

# Building law reforms

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Last updated: 1 October 2019

The aim of the building law reforms is to make the building system more efficient, lift the quality of building work, and provide fairer outcomes if things go wrong.

[Video transcript \(https://www.building.govt.nz/getting-started/building-law-reforms/building-law-reform-transcript/\)](https://www.building.govt.nz/getting-started/building-law-reforms/building-law-reform-transcript/)

## About the reforms

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The most recent survey of new homeowners by BRANZ found 80 percent had to get tradespeople back to fix defects after they had moved in. Consenting delays are also an issue, costing around \$1,000 for each week a residential site is shut down.

The building reforms will speed up consenting, support designers and builders to choose the right products and install them in the way intended, and make it cheaper and faster to use innovative building methods such as prefabrication.

A new certification process will mean manufacturers with good systems won't need to get a building consent for their design or factory work. This means only one consent will be required, and will also potentially halve the number of inspections needed.

Once the changes are in place, New Zealanders will save up to \$150 million over the next decade from fewer delays and fewer repairs needed to substandard work.

The Government is taking a phased approach to the reforms to accelerate changes that bring immediate benefits while work continues on those proposals that need further development and testing. This will also ensure the sector has enough time to transition to its new regulatory settings with minimal business disruption.

[Read the BRANZ New House Owners' Satisfaction Survey 2018 \(https://www.branz.co.nz/cms\\_show\\_download.php?id=b1a9a877a3c50ed4847d2451c029e43b0abe8ab2\)](https://www.branz.co.nz/cms_show_download.php?id=b1a9a877a3c50ed4847d2451c029e43b0abe8ab2)

## What changes have been confirmed?

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Cabinet has now approved reducing the building levy and standardising the levy threshold. This means that from 1 July 2020, the levy rate will reduce to \$1.75 including GST, for any building work that is over the \$20,444 threshold (including GST). This is great news for anyone who is involved in a building project, as the cost for consenting will be reduced by about \$80 (based on average new build in Auckland).

This is the first change that will come into force as part of the wider building legislation reform programme.

## What other changes has the Government agreed?

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### Faster building consents for prefabrication and off-site manufacturing

Current building consent processes are best suited to traditional construction methods and can present barriers for more innovative ways of building. The Government is proposing to address this through a manufacturer certification scheme, which will streamline the consenting process for modern methods of construction such as prefabrication and off-site manufacturing.

The certification scheme will mean a building consent is needed only for the installation of a prefabricated home. This means a second consent won't be required for the design or factory work, and could also halve the number of inspections needed.

This will save time and money by reducing duplicated effort both for BCAs and for manufacturers. Faster and cheaper construction through greater use of prefabrication and offsite construction will also bring more affordable homes to the market.

### Better information and clear responsibilities for building products

Manufacturers and suppliers will be required to make a minimum level of information publicly available about the building products they sell. This will include a plain English description and information about how the product should be installed and maintained.

Manufacturers and suppliers will also be required to provide evidence for claims they make about their products' performance.

The new requirements will help designers and builders choose the right products, and will speed up consenting by reducing the need for BCAs to request further product information.

Making product information publicly available will also improve the quality of building work by helping builders install products in the way intended. This should reduce the number of inspection failures, saving up to \$1.5 million a year.

MBIE is now working with key stakeholders to finalise the information requirements that will be set in Regulations. This will ensure they enable better design, consenting and building work without placing an undue burden on manufacturers and suppliers.

MBIE will have the power to require any person to provide information when this is needed to determine whether a building product or method should be subject to a ban or warning. This will ensure risky products and methods are kept off the market.

### Strengthening CodeMark to provide greater product assurance

The Government is strengthening New Zealand's existing product certification scheme, CodeMark, by improving the quality of product evaluations and certificates.

Changes include setting registration requirements for product certificates and product certification bodies, and providing MBIE with the ability to investigate, suspend or revoke registrations where appropriate.

This will build confidence in the scheme, make consenting more efficient, and lead to safer and more durable building work.

### Reducing the building levy

The Government has decided that the building levy will be reduced from \$2.01 to \$1.75 (including GST) per \$1,000 of consented building work above a threshold of \$20,444 (including GST) from 1 July 2020.

This will lower building consent costs by around \$80 for the average new build, and by \$5,200 for a \$20 million commercial project.

The lower levy rate will also reduce the surplus that has accrued in the building levy account without affecting the level of service MBIE provides to levy payers.

### Building sector stewardship

The scope of the levy is also being widened. If the change is approved by Parliament, MBIE would be able to spend it on activities related to the broader stewardship of the sector. Stewardship is crucial to the development of an efficient, high-quality regulatory system. All expenditure will continue to be for the benefit of levy payers and within Treasury guidelines.

## Updating offences and penalties

The Government is increasing penalties for offences against the Building Act, and setting higher penalties for companies than individuals. This will bring the Act into line with other legislation and ensure penalties are sufficient to deter substandard work and poor behaviour.

