

# Regulatory Impact Statement

## *Building Consent Authority accreditation scheme review*

### Agency Disclosure Statement

1. This Regulatory Impact Statement (RIS) has been prepared by the Ministry of Business, Innovation and Employment (MBIE). It considers options for change to the Building Consent Authority (BCA) accreditation scheme (the scheme) that are preventative rather than reactionary. The preferred options have been identified based on the views of MBIE and a majority of key stakeholders that they would benefit the scheme. They have not been identified as necessary due to any current issue in the building regulatory system.
2. MBIE has limited information with which to analyse and evaluate the possible benefits and costs of the options for change. We do not know how effective the preferred option of requiring all Building Control Officers (BCOs) to hold a specified "appropriate technical qualification", such as the National Diploma in Building Control Surveying (National Diploma), will be on improving Building Consent decision-making. We only have anecdotal and ad hoc evidence from our stakeholder consultation. But, the preferred option received majority support.
3. MBIE proposes to make the use of the National BCA Competency Assessment System (NCAS) compulsory. The majority of BCAs use the NCAS now, and the system is being reviewed to address the concerns of other BCAs that it is, in summary, complicated and expensive. We are assuming that after we have addressed the concerns, BCAs will benefit from all using the same system. We think there will be greater flexibility for BCAs, and a reduced cost for accreditation assessment and competency assessments. These benefits may need to be tested in the future.
4. We do know that BCAs regularly fail to notify MBIE and the accreditation body (International Accreditation New Zealand (IANZ)) of changes that may affect their effective functioning or compliance with accreditation requirements. Both MBIE and IANZ have direct experience of this and it is the primary reason for the preferred option of regulating notification requirements. An important secondary reason is that the government is looking to make changes to the building regulatory control system that may result in private BCAs. We need to ensure notification requirements for private BCAs are in place to enable effective accreditation and registration of these organisations.
5. MBIE does not want to wait for issues or for building failures to provide a rationale for changes that would benefit the scheme. We may not identify issues or failures for some time after a building is built. At that stage, considerable costs and liabilities have been incurred by building owners, designers, builders, BCAs and government). We think our preferred options for change can move the scheme from being "the ambulance at the bottom of the cliff", addressing some of the issues identified in the Weathertight Homes crisis, to a "fence at the top of the cliff", helping prevent failures and their subsequent costs while supporting innovation.
6. We expect that the additional regulatory requirements will have no or limited fiscal impact on BCAs, some of which have advised that they may pass the cost to consumers. At the margins, some consumers may experience slight increases in consenting fees. However, it is challenging to calculate the actual costs. Overall, we believe that the very small fiscal impact will be outweighed by the benefits of the preferred options which should improve the scheme, the capacity and capability of BCAs and their BCOs, and in turn the broader building regulatory system.

## ***Background to the BCA accreditation scheme and this review***

7. The Building Act 2004 (the Act) was introduced in response to failures in the building sector and building regulatory control identified through the Weathertight Homes crisis. One of the purposes of the new Act was to improve the consenting system through promoting "...the accountability of owners, designers, builders and building consent authorities". Along with promoting accountability, the Act was intended to support innovation and productivity enhancing technologies.
8. Increased accountability was considered necessary as building failures have the potential to cost billions of dollars. However, they are not easily identified until the failure actually occurs. This can be years after a building is built. It is, therefore, essential that BCAs - the organisations that deliver the consent system - and BCOs – the people who undertake Building Consent decision-making - are capable of performing their building control functions.
9. Cabinet decided that BCAs should "apply for and hold current certificates of accreditation..." to ensure that they had "...the necessary ability (technical, management, systems, and people) to competently perform (their) statutory functions" [CAB Min (03) 18/16.2]. They also decided that BCOs should hold an appropriate technical qualification [CAB Min (06) 38/4]. This decision was based on the recommendations of the 2002 *Report of the Overview Group on the Weathertightness of Buildings*<sup>1</sup> (often referred to as "The Hunn Report") which noted that:
  - there was a need for formal education and training of building inspectors and certifiers
  - an appropriate tertiary-level qualification should be a prerequisite of being a BCO.
10. Cabinet's decisions were given effect through the Building (Accreditation of Building Consent Authority) Regulations 2006 (the Regulations) and guidance. The Regulations require BCAs to have documented policies, procedures and systems to support the performance of their building control functions. They require BCOs performing a technical job to have appropriate technical qualifications (but do not list the qualifications), and to have their competency to be regularly assessed.
11. The Regulations have a "systems" focus as prior to the Act and Regulations, most BCAs did not have documented policies, procedures or systems. A 2009 PWC survey found that over half of BCAs had still not developed and operationalised their policies, procedures and systems (as can be seen in the table below).

***Table: Documented processes for building control functions before the scheme***

	Developed and operational	Developed and not operational	Not developed
Documented processes	42%	14%	44%
Quality control mechanisms	46%	16%	38%
Quality assessment processes	32%	8%	60%
Role competencies identified	26%	10%	64%
Staff competencies identified	34%	16%	50%
Formal training and development	28%	8%	64%

12. The Regulations also have a "people" focus because BCOs must apply a complex legal test in deciding a building consent application. It requires knowledge and understanding of building regulatory control, and building methods and materials. Where new technologies are proposed, BCOs need to apply their skills and knowledge to apply this test (and not make risk adverse decisions).

<sup>1</sup> <http://www.building.govt.nz/UserFiles/File/Weathertightness/Reports/pdf/bia-report-17-9-02.pdf>

13. The Hunn Report recognised the complexity of the BCO role, noting that, “the level of knowledge of science and technology, over and above the practical experience of building, required by the Building Act and the Building Code and especially in dealing with alternative solutions, suggests that “experience” and “on the job” (continuing professional development) training may not be adequate”. Anecdotally, the MBIE knows that before the Regulations very few BCOs had any formal qualifications. We also know they had little access to formal training within their BCAs.
14. The new Act and Regulations required significant organisational and operational change, and generated a lot of concern and anxiety for Councils. For this reason, they were brought into effect in stages, and some of the minimum standards expected of BCAs were clarified by MBIE in guidance (which we expected BCAs to follow).

