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# **BUILDING INDUSTRY AUTHORITY**

## **STATEMENT OF INTENT**

**2002 - 2003**

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## **Legislative and Administrative Context**

The Building Industry Authority (BIA) is an independent Crown entity established by the Building Act 1991 (the Act). Its fundamental purpose is to provide advice and undertake functions relating to building control.

At present the Authority comprises eight members who have been appointed by the Minister of Internal Affairs for a specified term. Authority members are supported in their work by a small team of technical and professional staff.

Members of the Authority meet every month in Wellington and also regularly consult with industry groups.

The Building Act 1991 and Building Regulations 1992 detail New Zealand's building control system. The New Zealand Building Code, which sets performance criteria for all building work, appears as the First Schedule to the Regulations.

The current purposes of the Act are to provide for necessary controls relating to building work and the use of buildings and for ensuring that buildings are safe and sanitary, and to co-ordinate those controls with other controls relating to building use and the management of natural and physical resources.

The Act also sets out principles to achieve these purposes. These relate to:

- safeguarding people from possible injury, illness, or loss of amenity in the use of any building
- providing protection to limit the extent and effects of the spread of fire
- provisions in buildings used for the storage or processing of significant quantities of hazardous substances to prevent significant adverse affects on the environment arising out of a fire in the building
- the protection of other property from physical damage resulting from the construction, use, and demolition of any building;
- providing means of access for people with disabilities
- facilitating the efficient use of energy.

In determining the extent of any controls, due regard must be given to the national costs and benefits of any control, including health, safety and environmental costs and benefits.

The Act established a performance-based framework for the regulation of building work in New Zealand. A key element of the framework is the Code, which sets out the performance requirements buildings must achieve in order to comply with the Act.

The Act established the BIA, that has as one of its functions to prepare or approve documents for use in establishing compliance with the provisions of the Code (Approved Documents). These Approved Documents fall into two classes: acceptable solutions and verification methods. Acceptable solutions are prescriptive ways of achieving compliance with the Code. Verification methods are calculations or tests that can be used to establish compliance with the Code.

The BIA also:

- after consultation with appropriate persons and organisations, advises the Minister on matters relating to building control
- approves building certifiers (that perform similar functions to Territorial Authority (TA) Inspectors in respect of certification and inspection of building work)
- grants accreditation of building products and processes
- determines matters of doubt in relation to building control; and undertakes reviews of the operation of TAs and building certifiers in relation to their functions under the Act
- reviews the operation of Territorial Authorities and building certifiers in relation to their functions under the Act
- provides information and education on matters relating to building control.

Territorial authorities administer the Act and Regulations within their own jurisdictions. They enforce compliance with the Building Code by:

- receiving, considering and approving or refusing applications for building consents
- issuing project information memoranda, code of compliance certificates and compliance schedules
- determining whether an application for waiver or modification of the Building Code or any document for use in establishing compliance with the provisions of the Code (Alternative Solutions) should be granted or refused.

The Department of Internal Affairs is currently responsible for the formal administration of the Building Act. The Authority is responsible for recommending amendments to the Building Regulations, including the New Zealand Building Code, and is also required to advise the Minister on all building control matters.

With effect from 1 January 2003, responsibility for building policy and regulation will transfer to the Ministry of Economic Development. The Ministry will also assume responsibility for the monitoring of the Authority.

## **Functions / General Activities**

### ***Functions***

The Authority's principal functions, as prescribed by the Act, are to:

- After consultation with appropriate persons and organisations, advise the Minister of Internal Affairs on matters relating to building control
- Approve documents for compliance with the New Zealand Building Code
- Determine matters of doubt or dispute in relation to building control
- Review the operation of territorial authorities and building certifiers in relation to their functions under the Building Act
- Approve building certifiers
- Grant accreditations of building products and processes
- Provide information and advice on building controls.

