



Department of
Building and Housing

Te Tari Kaupapa Whare

Briefing for the Minister for Building Issues

19 October 2005

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Part 1:

Introduction

1. This section provides a brief introduction to the building and housing sector and to key areas of focus for government, including implications for government policy and regulation of the sector. It also outlines the major components of the Department of Building and Housing's current work programme.
2. The Department of Building and Housing was established on 1 November 2004. The Department brings together, into one organisation, a number of related building and housing regulatory, dispute resolution and policy functions that were previously spread across several government agencies¹. Consolidating these activities is designed to improve and streamline the delivery of building and housing services to the public, ensure an effective regulatory system and deliver good quality advice to government.
3. The transition to the consolidated organisation is staged over a fourteen-month period (due for completion February/March 2006). The timeframe is in order to manage transition risks and impacts on business as usual. The substantive parts of the transition are now largely complete and the focus is on building an integrated organization capable of delivering on its role.
4. The Department has approximately 325 staff, with 21 offices across New Zealand. Further information on the Department, its structure and funding is provided in Part 4.
5. The Department's interest and involvement in the building and housing sector is diverse. It covers provision of policy advice, maintaining a system of controls over the building and construction industry, administering the law covering landlords and tenants, providing dispute resolution services, the regulation of retirement villages, as well as administering a variety of building and property legislation.
6. The Department works closely with Housing New Zealand Corporation as the other government agency involved in housing issues. For more detail on what the two agencies' respective functions are, please see Appendix One.

Sector importance

7. The building and housing sector in its broadest sense makes up a sizeable slice of the national economy. It impacts directly on important economic, social and environmental outcomes. The sector covers everything from builders and local

¹ The government agencies were the Ministry of Housing, Building Industry Authority, Ministry of Economic Development (building policy group), and the Department of Internal Affairs (Weathertight Homes Resolution Service). The Electrical Workers Registration Board (joining in 2006) and the Plumbers, Gasfitters and Drainlayers Act (longer term) are still to be transferred.

authorities through to real estate agents investors and mortgage providers (including the commercial property sector).

8. A well performing sector contributes to growth. However the converse is also true – an underperforming sector can be a significant barrier to growth.

9. Through regulation of building standards and systems, market transactions and provision of information, education and services to industry and consumers, government influences overall sector performance and quality of buildings and the built environment. In turn this impacts on the quality of life for everyone.

Economic and growth outcomes

10. Housing and building activity levels have significant macroeconomic effects - directly in terms of CPI and interest rates and indirectly in terms of the ‘wealth’ effect on spending levels and multiplier effects from employment in the sector. Housing equity accounts for approximately 94% of household net wealth (\$429b out of \$457b²) and almost 25% of household expenditure is spend on direct housing costs.³ The value of new residential construction in the year to June 2005 amounted to \$5,603m, with a further \$1,172m spent on alterations or additions⁴ that required a building permit. Direct government expenditure on housing amounts to more than \$1,500m per annum.

11. Non-residential building construction amounted to almost 12% of gross fixed capital formation in the year ending March 2004 and amounted to \$11,215m in the year to June 2005.⁵ Direct labour market participation in construction amounted to almost 160,000 people or almost 8% of the total number of people employed. Employment effects flow into the attendant design, financial, real estate, legal, maintenance, transportation, alteration, materials importation and manufacturing requirements.

12. According to Statistics New Zealand, construction currently contributes around 4.9% to GDP. A well performing building and construction sector has the capacity and skills capability to deliver quality buildings to meet demand. Currently capacity and capability constraints across the sector are impacting on sector productivity performance which will, over time, have a dampening effect on growth.

Social outcomes

13. Good quality housing contributes positively to our sense of wellbeing, health, educational and social development for our children, and provides a stable base for beneficial community engagement, allowing for the development of community links and networks. Well-built commercial buildings provide workplaces that are safe, healthy and support workplace productivity, and spaces for recreation and business that serve the needs of the community.

² Reserve Bank data

³ Household Expenditure Survey, June 2004

⁴ Statistics NZ, Table 22.08 Building Authorisations

⁵ Ibid

14. Strong, vibrant communities and cities attract and retain people because they are great places to live. For New Zealand to be an attractive destination for people and skills in a highly competitive global market, how well our towns and cities work, the quality of our built environment, matters. Sustainable development and building sustainable cities are an important part of this.

Environmental Outcomes

15. Building and housing issues also impact directly on environmental outcomes through effects such as urban sprawl, in-fill effects, infrastructure requirements (transport, energy, sewerage system and water supply), and peoples' sense of the amenity value of their neighbourhoods. Growing urbanisation and demands on energy makes enhancing energy efficiency and reducing waste and pollution critical goals – yet these can also have significant flow-through effects on building materials, housing and building design and construction (or repair/retro-fit) costs.