### ***The problems we have identified***

15. MBIE, as the owner of the scheme, is required to monitor, evaluate and review its performance over time. We considered it was timely to look at whether the scheme had been effectively implemented; had resulted in BCAs having greater accountability for the performance of their building control functions; and in BCOs gaining appropriate technical qualifications and making Building consent decisions consistent with their level of competency.
16. We have not identified any current issue or series of issues with building regulatory control directly related to the scheme. But, our review has highlighted that issues that may result in building failures are not easily identified until the failures actually occurs; potentially years after a building is built.
17. MBIE does not want to wait for issues or for building failures to provide a rationale for changes that would benefit the scheme. As noted above, we may not identify issues or failures for some time after a building is built. At that stage, considerable costs and liabilities may have been incurred by building owners, designers, builders, BCAs and government). We think our preferred options for change can move the scheme from being “the ambulance at the bottom of the cliff”, addressing some of the issues identified in the Weathertight Homes crisis, to a “fence at the top of the cliff”, helping prevent expensive failures while supporting innovation.
18. Our review has found a number of BCAs do the minimum to comply with the regulatory requirements of the scheme. We are operating in an environment where, in some cases, the only way to achieve the outcomes we are looking for is to regulate. The preferred options for regulatory intervention analysed in this RIS are designed to address the problems that not all BCOs:
  - are gaining appropriate technical qualifications to the level expected by Cabinet and detailed in MBIE guidance. Eleven BCAs have reported having 50 percent or less of staff holding a qualification from MBIE’s appropriate technical qualification list. Seven reported that they had no staff holding a qualification and one of those seven reported having no staff studying towards a qualification
  - have their competency assessed using MBIE’s competency assessment system resulting in reduced confidence that BCOs are making consent decisions consistent with their level of competency, and reduced flexibility in the BCO workforce across BCAs. In addition, where a BCA does not use MBIE’s system, IANZ needs to assess the appropriateness of the alternative system used. This can extend the time and cost of an accreditation assessment.
19. There are no requirements for BCAs to inform MBIE or IANZ of changes that may affect their effective functioning or compliance with accreditation requirements. This means that MBIE may not know that a BCA requires assistance until it is too late, and it risks losing accreditation (like the Christchurch BCA after the Canterbury Earthquake). Also, if the government progresses changes that to the building regulatory control system that may result in private BCAs we need to ensure notification requirements are in place to enable effective accreditation and registration of such organisations. MBIE must be notified of any event that may affect their “fit and proper” performance of building control functions.

20. Finally, the review identified that the fee regime for accreditation assessments does not meet the government's own fee principles and does not incentivise BCAs to improve their compliance with the scheme's regulatory requirements. The fee regime requires review.

### ***The objectives we decided to use to analyse the options***

21. MBIE has given considerable thought to the objectives we should use for our options analysis. The options could be analysed against the system-wide objectives of improving building compliance and quality, and increasing sector innovation and productivity. But, as noted earlier, the scheme is very BCA system-focussed and people-focussed. We found that we cannot easily measure whether the scheme has improved building quality or sector innovation. As a result, we decided that we should analyse the options against the scheme's purpose and objectives. Its purpose is *"to set out the minimum policies, procedures and systems that a BCA must have, and consistently and effectively implement, to perform its building control functions"*. The objectives are that:

"all BCAs have:

- appropriate, documented and implemented policies, procedures and systems
- appropriate, documented and implemented effective quality control systems
- sufficient skills and resources to undertake their statutory functions
- employees and contractors with appropriate building control competencies and qualifications.

And, the scheme supports:

- Territorial and Regional Authorities to transfer their consenting functions where they wish
- BCAs to enter into outsourcing arrangements with other BCAs
- BCAs to align nationally, across a region or a policy, procedure or system".

22. For our analysis of the options for ensuring BCOs have appropriate technical qualifications; that they have their competency assessed to minimum standard; and the notification requirements enable MBIE to be alerted to significant events that may impact on a BCA's ability to meet the scheme's regulatory requirements or perform its building control functions our objectives were that:

- BCAs have appropriate, documented and implemented policies, procedures and systems
- BCAs have sufficient skilled and appropriately qualified BCOs
- BCAs better align, engage and share work
- the proposals are relatively easy and cost effective to implement.

23. Our analysis of options for ensuring appropriate technical qualifications also included the objective to "raise professionalism". By "professionalism" we are referring to the minimum qualities, skills, competencies and behaviours that may be necessary for BCOs to fulfil their complex and important role. MBIE sees this as important to ensure that the scheme is at the top of the cliff preventing falls rather than the ambulance at the bottom.

### **The required objectives for analysing options for the fee regime**

24. MBIE followed the relevant Office of the Audit General (OAG) and Treasury guidance in analysing the options for the fee regime. We also want the fee regime to encourage continuous improvement and compliance with accreditation requirements, and ensure that the regime is affordable. The following five objectives were used to analyse options for an appropriate and fair fee regime:

- BCAs pay only for the service provided
- accreditation assessments are high quality and delivered at minimum cost

- accountability: BCAs know clearly what they are paying the accreditation body for
- the fees encourage continuous improvement and compliance with accreditation requirements
- reasonableness and predictability: the cost of regime is affordable.

## Analysis of the options

### Appropriate technical qualifications

25. MBIE identified the following options for ensuring BCOs gain appropriate technical qualifications:
- **the status quo:** a list of “appropriate technical qualifications” is detailed in MBIE guidance
  - **our preferred option:** a list of “appropriate technical qualifications” is put in regulations.
26. MBIE considered the option of removing the requirement to have an appropriate technical qualification. However, this would be inconsistent with Cabinet decisions and the recommendations of the Hunn Report, and could lead to BCOs having lower baseline qualities, skills, competencies and behaviours than before the Weathertight Homes crisis. This option would not move the scheme closer to its purpose, nor support the objectives.
27. Our analysis has focused on the fact that the role of a BCO is:
- **complex:** It requires knowledge and understanding of building regulatory control, and building methods and materials. BCOs must apply a complex legal test in deciding a building consent application. Where new technologies are proposed, they need the skills to apply this test (and not make risk adverse decisions).
  - **important:** BCOs play an important role in building consent decision-making, often identifying issues with building design and construction and preventing the cost and consequences of building failures through the misunderstanding or misuse of building methods and materials.

*Table analysis - Options for appropriate technical qualifications*

Options	Status Quo	Preferred option: Formalise the list of “appropriate technical qualifications” through regulation
Leads to appropriate, documented and implemented policies, procedures and systems	<p>?</p> <ul style="list-style-type: none"> <li>• Currently, some BCAs have policies specifying “appropriate technical qualifications” that include trade qualifications as a minimum qualification</li> <li>• Not all BCOs gaining qualifications at the minimum New Zealand Qualification Authority (NZQA) level of 5 (or higher) expected by Cabinet and MBIE</li> <li>• MBIE holds the view that policies that include trade qualifications as a minimum qualification are not appropriate</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>• All BCAs would have policies making reference to the same minimum qualifications; with a NZQA level of 5 or higher</li> <li>• Would be a single, defined list of qualifications for BCOs to gain that was specifically agreed by Cabinet</li> </ul>
Sufficient skilled and appropriately qualified BCOs	<p>?</p> <ul style="list-style-type: none"> <li>• Some BCAs are setting the minimum qualification standard too low, not recognising the skill needed to be a BCO</li> <li>• Reliance on trade qualifications was not considered appropriate in the Hunn Report, or by Cabinet or MBIE</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>• BCOs making Building Consent decisions would have a minimum NZQA level 5 qualification</li> <li>• There would be a clear, consistent, minimum standard of skills and qualifications for BCOs</li> </ul>