### ***General Activities***

The Authority is funded by a levy on building consents to:

- Review the New Zealand Building Code, and produce Approved Documents that specify detailed methods of complying with the New Zealand Building Code
- Make recommendations to the Minister of Internal Affairs on changes to the Building Act and Regulations
- Provide information and advice on building controls to all sectors of the building industry and public
- Determine matters of interpretation or dispute relating to compliance with the Building Code or the issuing of consents and certificates
- Accredit specific products, systems or methods as complying with the Building Code
- Approve building certifiers to check building plans and specifications and building work during and after construction
- Monitor the operation of territorial authorities and building certifiers.

## **Strategic Focus**

The overall focus of the Authority is defined by the following strategic elements:

### **Goals and Objectives**

The following goals and objectives guide the Authority's work:

#### ***Goals***

- Safe and healthy buildings
- Building controls that the community has confidence in
- Building controls that are understood and applied as intended.

#### ***Objectives***

- A building control framework that is well understood by the building industry and building owners
- Legislation that provides safe and sanitary buildings for the New Zealand Community
- Building controls that are efficient, necessary and effective
- Building solutions that permit choice, certainty and innovation.

### **Mission**

#### **Mission Statement**

To be the single focus for efficient and effective  
building controls

## **Values and Philosophy**

The Authority seeks to carry out its business utilising:

- Practical and sensible procedures with cost-effective practices
- A performance-based approach that encourages innovation
- Prescription where this is necessary to manage risks
- Flexibility within a legislative framework
- Broad consultation
- Fairness in approach and compliance with the principles of natural justice.

## **Operating Principles**

The Authority will act on the basis of a set of operating principles including:

- Building relationships that are based on openness and trust with consumers and organisations / participants in the sector
- Connecting with sector leaders / participants / consumers to shape policy and operational practice
- Working with and leading the sector
- Achieving results in the areas of building practice and behaviours which restore / maintain confidence in the sector
- A commitment to consider, when undertaking its activities, implications for Maori, Pacific peoples and people from other ethnic groups.

## Strategic Issues

There are a range of key strategic issues likely to impact on the operation, focus and approach of the Authority over the coming period. These issues arise from:

- The Overview Report (the “Hunn Report”) commissioned by the Authority in February 2002 – refer Appendix I for Terms of Reference
- The extended review of the Building Act (announced by the Government in December 2002, which will incorporate the findings of the previous review of the Act and will also consider the findings and recommendations of the Parliamentary Inquiry into the Weathertightness of Buildings in New Zealand).

The recommendations from the various reports and reviews can be summarised into the following broad categories, being:

- Legislative and regulatory review of the Building Act 1991 including the Act’s:
  - philosophy
  - purposes
  - related objectives
  - regulatory elements including administration, compliance, enforcement and information and education
- Occupational regulation as it relates to those engaged in the building industry
- Weathertightness
- Building sector issues including product accreditation
- Institutional roles, functions, governance and accountability relating to the Authority, Territorial Authorities and Private Certifiers.

In response to the tasks identified to date, Ministers have agreed that a whole of Government response is required involving the Ministry of Economic Development, the Department of Internal Affairs, and the Authority.

## Outcomes

The purpose of the Authority is to advise on and undertake functions relating to building control in New Zealand.

### **The Authority's primary focus for 2002 – 2003 will be to:**

- Address and give effect to the recommendations of the Hunn Report as they relate to the Authority's responsibilities through a mix of internal staff and contracted resource
- Contribute to the work being led by the Ministry of Economic Development on broader policy and regulatory issues
- Focus on the implementation of education, monitoring and publicity programmes (including public awareness) to address shortfalls in knowledge and current practices in, and understanding of, the building sector
- Initiate or fund more extensive research and provide further advice to the Minister with respect to weathertightness of buildings.

To the extent that it is consistent with the purposes and principles of the Act, the activities over the coming year will concentrate on giving effect to the Government's goals of:

- Placing greater emphasis on minimising the whole of life capital cost of buildings
- Innovation – facilitating innovation by allowing for flexibility in operation and the use of new technologies and practices
- Minimising compliance costs – but not at the expense of whole of life capital costs
- Ensuring that the Building Code is specified in a manner sufficient to provide guidance to achieve the proposed purposes and objectives of the Act
- Giving greater weight to the use of acceptable solutions and verification methods for protecting the interests of consumers
- Giving greater weight to building product accreditations rather than BRANZ appraisals as a basis for determining compliance with the Building Code
- Providing greater guidance to TAs and building certifiers on the matters that they should take account of in discharging their administrative responsibilities including more definitive criteria for achieving the "satisfied on reasonable grounds" test for compliance with the Building Code
- Ensuring that Standards New Zealand has a greater role in the production of standards to support approved documents
- Ensuring that all building certifiers and inspectors are accredited, based on international best practice for the accreditation of inspection bodies.