Key issues

16. Key issues associated with regulation of the building and housing sector, and especially its implementation of the Building Act 2004, include:

- *Capacity constraints and tolerance for change* – the building and housing sector is operating at near full capacity. It is facing skill and labour shortages. These extend across professions, trades and building consent officers and are also being experienced within the department. The sector's capacity to participate in, implement, and respond to major policy and regulatory change is limited;
- *Roles of local authorities* – the provisions of the Building Act are administered by territorial authorities. Their performance is variable and some face significant capacity constraints. Their cooperation is necessary to effectively implement the provisions of the Building Act;
- *Liability concerns and risk averse behaviour* – the leaky building issue highlighted the liabilities faced by building practitioners and territorial authorities in their design, building and inspection of buildings. Concerns related to liability are resulting in sometimes overly risk adverse behaviour with implications for how building regulations are being administered and incentives to innovate;
- *Consumer confidence* – the leaky building issue also highlighted the difficulties faced by home owners in resolving building related disputes. Consumers continue to face significant difficulties in enforcing their rights and gaining redress when buildings fail for defects other than weathertightness. Building and housing transactions can be complex and involve significant

knowledge imbalances between suppliers and consumers. [*withheld under s 9(2)(ba)(i) of the Official Information Act 1982*]

- *Housing affordability* – property values continue to rise to the point that homeownership in some areas (especially Auckland) is beyond the means of low to middle income earners. This means that more families and older people are renting;
- *The built environment* – scarcity of land for development (especially in Auckland) and concern for the social and environmental effects of building and urban development are resulting in higher density housing and an increased focus on the role of land use, planning and other regulatory interventions in facilitating supply and development of new housing stock.
- *Aligning policy and regulatory instruments - before the Department was established*, responsibility for advising on and managing the government’s building and housing sector policy and regulatory interventions fell across a wide spectrum of public sector agencies. The Department was established to provide a coherent approach to building and housing sector policy and regulation, to improve and streamline the delivery of building and housing services to the public, to ensure an effective regulatory system and deliver good quality advice to government. In the course of its policy work the Department is seeking to improve alignment between various pieces of sector-related policy and regulation including the Residential Tenancies Act, the Unit Titles Act, the Retirement Villages Act and the Building Act.
- *Creating an integrated department* – the process of integrating the component parts of the Department into a single agency, and putting core systems and processes in place is well under way. There is much to be done particularly around developing the new organizational culture. This is a challenging task and it will take time to building a truly “fit for purpose” organization. At the same time, the Department faces a full work programme. Skill shortages in a number of areas have impacted on timeframes and in some areas capacity is very stretched. Nevertheless there is strong staff commitment to achieving the organisation’s vision and making the department a success.

17. These issues have implications for how government regulates the sector. They also have implications for the management of regulatory reform and the pace of change.

18. In response to these issues the Department is:

- Testing the practicalities of key regulatory interventions and reforms, such as licensing of building practitioners, to ensure practicality and effectiveness, that benefits outweigh costs and that implementation time frames result in a reasonable pace of change (given current capacity constraints);

- Looking at how to engage with the sector (including industry and local government) to ensure an inclusive approach to the development, testing and implementation of policy and regulatory changes;
- Commissioning work to better understand the implications of liability issues for sector performance and innovation, regulatory effectiveness and consumer protection; and
- Working with Housing New Zealand Corporation and the Ministry for the Environment to ensure that building and housing policies and regulations respond to trends in land use and urban design, and to better understand the implications of policies and regulations for the supply of affordable housing.
- Ensuring the review of the Building Code actively considers sustainable development, energy efficiency, building quality and design issues.
- Taking a planned approach to organizational development and building leadership and capability within the Department.

Part 2:

Ministerial decisions required

Before 31 December 2005

19. Decisions needed before 31 December 2005 include:

- *Weathertight Homes Resolution Service* – As Minister for Building Issues, you are due to take a paper containing proposals on improving the effectiveness and efficiency of WHRS to Cabinet in October 2005. The Department has a programme of work underway to identify opportunities to improve the effectiveness and efficiency of the service. This is likely to lead to proposed changes to the current case management, assessment, mediation and adjudication processes.
- *Budget 2006* – The Department will begin the process of preparing for 2006 budget proposals before the end of 2005 and will seek your guidance on priorities.
- *Retirement Villages Act* – A decision is required on the Code of Practice and regulations relating to registration and dispute resolution for retirement villages. A consultation document on regulation will need to be released by the end of 2005 to enable regulations to be finalised and in place by March/April 2006.
- *Board appointments* – The bodies from whom the board membership are drawn is set out below, and the status of the various members identified.
 - Engineering Associates Registration Board – three current members need to be reappointed and nine new members appointed. A paper needs to go to the Appointments and Honours Cabinet Committee in October 2005
 - State Housing Appeals Authority – the Minister of Housing makes these appointments. Seven members need re-appointment and a deputy principal member needs to be appointed. A paper needs to go to the Appointments and Honours Cabinet Committee in October 2005
- *Unit Titles Act Review* – Review of the legislation governing multi-unit building developments such as apartment blocks and office developments is underway because the Act is outdated and does not provide for the growing diversity and complexity of multi-unit developments to which it is being applied. In November, we will be seeking your approval to release a discussion document in early 2006. Following the consultation process, decisions will be required on new legislation during 2006.