Options	Status Quo	Preferred option: Formalise the list of “appropriate technical qualifications” through regulation
Objectives		
	<ul style="list-style-type: none"> <li>Some BCAs have no qualified BCOs</li> <li>Some BCAs are not supporting BCOs to train and become qualified to the minimum standard expected by Cabinet and MBIE</li> <li>Lack of minimum standard for qualifications may make the role unattractive for new entrants, or the right entrants</li> </ul>	<ul style="list-style-type: none"> <li>Qualification requirements would be consistent with the Hunn Report, Cabinet decisions and MBIE expectations</li> <li>There would be a NCAS level 5 qualification that trade-qualified people could gain to build upon their practical knowledge as they transition to become a BCO</li> <li>A minimum standard for qualifications may make the BCO role attractive for new entrants, or the right entrants</li> </ul>
Support alignment, engagement and shared work amongst BCAs	<p>?</p> <ul style="list-style-type: none"> <li>Differing minimum qualifications across BCAs hinders opportunities for them to work together with confidence</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>There would be a clear, consistent, minimum standard of skills and qualifications for BCOs</li> <li>BCAs could be confident that another BCA's BCOs were working towards qualifications or qualified</li> </ul>
Raise professionalism	<p>?</p> <ul style="list-style-type: none"> <li>The lack of a minimum standard of skills and qualifications makes it difficult to achieve professionalisation of the BCO role</li> <li>Lack of minimum standard may make the BCO role unattractive for new entrants, or the right entrants</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>A minimum qualification requirement would raise the professionalism of the BCO role</li> <li>Formalising qualifications, and supporting training, increases the value and rendition of learning</li> </ul>
Cost of implementation – the changes are relatively easy and cost effective to implement	<p>ü</p> <ul style="list-style-type: none"> <li>BCAs currently don't need to pay for BCOs to train or to hire BCO with appropriate technical qualifications</li> <li>Costs are only borne by those BCAs who have used MBIE's appropriate technical qualifications list</li> </ul>	<p>?</p> <ul style="list-style-type: none"> <li>BCAs may need to pay more to hire qualified BCOs or to train staff</li> <li>The cost for obtaining minimum qualification is approximately \$1000 - \$2,950 plus time away from work</li> <li>Approximate costs are not out of step with what BCAs currently pay for training</li> <li>Short-term financial costs are outweighed by the longer-term gains of a qualification</li> </ul>

***Impact of the preferred option - appropriate technical qualifications***

28. Research has shown that formalising qualifications, and supporting employees to complete qualifications, increases the value placed on learning and the culture of learning within a workplace. It increases the retention of learning and allows employees to contextualise learning to their organisation's materials making it easier to bridge theory to work practice. This would be of benefit to BCAs and BCOs in a sector that continues to evolve in complexity as building law, and building methods and materials develop.
29. There is some concern that formalising appropriate technical qualifications will not support the objective of having sufficient skilled BCOs. And, that it will drive new entrants and unqualified BCOs from the sector. But, people with trade backgrounds would still be able to become BCOs in the same manner that they can now. They may be hired by a BCA for their practical experience and then enrol in

a course to gain a listed qualification within 12 months. There will also continue to be exemptions for those for whom gaining a qualification is impractical; such as those coming close to retirement.

30. We have received feedback from some BCAs that the National Diploma (the minimum qualification in place for BCOs) has provided recognition of the BCO role as a genuine profession that is complex and important, and that this has led to BCOs feeling more valued for the work that they do. This, along with the increased availability of the National Diploma from 2017, may actually encourage new entrants to the role; those holding trade qualifications and others.
31. If our preferred option is agreed, some BCAs may have to pay more for skilled and qualified BCOs, or to fund BCOs' training. We believe the cost for a BCO to gain the minimum qualification would be approximately \$1000 - \$2,950. If a BCO has gaps in their knowledge, they may need to undertake further courses, which may in turn cost more. There are also costs associated with a BCO spending up to four days away from work. But, the short-term cost of training should be outweighed by longer-term gains such as improved building compliance and quality, and increased sector innovation and productivity.

## The competency system used by BCAs

32. MBIE has identified two viable options for improving the competency system and process:
  - **the status quo:** where BCAs can use any system, but with additional guidance on using the NCAS
  - **our preferred option:** to make the use of the NCAS compulsory by all BCAs.
33. Currently, the NCAS has been adopted and is used by most BCAs to assess BCO competence. For this reason, we considered and then dismissed the option of taking the NCAS out of circulation as an MBIE-owned and approved competency system. We also dismissed the option of removing the requirement to undertake competency assessments altogether. Taking the NCAS out of circulation, or removing the requirement to undertake competency assessments would take the scheme backwards. Before the requirement to undertake competency assessments was put in place, less than one-third of BCAs regularly assessed the competency of their BCOs or contractors. Neither of these two options would move closer to the scheme's overall purpose or our objectives.
34. Our analysis of making the NCAS compulsory has focussed on the importance of all BCAs being able to assure themselves that their BCOs are working within their capability when performing building control functions, and on the opportunities to increase flexibility across the BCO workforce. It has also taken account of work on the options for introducing risk-based consenting that is exploring using the NCAS assessment levels.

*Table analysis - Options for the competency system used by BCAs*

Options	Status Quo	Preferred option: Make use of the NCAS compulsory through regulation
Objectives		
Leads to appropriate, documented and implemented policies, procedures and systems	<p style="text-align: center;">ü</p> <ul style="list-style-type: none"> <li>• There is no consistent standard for the competency assessment process across BCAs</li> <li>• IANZ needs to make individual assessments about whether a BCA's systems are appropriate for purpose</li> </ul>	<p style="text-align: center;">ü</p> <ul style="list-style-type: none"> <li>• All BCAs would be using an assessment system considered to be "appropriate for purpose"</li> <li>• All BCOs would assessed to the same competency levels, in the same way</li> <li>• The accreditation body could focus on whether the system was consistently and effectively implemented</li> </ul>



