues.*

Productivity in the building and housing sector is low, relative to other countries and other sectors of the New Zealand economy. Growth in the sector appears to have primarily been the result of labour growth rates.<sup>9</sup> Improving sector productivity would enhance the industry's ability to adjust to cyclical downturns without the large fluctuation in employment volumes and loss of skilled labour experienced in the past.

Labour productivity is far more volatile for the building and housing sector than for New Zealand's economy as a whole. Between 1997 and 2007, building and housing sector productivity fell almost 1%, while it grew by more than 1% for the economy as a whole. Over the 10 years between 1997 and 2007, labour productivity growth in the building and housing sector has also fallen short of labour productivity growth for the economy as a whole by as much as 26 percentage points.<sup>10</sup>

Labour productivity is far more volatile for the building and housing sector than for New Zealand's economy as a whole.

## Work currently under way

Solving this issue is not for industry or government alone, but requires a partnership approach. The Productivity Taskforce of sector leaders from the industry, government and local government has been tasked with identifying pragmatic options for improving skill levels in the industry, and for improving purchasing and sub-contracting arrangements. This taskforce will report back in March/April 2009 and will provide useful input to broader work currently underway on the wider question of lifting skills in the New Zealand economy.

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<sup>9</sup> <http://www.treasury.govt.nz/publications/research-policy/wp/2007/07-01>. and Department of Building and Housing consultant report from Martin Jenkins, August 2008.

<sup>10</sup> Martin Jenkins, *Productivity in the Building and Construction Sector* p6.

...the New Zealand Skills Strategy, research is being undertaken... on the possible effects on skills shortages in New Zealand.

### Wider skill-related initiatives

The New Zealand Skills Strategy was launched earlier in 2008 as a joint initiative between Business New Zealand, the Industry Training Federation, the New Zealand Council of Trade Unions and government. Following public consultation, a number of actions are under way. These include:

- a project led by Business New Zealand and the Industry Training Federation to develop a partnership between tertiary organisations and others on how to enhance management and leadership skills in the building and construction sector
- the Manufacturing Action Group developing skills initiatives for application in the manufacturing sector
- collaboration between the Institute of Professional Engineers, the Association of Consulting Engineers New Zealand and the Department of Labour to investigate the demand, supply and matching of skills in the engineering sector, reporting in May 2009.

Under the New Zealand Skills Strategy, research is being undertaken into several areas, including the trans-Tasman labour market. This will compare relative pay and conditions in the two countries, and the possible effects on skills shortages in New Zealand.

Licensing of building practitioners – recognising and promoting professional skills and behaviour – is also an important contributor to skills development in the sector.

### Options for consideration

How government can support industry to ensure that:

- the continued improvement of skill levels in the sector
- better research into building design, materials, methods of construction and management practices
- regulation enhances rather than impedes productivity
- industry procurement models contribute to productivity improvement.

## Ensuring New Zealanders have access to stable and affordable homes

*A wider range of housing tenure choices is needed to ensure that New Zealanders have access to stable and affordable housing.*

Home ownership in New Zealand has historically been the main way that families (and older households) achieve the benefits of stable housing, engage with their communities and accumulate wealth. The likelihood of this continuing to be the case for a significant proportion of the population has fundamentally changed.

The home ownership rate has fallen from a high of 74% of households in 1989 to 67% in 2006, and is predicted to fall to 62% of households by 2016.<sup>11</sup> The rate of home ownership is even lower in the Auckland region – at less than 64% in the 2006 census.

Declining house prices and interest rates will improve affordability for first-home buyers, but property values would need to fall a lot further (or incomes to increase) to return income-to-house-price ratios to the levels that existed at the beginning of the decade – i.e. to return to higher rates of home ownership.

A consequence of rising house prices and the changing demographics of households is that the size of the rental market is growing and it needs to cater for a growing volume of longer-term renters (families and older people). The proportion of the population that are unable or unlikely to achieve homeownership is growing. The current structure of the private rental market is mainly suited to the younger and more mobile 'flatting' population.

Rental housing is almost entirely provided by the private sector, with Housing New Zealand Corporation and local government tenancies being a declining share of a growing market (i.e. private rental properties are approximately 27% of the dwelling

...home ownership has fallen from 74% of households in 1989 to 67% in 2006, and is predicted to fall to 62% by 2016. The rate of home ownership is even lower in the Auckland region.

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<sup>11</sup> Centre for Housing Research Aotearoa New Zealand report, *Housing Tenure Aspirations and Attainment* p8.

stock, Housing New Zealand Corporation less than 5% and local government less than 1%).

### **Work currently under way**

The Department conducted research in late 2007 to identify the reasons tenancies in New Zealand are short-term in nature (with the median length of tenancy being only 10 months). The research helped to identify some possible options that could be pursued to promote more stable and secure tenancies.

In the past, the policy responses to housing cost and/or access issues have been predominantly demand-side focused. Work done over the past year by a team of government agencies in response to housing affordability issues identified the need for government to think more broadly about supply-side responses and about working together with the not-for-profit and private sectors, to deliver a better supply of affordable housing.<sup>12</sup>

Following the final report of the House Price Unit (*House Price Increases and Housing in New Zealand*), the Department was directed to address some of the critical factors affecting housing affordability and to suggest options to promote more stable and secure tenancies by seeking to address some of the key causes of short-term tenancies in New Zealand. The elements of this work programme include:

- Medium-term options to encourage landlords to provide residential tenants with: greater legal security of tenure; some of the benefits usually associated with home ownership, including wealth accumulation; and pathways to home ownership. This will involve consultation with industry stakeholders on the options identified to encourage greater security of tenure.
- Looking at the feasibility of, and piloting, a tenure guarantee scheme (with the Housing New Zealand Corporation and the Ministry of Social Development), to help households perceived by landlords as 'high risk' to attain and retain tenancies in the private rental market.

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<sup>12</sup> DPM&C House Price Unit Report, March 2008.

...in response to housing affordability issues identified the need for government to think much more broadly... working together with the not-for-profit and private sectors...

- Working with the Ministry of Social Development and the Housing New Zealand Corporation on options that will help tenants better manage their finances, including consideration of broader use of benefit reassignment, to reduce the risk of tenants being evicted due to rent arrears.

## Options for consideration

Some of the benefits of home ownership can be gained from alternative stable, good-quality, affordable rental and/or mixed ownership or leasehold housing arrangements.

### *Expanded housing tenure options*

We are investigating options which would provide tenants with a greater degree of legal security of tenure and some of the benefits of home ownership. Greater use of mixed ownership/tenure pathways to ownership (e.g. mixed ownership or leasehold models, longer-term and/or tradable rental options, equity share loans and rent-to-buy programmes) would provide a wider range of housing tenure choices and a more graduated pathway than an 'either/or' choice between rental and ownership.

In particular, this work contemplates new/alternative tenure models that sit between traditional renting and home ownership – that could achieve greater tenure security for renters. Alternative tenure models will be tested among key stakeholders to establish whether the level of interest in these models.

### *Institutional investment*

Work is under way to identify factors that discourage institutional investors from entering the residential housing market or that make residential rental accommodation unattractive to institutional investors. This work will also identify possible measures to overcome barriers to investment and how institutional investors could play a role in affordable housing development on Crown land.

A greater level of participation in the rental market by institutional investors may assist in the provision of a wider range of affordable and social housing options (e.g. longer-term rental options).

...investigating options which would provide tenants with a greater degree of legal security of tenure and some of the benefits of home ownership.

...identify factors that discourage institutional investors from entering the residential housing market...

*Not-for-profit housing providers*

Work is under way (together with Housing New Zealand Corporation) on options to establish a viable not-for-profit sector that is capable of independently providing affordable housing. This work will identify: the extent of the not-for-profit sector in New Zealand currently; the conditions for growth of not-for-profit organisations; funding options; governance structures; and options for partnering with investors, developers and builders.



## **Distributing and managing risk within the building and construction sector**

*Some parties in the building and construction sector face risks which are disproportionate and beyond their ability to control, and some have limited options for managing risk.*

Recent moves to raise skills and quality in the building sector (through the licensing of building practitioners, the accreditation of building consent authorities, completion of revisions to the Building Code and other measures) will reduce the incidence of building performance problems in the future.

However, quality and performance problems will sometimes still arise. It is important that all parties to a building process (including developers, territorial authorities, designers, builders and consumers) face reasonable liability or cost, in the event of performance failure. This is so that they have an incentive to perform well and to make well-informed decisions. People also need opportunities to manage the associated risks.