- *Building Act Implementation: Licensed building practitioners* – The Department is assessing the costs, benefits and other implications of proposed licensed classes and definitions of restricted work. Decisions by government on these are necessary to provide the basis for implementation of the scheme. The Department will be seeking your agreement to take a paper on these matters to Cabinet by the end of the year.
- *Residential Tenancies Amendment Bill* – the Department will be advising you on the Residential Tenancies Amendment Bill, including its relationship to the Residential Tenancies Act Review, and seeking a decision from you on whether or not the Bill should carry forward into the new Parliamentary session.
- *Building Act Amendment Bill* – the Department will be seeking your agreement to request legislative priority for a Building Act Amendment in 2006. This is necessary to fix a number of mainly technical and drafting issues necessary to clarify the policy intent behind the legislation.

During the 2006 year

20. Building and housing decisions that the Department will be seeking during the 2006 year include:

- *Residential Tenancies Act Review* – A review of the Act commenced in late 2003. Public consultation took place between November 2004 and February 2005, during which time public meetings were held and 574 written submissions received. There have been significant changes in the structure and dynamics of the residential rental market over the last 20 years. These include significant growth in the private rental sector, more people living for longer in rental accommodation, more families with children, and older people living in rental accommodation. Decisions will be required on changes to the Act to ensure it better meets the needs of today's rental housing market. The current timeframe is for a paper to you by the end of March.
- *Building Act Implementation*
 - Criteria and accreditation processes for Building Consent Authorities
 - Criteria for product certification bodies
 - Dam safety regulations
- *Board appointments*
 - Chartered Professional Engineers Council – re/appointment of three members
 - Architects Education and Registration Board – this board is to be disestablished on 30 June 2006 and its functions transferred to the

Registered Architects Board. Four members need to reappointed for a short term, pending the establishment of the new Board in June 2006.

Part 3:

Department of Building and Housing work-streams

Departmental outcomes

21. The long term outcome the Department is working to achieve is:

All New Zealanders have access to quality homes and buildings that meet their needs now and in the future.

22. More immediate intermediate outcomes include:

- buildings and homes are built and maintained to standards that reflect consumer, user and community expectations
- the building and housing sector can meet the needs of the market in terms of housing supply and housing quality
- regulators can develop and/or apply the building regulatory regime
- the building and housing sector balances user and provider needs. (See *Appendix 4* for the DBH Outcome framework.)

23. Key activities in the Department's work programme that contribute to the achieving these outcomes include:

- implementing the Building Act, including registering building consent authorities and occupational licensing
- reviewing the Building Code
- integrating the Weathertight Homes Resolution Service into the Department
- technical reviews to provide better guidance to the construction sector and ensure that New Zealand standards are relevant and take account of international developments
- reviewing the Residential Tenancies Act
- reviewing the Unit Titles Act
- purchasing and monitoring advice for Housing New Zealand Corporation and administrating its vote

- undertaking research and sector monitoring to ensure that advice on property and housing issues is based on a sound knowledge of the market
- bringing the provisions of the Retirement Villages Act into force
- further developing the Department's understanding of the fluid and rapidly changing housing supply dynamics.

Achieving the outcomes

Implementing the new Building Act 2004

24. The Building Act 2004 controls all building work, including houses, apartment blocks, factories and hospitals, and now dams.

25. Reports commissioned in 2002 to look at the weathertight homes issue revealed a systemic failure of the building control system – with implications for all building work and the quality of building in New Zealand.

26. The Building Act 2004 is a significant development on the previous regulatory framework. It requires the government (through the Department), local authorities, building professionals and training providers to focus on improving the quality of the building process through improved setting of standards and guidelines, design and building practice, quality of improved compliance and increased emphasis on and investment in skills, particularly trade skills, and better consumer protection.

27. Key initiatives in the Act include:

- registration and accreditation of agencies providing building certification services (local authorities and private bodies)
- a licensing regime for building practitioners, with minimum standards of competency
- the ability to restrict some building work to licensed practitioners
- mandatory warranties to provide greater protection for consumers
- a requirement that the department review the Building Code (which sets the performance standards that buildings must achieve) within three years
- a new (voluntary) product certification regime, aligned with the Australian Building Codes Board.

28. The changes being brought about in the regulatory framework governing the building industry are significant and long-term in nature. They are about improving quality, performance and skills across the sector. The changes are estimated to increase the costs of dwelling construction by approximately 3% overall. However,

the cost impact at local government level is significant, particularly in the short term. Building consent and inspection costs are expected to increase by around 43%. This reflects the lack of investment in capability and skills in preceding years, and the need to re-build capacity and capability to carry out functions effectively.

Building Consent Authority registration and accreditation

29. In order to undertake building control functions under the Building Act 2004, territorial authorities and other interested private certification agencies must be registered as building consent authorities by the Department of Building and Housing.

30. It is planned that by the end of 2005 the requirements that organisations will need to fulfill in order to apply to become a building consent authority will be finalised. The Department is currently developing these requirements in consultation with local government and other stakeholders – taking into account constraints facing local government (skills shortages, the need to develop and build business systems, etc).