Options	Status Quo	Preferred option: Make use of the NCAS compulsory through regulation
Objectives		
Provides for sufficient skilled and appropriately qualified BCOs	<p>?</p> <ul style="list-style-type: none"> <li>Differing assessments across BCAs reduces the potential flexibility of how BCOs work within the sector</li> <li>BCAs may understand and assess competency in different ways and to different levels</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>There could be wider confidence in BCOs having the right level of competency for the work they perform</li> <li>Confidence in assessments should allow for easier seconding or transferring of BCO between BCAs</li> <li>A BCA should be able to accept the competency assessment of a BCO undertaken by another BCA</li> </ul>
Supports alignment, engagement and shared work amongst BCAs	<p>X</p> <ul style="list-style-type: none"> <li>Differing standards for competency assessments across BCAs hinders opportunities for them to easily <ul style="list-style-type: none"> <li>enter into outsourcing arrangements or transfer of consenting functions</li> <li>align of regional or national consenting approaches</li> <li>align across a region, or a suite of policies, procedures, and/or systems</li> </ul> </li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>A BCA should be able to accept the competency assessment of a BCO undertaken by another BCA</li> <li>Should better support BCAs entering into outsourcing arrangements or transferring consenting functions</li> <li>Should allow BCAs to more easily align their approach to consent decision-making: <ul style="list-style-type: none"> <li>in a region</li> <li>across a suite of policies, procedures or systems</li> </ul> </li> </ul>
Cost of implementation – the changes are relatively easy and cost effective to implement	<p>ü</p> <ul style="list-style-type: none"> <li>BCAs may continue to use current system if appropriate for purpose</li> <li>A current NCAS review aims to make the system easier to use and, therefore, it should be cheaper</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>Most BCAs are using the NCAS so the impact of the financial cost should be limited</li> <li>Some BCAs may incur costs in transitioning to the new system</li> <li>A current NCAS review aims to make the system easier to use and, therefore, it should be cheaper</li> <li>Should lead to lower costs for the accreditation body and BCAs in the accreditation assessment process</li> </ul>

**Impact of the preferred option --the competency system used by BCAs**

35. The preferred option would see all BCAs assess BCOs competency in the same way, to the same competency levels. This should:
- result in a BCA being able to accept another BCA's the competency assessment of a BCO, allowing easier seconding or transferring of employees and increasing workforce flexibility; supporting the objective of "sufficient skilled and appropriately qualified BCOs".
  - make it easier for BCAs to enter into agreements for the performance of building control work or align their consenting approach in a region, or across a suite of policies, procedures or systems. They would be able to have greater confidence that the BCA they were working with used the same system to determine the BCO competency.
36. Eight-threepersent of respondents to our consultation indicated that they would be happy to rely on the competency assessment undertaken by another BCA when hiring new staff or arranging a secondment if the NCAS were made compulsory. As most BCAs use our system now, it is also unlikely



that making the system compulsory would have a noticeable financial impact. There would, however, be some implementation costs for those not already using the system.

## Notification requirements for significant events within a BCA

37. There are currently no obligations on BCAs to notify MBIE of events that may affect the effective functioning or compliance with accreditation requirements. IANZ attempts to place a “duty” on BCA to notify it of changes, but most don’t notify IANZ and their failure to do so has no consequence.
38. MBIE considers that the only option for improving the notification requirements for the scheme is to prescribe a set of notification requirements in regulations (as listed in Appendix two under *proposed notification requirements*). We could retain the status quo, with a “duty” to notify IANZ of events but we know that events are not notified. We could also issue guidance to BCAs but our experience with suggests that this will not ensure the uptake we require. The mixed uptake of our appropriate technical qualification guidance and competency system are examples of this. The status quo would not move the scheme closer to its overall purpose and objectives or the objectives set out in this RIS.
39. Our analysis of the options has focussed on the fact that MBIE need to know about an event to decide if it needs to provide support to a BCA; potentially preventing the future loss of accreditation. MBIE may also be able to help BCAs that are looking to work better together; by entering into agreements or aligning their consenting functions.

**Table analysis - Options for notifications requirements for significant events**

Option	Status quo: no requirements to notify MBIE and an unenforceable duty to notify IANZ	Preferred option: to prescribe a set of notification requirements in regulation
Objectives		
Leads to appropriate, documented and implemented policies, procedures and systems	<p style="text-align: center;">X</p> <ul style="list-style-type: none"> <li>• There is no policy for when to notify MBIE of an event, and no system in place to do so</li> <li>• Failure to comply with the current “duty to notify IANZ has no consequence so there is no real need to have a policy or a system to implement it</li> <li>• MBIE will not be notified where a BCA may need support in ensuring its policies, procedures and systems meet minimum accreditation requirements</li> </ul>	<p style="text-align: center;">ü</p> <ul style="list-style-type: none"> <li>• Would require BCAs to have a system for notifying MBIE and IANZ of signification events</li> <li>• Failure to have and implement a notification system would require a BCA to take corrective actions to ensure that appropriate notifications were made in the future</li> <li>• MBIE and IANZ would be alerted to significant policy changes, and could offer support</li> </ul>
Provides for sufficient skilled and appropriately qualified BCOs	<p style="text-align: center;">X</p> <ul style="list-style-type: none"> <li>• MBIE will not be notified where a BCA is struggling due to permanent loss of key personnel or when other staff authorised to carry out technical work leave and are not replaced</li> <li>• MBIE will not be notified where a BCA may need support in accessing BCOs to perform its building control functions</li> </ul>	<p style="text-align: center;">ü</p> <ul style="list-style-type: none"> <li>• MBIE would be alerted if a BCA lost a manager or a significant amount of BCOs</li> <li>• May enable MBIE to support BCAs struggling to attract and maintain BCOs</li> </ul>
Supports alignment, engagement and shared work amongst BCAs	<p style="text-align: center;">N/A</p>	<p style="text-align: center;">ü</p> <ul style="list-style-type: none"> <li>• MBIE would be alerted to arrangements, transfers and shared work, and could offer support</li> </ul>

Option	Status quo: no requirements to notify MBIE and an unenforceable duty to notify IANZ	Preferred option: to prescribe a set of notification requirements in regulation
Objectives		
Cost of implementation – the changes are relatively easy and cost effective to implement	<ul style="list-style-type: none"> <li>Failure to comply with the current “duty” to notify IANZ has no consequence so there is no real need to have a policy or a system to implement it</li> </ul>	<ul style="list-style-type: none"> <li>The new requirements should be clearer and therefore easier to comply with</li> <li>The new requirement is not a big deal and will only necessitate a simple system</li> </ul>

### ***Impact of the preferred option - notification requirements for significant events***

40. Our preferred option will place a clear obligation on BCAs to implement a system to notify IANZ and MBIE of significant events; with a consequence associated with a failure to comply. The consequence is that a BCA will be found to have breached an accreditation requirement and will be issued with a corrective action request. It will require them to improve their notification system.
41. Implementing our preferred option should not have a noticeable financial impact. For those BCAs that do currently notify IANZ of significant events, the new requirements should be clearer and therefore easier to comply with. BCAs will simply need to add MBIE to their notification letter or email. For those BCAs that do not currently notify IANZ, the new requirement will necessitate the introduction of a simple system to ensure compliance.