In practice in the New Zealand building and construction sector:

- territorial authorities consider that they face risks which are disproportionately high, given that their control over final building quality is limited
- territorial authorities have struggled to maintain and lift their capability and capacity to the level required to successfully undertake their role in today's building environment
- some developers, designers and builders are able to manage their risks through the use of limited liability company structures, and some are able to largely avoid liability altogether through the use of 'shelf' companies
- individual builders (and others) who do not operate through a company structure have limited ability to manage risk, as generally they cannot access professional indemnity insurance

Recent moves to raise skills and quality in the building sector will reduce the incidence of building performance problems in the future.

- consumers face some risk; however, they have limited options for managing these risks through products such as home warranty insurance, and many have difficulty in making well-informed decisions.

Under New Zealand's 'joint and several' liability rules, if one liable party no longer exists or is unable to pay any damages, other liable parties will pay a higher share than they would otherwise. Territorial authorities cannot go out of business and they lack legal options for limiting their liability. As a result, a territorial authority is sometimes the 'last man standing' in the event of building failure, and has to cover a larger share of the total damages. This has been particularly evident in historical weathertightness cases where there is significant building failure.

As a consequence, some territorial authorities have adopted a strongly risk-averse and conservative approach in carrying out their building control functions. While a conservative approach is appropriate in some circumstances (for example, where building designs are high-risk), excessive caution can place unnecessary costs on developers, builders and consumers. Potentially it can also constrain innovation and limit the extent of new development.

### **Work currently under way**

Since the Department was formed in 2004 it has worked closely with industry and consumers on information and education initiatives to raise awareness and to help in the management of the risks associated with the building process. This has included:

- providing information through the Department's website and the ConsumerBuild website (developed jointly by the Department and the Consumers Institute)
- providing support, guidance and mediation to owners of leaky homes through the Weathertight Services Group
- assisting territorial authorities to improve their building consenting processes and capability to become accredited and registered as building consent authorities, to undertake building consent functions under the Building Act 2004.

... territorial authorities have adopted a strongly risk-averse and conservative approach... excessive caution can place unnecessary costs on developers, builders and consumers.

In 2006 the Department and the Ministry of Economic Development undertook work on the issue of ‘shelf companies’ in the construction industry.<sup>13</sup> That work noted that use of shelf companies was prevalent in the construction industry, and concluded that their use was legitimate under company law although it highlighted the issue of redress for homeowners who subsequently discover latent defects several years after the building has been completed. The work also noted that the Building Act included mechanisms to reduce the risk of latent defects occurring.

Around 25% of new residential dwellings are covered by a home warranty insurance product. In 2006/07 the Department undertook a programme of work looking at whether this coverage could be increased and whether home warranty insurance should be mandatory. At that time there was insufficient capacity within the insurance industry to achieve more widespread coverage, and insurers had little interest in offering this type of product following the historical weathertightness problems, and concerns about skill levels and sector performance.

It is timely for the availability and take-up of home warranty insurance to be re-examined, now that the various building sector reforms have been in place for some time and there is improving confidence in the quality and standards of new construction within New Zealand.

The Department is currently looking at developing a more comprehensive approach to consumer protection in the building sector in New Zealand. This includes greater information provision and disclosure (for example, the building consent application will state who is to undertake the building work) to better inform homeowners and reduce the potential for problems downstream. Provision of a more effective dispute resolution for all residential building disputes is also being considered.

## Options for consideration

Further work on the allocation of liability in the sector, and the associated issues, is planned. There are questions of:

- whether various parties are currently bearing an appropriate level of risk (i.e. whether territorial authorities are bearing too much risk, and whether some

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<sup>13</sup> Companies established for a particular project and then legitimately wound up at the end of that project with no outstanding creditors.

The Department is currently looking at developing a more comprehensive approach to consumer protection in the building sector in New Zealand.

Further work on the allocation of liability in the sector, and the associated issues, is planned.

developers and builders are bearing too little given their ability to use 'shelf company' structures)

- how to ensure that developers and builders stand behind the quality of their work and put things right where needed
- what is a reasonable level of risk for consumers to bear, and how to increase consumers' access to good information and advice so that they can make good decisions when buying or building a property
- whether consumers would benefit from access to a greater range of options and products for managing risk (such as home warranty insurance products).

Any changes in this area would require a careful transition from current arrangements.

## Resolving 'weathertight' legacy cases

*The current approach has improved the facilitation of claims but is making only a limited contribution to the objective of homes being repaired.*

*Territorial authorities consider that their potential liability for settling Weathertight Homes Resolution Service claims is too large and should be limited.*

Dwellings affected by weathertightness problems have negative financial and health outcomes for the occupants.<sup>14</sup> Repairing defective work is expensive, and the mould caused by leaks is can have negative health effects.

The Government's 'weathertightness' initiatives are directed at both limiting the likelihood of new cases and assisting parties resolve historical cases, and encouraging the repair of affected homes.

Changes to the regulatory framework that applies to the construction of new buildings (i.e. licensing of building practitioners, accreditation of building authorities and changes to the Building Code) appear to have been successful in minimising the potential for new cases. Figure 1 on page 36 shows the sharp reduction in the volume of new claims relating to properties built after 2001/02, and there has been a corresponding reduction in claim volume over recent years. This graph shows that the 'leaky home' problem related mainly to homes built between 1996/97 and 2001/02. The 10-year eligibility rule already excludes properties built before 1998.

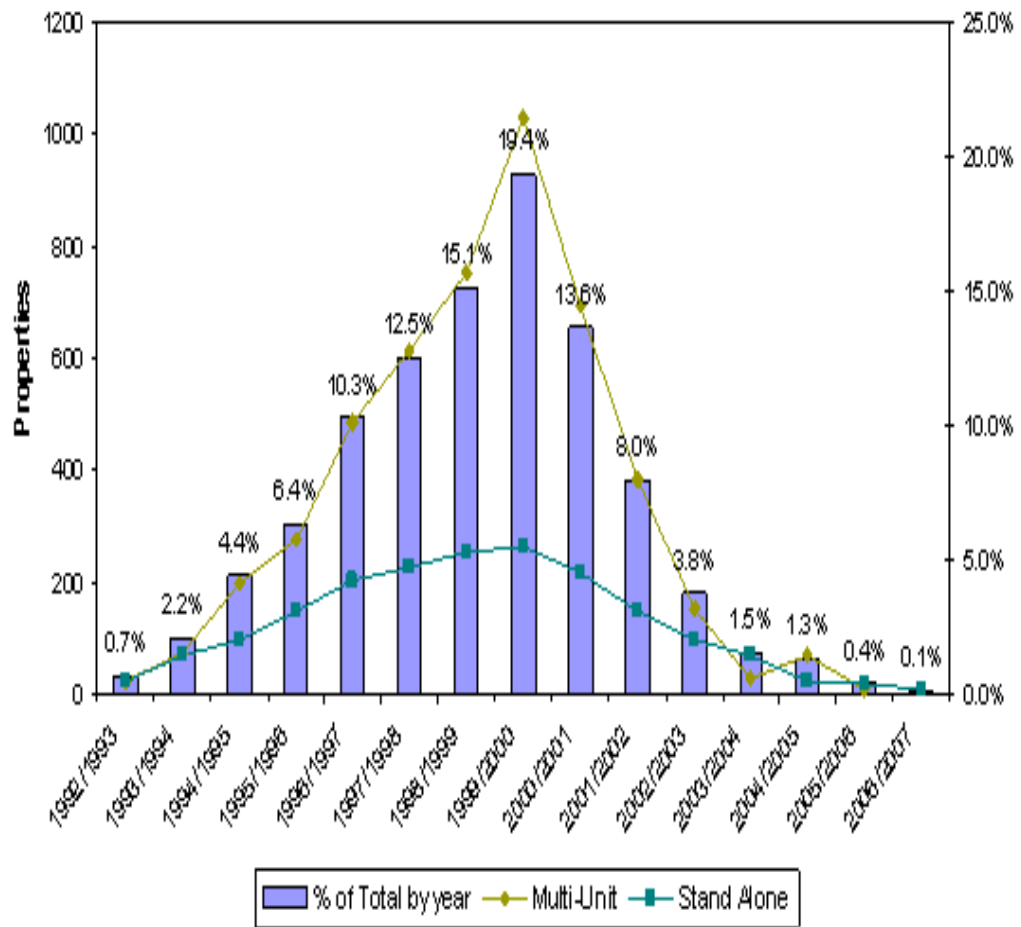
The Government's 'weathertightness' initiatives are directed at both limiting the likelihood of new cases and repairing historical cases.

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<sup>14</sup> <http://www.otago.ac.nz/wsmhs/academic/Med/warg/News.html>.