Occupational licensing

31. The licensing of building practitioners is one of a package of measures introduced by the Building Act 2004 to improve control of and encourage better practices in design and construction.

32. The licensing system aims to:

- increase the level of professionalism within the building industry
- encourage robust quality assurance in building work
- increase the overall competence of occupational groups within the building industry
- increase consumer protection and consumer confidence.

33. An important element of the licensing scheme is the ability to prescribe “restricted building work”. Under the Act from November 2009 any “restricted building work” – both design and construction – must be done or supervised by licensed building practitioners. The nature and extent of “restricted work” is still to be decided.

34. The setting up of the licensing system is scheduled to be carried out over several stages. To date, the Department has been focused on developing and testing proposed license classes. This has involved extensive consultation with industry on possible license classes and what work should be restricted to licensed builders. The Department will be seeking decisions later this year on license classes.

35. The Department is also responsible for monitoring and administering occupational regulations for a number of building professionals outside the Building Act. Current responsibilities for occupational licensing outside the Building Act include chartered Professional Engineers, Engineering Associates and Registered

Architects. The Department will also be taking over the administration of licensing for electrical workers from the Ministry of Economic Development. The likely timeframe is February 2006 although this has yet to be finalised. The government has also, in principle, agreed that the Department take over the administration of the Plumbers, Gasfitters and Drainlayers Act 1976. We shall be consulting with the Ministry of Health and the Ministry of Economic Development to consider the appropriate timing of the transfer and transitional issues and are scheduled to report to government by 31 October 2005.

Review of the Building Code

36. The Building Act requires a review of the New Zealand Building Code to be undertaken by the end of 2007, the first since it was established in 1992. The Building Code sets out performance standards that all building work must meet, and covers aspects such as fire safety, access, moisture control, durability, services and facilities.

37. The objective of the review is to make it better meet users' needs, and to ensure performance standards for buildings are clearer and meet community expectations. The changes will also take into account the Act's expanded purposes and principles including consideration of sustainable development and effects of buildings on health. The Department is due to report to you on a proposal for a revised Building Code framework by the end of the financial year.

Weathertight Homes Resolution Service and building dispute resolution

38. The Weathertight Homes Resolution Service was established in 2002 to provide owners of leaky homes with a quicker, less costly means of resolving disputes than recourse through High Court litigation. Home owners are provided with independent assessment, mediation and adjudication services. The government committed to assist home owners to obtain compensation from liable parties so that affected owners could repair their homes.

39. WHRS was transferred from the Department of Internal Affairs to this Department on 1 July 2005. A review of the WHRS is underway, looking at how services can be improved or enhanced to provide better outcomes for participants. Possible options for getting houses repaired as soon as possible and addressing liability issues are also being considered. The Department is due to report to you at the end of October on this.

40. In parallel to the work on the WHRS, the Department is also undertaking work on the case for alternative dispute resolution for all building disputes.

Homeowner Protection

41. *[withheld under section 9(2)(f)(iv) of the Official Information Act 1982].*

Residential Tenancies Act review

42. The Residential Tenancies Act 1986 is the central piece of legislation that governs the rental housing market (both private and social/not-for-profit sectors). The Act provides a system of rules governing tenure and the rights and obligations of both landlords and tenants, and a dispute resolution service.

43. As noted, in the last 20 years there has been significant changes in the structure and dynamics of the residential rental market, including significant growth in the private rental sector, more people living for longer in rental accommodation, and a higher proportion of families with children, and older people living in rental accommodation. The review is to ensure that the Act is relevant to both today's and the future housing market and continues to provide an appropriate balance between a tenant's and landlord's rights.

44. The review commenced in late 2003 and resulted in a high degree of public interest. Proposals are now being developed, focusing on the following key areas:

- diversity of tenants and tenure options
- quality and standards of rental housing
- professionalism of the private residential rental market
- dispute resolution and enforcement
- information, education, advice and advocacy
- the Act's coverage.

45. The Department is due to report back to Ministers in March 2006 with recommendations. These are expected to involve a combination of legislative change, changes to provision of information, education and service delivery, and a programme of further work and research.

Residential Tenancies Amendment Bill

46. The Residential Tenancies Amendment Bill 2001 was reported back from Select Committee in March 2003 and is currently awaiting its second reading in Parliament.

47. The amendment is primarily designed to extend the RTA to cover boarding houses. While some of the rights and obligations of landlords and tenants will be the same for boarding house tenancies as they are for general tenancies, there are some significant differences to reflect the more communal nature of boarding house accommodation, the shared facilities and the general nature of boarding house tenancy arrangements.

48. The Residential Tenancies Amendment Bill also makes some amendments to the more general provisions of the Residential Tenancies Act.

Unit Titles Act Review

49. The Unit Titles Act 1972 is the legislation governing multi-unit building developments such as apartment blocks and office developments. A number of factors have contributed to its becoming outdated. The number and nature of unit title developments have increased rapidly since 1972 and it is no longer dealing well with the rights and responsibilities of unit owners, bodies corporate, developers and tenants across a range of matters including financial management, maintenance obligations, information disclosure, consumer protection and dispute resolution. The rapid growth in the numbers of unit title developments in recent years, particularly in the Auckland region, has also contributed to the number of problems.