### **Fee regime for the scheme**

42. MBIE has identified two basic approaches for the fee regime: a fixed-fee or fee-for-service. The viable options analysed include:
  - **the status quo:** a fixed-fee regime, with a new fixed fee
  - **our preferred option:** a fee-for-service regime
  - **an alternative option:** a fee-for-service regime with a capped fee.
43. The option of retaining the current fee regime was considered and dismissed. This is because it is not consistent with the government’s own fee principles. MBIE also considered a:
  - “fixed-fee plus additional payment to cover extra costs” regime, but if the value of the work done by IANZ was less than the fixed-fee, the BCA would be paying more than the required fee.
  - “performance-based” fee regime, but this would not incentivise performance improvements and would still likely lead to the overcharging of some BCAs and cross-subsidisation in the regime.
44. Stakeholders have been consulted on a fee-for-service model that is broadly consistent with other IANZ assessment schemes. Because IANZ is a not-for-profit Crown Entity, it operates on a cost recovery model with fees set at a level that enables it to cover the direct costs of staff salaries along with overheads (that include its administration of the scheme). IANZ sets fees under the oversight, and with the approval, of its independent board. The preferred fee-for-service regime is set out below.

***Table: proposed fees-for-service consulted with stakeholders***

Component	Description	Proposed fee (GST excl)
Biennial scheme fee	For overheads and administration costs	\$2,544

Component	Description	Proposed fee (GST excl)
Accreditation body assessment fee (Personnel)	For accreditation body technical staff	\$215 per hour, to a maximum daily rate of \$1,720
Technical expert fee (Personnel)	For technical experts supporting accreditation assessments	\$156 per hour, to a maximum daily rate of \$1,248
Passive travel fee	For technical staff and technical experts when travelling	\$105 per hour, to be included in the relevant maximum daily rate
Assessment costs	For sundry costs including accommodation, care hire and meals	Actual and reasonable

45. MBIE also consulted on estimates that might be used in a fixed fee regime, and which are relevant to our analysis of the options in the table on the following page. MBIE estimates that the fixed-fee for full assessments would be:
- \$83,000 for a large BCA like Auckland Council
  - \$28,000 for a medium BCA and
  - \$23,000 for a small BCA
46. MBIE estimates that the fixed-fee for monitoring assessments would be:
- \$19,950 for a large BCA
  - \$10,400 for medium and small BCAs.<sup>2</sup>
47. Our analysis of the options in the table analysis takes account of the operational changes that MBIE is proposing for the fee regime that include for the accreditation body to provide:
- an annual fee estimate to MBIE for all planned accreditation assessments
  - individual fee estimates to BCAs before an accreditation assessment
  - itemised invoices to BCAs on completion of an assessment.
48. The operational changes are intended to increase transparency about actual accreditation assessment costs. The reporting by IANZ will be in addition to the annual financial reports it currently provides to MBIE (which are retrospective). For MBIE this should help ensure that, overall, the scheme remains affordable for all stakeholders. For BCAs, a greater awareness of the actual cost of their accreditation assessment may provide motivation for their responsible manager, regulatory manager or CE to better engage with IANZ and invest in improving the performance of the BCA. It may be cheaper to implement improvements, such as refining a policy and procedural document, or training staff, than to pay for a “full assessment” or an additional “monitoring assessment”.

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<sup>2</sup> The \$10,400 cost of a monitoring assessment for both medium and small BCAs is due to the fact that there are minimum activities, and minimum costs for accreditation assessments that are not related to a BCA’s size.