Figure 1

### Properties with WHRS by type and the year built or altered



The Weathertight Homes Resolution Services Act 2006, introduced in April 2007, was intended to provide a speedier, simpler and more cost-effective process for determining the level of damage and liability so that issues could be resolved more quickly between parties and homes repaired.

The 2007 changes have:

- resulted in lower costs to claimants for independent experts, and more robust assessments of damage
- delivered an increase in the number of claimants having their homes assessed (and advising the Department they are repairing their homes) before making a claim to the Weathertight Services Group. The assessment process is intended to identify the extent of damage and the likely cost of repair, and is funded by the Government
- encouraged homeowners to repair their homes as early as possible and provided some limited support for this.

Homeowners still face significant barriers in trying to get their homes repaired, and current economic conditions are having an impact. Recent declines in property market activity and price growth, as well as tightening economic and financial conditions, have reduced the ability of people affected to fund the repair of their homes by borrowing against rising property values and equity. The weathertight lending product (administered by the Housing New Zealand Corporation) was intended to provide access to 'last resort' finance, for repairing homes, but has experienced low lending volumes. Changing market conditions and tighter supply of mortgage finance suggest that the need for assistance to repair homes will increase and that the policy approach may need to be reviewed.

### **Work currently under way**

The Department is undertaking a full evaluation of the services provided under the Weathertight Homes Resolution Services Act and their contribution to resolving the problems faced by claimants and respondents. This evaluation will build on surveys of claimants and respondents to date and provide evidence of what is, and is not, working to ensure that leaky homes are repaired. Results of this evaluation and advice on any recommended changes will be provided to you in early 2009.

Indications are that while assessment and dispute resolutions processes have improved the objective of encouraging and facilitating the early repair of homes is not being substantially achieved.

Homeowners still face significant barriers in trying to get their homes repaired...

The Department is undertaking a full evaluation of the services provided under the Weathertight Homes Resolution Services Act and their contribution to resolving the problems faced by claimants and respondents.

Territorial authorities are concerned that they face a disproportionate level of liability for weathertightness claims as other potentially liable parties no longer exist or have no funds to pay. Territorial authorities submitted a proposal to the previous Government for a different dispute resolution process that would limit their liability and require the Crown to contribute significantly to future settlements.

The merits of the proposal depend on the size and scale of the remaining historical weathertightness claims. The last estimate of the number of homes likely to be affected by weathertightness problems was done in 2005. This estimate needs to be updated/confirmed before alternative approaches to addressing the problems can be assessed or considered.

### **Options for consideration**

Following completion of the evaluation of the current approach, we propose the Department develop advice on options for change or improvements. Including:

- Research to better quantify the remaining size and implications of residual weathertightness problems to determine whether the current approach is still appropriate or whether an alternative approach is warranted.
- Considering the financial implications of claims on territorial authorities, whether they require assistance to manage their liability, and whether the existing model of 'joint and several liability' is appropriate.
- Changes to the current loans scheme (or possible other funding options) to facilitate repair of homes.



## Other work priorities

### The Licensed Building Practitioners Scheme

Implemented from 1 November 2007, the Licensed Building Practitioners Scheme seeks to improve and formally recognise the skills and competence of building practitioners. It also seeks to increase practitioner accountability for the quality of their work and promote professional behaviour.

The scheme thus far has 10 licensing classes in place (covering site, design, trade and specialist licensing classes), with a further three licensing classes under development. These are due to be established in early to mid-2009.

Uptake to the scheme has been lower than expected, as the sector awaits certainty around the type of work that will be defined as 'restricted building work'. This is work that can only be done, or supervised, by a licensed building practitioner. The lower rate of uptake has financial implications for the Department. We are currently re-forecasting licensing fee revenue and expect a greater than previous forecast deficit in the memorandum account. If this is borne out, a capital injection will be required, through the March Baseline Update in 2009.

The sector strongly supports the licensing scheme and was actively involved in the design of it. Some concerns have been raised by building practitioners about the complexity of the scheme and practice.

The Department is currently working with key sector groups in assessing opportunities for streamlining and simplifying the scheme. These include:

- providing greater recognition of trade qualifications
- the extent to which the assessment frameworks of other occupational licensing schemes (such as those for engineers and architects) can be used
- simplifying the building categories used by the scheme
- providing greater incentives for early licensing, such as lower fees and allowing some degree of self-certification of building work by licensed practitioners
- how to most effectively transition to a qualifications-based scheme by 2015.

...the scheme seeks to improve and formally recognise the skills and competence of building practitioners. It also seeks to increase practitioner accountability for the quality of their work.

The Department is currently working with key sector groups in assessing opportunities for streamlining and simplifying the scheme.

An independent review of the accreditation process is being done to identify what lessons can be learned and applied to the next phase of accreditation.

## **Building consent authority accreditation**

The Department is continuing to support accreditation and registration of the remaining unregistered territorial authorities.

An independent review of the accreditation process is being done to identify what lessons can be learned and applied to the next phase of accreditation. The Department is also reassessing whether the standards and timing of phases two and three of accreditation remain appropriate.

## **Building Code**

A comprehensive review of the Building Code, as required by the Building Act, was completed last year. The findings of this review are included in the Department's future work programme. Current priorities are:

- implementing health and safety recommendations from the review e.g. fire safety
- ready made solutions (compliance documents) for medium density housing and starter homes
- review of the ready made solutions for control of external moisture
- clarification and simplification of design requirements.

### *Simplified Documentation and Design Competition*

Documentation for simple starter homes has been prepared to streamline the design and approval of simple, modest homes. This documentation provides all the necessary information and requirements to build a simple, standard, affordable home that promotes efficiency in design and construction. The Department is holding a competition to design a good-quality starter home, based on the proposed documentation for simple housing. The winner will be selected in March 2009. Any benefits of the first stage of the design competition will be incorporated into a final document for simple housing. The winning design will be built by the Housing New Zealand Corporation.

### *Energy efficiency*

The Department's energy efficiency work programme includes several streams. One is implementing improved energy efficiency performance requirements in the Building Code (approved in 2007 and 2008). These include better thermal insulation in new houses, more efficient lighting in commercial buildings, and new energy efficiency standards for domestic hot water systems, and for heating, ventilation and air-conditioning (HVAC) systems in new commercial buildings. Following consultation in October 2008, all options on the domestic hot water initiative are being re-considered, including emphasising consumer education and water efficiency labelling.

The Department has also published a new ready-made solution for solar water heaters. Further refinement of this document is in progress.

A further stream of work relates to the implementation of the New Zealand Energy Efficiency and Conservation Strategy. The Department has been funded to undertake a number of activities, including a major research project on energy use in commercial buildings.

### *Working with Standards New Zealand*

The Department works closely with Standards New Zealand to develop and update New Zealand building standards. The Department is putting in place a three-year rolling work programme with Standards New Zealand to address a backlog of out of date standards and develop new standards where appropriate.

Each year the Department contributes funding and technical staff resources to work on 20 to 30 standards that form part of the Building Code legal framework.

Standards New Zealand is funded from the sales of Standards. This revenue is insufficient to fund Standards New Zealand's activities, and it relies on financial support from the building sector to supplement its income as well as funding from the Department.

Approximately 300 local and international standards are directly cited in the Building Code or associated documents. These standards only gain legal status for the purpose of the Building Code if they are cited.

Approximately 300 local and international standards are directly cited in the Building Code or associated documents.

The building and housing sector does not currently have a coherent long term strategy in place.

The Department bases its funding priorities for Standards New Zealand on the purpose and principles of the Building Act and the cost-effectiveness of achieving them through citing standards.

### **Product certification**

Product certification is a new voluntary scheme allowing manufacturers or suppliers of building products and construction methods to establish conformity with the New Zealand Building Code. The use of a certified product or method will give confidence that the product or method is capable of performing its intended function. It will also speed up building consent and inspection processes where a certified product or method is used.

The regulations outlining how the scheme will operate came into effect on 30 October 2008. The Department has appointed the Joint Accreditation Scheme-Australia and New Zealand to accredit bodies to assess products.

The Department is now working on implementation and promoting the scheme to manufacturers, importers, designers and building consent authorities.

### **Sector Strategy and Research**

The building and housing sector does not currently have a coherent long term strategy in place. Current research is driven by immediate needs (reactionary) or specific sector interests.

The Department is working with leading industry organisations (including the Construction Industry Council and BRANZ) to develop a sector strategy for both the short and longer term.

Completion of the strategy will allow the sector and the Department to determine what research is needed for the future to ensure quality building and support the sector to perform well in a changing environment. The strategy and resulting research agenda will enable the sector to work with research funders such as MoRST and FoRST to determine the amount and priority of research investment, provide direction for researchers and ensure that the most important research questions are being addressed for the benefit of New Zealand.