**Areas for enhancement over the next three years include:**

- The Authority's development of a more pro-active culture in terms of offering comment and creating awareness with the building industry and with consumers
- Taking a public stand on building-related issues that are in the public interest
- Observing the requirements of the Authority, as detailed in the Building Act
- The need for additional staff, particularly in years two and three, to achieve the operational aspects of the above (as distinct from the weathertightness issues).

The outcomes sought are aligned with the Authority's goals:

Outcome 1: Safe, healthy buildings;

Outcome 2: Building controls that the community has confidence in; and

Outcome 3: Building controls that are understood and applied as intended.

These outcomes/goals are underpinned by the Authority's activities and its respective objectives, outputs and performance measures.

The Authority's activities undertaken to deliver its outcomes include the provision of:

- i. Advice and education;
- ii. Building controls monitoring;
- iii. Building solutions; and
- iv. Policy advice.

The issue of weathertightness is expected to dominate the Authority's activities over the coming year.

**Critical Success Factors**

These include:

- Contributing to the successful resolution of issues associated with weathertightness
- Restoring confidence in the building consent and compliance processes
- Proactively engaging in a broad range of policy development with Government agencies and industry participants, including the Building Industry Taskforce
- Restoring confidence in the role of the Authority
- Innovation within a risk management framework.

## **Response to Hunn Report**

As noted previously, the 25 recommendations of the Hunn report will be a major driver of the activity and focus of the Authority. Of these recommendations, 8 will be led by the BIA; 11 will be jointly undertaken with the Ministry of Economic Development; 5 will be led by the Ministry of Economic Development; and 1 led by the BCITO.

In view of the need to adopt a whole of Government response and the involvement of various lead agencies, the co-ordination of the various policy work and implementation of the recommendations of the Hunn report will be critical to the successful completion of the Government response. While it is understood that the Ministry of Economic Development will be responsible for this co-ordination, the Authority will continue to be accountable for the delivery of its agreed outputs (as outlined later in this document) together with contributing to the broader policy work.

Set out below are the various activities to be undertaken by the Authority and others in response to this report.

Recommendation from Hunn Report	BIA Action / Response	Completion Date
<b>Weathertightness</b>		
<p><i>Recommendation 1:</i></p> <p>That the BIA:</p> <ul style="list-style-type: none"> <li>a) issue a public warning concerning the risks of collapse of cantilevered balconies and decks supported by untreated timber framing; and</li> <li>b) resolve with territorial authorities how the public warning is to be followed up with appropriate procedures to ensure the risk is widely recognised and appropriate corrective action taken where necessary</li> </ul>	<p>Public warning issued</p> <p>Report to Authority</p>	<p>1/10/02</p> <p>30/06/03</p>
<p><i>Recommendation 2:</i></p> <p>That the BIA resolve with the Public Health Division of the Ministry of Health the best manner by which the potential health risks associated with fungal decay can be identified and the precautions that need to be taken, particularly when the removal of cladding exposes decayed timber framing. This information must then be disseminated to the public and the building industry.</p>	<p>Health Authorities alerted</p> <p>Dissemination of information to industry/public</p>	<p>Industry and public notified by 30/06/03</p>
<p><i>Recommendation 5:</i></p> <p>That the BIA in revising its Approved Documents E2/AS1 External Moisture:</p> <ul style="list-style-type: none"> <li>a) continue with its intention to exclude for the time being from the Acceptable Solutions, face-sealed cladding systems in high risk areas</li> <li>b) sponsor research into developing effective moisture management systems suitable for New Zealand conditions where there is a high risk of leakage</li> <li>c) include in the Approved Documents the use of such moisture management systems when their efficacy is assured.</li> </ul>	<p>Report to Authority on E2/AS1 High Risk Definition</p> <p>Report to Authority on E2/AS1 Research</p> <p>Report to Authority on E2/AS1 Moisture Monitor</p>	<p>Acceptable solution containing all common cladding systems to be prepared by 30/06/03</p>