Table analysis - options for change – the fee regime for the scheme

Options	Status quo: new fixed-fee (based on volume of consents)	Preferred option: Fee-for-service	Alternative option 1: Fee-for-service with cap
Objectives			
<p>The payment is only for the service provided</p>	<p>X</p> <ul style="list-style-type: none"> <li>BCAs pay a fixed-fee regardless of cost of accreditation assessment</li> <li>The adjustment of the current fixed fee could reduce cross-subsidisation</li> <li>some BCAs would inevitably continue to subsidise others by paying more fees</li> <li>some BCAs would pay less than they should</li> <li>As BCAs improve performance, they would pay more in fees than required</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>The actual costs should be all that BCAs paid for</li> <li>Some risk that IANZ may spend more time than required</li> <li>To mitigate risks, MBIE is proposing:                             <ul style="list-style-type: none"> <li>a daily rate cap of 8 hours for fees</li> <li>accreditation service standards set in a guidance document</li> <li>annual fee estimate from IANZ to MBIE for review</li> <li>pre-assessment fee estimates and itemised invoicing to BCAs</li> </ul> </li> <li>BCAs should also raise concerns where the cost is:                             <ul style="list-style-type: none"> <li>excessive or inconsistent with the guidance document</li> <li>significantly different between the fee estimate and the invoice</li> </ul> </li> </ul>	<p>?</p> <ul style="list-style-type: none"> <li>Cap would need to be set high to allow for poor-performance</li> <li>Some risk that IANZ may spend more time than required</li> <li>To mitigate risks, MBIE is proposing:                             <ul style="list-style-type: none"> <li>a daily rate cap of 8 hours for fees</li> <li>accreditation service standards set in a guidance document</li> <li>annual fee estimate from IANZ to MBIE for review</li> <li>pre-assessment fee estimates and itemised invoicing to BCAs</li> </ul> </li> <li>BCAs should also raise concerns where the cost is:                             <ul style="list-style-type: none"> <li>excessive or inconsistent with the guidance document</li> <li>significantly different between the fee estimate and the invoice</li> </ul> </li> <li>An assessment could require more work by IANZ than covered by the cap</li> <li>IANZ may not be able to fully recover costs and deliver to service standards</li> </ul>
<p>The service is high quality and delivered at minimum cost</p>	<p>?</p> <ul style="list-style-type: none"> <li>IANZ must maintain accreditation for performing assessments of others, ensuring a minimum quality standard</li> <li>MBIE is proposing accreditation service standards set in a guidance document supporting clarity and efficiency in the assessment process</li> <li>An assessment could require more work by IANZ than covered by the cap, pushing IANZ to reduce the quality of the process</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>IANZ must maintain accreditation for performing assessments of others, ensuring a minimum quality standard</li> <li>MBIE is proposing accreditation service standards set in a guidance document supporting clarity and efficiency in the assessment process</li> <li>There is some risk that IANZ may spend more time than required, delivering to a higher standard that is required and compromising efficiency</li> <li>To mitigate risks, MBIE is proposing:                             <ul style="list-style-type: none"> <li>a daily rate cap of 8 hours for fees</li> <li>accreditation service standards set in a guidance document</li> <li>annual fee estimate from IANZ to MBIE for review</li> <li>pre-assessment fee estimates and itemised invoicing to BCAs</li> </ul> </li> <li>BCAs should also raise concerns where the cost is:                             <ul style="list-style-type: none"> <li>excessive or inconsistent with the guidance document</li> <li>significantly different between the fee estimate and the invoice</li> </ul> </li> </ul>	<p>?</p> <ul style="list-style-type: none"> <li>IANZ must maintain accreditation for performing assessments of others, ensuring a minimum quality standard</li> <li>MBIE is proposing accreditation service standards set in a guidance document supporting clarity and efficiency in the assessment process</li> <li>Cap would need to be set high to allow for poor-performance</li> <li>There is some risk that IANZ may spend more time than required, delivering to a higher standard that is required and compromising efficiency</li> <li>To mitigate risks, MBIE is proposing:                             <ul style="list-style-type: none"> <li>a daily rate cap of 8 hours for fees</li> <li>accreditation service standards set in a guidance document</li> <li>annual fee estimate from IANZ to MBIE for review</li> <li>pre-assessment fee estimates and itemised invoicing to BCAs</li> </ul> </li> <li>BCAs should also raise concerns where the cost is:                             <ul style="list-style-type: none"> <li>excessive or inconsistent with the guidance document</li> <li>significantly different between the fee estimate and the invoice</li> </ul> </li> <li>An assessment could require more work by IANZ than covered by the cap, pushing IANZ to reduce the quality of the process</li> </ul>
<p>Accountable: it is clear what is being paid for</p>	<p>?</p> <ul style="list-style-type: none"> <li>BCAs pay fixed fee regardless of cost of accreditation assessment</li> <li>Some BCAs would inevitably continue to subsidise others by paying more fees</li> <li>Some BCAs would pay less than they should</li> <li>Fees estimate and itemised invoicing will expose cross-subsidisation</li> <li>Exposing cross-subsidisation will create frustration for BCAs paying more</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>MBIE to require:                             <ul style="list-style-type: none"> <li>annual fee estimate from IANZ to MBIE for review</li> <li>pre-assessment fee estimates and itemised invoicing to BCAs</li> </ul> </li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>MBIE to require:                             <ul style="list-style-type: none"> <li>annual fee estimate from IANZ to MBIE for review</li> <li>pre-assessment fee estimates and itemised invoicing to BCAs</li> </ul> </li> </ul>
<p>The system drives constant improvement towards high performance</p>	<p>?</p> <ul style="list-style-type: none"> <li>There is no easy mechanism to fix a fee based on BCA performance</li> <li>Monitoring assessments with a lower fee may incentivise high performance</li> <li>Poor performers will have fixed cost (regardless of actual cost)</li> <li>Poor-performers may have additional assessments</li> </ul>	<p>ü</p> <ul style="list-style-type: none"> <li>Monitoring assessments with a lower fee may incentivise high performance</li> <li>High-performing BCAs should pay the minimum amount required</li> <li>Assessments will cost more for poor-performers as these assessments will take longer</li> </ul>	<p>?</p> <ul style="list-style-type: none"> <li>Monitoring assessments with a lower fee may incentivise high performance</li> <li>High-performing BCAs should pay the minimum amount required</li> <li>Need for high cap minimises potential incentives for poor performers</li> <li>Assessments will cost more for poor-performers as these assessments will</li> </ul>

Options	Status quo: new fixed-fee (based on volume of consents)	Preferred option: Fee-for-service	Alternative option 1: Fee-for-service with cap
Objectives		<ul style="list-style-type: none"> <li>Poor-performers may have additional assessments</li> </ul>	<ul style="list-style-type: none"> <li>take longer, however, they do not have the potential to rise as much as a straight fee-for-service</li> <li>Poor-performers may have additional assessments</li> </ul>
<p><b>Reasonable: the cost of regime is not greater than a BCA or IANZ can afford</b></p>	<p style="text-align: center;">?</p> <ul style="list-style-type: none"> <li>BCAs are currently paying a fixed-fee with costs budgeted for</li> <li>IANZ is covering costs, through cross-subsidisation between BCAs</li> <li>BCAs could plan and budget for a new fixed fee</li> <li>Some BCAs are likely to pass any increased costs on to the consumer for a BCA with: <ul style="list-style-type: none"> <li>lots of consents or a low fee increase, there may be an increase in consent fees as little as one dollar</li> <li>fewer consent applications or a large increase in fees, there may increase in consent application fees with a greater financial impact, for example, of \$50 or \$100</li> </ul> </li> <li>An assessment might require more work by IANZ than covered by a BCA's fee</li> <li>Cross-subsidisation may not continue to balance out IANZ costs</li> </ul>	<p style="text-align: center;">?</p> <ul style="list-style-type: none"> <li>A BCA could be billed more than it budgeted for depending on performance</li> <li>To mitigate risks, MBIE is proposing: <ul style="list-style-type: none"> <li>a daily rate cap of 8 hours for fees</li> <li>accreditation service standards set in a guidance document</li> <li>annual fee estimate from IANZ to MBIE for review</li> <li>pre-assessment fee estimates and itemised invoicing to BCAs</li> </ul> </li> <li>Only real mitigation to a high fee would be for a BCA to improve performance</li> <li>IANZ will be able to advise all BCAs of the actual costs of their last assessments</li> <li>BCAs can budget for a high cost, and achieve savings</li> <li>Some BCAs are likely to pass any increased costs on to the consumer for a BCA with: <ul style="list-style-type: none"> <li>lots of consents or a low fee increase, there may be an increase in consent fees as little as one dollar</li> <li>fewer consent applications or a large increase in fees, there may increase in consent application fees with a greater financial impact, for example, of \$50 or \$100</li> </ul> </li> </ul>	<p style="text-align: center;">ü</p> <ul style="list-style-type: none"> <li>IANZ will be able to advise all BCAs of the actual costs of their last assessments</li> <li>BCAs can budget for a high cost, and achieve savings BCAs</li> <li>Some BCAs are likely to pass any increased costs on to the consumer for a BCA with: <ul style="list-style-type: none"> <li>lots of consents or a low fee increase, there may be an increase in consent fees as little as one dollar</li> <li>fewer consent applications or a large increase in fees, there may increase in consent application fees with a greater financial impact, for example, of \$50 or \$100</li> </ul> </li> </ul>

### ***Impact of the preferred option – the fee regime***

49. Overall, if the proposed fees were implemented, we would not expect the total level of fees collected by IANZ to change significantly. However, we would expect a change in what individual BCAs pay in fees. Most stakeholders to our recent consultation recognised that a fee-for-service regime could address the cross-subsidisation problems of the fixed-fee regime and enable BCAs to pay the actual cost of their accreditation assessment. The assessment process and standards would be set out in our guidance document to ensure quality assessments at a minimal cost.
50. We estimate that the majority of high-performing BCAs and most medium to medium-large BCAs will see a decrease in fees<sup>3</sup>, especially where they move into the monitoring assessment regime. This would provide an incentive for them to maintain high performance and for other BCAs to constantly improve performance and compliance with accreditation requirements. The proposed fees are expected to result in fee increases for some BCAs; especially the poor-performers who are currently cross-subsidised by others.
51. In response to our stakeholder consultation, 69 percent of BCAs reported that they would pass any potential fee increase on to the consumer. It is difficult to estimate the financial implications of this. Spreading any increased cost across a significant number of consents in the case of Auckland, for example, may result in very little real, financial impact. In 2015, Auckland Council issued almost 9,000 consents. A BCA with fewer consent applications, however, could increase application fees with a greater financial impact, for example, of \$50 or \$100.

