



29 May 2023

Building Levy consultation
Building System Performance
Ministry of Business, Innovation and Employment

Email: building@mbie.govt.nz

Kia ora koutou

RE BUILDING LEVY REVIEW

Thank you for the opportunity to provide feedback on the Ministry of Business, Innovation, and Employment's (MBIE) consultation document on the proposed changes to the building levy.

Engineering New Zealand (formerly IPENZ) is New Zealand's professional home for engineers. We are New Zealand's strongest and most influential voice on engineering issues, with more than 24,000 members who want to help shape the public policy agenda and engineer better lives for New Zealanders.

OUR POSITION

Attached to this letter is our completed MBIE submission form. Our position is:

1. We support an increase of the levy threshold from \$20,444 to \$65,000.
2. We do not support reducing the levy rate.

Further detail on our position is in the attached submission form. This letter focuses on our wider concern with MBIE's management of the levy and our perception of the number of missed opportunities in this space.

LIMITED USE OF THE BUILDING SYSTEM LEVY

Greater transparency is needed

In 2019, MBIE consulted on the levy. The [2019 summary of submissions document](#) states that "majority of the submitters did not support reducing the building levy rate" and that most submitters "wanted to use the levy surplus to fund their activities that are out-of-scope of the purpose for which the levy is collected." However, MBIE does not provide any justification for what

they would consider within the scope of the building levy. Further, the relevant sections of the Building Act do not explicitly define what falls within or outside the scope, suggesting a broad range of functions. Therefore, it is unclear why MBIE is reluctant to make changes and invest in functions that would enhance the building system. Improved clarity in this regard and greater transparency would provide stakeholders with a better understanding of the intended purposes of the levy and ensure that the funds are appropriately allocated.

[Section 53\(1a\)](#)

Section 53(1a) of the Building Act 2004 states that the chief executive may use the levy for, or in connection with, the performance of (a) the chief executive's functions under this Act: (b) the chief executive's functions – (a) any other Act that relates to the building sector or any part of the sector, and (ii) that relate to monitoring, overseeing, or improving – (A) the performance of the building sector or any part of the sector; or (B) regulatory systems under that other Act.

Industry would benefit from a more expansive interpretation of this clause. Embracing a broader interpretation presents significant opportunities for MBIE to invest in significant improvements in the system.

MBIE'S proposal

We support MBIE's proposed use of the levy for digital and engagement channels, compliance pathways, and building for climate change programme as a step in the right direction. We have long been concerned that the Building Levy could be more effectively used to support improvements across the building system, and we consider these investments as an important step towards achieving that goal.

OPPORTUNITIES

It is our view that the levy could be used for significant quality improvement work within the system. As outlined in the attached form, the following are opportunities, in addition to the investment outlined in MBIE's consultation paper:

- Implementation of the Building (Dam Safety) Regulations 2022, including support for compliance demands on dam owners, engineers and local/regional government entities. In addition, financial support for the ongoing development of the New Zealand Dam Safety Guidance.
- Increased investment in Standards processes, including payment to volunteers supporting this work and providing public accessibility to Standards
- Investment in an audit programme of buildings, so we understand the quality of buildings in New Zealand and their compliance with Code
- Increased capacity, resource and education for regulatory system staff, including central Government staff and staff processing building consents and code compliance checks
- Development of procedures and guidance for Building Consent Authorities so there is standardisation of building consent processes across Building Consent Authorities, including guidance on technical reviews of submitted consents

CONCLUSION

Thank you for the opportunity to provide comment on MBIE's consultation document *Proposed Changes to the Building Levy*. As outlined, we do not support the proposed decrease to the levy and ask MBIE to reconsider its position on decreasing the levy rate. We have a lot of work to do to strengthen the building system and the levy plays a key role in this.

If you have questions, please do not hesitate to contact us.

Ngā mihi

A handwritten signature in blue ink, reading "R. Templer". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Dr Richard Templer
Chief Executive

Submitter information

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

A. About you

Name: Richard Templer

Email address: Richard.Templer@engineeringnz.org

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

Yes

No

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

Yes

No

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

Engineering New Zealand

D. Privacy information

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

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

Increase the levy threshold

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

Remain at \$20,444

Increase to \$65,000

Not sure

Please explain your answer.

We support MBIE's proposal to raise the threshold to \$65,000 in order to account for inflation. This adjustment would ensure that the building levy would remain fair and in line with economic changes.

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

N/A

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

We anticipate minimal consequences from this adjustment, with the only notable impact being the exclusion of small building projects. This may lead to a slight decrease in building levy funds, providing a further justification as to why the levy rate should remain unchanged.

Increase investment in MBIE's services

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

Yes, I agree

No, I disagree

Not sure

Please explain your answer.

We support increased investment in MBIE's services. We have long advocated for greater investment in the building system to improve quality outcomes and this is exactly why we disagree with MBIE's proposals. The building system is in significant need of improvement.

As per our letter, we encourage MBIE to extend their view of the levy's use and fund the following, among other quality improvement endeavours:

- Implementation of the Building (Dam Safety) Regulations 2022, including support for compliance demands on dam owners, engineers and local/regional government entities. In addition, financial support for the ongoing development of New Zealand Dam Safety Guidance.
- Increased investment in the Standards processes, including payment to volunteers supporting this work and providing public accessibility to Standards
- Investment in an audit programme of buildings, so we understand the quality of buildings in New Zealand and their compliance with Code
- Increased capacity, resource and education for regulatory system staff, including central Government staff and staff processing building consents and code compliance checks
- Development of procedures and guidance for Building Consent Authorities so there is standardisation of building consent processes across Building Consent Authorities, including guidance on technical reviews of submitted consents

Changes to the levy rate

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

Yes, I agree

No, I disagree

Not sure

Please explain your answer.

We firmly oppose the reduction of the building levy rate. As mentioned in our memorandum letter and reiterated in our response to question 1, it is crucial to maintain the current building levy rate to effectively address the prevailing quality issues in the building system. While we support MBIE's proposal to enhance building regulatory services, including digital channels, compliance pathways, and building for climate change, there is more that needs to be done (see our answer to question 5).

The building levy funds present significant opportunities for the sector.

Levy changes take effect on 1 October 2023 or shortly thereafter

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

Yes, I agree

No, it should be earlier

No, it should be later

Please explain your answer.

N/A as we do not support the proposed changes on the building levy rate.

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

N/A