Recommendation from Hunn Report	BIA Action / Response	Completion Date
<p><i>Recommendation 6<sup>1</sup></i></p> <p>That the BIA in conjunction with the Building Officials Institute of New Zealand (BOINZ):</p> <ul style="list-style-type: none"> <li>a) review and upgrade the criteria for what constitutes a reasonable level of detail to be provided with building consent applications with respect to weathertightness detailing including flashings; and</li> <li>b) review and develop guidelines for an inspection regime as part of the code compliance certification process, with specific reference to weathertightness aspects.</li> </ul>	<p>Code of Practice for Consenting</p> <p>Code of Practice for Inspection</p> <p>Contribute to work being undertaken and led by the Ministry of Economic Development (MED)</p>	<p>Draft documents by 30/06/03</p> <p>Determined by MED</p>
<p><i>Recommendation 11</i></p> <p>That the BIA:</p> <ul style="list-style-type: none"> <li>a) develop more prescriptive Acceptable Solutions and Verification Methods for the Approved Documents B2 Durability and E2 External Moisture;</li> <li>b) develop recommended procedures and processes for the development and approval of Alternative Solutions; and</li> <li>c) promote with Standards NZ the development of a national performance-based Standard for domestic building weathertightness.</li> </ul>	<p>B2/E2 Alternative Solutions Verification method</p> <p>General Alternative Solutions guideline</p> <p>NZ Standard on Weathertightness</p>	<p>Draft documents to be completed by 31/03/03</p> <p>Plan to be prepared by 30/06/03</p>
<p><i>Recommendation 12<sup>1</sup></i></p> <p>That the BIA review the current practice for product appraisal and develop formalised requirements. This should include establishing specific criteria for the process; accrediting and/or auditing appraising bodies; monitoring ongoing product performance; and establishing and maintaining a register of the 'approved' products. It would seem sensible to explore the possibility of better alignment of Australian and New Zealand practice.</p>	<p>Ongoing work on accreditation and monitoring</p> <p>Report to Authority on appraisal/ accreditation process</p> <p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>30/06/03</p> <p>Determined by MED</p>

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<sup>1</sup> Work undertaken jointly with Ministry of Economic Development

Recommendation from Hunn Report	BIA Action / Response	Completion Date
<p><i>Recommendation 13<sup>1</sup></i></p> <p>That the BIA:</p> <ul style="list-style-type: none"> <li>a) take on a broader and more proactive responsibility to establish, fund, monitor and audit public-good research across the building sector; and</li> <li>b) establish an independent research programme to investigate the nature and extent of the weathertightness problem in New Zealand and gain better understanding of the causes of the current failure of some buildings to deal with moisture in and through their external envelopes.</li> </ul>	<p>Report to Authority on Public Good Research</p> <p>Report to the Authority on weathertightness research</p> <p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Research programme to investigate the nature and extent of weathertightness to be completed no later than 31/03/03</p>
<b>Building Sector</b>		
<p><i>Recommendation 3<sup>1</sup></i></p> <p>That the BIA discuss with the Minister of Internal Affairs the desirability of:</p> <ul style="list-style-type: none"> <li>a) convening a meeting of leaders of the building and associated sectors to discuss the issue of weathertightness, to explore the means by which the current disturbing trends can be halted and to agree on actions that might be taken to improve the performance of the sector in future; and</li> <li>b) a public enquiry into the building industry (similar to the one recently conducted in New South Wales) that would have the mandate to look beyond the issue of weathertightness alone and to examine the range of issues which have emerged from this and other reports.</li> </ul>	<p>Industry Summit held in October 2002</p> <p>(Select Committee enquiry undertaken)</p>	<p>01/11/02</p>

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<sup>1</sup> Work undertaken jointly with Ministry of Economic Development