### ***Consultation***

52. MBIE has consulted extensively with key stakeholders to support the review, and to gain feedback on the proposals for regulatory and operational change. Initially, this included writing to the Chief Executives of all BCAs seeking their agencies' initial thoughts on the scheme, and requesting they each nominate a key contact person. MBIE engaged with those key contacts throughout the course of the review, seeking their view on various matters. MBIE also set up a Governance Group and Working Group, which included representatives from BCAs and stakeholder representatives from IANZ, Local Government New Zealand and the Building Officials Institute of New Zealand (BOINZ). A stakeholder feedback paper was also circulated to all stakeholders.
53. Overall, there has been widespread support for the scheme and the preferred options. Support was received from 59 stakeholders who represented 75 percent of BCAs, all private organisations with accreditation and IANZ. Summarised feedback on each option is outlined below, and feedback summary was produced and circulated.
54. The government agencies consulted were the Department of Internal Affairs (DIA), the Ministry of Education (MoE), the Ministry of Justice and the New Zealand Fire Service. MoE asked that we ensure there is flexibility in names of the qualifications, in case there are future changes, such as the names of qualifications. We clarified that this would be the case. MoE and DIA also expressed some concern that the qualification requirements could be a disincentive for people becoming BCOs. We explained that BCOs with trade backgrounds would continue to be able to become BCOs in the same manner that they could now.

### ***Appropriate technical qualifications***

55. Of the 54 respondents answering the questions about appropriate technical qualifications in regulations, 26 respondents provided examples of how the National Diploma had provided value for their BCA. Seven wrote that the National Diploma did not provide real value to existing staff to their

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<sup>3</sup> Although a high-performer, the costs for Auckland Council would likely rise. MBIE estimates Auckland's fee would be around \$77,500 for a full assessment. In 2014, Auckland paid only \$45,823 for its accreditation assessment. This is because the current fixed-fee regime was not reviewed when the seven authorities in the Auckland region merged into the single council.

organisation but two of these noted it was useful for new staff and graduates. Twelve respondents felt that the National Diplomas was not value for money.

56. Of those who provided examples of how the National Diploma had provided value, most noted it provided BCOs with recognition as professionals, giving them confidence and credibility. There were references to the National Diploma providing BCOs with a better perspective of the industry and an understanding of “the bigger picture”; improvements in BCOs on the job performance and “improved decision making”; “improved awareness and competency related to building science and legislative requirements”.
57. Those respondents that expressed concern about the proposal, commented that the list of qualifications is “heavily slanted to design professionals” and that trade certificates should be considered an appropriate technical qualification particularly for those doing inspection roles. The difference between processing and inspection roles. Concern was also expressed about the perceived impact of the proposal on the ability to hire BCOs with trade qualifications.
58. Thirty-five BCAs responded to a question about the estimated cost for an individual BCO obtaining an appropriate qualification. The highest estimated cost was \$17,582, while the lowest was \$5. The average cost was \$6,476. However, we think the \$17,582 amount may cover more than one staff member, and if it does, the feedback suggests that the costs of the National Diploma should be within, or not much higher than, the annual training budgets of most BCAs.
59. Three BCAs reported a zero-dollar training budget. The highest amount reported was \$61,000 and the lowest was \$80. This provided an average of \$4,136 per annum for training and development for each member of staff. We believe that the amount of \$61,000 was an input error. If this response is changed to \$6,100, the highest amount reported is \$10,000 with an average of \$2,859 per annum.

#### ***The competency assessment system***

60. The stakeholder feedback showed that 89 percent of respondents currently use the NCAS as it is or with modifications, and there was strong support for the proposal to make the use of the NCAS compulsory, with only 5 percent of the 56 respondents who answered the question opposed to the proposal.
61. Through consultation it appeared there was some misunderstanding about what using the NCAS entails and requires. There is a real opportunity to make the system clearer and easier to understand. The feedback received will be fed into the NCAS review process. MBIE will propose that Cabinet agree not to make the NCAS compulsory until the review is completed and we have worked with the sector to better understand it.

#### ***Notification requirements***

62. Most respondents supported the proposed notification requirements. A theme in the feedback was that the departure of a manager or a significant percentage of staff might have different impacts depending on the BCA, the maturity of their systems and the competencies of the departing staff.
63. Seventy-five percent of respondents supported the proposed 14 day notification timeframe, 21 percent disagreed, and two respondents recorded “I don’t know”. A number of submitters suggested a 20 day timeframe to be consistent with other notification requirements. MBIE has extended the notifications timeframe to 20 working days after the occurrence or identification of the matter needing notification.

#### ***The fee regime***

64. Stakeholder feedback showed strong support for the proposal to move to a fee-for-service regime, with 82 percent of the 55 respondents who answered the question supporting the proposal, and only 9 percent opposing it. Those that did not support the proposal were primarily concerned about



budgeting and forecasting, while some smaller BCAs were concerned that their fees may rise under a fee-for-service regime.

65. There was general support for the fee-for-service costs for the annual scheme fee (75 percent), IANZ assessment fee (73 percent), Technical expert fee (86 percent) and the sundry assessment costs being charged at an actual and reasonable rate (75 percent). However, only 53 percent of respondents supported the IANZ passive travel fee, with 41 percent opposing it. There were also concerns expressed about the time IANZ would spend assessing BCAs and the hourly rate assessors were charging, with one respondent suggesting that IANZ would profit from the scheme, while others wanted the assessment costs to be itemised.
66. Since the stakeholder feedback paper was released, MBIE decided to propose a maximum daily rate for assessment fee and for that the passive travel fee be included in the maximum daily rate. This would mean that no more than eight hours could be charged in any one day.