The Department is working with leading industry organisations (including the Construction Industry Council and BRANZ) to develop a sector strategy for both the short and longer term

## **Sector trends and performance**

The Department is increasing its capacity to provide advice on emerging issues and trends that are likely to impact on, or are critical to, the performance of the housing and building sector in New Zealand. This includes factors such as demographics, land supply, affordability, productivity and international trends, so that informed decisions can be taken by government, local government, the Department and the broader sector. This will enable the Department to deepen its understanding of the sector and its key performance drivers, and in measuring for outcomes.



## Matters requiring your attention

This section gives you information on key decisions that will need to be made prior to Christmas and through to the end of March 2009. Further advice will be provided on these topics.

### Matters requiring immediate attention

#### *Decisions on the legislative programme*

The following three Bills have been introduced to Parliament but lapsed on 3 October 2008 with the dissolution of the 48th Parliament. An early item of House business is generally a Motion of Reinstatement of Bills that lapsed but which the new Government wishes to proceed. It is recommended that the Building Amendment, Unit Titles and the Residential Tenancies Amendment Bills be reinstated.

#### 1. Building Amendment Bill

The Building Amendment Bill (No 2) was introduced to Parliament on 8 September 2008. This Bill builds on earlier reforms to improve performance in the construction sector. It amends the Building Act 2004 to increase the flexibility and efficiency of the building consent process and encourage an increased supply of affordable houses, while ensuring that quality homes and buildings are constructed.

#### 2. Unit Titles Bill

The Unit Titles Bill was introduced to Parliament on 29 May 2008. The Bill updates the existing Unit Titles Act 1972 to better reflect today's living arrangements by providing a modern and flexible legal framework for unit title developments to be created, governed and maintained. This is critically important given the substantial increase in apartments and town houses in New Zealand, particularly in larger urban areas where the number of more intensive housing developments has increased considerably.

### 3. Residential Tenancies Amendment Bill

The Residential Tenancies Amendment Bill was introduced to Parliament on 29 May 2008. The changes to the Residential Tenancies Act 1986 are designed to ensure that rights and obligations are clear and appropriately balanced so that tenants have access to stable, good-quality accommodation, and landlords can manage rental properties effectively.

#### **Decisions required by Christmas**

##### *Decisions on financial and planning matters*

- The current timing for the Budget process has indicative budget bids submitted by mid-December. We will discuss with you whether you wish to progress any bids.
- The Department has a potential bid relating to an online building consenting system. We will be seeking to discuss this with you by the end of November.

##### *Decisions on regulations*

- Decisions on the definition of 'restricted building work' (what building work must be done by a licensed building practitioner from November 2010) is needed prior to Christmas, or early in the New Year, to enable builders to become licensed within the required timeframe. This is the final decision to effectively implement the licensed building practitioners regime. The industry is expecting these decisions to be made this year and will be concerned by any delay. There is also some pressure coming from homeowner/consumer groups.

#### **Decisions required before 31 March 2009**

##### *Decisions on your strategic priorities to assist financial and planning matters*

- Decisions on your strategic priorities for the portfolio will help to develop the Statement of Intent for 2009–12 and the speech from the throne for the opening of Parliament.



- Revised forecasts and preliminary Estimates documentation are to be prepared by early February to inform the March Baseline Update project. This will likely identify the need for a further capital injection for the Licensed Building Practitioners memorandum account.
- Following discussion and agreement with you on strategic priorities, a revised Output Plan will be prepared to reflect your priorities.

*Response to territorial authorities that fail to become accredited as building consent authorities*

Territorial authorities are required to be accredited or have contracted their building functions to an accredited authority by 31 March 2009. Territorial authorities who have not done this will be unable to undertake building consent, inspection and approval functions. The timeframe for territorial authorities to achieve accreditation has been extended twice to date and 70 territorial authorities are accredited and nine are still to achieve accreditation. There is a risk that Invercargill, Napier, Waitomo and Gore will not be accredited by 31 March 2009. A decision will need to be made early in the New Year as to how the Government wishes to respond to this. To extend the date will require a regulation to be made.

*Plumbers, Gasfitters and Drainlayers Board*

There have been a number of complaints about the way the Board is carrying out its functions in terms of registering plumbers. The previous Minister largely replaced the Board in July 2008 and asked the Auditor-General to conduct a review of the performance of the Board. The terms of reference for this review have been finalised, and the report will be sent to you by the Office of the Auditor-General early in the New Year.

*Decisions on Cabinet papers for the Housing Affordability and Housing Supply Work programme*

Outstanding Cabinet reports include the following:

- A report back to Cabinet is due in December 2008 on the role of the Crown in promoting appropriate urban intensification. This work is closely linked with infrastructure planning and funding (including transport), and the use of the Resource Management Act.

- A report back to Cabinet is due by December 2008 on land supply issues in Auckland. A study conducted for the Department has raised concerns about the application of the metropolitan urban limit and the availability of land to meet projected housing supply needs in the Auckland region, particularly in Manukau and Auckland City. Issues are expected to emerge over the next 2–3 years.
- A report to Cabinet on the possible establishment of a Development Fund to support the supply of affordable housing. A decision would be needed by February 2009 in order for this option to be considered as a late Budget bid for the 2009/10 financial year if you wish to progress this.
- A report back to Cabinet is due in March 2009 on the potential for strategic acquisition of land to be used for affordable housing development. Opportunities to purchase land may be available at favourable prices due to the current market conditions.

*Other decisions*

- Resolution of weathertight home claims – metropolitan mayors have strongly lobbied government to change the process for resolution of weathertightness claims in response to the level of financial liability they face. It is likely they will be seeking an early response from Government as to their proposals.

# The Department of Building and Housing

The Department of Building and Housing was established in 2004 to strengthen the capacity and capability of government housing and building policy advice and service delivery functions. This followed comprehensive reviews of the government's institutional arrangements connected with housing and housing issues, and a review in relation to building issues and building quality in the wake of the leaky homes crisis.

The key drivers in the establishment of the Department were the need to work with the sector to improve performance, and the Government's desire to take a more coherent approach to building and housing policy and to service delivery. Reducing fragmentation across government and building critical mass were seen as critical to achieving success.

The Department brought together:

- the former Ministry of Housing and the Building Industry Authority, and the building policy functions and staff from the Ministry of Economic Development, in November 2004
- housing standards work from the Housing New Zealand Corporation in February 2005
- the Weathertight Homes Resolution Service from the Department of Internal Affairs, and retirement villages policy and administration from the Ministry of Social Development, in April 2005
- the Electrical Workers Registration Board and related Electricity Act 1992 functions from the Ministry of Economic Development in September 2006
- administration of the Fencing of Swimming Pools Act 1987 from the Department of Internal Affairs in July 2006
- administration of the Plumbers, Gasfitters, and Drainlayers Act 2006 from the Ministry of Health in January 2008

- the operational registration and licensing functions in relation to electrical workers transfer to the Department in September 2009.

Bringing together the Government's building and housing-related activities has allowed for a more integrated and strategic approach to the sector and issues affecting it. This covers service delivery to the public, policy advice to government, and monitoring and compliance. This consolidation has enabled the Government to take a stronger leadership role – through work on housing supply and affordability and working with sector stakeholders to improve productivity and performance in what is a highly fragmented sector.

### **Department of Building and Housing: Funding**

As Minister of Building and Construction you are responsible for that part of the Vote relating to the Department of Building and Housing. The total funding for Vote: Housing is \$75.658 million composed of \$67.658 million operating expenditure and \$8.138 million capital expenditure. The Department's total appropriation is projected to reduce over the next four years.

The Minister of Housing is responsible for non-departmental appropriations of \$846.173 million for purchase of services from the Housing New Zealand Corporation and for capital expenditure by the Corporation.

Both of these (departmental and non-departmental) appropriations are administered by the Department, as Vote: Housing.

The Department is funded from four main sources:

- the Crown, through appropriation – 35.1% (\$26.2 million)
- residential tenancy bond interest and fees – 30.6% (\$22.8 million)
- levies (including the building levy, and fees and levies charged to applicants for registration as licensed building practitioners and registration as electrical workers) – 33.8% (\$25.2 million)
- departmental revenue (SSRSS) – 0.5% (\$0.4m).

Total funding for the Department from all sources, is currently forecast to be \$74.6 million in 2008/09, with approximately two-thirds of that funding coming from third

parties. Detailed information on the financial management of the Department, including the effect on revenue from declining building activity and interest rates, is included on pages 57 to 63.