There was widespread agreement during public consultation on the proposed reforms that the current maximum penalties in the Building Act are insufficient to promote compliance. Many of the current maximums have not been adjusted since 2004.

The timeframe for filing charges under the Act is also being extended, from 6 to 12 months. This will provide enforcement agencies with enough time to conduct thorough investigations, while ensuring any prosecutions will still be timely.

## Summary of proposed changes to Building Act maximum penalties

Type of offence*	Current maximum	Proposed new maximum	
		Individuals	Companies/organisations
Breach of administrative obligations	\$2,000/\$5,000	\$5,000	\$25,000
Breach of defined responsibilities	\$5,000	\$20,000	\$60,000
Wilful breach; significant safety risk; impersonate official	\$5,000 / \$10,000 / \$20,000	\$50,000	\$150,000
Serious offences*	\$200,000	\$300,000	\$1,500,000

\* Refer to Cabinet paper "Lifting the efficiency and quality of the building system: Proposals for Bill One" for full breakdown

## Public notification requirements

The Building Act's public notification requirements are being updated to reflect the increasing use of the Internet to access important information. This means notifications will take place online and in the New Zealand Gazette, but will no longer be published in newspapers.

## When will these changes come into effect?

The new building levy rate has been confirmed and will take effect from 1 July 2020.

All other proposals require amendments to the Building Act. We are working with key stakeholders to develop the detailed design for each proposal, and expect a Bill will be introduced to Parliament in the first half of 2020. There will be opportunities to provide further feedback on the proposals through the select committee process.

When the Bill is passed into law, which could be as soon as mid-2020, the updated offences and penalties, together with the new public notification requirements, are proposed to come into effect immediately.

The new responsibilities in relation to building products, the strengthened CodeMark regulations, and the manufacturer certification scheme for modern methods of construction will be phased to come into effect over time.

We will work with the sector during 2020 as we design and test processes, confirm how the changes will work in practice, and develop regulations. There will be opportunities for the public to provide feedback on the regulations before they are finalised in 2021.

The implementation of these changes will then be phased to ensure that suppliers, manufacturers, BCAs and others throughout the sector have plenty of time to meet the new regulatory requirements with minimal disruption to their business.

[Building law reforms: Bill 1 overview and timeline](#)

[PDF 203 KB]

<https://www.building.govt.nz/assets/Uploads/getting-started/building-law-reforms-bill-1-announcement.pdf>

## What other further changes are being considered?

MBIE is continuing to develop advice on proposals to strengthen occupational regulation within the sector. A Bill will be developed that could be

tabled in Parliament before the end of 2020. This will ensure building professionals and tradespeople have the right skills and can be held to account for substandard work or poor conduct.

We received clear feedback during the public consultation that the building insurance market is not currently in a position to meet the large increase in demand that would arise from a compulsory guarantee or insurance product. The Minister has asked us to report back in 2020 on options to address issues with risk, insurance and liability in the building system.

Sector feedback has strongly supported taking a logical and phased approach to change. This makes sense, as it allows us to keep up the momentum with the reforms while continuing to work on those proposals that need further development and testing.

## Documents

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- Cabinet paper: Lifting the efficiency and quality of the building system: Overview [PDF 1.3MB] (<https://www.mbie.govt.nz/dmsdocument/7020-lifting-the-efficiency-and-quality-of-the-building-system-overview-paper-a-proactive-release-pdf>)
- Cabinet paper: Lifting the efficiency and quality of the building system: Proposals for Bill One [PDF 1.4MB] (<https://www.mbie.govt.nz/dmsdocument/7021-lifting-the-efficiency-and-quality-of-the-building-system-proposals-for-bill-one-paper-b-proactive-release-pdf>)
- Discussion paper [PDF, 2.5MB] (<https://www.mbie.govt.nz/dmsdocument/5009-building-system-legislative-reform-discussion-paper>)
- Summary of submissions [PDF, 1.7MB] (<https://www.mbie.govt.nz/dmsdocument/6590-building-system-legislative-reform-programme-summary-of-submissions>)
- Guarantees and Insurance Products: market and policy analysis [PDF 1MB] (<https://www.mbie.govt.nz/dmsdocument/4958-guarantees-and-insurance-products-market-and-policy-analysis>)
- Risk, responsibility and liability in the building process: An exploration of the behaviours of homeowners and builders [PDF 1.2MB] (<https://www.mbie.govt.nz/dmsdocument/4959-risk-responsibility-liability-in-building-process-homeowners-builders-behaviours>)
- Liability outcomes in the building sector [PDF 560KB] (<https://www.mbie.govt.nz/dmsdocument/4960-liability-outcomes-in-building-sector>)

## Further information

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If you have any questions about the reform programme please email [building@mbie.govt.nz](mailto:building@mbie.govt.nz) (<https://www.building.govt.nzmailto:building@mbie.govt.nz>)

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