Recommendation from Hunn Report	BIA Action / Response	Completion Date
<p><i>Recommendation 4</i><sup>1</sup></p> <p>That the BIA:</p> <ul style="list-style-type: none"> <li>a) discuss with the Department of Internal Affairs the philosophy of “minimise compliance cost” with a view to ensuring that the current or any future review of the Building Act promotes the concept of improving compliance process efficiency without compromise to building standards or quality;</li> <li>b) in any review of Approved Documents consider the concept of optimised ‘whole-of-life’ costs as opposed to minimised capital cost; and</li> <li>c) in reviewing the role and responsibilities of territorial authorities and building certifiers with regard to the building consent checking process and code compliance inspection regime, ensure that any guidelines or implied or expressed incentives do not inadvertently promote “down to cost” as opposed to “up to standard” behaviour.</li> </ul>	<p>Report to Authority on:</p> <ul style="list-style-type: none"> <li>- Compliance costs</li> <li>- Lifecycle costs</li> </ul> <p>‘Up to Standard’ to be included in Codes of Practice</p> <p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Determined by MED</p>
<p><i>Recommendation 7</i><sup>1</sup></p> <p>That the BIA in conjunction with BOINZ develop guidelines on the interpretation of the Building Act and companion documents to provide an educational and reference document for building inspectors and certifiers. It should provide guidance on the interpretation of the Building Code provisions for Objective, Functional Requirement, and Performance, and such terms as “satisfied on reasonable grounds” and “adequate”.</p>	<p>Guidelines and material to be developed on interpretation of the Building Act</p> <p>Continue to monitor territorial authorities and building certifiers</p> <p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Draft documents to be completed by 31/03/03</p> <p>Determined by MED</p>

Recommendation from Hunn Report	BIA Action / Response	Completion Date
<p><i>Recommendation 8<sup>1</sup></i></p> <p>That the BIA investigate with BOINZ:</p> <p>a) the issue of scope approval of building certifiers and its monitoring; and</p> <p>b) the split responsibility of building certifiers and territorial authorities with respect to building consents, inspection and code compliance certification; and attempt to improve and clarify both.</p>	<p>Report and Guidelines to be prepared on:</p> <ul style="list-style-type: none"> <li>- monitoring of building certifiers and territorial authorities</li> <li>- split of responsibility between building certifiers and territorial authorities</li> </ul> <p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Draft documents by 30/06/03</p> <p>Determined by MED</p>
<p><i>Recommendation 14</i></p> <p>That the BIA initiate a formal analysis of the documentation trail to establish whether a holistic consideration of all contracts and quasi-contracts involved in the building process, set within a legislative and regulatory framework, could lead to improved definitions of the roles, functions, responsibilities and obligations of all the parties. In doing so, the BIA should examine the efficacy of adopting the concept of a home building contract.</p>	<p>Report to Authority on the concept of a home building contract</p>	<p>Draft contract to be prepared by 30/06/03</p>
<p><i>Recommendation 18</i></p> <p>That the BIA, in conjunction with the major territorial authorities, identify instances where District Plan requirements are influencing the planning and site coverage of multi-unit housing projects and consider their appropriateness in the light of this Report.</p>	<p>The Authority to alert territorial authorities as to impact of District Plans on planning and site coverage of multi-unit housing</p>	<p>Alert territorial authorities by 30/06/03</p>
<p><i>Recommendation 19</i></p> <p>That the BIA discuss this report with the Bankers Association and the New Zealand Insurance Council to ensure that both the banking and insurance sectors are kept up to date with any further developments in dealing with the issue of weathertightness.</p>	<p>Communication to be undertaken with Bankers Association and the New Zealand Insurance Council</p>	<p>Industries to be updated quarterly</p>

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<sup>1</sup> Work undertaken jointly with Ministry of Economic Development