The Department:

- provides policy advice to the Minister for Building and Construction (and also the Minister for Housing) on housing and building issues, including emerging trends and issues, and works with other government agencies to ensure an effective regulatory environment for the building and housing sector, including the residential rental housing market and retirement villages
- provides sector leadership on the critical issues facing the sector around housing affordability and sector productivity
- delivers information, advice and dispute resolution services in relation to tenancy, building and weathertightness issues
- handles around 500,000 calls through our 0800 phone number and operates from 85 offices or service venues (often shared) around New Zealand
- manages 44,000 Tenancy Tribunal applications annually
- manages \$260 million in residential tenancy bonds and processes 362,000 bond transactions each year
- sets the minimum acceptable standards for the health and safety of buildings through the Building Code
- manages occupational licensing within the building sector and related trades
- provides advice on a wide range of statutory boards connected with the sector
- administers Vote: Housing, including coordination of the annual Budget process (including advice to Ministers on Housing New Zealand Corporation's Budget proposals) and ensuring that funds are spent in line with the scope and amount of appropriation
- administers the State Housing Appeal Authority

- employs 364 staff, with half involved in frontline service delivery across New Zealand
- has a wide range of specialised technical skills and practical knowledge, and experience in the sector, including building, engineering and architecture as well as technical assessment and mediation.

The Department also provides advice to the Minister Responsible for the Housing New Zealand Corporation. The Corporation is a statutory Crown entity, and holds the second-largest asset base of any Crown agency (\$15 billion of assets, second only to Transport). Vote: Housing is the 11th largest out of 67 Votes for the Government. The Corporation influences social housing outcomes in two main ways: through providing state housing; and through policy advice on how the Government can best achieve its social housing goals.

The Department is responsible for monitoring the performance of the Corporation and for supporting the responsible Minister(s) in a number of governance and administrative functions. These include:

- monitoring the performance of the Corporation and providing advice on whether it is achieving the goals set, including analysis of monthly, quarterly and annual reporting and assist the responsible Minister
- assisting Ministers set performance and accountability expectations for the Board and Corporation through avenues such as the statement of intent and purchase agreement
- assisting Ministers with making appointments to the Board of the Corporation
- monitoring the financial performance of the Corporation, including commercial and fiscal risks.

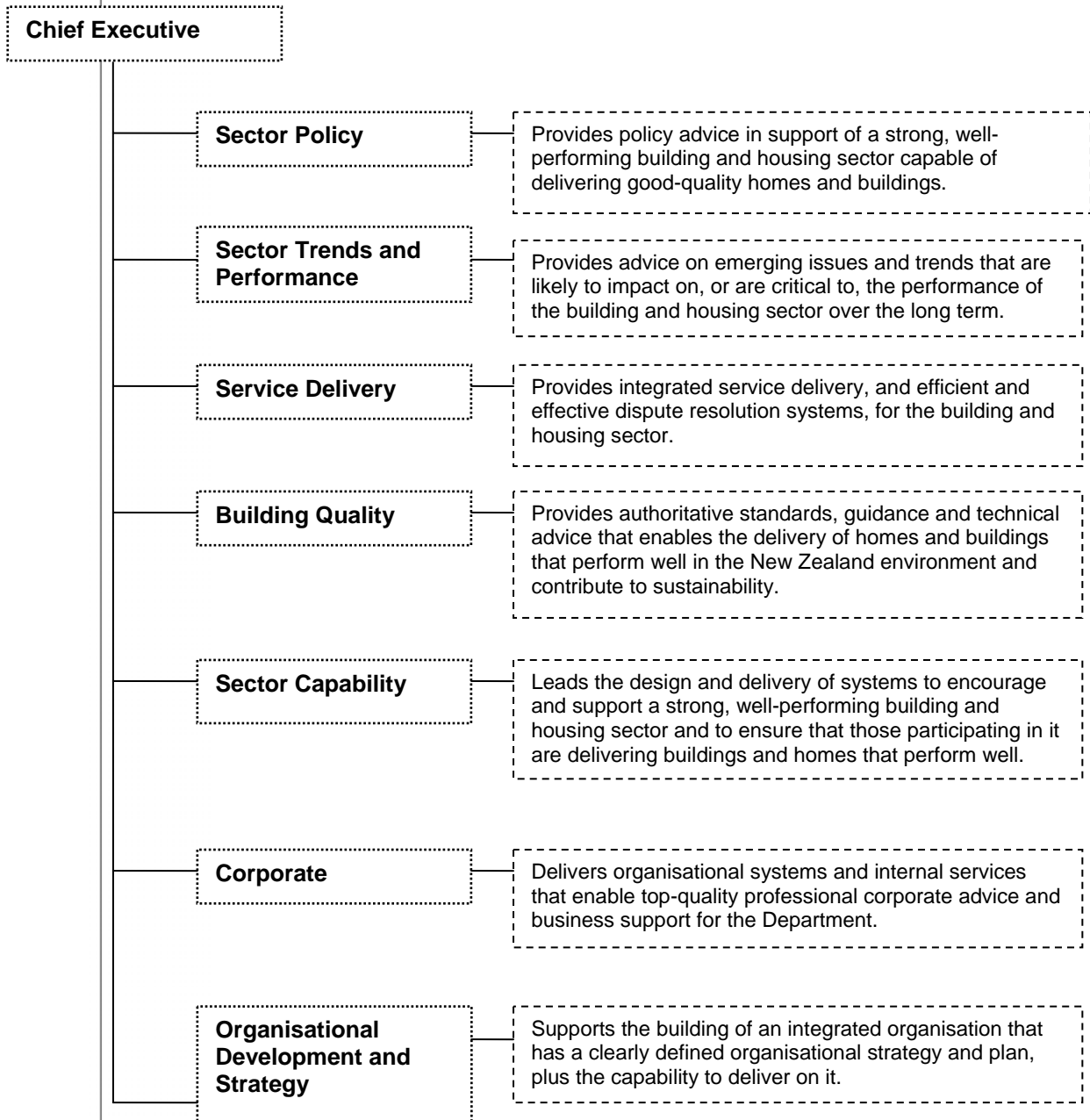
## **Legislation administered by the Department**

The Department administers the following legislation.

- Building Act 2004
- Chartered Professional Engineers of New Zealand Act 2002
- Construction Contracts Act 2002
- Electricity Act 1992
- Engineering Associates Act 1961
- Fencing of Swimming Pools Act 1987
- Plumbers, Gasfitters, and Drainlayers Act 1976
- Plumbers, Gasfitters, and Drainlayers Act 2006
- Registered Architects Act 2005
- Residential Tenancies Act 1986
- Retirement Villages Act 2003
- Weathertight Homes Resolution Services Act 2006.

Figure 2

### Structure of the Department





## Key people

**Katrina Bach** has been Chief Executive of the Department since it was established on 1 November 2004. Prior to this, she was the Chief Executive of the Ministry of Housing for two years. Katrina has a background in economic and regulatory policy and was Deputy Secretary at the Ministry of Economic Development before moving to the Ministry of Housing. She was acting Secretary for Internal Affairs in 2001, and earlier worked at the Treasury, the Department of the Prime Minister and Cabinet, Ministry of Commerce and in the Department of Trade and Industry.

**Suzanne Townsend** was appointed in March 2008 as Deputy Chief Executive Sector Policy. Suzanne has a background in regulatory, economic and environmental policy and worked previously with the Ministry of Economic Development and the Ministry for the Environment. Before joining the Department at its inception in 2004 as the Manager Regulatory Policy, Suzanne had previously worked on policy in relation to the building sector reforms.

**Dave Kelly** joined the Department as Deputy Chief Executive Building Quality in October 2007. He came to the Department from the Hutt City Council, where he was General Manager. Prior to that he was Chief Executive Officer of the South Waikato District Council, and he has also held senior roles in the local government sector in relation to delivery of community services and functions, and water supply and roading engineering.

**Nigel Bickle** was appointed Deputy Chief Executive Sector Capability in May 2008. He previously held the role of Deputy Chief Executive Service Delivery. Prior to this, Nigel was the General Manager Service Development at Work and Income New Zealand, responsible for policy, research and information, legal services and contracting.

**Ann Clark** joined the Department in March 2006 as acting Regulatory Policy Manager and was subsequently appointed Deputy Chief Executive Corporate from January 2007. Ann is a very experienced senior manager with considerable knowledge of public and state sector policy and operations, and government systems and processes. She has worked in the housing, social welfare, corrections and education sectors. She was previously Chief Executive of the Tertiary Education Commission.

**Maria Robertson** was appointed to the role of Deputy Chief Executive Organisational Development and Strategy in May 2007. Maria has held a number

of senior operational and organisational development roles in Carter Holt Harvey, Telecom, Comalco and Rio Tinto. She is currently acting DCE Service Delivery until the permanent appointee takes up the role.