50. Key issues identified are the barriers to workable community living environments, and the lack of:

- clarity and flexibility in current legislation
- transparency and accountability of parties involved
- enforcement provisions for breaches of the law or body corporate rules
- adequate disclosure provisions
- informed consumers and owners
- appropriate dispute resolution processes.

51. The Department is expecting to report back to ministers with proposals for further consultation by the end of this year.

Administration of Vote Housing

52. The Department of Building and Housing is responsible for administration and advice in relating to Vote Housing. This includes the coordination of Budget initiatives and statutory financial reporting requirements. In this role the Department reports to the Minister of Housing as Vote Minister.

Housing New Zealand Corporation monitoring advice

53. The Department of Building and Housing is responsible to the Minister of Housing for administration and monitoring functions in relation to the Housing New Zealand Corporation (HNZC), including:

- assisting the Responsible Ministers with board appointments

- assisting with the negotiation of accountability documents
- vote Housing administration
- purchase monitoring
- ownership monitoring
- relationship management.

54. Housing New Zealand Corporation is a Crown entity responsible for:

- managing state housing assets valued at \$11.4 billion (as at 30 June 2005)
- managing some 65,000 tenancies
- delivering government programmes in the housing sector, including encouraging third party provision of social housing and home ownership initiatives
- providing policy advice on the housing sector, including lead responsibility for policy advice for government's social housing interventions.

55. The Treasury also has responsibilities for monitoring aspects of Housing New Zealand, particularly from the Crown's ownership perspective.

56. A separate briefing paper (copy attached) has been prepared for the Minister of Housing.

Retirement villages

57. The Retirement Villages Act 2003 was introduced to strengthen the consumer protection offered to residents and potential residents of retirement villages. It will provide new legal rights and protections for people who live in, or are considering entering, a retirement village. The Act will also place new responsibilities on all retirement village operators. These requirements will replace current obligations under the Securities Act 1978, which affect some operators now.

58. The Act requires retirement villages to be registered with the Registrar of Retirement Villages, have a statutory supervisor who monitors and reports on financial performance, and conform to a code of practice. The Act establishes information disclosure requirements that village operators must comply with. Villages must have, and must make available to prospective and current residents, a disclosure statement, a code of residents' rights, a code of practice and an occupation right agreement, all of which must meet the standards recorded in the act.

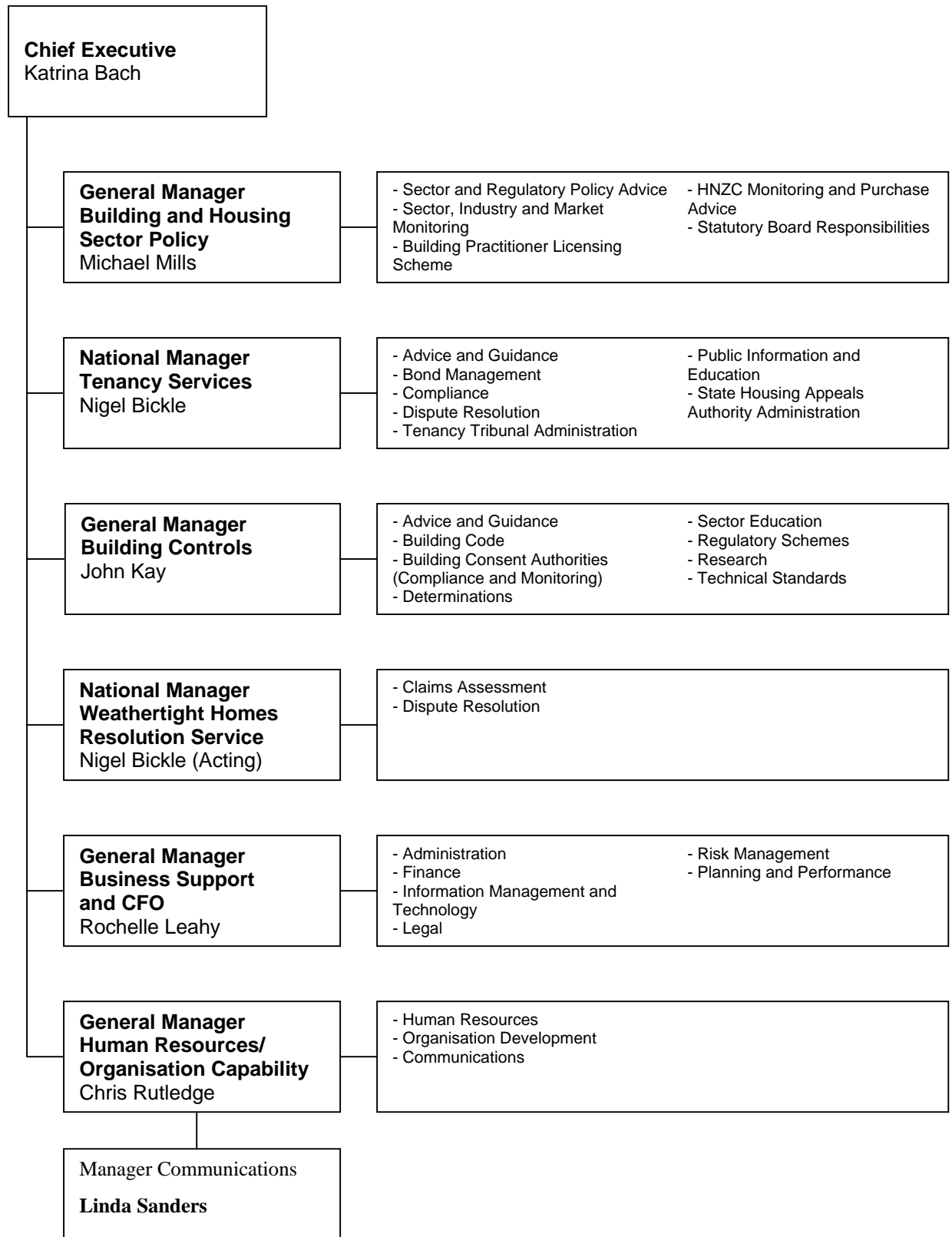
59. The majority of these substantive provisions, including those requiring registration and implementation of dispute resolution functions are not yet in force, and will not come into force until an Order in Council is passed. Regulations prescribing the details relating to registration and dispute resolution are required before these provisions can come into force. It is expected that they will be promulgated in November 2005 and come into force at the end of March 2006.