Recommendation from Hunn Report	BIA Action / Response	Completion Date
<p><i>Recommendation 22<sup>1</sup></i></p> <p>That the BIA:</p> <ul style="list-style-type: none"> <li>a) complete as a matter of urgency the current review of the Approved Documents relating to Durability B2 and External Moisture E2 including the verification method criteria (refer also Recommendation 11);</li> <li>b) review the procedures and criteria relating to review of the operation of territorial authorities and building certifiers in relation to their functions under the Building Act; and</li> <li>c) review the processes and scope of information disseminated to industry and in particular to the territorial authorities and building certifiers.</li> </ul>	<p>Review to be undertaken on the:</p> <ul style="list-style-type: none"> <li>- Approved Documents relating to Durability B2 and External Moisture E2</li> <li>- Procedures and criteria relating to the operation of territorial authorities and building certifiers</li> </ul> <p>Information dissemination to industry, territorial authorities and certifiers</p> <p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Draft documents by 31/03/03</p> <p>Determined by MED</p>
<p><i>Recommendation 23<sup>1</sup></i></p> <p>That the BIA work with BOINZ to develop more definitive criteria for achieving the “satisfied on reasonable grounds” test for compliance with the Code (refer also recommendation 7).</p>	<p>Work to be undertaken with BOINZ on establishing criteria for achieving the “satisfied on reasonable grounds” compliance test</p>	<p>Draft documents by 31/03/03</p>
<b>Other</b>		
<p><i>Recommendation 9<sup>1</sup></i></p> <p>That the BIA investigate the public-good benefits and practicability of:</p> <ul style="list-style-type: none"> <li>a) Extending the information available with LIMs to include, for instance, the inspection and maintenance recommendations prescribed by the designer (similar to the requirements for lifts and fire protection in commercial buildings), and building product or system warranties such as cladding systems; and</li> <li>b) Introducing a form of ‘occupation certificate’.</li> </ul>	<p>Prepare report</p> <p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Draft report by 30/06/03</p> <p>Determined by MED</p>

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<sup>1</sup> Work undertaken jointly with Ministry of Economic Development

Recommendation from Hunn Report	BIA Action / Response	Completion Date
<p><i>Recommendation 10</i></p> <p>That the BIA in conjunction with appropriate sector groups determine the need for developing tertiary qualifications, including programmes of continuing professional development, relevant and suitable to the knowledge, skills and experience expected of building inspectors and certifiers.</p>	<p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Determined by MED</p>
<p><i>Recommendation 15</i></p> <p>That the BIA request the Building and Construction Industry Training Organisation (BCITO) to review in conjunction with appropriate sector groups the apprenticeship course in carpentry and other key trades to ensure it delivers an appropriate balance of academic and practical knowledge and experience relevant to the needs of the individual, the industry and the consumer.</p>	<p>Contribute to work being undertaken and led by the BCITO</p>	<p>Determined by BCITO</p>
<p><i>Recommendation 16</i></p> <p>That the BIA in conjunction with the appropriate affected sector groups:</p> <ul style="list-style-type: none"> <li>a) explore the issues involved in advocating the national registration of builders and building related trades, given the contents of this report and concerns expressed about the standards of some trade practices on-site; and</li> <li>b) support such advocacy if it is convinced of the benefits to the Industry.</li> </ul>	<p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Determined by MED</p>
<p><i>Recommendation 17</i></p> <p>That the BIA promote debate on the issues of trade regulation, professional education and builder registration at the proposed executive forum.</p>	<p>Promote industry debate at and after summit Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Monthly reports to the Authority</p>