**Greg Groufsky** was previously manager of the Weathertight Resolution Service and acted as Deputy Chief Executive Service Delivery. He has been seconded to the Chief Executive's Office to assist with the transition to the new Government and ensure Ministerial offices are well supported in the establishment phase and beyond. Greg is a senior public servant with a background in housing policy and service delivery. He has also had experience as a Private Secretary to the Minister of Housing.

**Diana Marriott** is Chief Advisor Communications. Diana took up her role with the Department in January 2008. She has a background in journalism and government communications, and has worked as a Press Secretary.

## Staffing

As at 31 October 2008 the Department had 364 employees, of which 324 were full-time and 40 were part-time. There were also a number of people in contracting roles to fill vacant positions, or providing specialist skills or additional capability for specific work.

The Department's employees are based in:

- Wellington national office (196 employees)
- the Porirua Service Centre (80 employees)
- 19 regional offices located throughout the country from Invercargill to Whangarei (88 employees).

Because of the breadth and technical nature of its functions, the Department draws on a broad range of skills from across the public and private sectors, including local government.

Staff turnover is currently 18% (down from 23%). This reflects the bedding-in of the new department structure and the move from "start up" as a new organisation to a more business as usual footing.

## **Financial management**

There is a Minister designated as the Minister Responsible for the Department of Building and Housing. This Minister approves the Estimates of Appropriation, the Statement of Intent and the Output Plan. Vote: Housing has had two Vote Ministers for the past two years: the Minister for Building and Construction for the departmental part of the Vote and as Responsible Minister, and the Minister of Housing for the non-departmental part of the Vote. The non-departmental part relates to expenditure through the Housing New Zealand Corporation. The Department is the administering Department for the whole of the Vote.

## **Vote administration**

The Department provides advice to Vote Ministers in relation to the Budget: bids and issues, forecasting, baseline updates (in March and October), preparation of information for Economic Forecasts and preparation of the Estimates of Appropriation. The Department reviews proposed expenditure by the Housing New Zealand Corporation to ensure that it is within appropriation. The Department will also prepare any documentation for approvals for demand-driven appropriations which are forecast to exceed the voted amount.

## **Delegations**

Cabinet Office circular (99)7 defines the financial delegations and delegation limits for responsible Ministers and Departmental Chief Executives. The Chief Executive controls Crown expenditure by the Department consistent with the requirements of the Public Finance Act 1989.

The Department has a total appropriation for 2008/09 of \$75.658 million following the October Baseline Update. The substantive baseline is about \$70 million as reflected in the 2008/09 Estimates. The Department also has a non-departmental appropriation for funding the Housing New Zealand Corporation, through Vote: Housing, of \$846.173 million.

## **Departmental appropriations**

The departmental operating appropriations for Vote: Housing for 2008/09 total \$75.658 million. This comprises the following output classes and expenditure.

### *Building Regulation and Control*

- \$19.649 million on providing regulatory and monitoring services for the building industry (including Building Content Authorities) under the Building Act 2004, technical advice on building standards, building performance and building related consumer information.

### *Occupational Licensing*

- \$9.538 million on developing, implementing and maintaining registration and licensing regimes for building practitioners and electrical workers.

### *Purchase and Monitoring Advice – Housing New Zealand Corporation*

- \$635,000 on provision of purchase and performance monitoring advice to the Minister of Housing in relation to the Housing New Zealand Corporation.

### *Residential Tenancy Services*

- \$21.988 million on administration of residential tenancy bond monies, providing information, advice and dispute resolution services to tenants and landlords in relation to residential tenancies as required by the Residential Tenancies Act 1986.

### *Sector and Regulatory Policy*

- \$5.756 million to provide sector and regulatory policy advice on the building and housing sector.

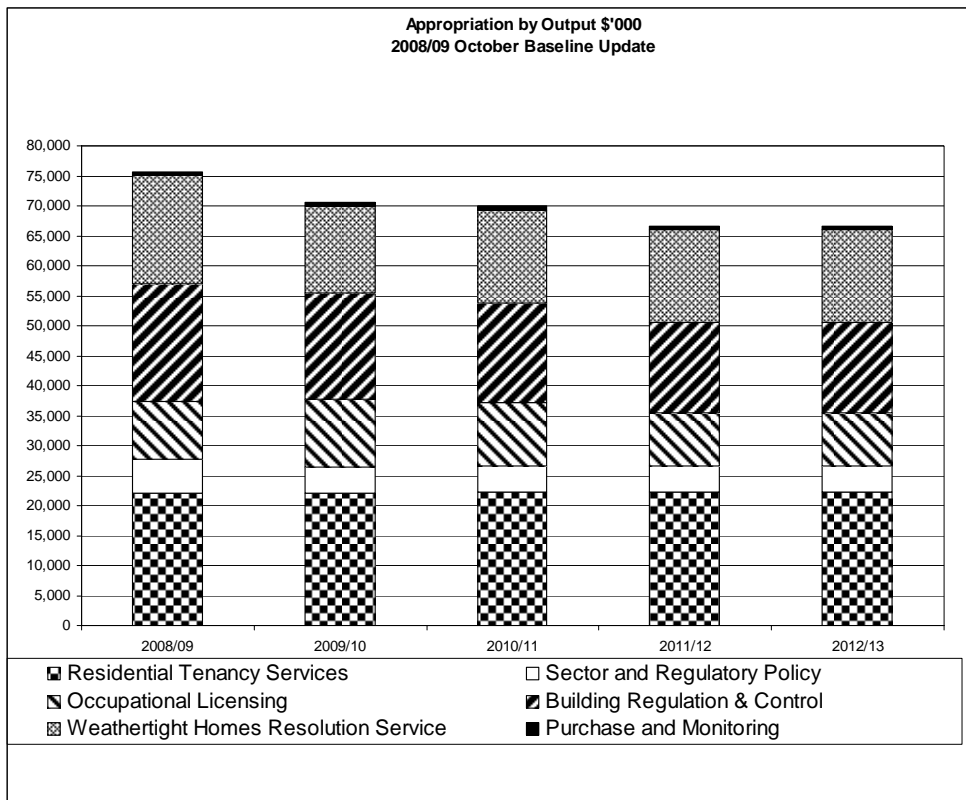
### *Weathertight Homes Resolution Service*

- \$18.092 million to provide owners of houses affected by the 'leaky building' syndrome with information and access to flexible and cost-effective procedures for assessment and resolution of claims.

### Future trend of the Department's appropriation

From a total of \$75.658 million for 2008/09, the Department's total appropriation is projected to reduce over the next four years to \$66.693 million – as shown in the following graph. This coupled with likely decreases in third-party revenue (outlined below), will present challenges to the financial management of the Department.

Figure 3



### Source of funds

The Department is funded from the Crown, residential tenancy bond interest, and fees and levies (including the building levy, and fees and levies charged to applicants for registration as licensed building practitioners and as electrical workers). Total revenue of \$74.6 million from these sources is forecast for 2008/09 (October Baseline Update 2008). In the October Baseline Update the building levy was re-forecast down by \$4.529 million. This total is based on forecasts of interest income, building levies, and application levels for electrical workers and licensed building practitioners.