Sustainable Development

60. Sustainable development, the built environment and how cities work, is an area of growing importance. The implications of population growth, changing consumer trends, and initiatives such as the Urban Design Protocol and the Auckland Growth Strategy, have a range of social and economic impacts – including direct housing effects. The review of the Building Code will be an important opportunity to link building performance, building standards and systems with sustainable development outcomes and an improved built environment. The Department is part of the group of government agencies doing work on the Sustainable Cities Agenda and contributes to the New Zealand Housing Strategy, both in leading a number of areas (i.e. housing quality and the operation of the private rental market) and working with Housing New Zealand to develop our understanding of affordable, quality housing supply and addressing identified constraints.

61. A series of progress/discussion papers will be provided over the period late-2005 and through 2006.

Part 4: The Department of Building and Housing



Key People

62. 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. Ms Bach has a background in economic and regulatory policy and was Deputy Secretary at the Ministry of Economic Development before moving to Housing. She was acting Secretary for Internal Affairs in 2001 and earlier worked at the Treasury, the Department of the Prime Minister and Cabinet, and in the Department of Trade and Industry.

63. Michael Mills is the Acting General Manager Building and Housing Sector Policy. Prior to this, Mr Mills worked with the Ministry of Economic Development on the review of the Building Act 1991 and advised the Department of Internal Affairs on Weathertight Homes Resolution Services Act 2002. Mr Mills is leaving the Department at the end of October and a replacement is currently being sought.

64. Nigel Bickle was appointed the National Manager Tenancy Services in 2001 and recently took up the position of Acting National Manager, Weathertight Homes Resolution Service. Prior to this, Mr Bickle was the General Manager, Service Development at Work and Income New Zealand, responsible for policy, research and information, legal services and contracting.

65. John Kay took up his role as General Manager, Building Controls on June 1, 2005. He came to the Department from the Land Transport Safety Authority, where was General Manager, Operations. John has previously worked for Landcare Research NZ Ltd, and the Foundation for Research, Science and Technology.

66. Rochelle Leahy is the Department's General Manager Business Support and Chief Financial Officer, a position she took up in March 2005. Ms Leahy came to the Department from her position as Group Manager Corporate Services at the NZQA. Ms Leahy has a wide range of experience both in the public and private sector, including having worked in the UK and Australia.

67. Chris Rutledge is the General Manager Human Resources and Organisational Development for the Department, a position he took up in July of this year. Immediately prior to joining the Department Mr Rutledge had been working with the BIA on developing capability and on weathertightness issues. Mr Rutledge has held senior strategic human resources roles at the Electricity Corporation and at Telecom NZ where he was the GM Human Resources.

68. Linda Sanders is Manager, Communications, for the Department. She has undertaken a number of communications assignments within the Government sector. Prior to that she worked at Telecom for seven years, in a variety of communications roles, including that of spokesperson for the company. She has held a number of senior roles within the media, including Business Editor of the Evening Post and Economics Editor of the Dominion.

Financial management

69. The Minister for Building Issues is the Responsible Minister for the Department of Building and Housing. The Minister of Housing is the Vote Minister for Vote Housing, for which the Department is the Administering Department.

70. Departmental chief executives must obtain formal delegations from the Vote Minister. The Chief Executive controls Crown expenditure within the Department within the constraints of the Public Finance Act 1989. The financial delegation limits approved by Cabinet for fixed assets include a limit of \$7 million for chief executives and \$15 million for the ministers responsible. The Department also has a non-departmental delegation for funding Housing New Zealand Corporation through Vote Housing for \$810 million⁶.