Recommendation from Hunn Report	BIA Action / Response	Completion Date
<p><i>Recommendation 20<sup>1</sup></i></p> <p>That the BIA having taken account of the range of matters covered in this report:</p> <ul style="list-style-type: none"> <li>a) give serious consideration to what further measures might be desirable to improve the accountability of all parties in the building sector (including owners) for the quality of construction (including weathertightness) within the framework of the current performance-based system; and</li> <li>b) develop and implement immediately a communications strategy to keep the public and the industry fully informed of the issues and action taken.</li> </ul>	<p>Work with the Ministry of Economic Development as required</p> <p>Develop and implement strategies</p>	<p>As determined by MED</p> <p>Strategies to be implemented by 01/11/02</p>
<p><i>Recommendation 21</i></p> <p>That the BIA:</p> <ul style="list-style-type: none"> <li>a) advise the Minister that there are features of the Act and the Code that are deficient and have contributed to the weathertightness problem; and</li> <li>b) recommend to the Minister that the Department of Internal Affairs reassess and broaden the scope of the current review of the Act to address these features.</li> </ul>	<p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Determined by MED</p>
<p><i>Recommendation 24</i></p> <p>That the BIA recommend to the Minister that the Department of Internal Affairs review the role, structure and resourcing of the BIA with a view to enabling it to provide a more comprehensive service to the public and the industry.</p>	<p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Determined by MED</p>
<p><i>Recommendation 25</i></p> <p>That the BIA recommend to the Minister that the current review of the Building Act should include a reassessment of the scope and implementation of the functions of the BIA in relation to how the BIA is to achieve the purposes of the Building Act.</p>	<p>Contribute to work being undertaken and led by the Ministry of Economic Development</p>	<p>Determined by MED</p>

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<sup>1</sup> Work undertaken jointly with Ministry of Economic Development

<b>Activities for 2002-2003</b>
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As noted earlier, the Authority’s major activities include the provision of:

- i. Advice and education;
- ii. Building controls monitoring;
- iii. Building solutions; and
- iv. Policy advice.

Each activity has an objective, desired outputs, and methods of measuring performance. Estimated costs have been shown for 2002/2003 and the following two years. A summary of the estimated costs is as follows:

	<b>2003</b> <b>(\$'000s)</b>	<b>2004</b> <b>(\$'000s)</b>	<b>2005</b> <b>(\$'000s)</b>
Advice and Education	1864	2220	2052
Building controls monitoring	2423	2811	2757
Building solutions	248	227	237
Policy advice	<u>350</u>	<u>425</u>	<u>279</u>
	<b><u>4885</u></b>	<b><u>5683</u></b>	<b><u>5325</u></b>

It should be noted, as identified earlier, that Hunn recommendations 9(b), 10, 16, 21, 24 and 25 will be led by the MED, and recommendation 15 led by the BCITO. Accordingly, these recommendations have not been included in the Authority’s activities.

### **i. Advice and Education**

#### ***Objective***

To manage a building control framework that is well understood by the building industry and by building owners.

This objective contributes to:

- Outcome 1: Safe, healthy buildings;
- Outcome 2: Building controls that the community has confidence in; and
- Outcome 3: Building controls that are understood and applied as intended.

#### ***Outputs***

- Respond to individual requests for advice and information;
- Organise speaking engagements;
- Facilitate seminars or other training initiatives for various sectors of the building industry;
- Publish a newsletter;
- Maintain a website and relevant links;

- Implement communications activities (including publications, specific promotions, advertising, and publicity);
- Respond to developments in communication technologies; and
- Further develop interactive educational aids and on-line learning opportunities.

Outputs		Performance Measures
<b>Operations</b>		
Respond to individual requests for advice and information		80% of written queries dealt with within 20 working days
Speaking engagements		10 speaking engagements per year
Implement effective communication strategies for different audiences		Surveys show effective communication
Facilitate training initiatives for various building industry sectors		Three initiatives per annum. Customer feedback – achieve 90% customer satisfaction
Reporting		Report quarterly to the Minister
<b>General Projects</b>		
0280	BIA News	10 issues per year
0281	Website	Monthly report to Authority
0282	Education support material	Monthly report to Authority
0283	Marketing/advertising	Monthly report to Authority
0286	Special projects	Monthly report to Authority
0287	Registers of accreditations and building certifiers	Monthly report to Authority
0288	Miscellaneous	Monthly report to Authority
0297	Miscellaneous requests	Monthly report to Authority
02991	Sponsorship	Monthly report to Authority
<b>Weathertightness projects</b>		
HR 1 <sup>1</sup>	Public warning on the risks of collapse of cantilevered balconies	Public warning to be issued by 01 October 2002
HR 2	Alert public to health concerns	To complete industry and public advice warnings by 30 June 2003
HR 3	Initiate (with DIA) an industry leaders summit regarding leaking buildings	Building industry leaders summit to be held by 01 November 2002
HR 6	Consent criteria and guidelines for building officials	Draft consultation documents by 30 June 2003
HR 13	Establish, fund, monitor and audit public-good building research	Research programme to investigate the nature and extent of weathertightness to be prepared by not later than 31 March 2003
HR 14	Draft Home Building Contract Format	Draft contract to be prepared by June 2003
HR 18	Impact of district plans on buildings	Alert territorial authorities by 30 June 2003