Figure 4

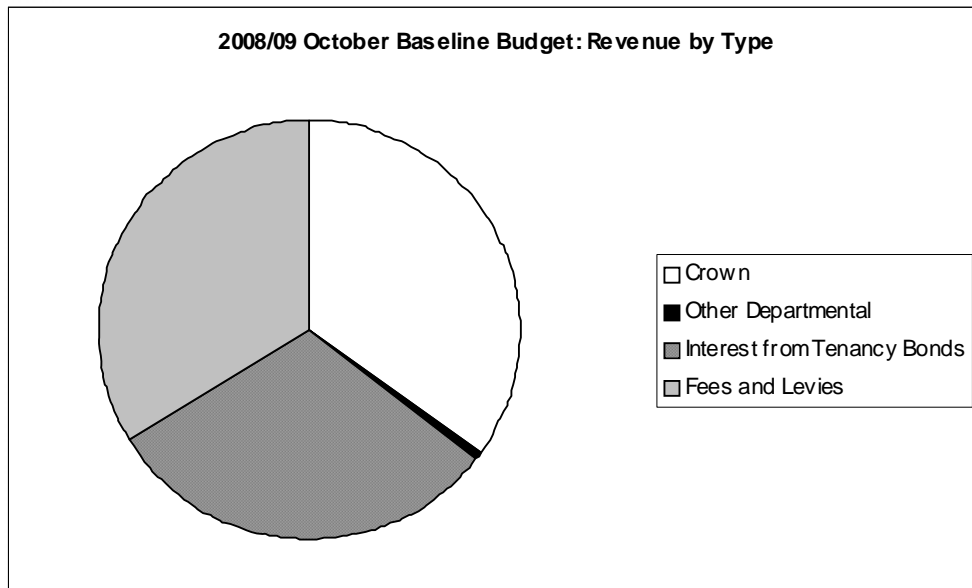


Table 1: Source of funds for each appropriation

<b>Output/Appropriation</b>	<b>Source of funding</b>	<b>Revenue (\$000)</b>
<i>Building Regulation and Control</i>	Building levies	\$18,582
	Crown	\$1,858
	State Sector Retirement Savings	\$77
<i>Occupational Licensing</i>	Fees and levies from electrical workers and licensed building practitioners	\$5,616
	State Sector Retirement Savings	\$20
<i>Purchase and Monitoring Advice</i>	Crown	\$631
	State Sector Retirement Savings	\$4
<i>Residential Tenancy Services</i>	Interest from bond funds and Tribunal fees	\$23,686
	State Sector Retirement Savings	\$161
<i>Sector and Regulatory Policy</i>	Crown	\$5,692
	State Sector Retirement Savings	\$64
<i>Weathertight Homes Resolution Service</i>	Crown	\$18,004
	Mediation services fees	\$124
	State Sector Retirement Savings	\$81

The building levy is collected by territorial authorities from applicants for building consents under the Building Act 2004. The rate is set at \$1.97 per \$1000 of building work over \$20,000 in value. Territorial authorities retain a 3% fee for their administration. This levy funding offsets the appropriation for Building Regulation

and Control, and its purpose is to fund the functions of the Chief Executive in giving effect to the provisions of the Building Act. The Department maintains a memorandum account which shows the income from the levy and the expenses the Department has incurred. This account currently shows a surplus. Income, and consequently the balance of the account, will be adversely affected by a fall in the volume of building activity and market changes. The reforecast at the time of the October Baseline Update reduced likely revenue by \$4.529 million. We expect to forecast a further reduction in revenue as part of the March Baseline Update in 2009.

The Department charges fees and a levy for the registration of electrical workers under the Energy (Fuels, Levies, and References) Act 1989. The levy is to cover the costs of the functions of Chief Executive. The registration fees are set to recover the costs of operating the registration scheme. The Department operates a memorandum account which records the expenses incurred and income received. This account is currently in surplus and is forecast to remain relatively steady. This income offsets the Occupational Licensing appropriation.

The Department charges fees and a levy for the licensing of building practitioners under the Building Act 2004. The fees are designed to recover the costs of the licensing scheme, and the levy covers the costs of the operation of the Building Practitioners Board. Much of the cost to establish the scheme has been met through Crown funding or the building levy. The memorandum account records the expenses to operate the scheme and income from fees and a levy and is in deficit. The deficit has been funded by a capital injection. The expectation is that over a 10-year period the memorandum account will balance. However, the lower than forecast levels of applications to become licensed building practitioners mean that a further capital injection is likely to be necessary. The income offsets the Occupational Licensing appropriation.

The Department invests lodged bonds of up to four weeks' rent from landlords, using the provisions of the Residential Tenancies Act 1986. These bonds are invested through a trust account, and the interest from these investments provides income which offsets the Residential Tenancy Services appropriation. The current trend is for landlords to move from a 2-week bond to a 3-week bond; this is tending to offset declining interest rates, and the forecast for Residential Tenancy Services income is relatively stable in the short to medium term.



## **Crown revenue and receipts**

Crown revenue and receipts for the 2008/09 year are forecast to total \$136.414 million, comprising:

- \$134.145 million of interest paid by the Housing New Zealand Corporation on government loans
- \$1.661 million dividend from the Housing New Zealand Corporation.



## **Boards and entities for which the Department is responsible**

The Department administers a number of acts and regulations under which statutory entities are appointed.

The Department provides support to responsible Ministers by monitoring and reporting on the performance of statutory bodies and boards charged with providing building- and housing-related services and functions. The Department's role includes:

- providing advice on delivering the Government's social housing policies through the Housing New Zealand Corporation
- evaluating the delivery of the Government's social housing policies through the Housing New Zealand Corporation
- providing advice on appointments and the performance of other building and housing entities such as occupational licensing boards.

The Department supports statutory bodies and boards by providing some induction guidance, registrar functions and other administrative services. The boards/entities supported are listed below, together with the legislation under which the board/entity is established. Further information is included in Appendix 1.

### **Crown entity**

- Housing New Zealand Corporation (Housing Corporation Act 1974; Crown Entities Act 2004).

### **Tribunals and other statutory bodies**

- State Housing Appeal Authority (Housing Restructuring and Tenancy Matters (Appeals) Regulations 2000)
- Tenancy Tribunal (Residential Tenancies Act 1986)
- Weathertight Homes Tribunal (adjudicators and mediators) (Weathertight Homes Resolution Services Act 2006).

The Department works jointly with the Ministry of Justice to support the work of the Tenancy Tribunal and the Weathertight Homes Resolution Service.

### **Occupational licensing boards**

- Building Practitioners Board (Building Act 2004)
- Electrical Workers Registration Board, and Complaints Assessment Committees (Electricity Act 1992)
- Engineering Associates Registration Board, and Engineering Associates Investigation Committee (Engineering Associates Act 1961)
- New Zealand Registered Architects Board (Registered Architects Act 2005)
- Chartered Professional Engineers Council (Chartered Professional Engineers of New Zealand Act 2002)
- Plumbers, Gasfitters and Drainlayers Board.

### **Chief Executive statutory appointments**

- Building Advisory Panel (Building Act 2004).

### **Boards and entities: further information**

The Department provides additional administrative and/or operational support to the following six boards and entities.

#### **State Housing Appeal Authority**

The State Housing Appeal Authority consists of a Principal Member, a Deputy Principal Member and other members (the number of members is not specified in the Regulations).

The Principal Member and Deputy Principal Member are appointed by the Governor-General on the joint recommendation of the Minister of Housing and the Minister of Justice.

The purpose of the State Housing Appeal Authority is to sit as a judicial body to determine appeals from applications relating to decisions made by the Housing New Zealand Corporation on the:

- assessment of income-related rents
- applicant's eligibility for Housing New Zealand Corporation housing
- applicant's assessed need for Housing New Zealand Corporation housing.

The State Housing Appeal Authority (in determining an appeal) has all the powers, duties, functions and discretions that the Housing New Zealand Corporation has in relation to the matter concerned; and may confirm, modify or reverse the decision or determination, or refer all or any part of the matter back to the Corporation for further consideration, together with any directions it thinks fit relating to the reconsideration and a written statement of its reasons for doing so.

There are currently 10 members on the Authority:

- Kay McKelvie (Principal Member)

- Alister James (Deputy Principal Member)
- Dean Hyde
- Conrad Jackson
- June Kearney
- Jeannette MacKenzie
- Geoff Tucker
- Rt. Hon. Jonathan Hunt
- Gregory Fortuin
- Selma Scott.

### **Building Practitioners Board**

The Building Practitioners Board comprises six to eight members who are appointed by the Governor-General on the recommendation of the Minister for Building and Construction under section 344 of the Building Act 2004.

Each member is appointed to undertake the functions and duties of a member, rather than to represent the interests of any person. One member of the Board must be a barrister or solicitor of at least five years' standing.

The functions of the Building Practitioners Board are to:

- approve rules relating to licensed building practitioners that are prepared in accordance with the Act
- receive, investigate and hear complaints about, and inquire into the conduct and discipline of, licensed building practitioners in accordance with the Act
- hear appeals against certain decisions of the Registrar in accordance with the Act
- review and report to the Minister on the performance of the functions and duties, and the exercise of the powers, of the Board under the Act.

The members of the Building Practitioners Board are:

- Alan Bickers (Chairperson)
- Paul Blackler (Deputy Chairperson)
- David Clark
- Jane Cuming
- Patrick Lawrence
- Graham Moor
- David O'Connell
- Colin Orchiston.

### **Electrical Workers Registration Board and Complaints Assessment Committees**

The Electrical Workers Registration Board comprises seven members, all of whom are appointed by the Minister for Building and Construction for a term of up to three years. Members can be reappointed.

The functions of the Electrical Workers Registration Board are to:

- register and license the four classes of registration under the Electricity Act 1992 (electrician, electrical inspector, electrical service technician and line mechanic)
- ensure that registered people maintain an adequate level of competency
- exercise disciplinary power according to the Act, and initiate prosecutions for contravention of the Act in cases which the Board considers appropriate.