71. The Department has an operational delegation for 2005/06 of \$61 million. The Department also has a non-departmental delegation for funding Housing New Zealand Corporation through Vote Housing for \$810 million.

72. The individual Departmental output expense outputs and financials for each of the eight output expenses which the Department has are shown below.

Source of Funds

73. The Department is funded from three main sources – the Crown, tenancy bond interest, and building levies – totaling \$59 million⁷. This is made up of:

- \$13 million from interest on the Residential Tenancies Trust Account
- \$1 million from fees for applications to the Tenancy Tribunal
- \$0.1 million from fees to assist Tenancy Tribunal judgement creditors to recover judgement debts
- \$15 million from building levies
- \$0.5 million from contributions for the State Sector Retirement Savings
- \$30 million from the Crown.

Departmental Appropriations

74. Departmental operating appropriations for Vote Housing 2005/06 total \$61.029 million. It is intended to be spent as follows:

⁶ Note all figures are rounded to the nearest \$1m

⁷ Note the \$1.8m shortfall between source of funds and approved activity levels is expected to be made up in future years from levies relating to the Building Act and occupational Licensing

- \$18 million (29% of departmental operating appropriations in this Vote) on providing services to tenants and landlords
- \$0.1 million (0.1%) on provision of the State Housing Appeal Authority
- \$4 million (6%) on providing sector and regulatory policy advice on the building and housing sector
- \$0.4 million (1%) on providing purchase and performance monitoring advice to Government in relation to Housing New Zealand Corporation
- \$4 million (7%) on the design, establishment and maintenance of the occupational licensing regime for building practitioners under the Building Act 2004
- \$5 million (8%) on the implementation of the Building Act 2004
- \$12 million (20%) on providing a building regulation and controls service for buildings and the building sector
- \$18 million (29%) on providing owners of dwellings affected by the leaky building syndrome with access to procedures for assessing and resolving claims relating to those buildings.

Non-departmental appropriations

75. Non-departmental operating appropriations approved in Vote Housing for 2005/06 total \$431 million, plus \$285 million capital contributions. This is intended to be spent as follows:

- \$0.2 million (0.1% of non-departmental operating appropriations in this Vote) on the introduction of a new registration, reporting and monitoring regime for Architects
- \$4 million (1%) on the purchase of housing policy advice from Housing New Zealand Corporation
- \$23 million (5%) on purchasing housing support services
- \$391 million (90%) on income related rent subsidies to Housing New Zealand Corporation
- \$8 million (2%) on housing assistance payments
- \$5 million (1%) on the community housing rent relief programme

- \$285 million on capital contributions almost all of which is for additions to the Housing New Zealand Corporation state housing stock (\$45,000 is funding for the costs associated with implementing the Architects Bill).

Crown revenue and receipts

76. Crown receipts for the 2005/06 year are forecast to total \$95m, comprising:

- \$92 million of interest paid by Housing New Zealand Corporation on government loans
- \$3 million dividend from Housing New Zealand Corporation.

Appendix 1

Roles and Responsibilities of the Department of Building and Housing and Housing New Zealand Corporation

The Department:

- has **sole responsibility** for:
 - providing advice to government on the regulatory environment for the building and housing sector
 - regulating the building sector and the rental housing sector
 - delivering effective information, advice and dispute resolution services
 - providing purchase and monitoring advice to government on Housing New Zealand Corporation
 - administering the State Housing Appeals Authority

- has **lead responsibility** for providing:
 - policy advice on the building sector and residential tenancy market including emerging trends and issues
 - policy advice on building and housing and building regulation
 - advice on the regulation of the residential rental market
 - occupational licensing within the building and housing sector

- has **joint responsibility** or a **common interest** (with Housing New Zealand Corporation) in:
 - defining housing outcomes for the sector
 - analysing the housing environment
 - influencing the wider government sector to ensure it meets government goals for housing
 - working within the social services cluster and economic, growth and innovation frameworks to influence and promote delivery of the government's outcomes for the building and housing and building sector
 - undertaking specific initiatives under the New Zealand Housing Strategy Programme of Action.

Appendix 2.

Legislation administered by the Department

The Department administers the following legislation and regulations.

- Architects Act 1963 & Registered Architects Act 2005
- Building Act 2004
- Chartered Professional Engineers of New Zealand Act 2002
- Construction Contracts Act 2002
- Engineering Associates Act 1961
- Residential Tenancies Act 1986
- Retirement Villages Act 2003
- Weathertight Homes Resolution Services Act 2002
- Architects Regulations 2002
- Building Regulations 1992
- Building (Forms) Regulations 2004
- Building (Fee for Determinations) Regulations 2005
- Building Levy Order 2005
- Building (Specified Systems, Change the Use, and Earthquake-prone Buildings) Regulations 2005
- Chartered Professional Engineers of New Zealand Regulations 2004
- Chartered Professional Engineers of New Zealand Rules 2002
- Chartered Professional Engineers of New Zealand Regulations 2002 (No 2)
- Chartered Professional Engineers of New Zealand (Appeals) Regulations 2002
- Construction Contracts Regulations 2003
- Engineering Associates Fees Regulations 2002
- Residential Tenancies (Fees) Regulations 1998
- Residential Tenancies Regulations 1998
- Residential Tenancies Rules 1998

Appendix 3.