## ***Implementation***

67. MBIE intends to support the overall operation of the scheme by setting out guidance on the assessment process and minimum standards for accreditation. We are currently working on a guidance document, and intend to consult IANZ and its Professional Advisory Committee which includes BCA representatives. We are also consulting with a representative group of BCAs. We intend to publish this guidance before any proposed regulatory or operational changes to the scheme come into effect. Any options agreed will be well communicated to all stakeholders through the guidance.
68. BCAs have already had eight years in which to support their staff to gain appropriate technical qualifications (unless exempt<sup>4</sup>). However, if the preferred option is agreed, we expect that some BCAs will need to make immediate efforts to enrol some of their BCOs in the National Diploma or another technical qualification. A BCO will be considered to be working towards an appropriate technical qualification if they:
  - a) are enrolled in and:
    - currently studying for an appropriate qualification
    - awaiting the commencement date for the course
  - b) have not yet enrolled in an appropriate qualification but have:
    - selected which appropriate qualification they will undertake, and
    - this is documented in their performance plan and adequately budgeted for
  - c) are in the process of undertaking Approve Prior Learning to gain an appropriate qualification.
69. Our approach to implementing the appropriate technical qualification requirements will enable BCAs to continue to engage staff with a trade (or other suitable) background, and then support them to train for a qualification as a BCO. The Regulations will not require an appropriate technical qualification as a pre-employment requirement.
70. We are proposing to Cabinet that the requirement to make the NCAS compulsory is introduced at the conclusion of the NCAS review, and after the further guidance and templates to support the system have been disseminated to BCAs. We anticipate that many BCAs will work to implement the system prior to it being required. MBIE will be available to support BCAs and they can draw from the experience of their BCA colleagues during this implementation phase.
71. MBIE will provide detailed guidance about the notification requirements in the proposed guidance document. And, compliance with the requirements will be included in accreditation assessments. This means that IANZ will require BCAs to undertake corrective actions if their notification system is

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<sup>4</sup> Within months of retirement, for example.

absent, not appropriate for purposes or not consistently and effectively implemented. MBIE will monitor the corrective actions required and will undertake further work with BCAs if there is substantial non-compliance with the new regulatory requirement.

72. The fee regime will come into effect when new regulations are agreed by Cabinet. The detail of the regime will be contained in the MBIE guidance document and be well signalled by MBIE and IANZ. IANZ is able to provide all BCAs with advice on the actual costs of their last accreditation assessments, and will prepare fee estimates for accredited organisations and BCA before further assessment is undertaken. It will also provide detailed invoices at the conclusion of an assessment. This should support BCAs to plan and budget for fees appropriately.

### ***Monitoring, evaluation and review***

73. MBIE intends to use IANZ reports to monitor the scheme's success, and the impact of any agreed regulatory and operational changes. IANZ reports to MBIE on a bi-monthly basis and provides us with copies of individual BCA's accreditation assessment reports which identify non-compliance with accreditation requirements. This is the status quo.
74. IANZ reports enable us to identify where BCAs struggle to comply with accreditation requirements generally. This may be indicated by a large number of BCAs being required to undertake corrective actions to address non-compliance. Where this is the case, we may need to provide further guidance to IANZ and BCAs. We are also able to identify where an individual BCA is failing to comply with requirements. Where this is the case, MBIE can offer support before there is any risk that accreditation may be lost.
75. Our review of IANZ reporting, general support for IANZ and BCAs, and intervention to support individual BCAs that struggle to meet accreditation requirements is undertaken within baselines. A new team has been set up to monitor trends in the building sector, including trends related to the BCA performance.
76. MBIE will monitor the impact of the proposed fee-for-service regime for accreditation assessments through the annual fee estimate for assessments and high level financial reports after each round of assessments. We will use this information to ensure that IANZ estimates and actual costs align with our assumption that the overall level of fees collected will not increase, and that fees remain reasonable. BCAs will be able to provide us feedback on this matter (and we are confident that they will raise concerns if dissatisfied).
77. The hourly rate charged by IANZ may become out of date due to changes in the costs of IANZ's salaries and overheads, or in the cost of undertaking accreditation assessments. Another fee review will likely be required within a three-year timeframe. It is also likely that the operation of the scheme will be reviewed again within a three to five year timeframe to ascertain if the regulatory and operational changes arising from this review have had an impact.
78. The future review of the scheme will depend on priorities at the time; it may be undertaken sooner or later, and the timing may be influenced by any future changes to the joint and several liability regime. MBIE is confident, however, that this review has set up a better environment for IANZ and BCAs to raise issues and opportunities associated with the scheme, and for MBIE to respond without necessitating a formal review.

## *Appendix one*

### **Proposed list of appropriate qualifications**

- National Diploma in Building Control Surveying (Small Buildings)
- National Diploma in Building Control Surveying (Medium and Large Buildings)
- Diploma in Building Surveying
- Diploma in Construction Management
- Diploma in Construction
- Diploma in Quantity Surveying
- Diploma in Architectural Drafting
- Bachelor of Applied Technology – Building
- Diploma in Architectural Technology
- Bachelor of Architecture
- Bachelor of Architectural Studies
- Bachelor of Building Science
- Bachelor of Construction (Construction Management and Construction Economics)
- Bachelor of Engineering

## ***Appendix two***

### **Current notification requirements**

The notification requirements as detailed in the accreditation body's *Procedures and Conditions of Building Consent Authority Accreditation*:

- permanent loss of key personnel or when other staff authorised to carry out technical work leave and are not replaced.
- changes in senior personnel duties and responsibilities (including change of authorised representative)
- significant adverse changes in accommodation and/or equipment
- changes in legal, commercial or organisational status
- significant changes relating to outsourcing of consent application assessment and inspection activities
- significant changes in policies and procedures.

### **Proposed notification requirements**

The notification requirements that MBIE proposes are put in place are:

- significant changes in the legal, commercial or organisational status of a BCA or the wider organisation in which it operates
- the departure of the BCA's authorised representative and/or responsible manager
- in any one quarter of the calendar year, the departure of 25% or more of any officers or employees doing technical jobs that are not replaced with equally qualified and competent people
- the acceptance of any or all of another BCA's functions under a formal transfer section 233 or 244 of the Act
- the formal transfer of any or all functions under section 233 or 244 of the Act to another BCA
- the outsourcing of a significant portion of functions under section 213 of the Act to another BCA
- the acceptance of a significant portion of another BCA's functions under section 213 of the Act
- a material re-write of policies, procedures or systems

For a private BCA:

- any professional misconduct, such as action taken by a professional association
- any civil claims made against that person in relation to contractual performance or tortious liability
- any New Zealand or overseas convictions, or pending proceedings, in relation to:
  - § dishonesty offences (such as fraud or forgery)
  - § building control offences (such as the making of unauthorised decisions).

It was proposed that any required notification must be made with 14 working days of the occurrence of the decision, action or event to be notified. After consultation, MBIE is happy to extend the proposed reporting timeframe to 20 working days after the occurrence or identification of the matter needing notification.