Complaints Assessment Committees are convened to hear complaints. These committees are appointed from a list of members who have been approved by the Minister. Members may be appointed for a term of up to five years.

The members of the Electrical Workers Registration Board are:

- Donald Pryde (Presiding Member)
- Samuel Ponga (Deputy Presiding Member)
- Stephen Albrecht
- Edwin Eeles
- Bernadine Hannan
- Tom Leong
- Penelope Mudford.

Two new appointments were made in 2007: to replace Deborah Rundle, who had previously resigned; and to replace Murray Willis, who decided not to seek reappointment. Penelope Mudford and Paul Guy were appointed on 3 September 2007. Donald Pryde was elected as Presiding Member of the Board to replace Murray Willis. On 12 May 2008, Stephen Albrecht was appointed to replace Paul Guy, who had resigned.

The Registrar is employed by the Department to support the Board in carrying out its functions, and to process licensing applications. The Registrar of the Board is John Sickels.

### **Engineering Associates Registration Board (EARB)**

The Engineering Associates Registration Board (EARB) consists of one member appointed by the Minister for Building and Construction as Chairperson, two other members appointed by the Minister, and one member of each approved association (appointed by the Minister on the nomination of the association).

The EARB's prime function is to consider and approve applications for the registration of the middle (between professional engineer and trade) technical engineer group of engineering workers. These groups include draughting, refrigeration, air-conditioning, electronics, gas, aircraft, heating and ventilating, and electrical and civil engineering.



The members of the Engineering Associates Registration Board are:

- Ian Shearer (Chair)
- Wendy Steadman
- Faye Johnstone
- Graeme Wells
- Harold Knight
- Malcolm Wheeler
- Thomas Adson
- Anthony Blackler
- Raymond Grant.

### **Chartered Professional Engineers Council (CPEC)**

The members of Chartered Professional Engineers Council (CPEC) are appointed by the Governor-General on recommendation of the Minister for Building and Construction. Each member of CPEC may be appointed for a term of up to five years, and may be reappointed. The Chair and Deputy Chair are appointed by the Minister for Building and Construction.

CPEC's functions are to review and approve rules containing Chartered Professional Engineering Standards, hear appeals on registrations and report to the Minister for Building and Construction on the performance of the Registration Authority.

The members of the Chartered Professional Engineers Council are:

- Graham Shaw (Chair)
- Peter Smith
- Andrew Hazelton

- Viv Kloosterman
- Sharyn Westlake
- Elena Trout
- Hazel Armstrong
- Roland Frost.

### **New Zealand Registered Architects Board (NZRAB)**

The Governor-General, on the recommendation of the Minister for Building and Construction, appoints Board members to the Registered Architects Board (NZRAB).

The NZRAB must be composed of at least six, but no more than eight members including a maximum of four people nominated by the New Zealand Institute of Architects.

The Minister may appoint a Chairperson and a Deputy Chairperson from the successful candidates.

The functions of the NZRAB are to:

- make rules relating to registered architects that are prepared and approved in accordance with the Act
- register persons, issue certificates of registration, assess whether persons meet the requirements for continued registration, and perform the other functions relating to registration in accordance with the Act
- keep and maintain the register and carry out the other functions relating to the register in accordance with the Act
- receive, investigate, and hear complaints about, inquire into the conduct of, and discipline registered architects in accordance with the Act
- provide information to the public about the registration system for registered architects

- perform any functions and duties, or exercise any powers, that are delegated to the Board under any other enactment.

The members of the New Zealand Registered Architects Board are:

- Ronald Pynenburg (Chair)
- Kathryn Davenport
- Carolyn Bull
- Gordon Holden
- Marshall Cook
- Helen Tonkin
- Callum McKenzie
- Anna-Marie Chin.

### **Plumbers, Gasfitters and Drainlayers Board (PGDB)**

Members of the Plumbers, Gasfitters and Drainlayers Board (PGDB) are currently appointed by the Minister of Building and Construction. Each member may be appointed for a term of up to three years, and may be reappointed.

The functions of the PGDB are to:

- provide for a system of registration for plumbers, gasfitters and drainlayers
- make recommendations on education and training
- receive complaints, and undertake disciplinary actions (including prosecution)
- make recommendations to the Minister on regulations relating to plumbers, gasfitters and drainlayers.

The members of the Plumbers, Gasfitters, and Drainlayers Board are:

- Hazel Armstrong (Chair)

- Stephen Parker
- Mark Whitehead
- Craig Maxwell Crawshaw
- Anthony Salisbury
- Robin Hapi
- Michael Carmichael
- Marjorie Noble
- Hilton Chard
- James Fruean.

### **Housing New Zealand Corporation (HNZC)**

The Housing New Zealand Corporation (HNZC) is defined as a Crown Agent under the Crown Entities Act 2004, and members are appointed to the Board by the responsible Ministers under section 28(1)(a) of the Crown Entities Act.

The HNZC Board must have at least two but no more than eight members. Nominees are eligible for appointment for a term of up to three years, and may be reappointed.

HNZC objectives are to give effect to the Crown's social objectives by providing housing, and services related to housing, in a businesslike manner and to ensure that the Minister of Housing receives appropriate policy advice, other advice, and information, on housing and services related to housing.

HNZC functions include providing rental housing for those in need, providing appropriate accommodation for community organisations, lending for housing purposes, giving people help and advice on housing and matters related to housing, undertaking housing and other development and renewal, acquiring and developing land for housing or other development and renewal, conducting research into and monitoring trends in housing and services related to housing, advising the Minister of Housing on housing and services related to housing.

### Advisory Panel and taskforces

#### Building Advisory Panel

The Building Act 2004 provides for the Chief Executive to appoint a Building Advisory Panel consisting of experts in the building sector.

The Panel provides advice to the Chief Executive on issues impacting on the building sector.

The members of the Building Advisory Panel are:

- Don Hunn (Chairperson)
- Professor Andy Buchanan, University of Canterbury Department of Civil Engineering
- Mike Fox, Prime Site Homes, Chair, Registered Master Builders Federation
- John Jarvis, Director of Logan Homes Ltd., Hamilton
- Ann Magee, urban planning expert, formerly with Auckland Regional Council and Waitakere City Council
- Richard Michael, Chair, NZ Construction Industry Council
- Gordon Moller, Moller Architects
- Peter Neilson, Chief Executive, New Zealand Business Council for Sustainable Development
- Peter Neven, General Manager New Zealand Building, Fletcher Construction Ltd.
- David Russell, Former Chief Executive of the Consumers Institute
- George Skimming, Director Sector Projects Wellington City Council, Former Director of Building Consents and Licensing Services for Wellington City Council

- Adam Thornton, Director, Dunning Thornton Consultants Ltd. (consulting engineers).

### **Building and Construction Sector: Urban Intensification Taskforce Members**

The following persons have been invited to form the Urban Intensification Taskforce:

- Richard Harris, President New Zealand Institute of Architects, Director Jasmax (chair)
- Martin Udale, Chief Executive Officer, McConnell Property
- John Coop, Executive Director, Warren and Mahoney
- Ian Cassels, Director, The Wellington Company
- Ernst Zollner, New Zealand Transport Agency
- Peter Winder, Chief Executive, Auckland regional Council
- Leigh Auton, Chief Executive, Manukau City Council
- David Rankin, Chief Executive, Auckland City Council
- Lesley McTurk, Chief Executive, Housing New Zealand Corporation
- Anne Carter, Deputy Secretary, Department of Internal Affairs
- Suzanne Townsend, Deputy Chief Executive, Department of Building and Housing
- Martyn Pinckard, a senior representative from the Ministry for the Environment to be nominated by Dr Paul Reynolds, Chief Executive.

## **Building and Construction Sector: Sector Productivity Taskforce Members**

- Peter Fehl, Director Property Services, University of Auckland (chair)
- Peter Gomm, Chief Operating Officer, Mainzeal
- Peter Neven, General Manager Infrastructure Division, Fletcher Building
- Ruma Karaitiana, Chief Executive, Building and Construction Industry Training Organisation
- Brent Mettrick, Managing Director Stonewood Homes and President Registered Master Builders, Registered Master Builders Federation
- Richard Merrifield, Chairman, Certified Builders Association of New Zealand
- Trevor Kempton, Managing Director, Naylor Love Ltd
- Richard Michael, Chief Executive, NZ Contractors Federation
- Peter Mersi, Deputy Secretary, Treasury.
- Nigel Bickle, Deputy Chief Executive, Department of Building and Housing
- a senior representative from the Ministry of Economic Development to be nominated by David Smol, Chief Executive.