Boards and entities the Department is responsible for

The Department is responsible for the following boards and entities:

- **Building Practitioners Board**

The Board's functions are to approve rules relating to licensed building practitioners, to investigate complaints about their conduct, to hear appeals against certain decisions of the Registrar, and to review and report to the Minister on the performance of the functions of the Board. The Board must have at least six, but no more than eight members, including one person who is a lawyer. Board members are appointed by the Governor-General on recommendation from the Minister for Building Issues. The Board is established under the Building Act 2004.

- **Housing New Zealand Corporation Board**

The Board's role is to govern the Housing New Zealand Corporation. The Corporation's objectives include to give effect to the Crown's social policy objectives by providing housing and services related to housing, and to ensure the Minister of Housing receives appropriate policy advice and information on housing and services related to housing.

The Board must have at least two, but no more than eight members who are appointed by the Minister of Housing and the Minister of Finance under the Crown Entities Act 2004. Cabinet has agreed that the Department of Building and Housing will provide the administrative support for the portfolio.

- **State Housing Appeal Authority**

The Authority's function is to determine appeals on decisions on income-related rent assessments and applicants' eligibility and need for Housing New Zealand Corporation housing under the Housing Restructuring Act 1992. There is no limit to the number of members who can be appointed to the Authority. The principal member and deputy principal member of the Authority must be lawyers, and are appointed on the joint recommendation of the Minister of Housing and the Minister of Justice. Other members are appointed by the Minister of Housing and may be lay people or tenancy mediators. The Department of Building and Housing provides administrative support for the Authority, and appoints or designates a Registrar for the Authority. The Authority is established under the Housing Restructuring (Appeals) Regulations 2000.

- **Architects Education and Registration Board**

The Board's functions are to consider applications for registration, to exercise disciplinary powers in accordance with the Act and to advise and make recommendations to the Minister in respect of any matter affecting the education and registration of architects. The Board must have 13 members, appointed variously by the Minister for Building Issues, the Minister of Education, and the

Minister of Commerce, based on nominations from the relevant industry and educational organisations as listed in the Architects Act 1963. The Board will be disestablished on 30 June 2006 under the Registered Architects Act 2005.

- **Architects Investigation Committee**

The Committee hears complaints about Architects registered under the Architect Act 1963. The Committee has three members, none of whom can be Architects Education and Registration Board members. Committee members are appointed by the Governor-General on recommendation from the Minister for Building Issues. One member must be nominated by the New Zealand Institute of Architects, and another member nominated in consultation with the Minister of Consumer Affairs.

The Committee will be disestablished on 30 June 2006. Investigation of complaints against Architects under the new Registered Architects Act 2005 is the responsibility of the new Registered Architects Board after 30 June 2006.

- **New Zealand Registered Architects' Board**

The Board's functions are to make rules relating to registered architects, to register members, assess whether persons meet the requirements for continued registration, and to investigate complaints about the conduct of registered architects in accordance with the Act. The Board must have at least six, but no more than eight members, and a maximum of four members must be nominated by the NZ Institute of Architects. Board members are appointed by the Governor-General on the recommendation of the Minister for Building Issues. The Board is established by the Registered Architects Act 2005.

- **Chartered Professional Engineers Council**

The Council's functions are to review and approve rules, to hear appeals from decisions of the Institution of Professional Engineers of New Zealand (IPENZ) (as the Chartered Professional Engineers registration body) and to report to the Minister on the performance and exercise of IPENZ and the Council's functions under the Act. The Council's board must have at least six, but no more than eight, members, which are appointed by the Governor-General on recommendation from the Minister for Building Issues. The Council is established by the Chartered Professional Engineers of New Zealand Act 2002.

- **Engineering Associates Registration Board**

The Board's functions are to consider applications for registration. The Board consists of three members appointed by the Minister for Building Issues including the Chair of the Board, and one member nominated by each Association eligible for registration under the Act. The Board is established by the Engineering Associates Act 1961.

The Engineering Associates Act 1961 provides for an Engineering Associates Investigation Committee to be appointed by the Minister, consisting of three members. No Investigation Committee has been formed to date. The function of the Committee is to investigate complaints against registered engineering associates and make recommendations to the board as to whether disciplinary proceedings should be instituted against the registrant complained against.

- **Tenancy Tribunal**

The Tenancy Tribunal is established under the Residential Tenancies Act 1986. The Ministry of Justice, in conjunction with the Department of Building and Housing, has statutory responsibility for all matters relating to the administration of the Tribunal. Tenancy adjudicators are appointed by the Governor-General on the joint recommendation of the Minister of Justice and the Minister of Housing.

Appendix 4.

Outcome Framework