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<sup>1</sup> Hunn recommendations (“HR”)

Outputs		Performance Measures
HR 19	Inform Banking and insurance industries of developments re leaking building syndrome	Industries to be updated quarterly
HR 20	Design and implementation of overall communications strategies relating to leaking building issues	Strategies to be implemented by 01 November 2002

### Estimated Expenditure

Estimate of expenditure for these outputs

	2002-03 (\$'000s)	2003-04 (\$'000s)	2004-05 (\$'000s)
Operations	\$197	\$207	\$217
General projects	\$346	\$365	\$385
Overheads (including staff costs)	\$629	\$797	\$830
<i>Subtotals</i>	<i>\$1,172</i>	<i>\$1,369</i>	<i>\$1,432</i>
Weather-tightness projects	<u>\$692</u>	<u>\$851</u>	<u>\$620</u>
<b><i>Totals</i></b>	<b><u>\$1,864</u></b>	<b><u>\$2,220</u></b>	<b><u>\$2,052</u></b>

## ii. Building controls monitoring

### *Objective*

To structure building controls that are efficient, necessary and cost effective.

This objective contributes to:

Outcome 1: Safe, healthy buildings;

Outcome 2: Building controls that the community has confidence in; and

Outcome 3: Building controls that are understood and applied as intended.

### *Outputs*

- Monitoring administrative procedures in the Building Act and Building Regulations to ensure provisions are effective, cost efficient and necessary, and making recommendations for amendments where necessary;
- Reviewing clauses of the New Zealand Building Code (the First Schedule to the Building Regulations) and supporting documents (known as the Approved Documents);
- Recommending amendments to the New Zealand Building Code to Government through the Minister;
- Producing amendments to the Approved Documents;
- Reporting on the performance of territorial authorities and building certifiers;
- Consulting with the industry and the public as part of review programme for each Building Code clause and its associated technical documents;
- Liaison with international building control administrators and peer groups, and participation in international forums; and
- Supporting industry-related organisations to develop documents that can be cited in the Approved Documents.

Outputs		Performance Measures
<b>Operations</b>		
Produce amendments to the Approved Documents		Publish a maximum of three amendments to the Approved Documents by 30 June 2003
Update Approved Document requirements to reflect policy changes in legislation administered by other agencies or departments		Complete reviews of Approved Document, in consultation with ERMA, by 30 June 2003
Monitor the performance of territorial authorities		10 technical reviews of Territorial Authorities completed by 30 June 2003 20 levy reviews of Territorial Authorities completed by 30 June 2003
Review building certifiers' operations		Review carried out by expiry date
Reporting		Report quarterly to the Minister
<b>General Projects</b>		
0200	Earthquake risk buildings	Monthly report to Authority

Outputs		Performance Measures
0202	Miscellaneous Code and AD matters	Monthly report to Authority
0210	Clause B2 Durability review	Draft by 30 June 2003
0211	Clause E2 External moisture review	Draft by 30 June 2003
0212	Clause E3 Internal moisture review	Monthly report to Authority
0213	Weathertightness Overview Group	Report completed 1 December 2002
0224	Miscellaneous funds for publishing	Monthly report to Authority
0236	Clause F6 Lighting for emergency review	Draft by 30 June 2003
0237	Clause G6 Airborne and impact sound review	Draft by 30 June 2003
0241	Energy efficiency	Monthly report to Authority
0244	Asbestos roofs	Monthly report to Authority
0245	Clause F4 Safety from falling review	Draft by 30 June 2003
0261	Monitoring of building certifiers	20 per year
0262	Territorial authority technical review	10 reviews per year
0263	Territorial authority levy audits	20 audits per year
0264	Approved Documents development	Monthly report to Authority
<b>Weathertightness projects</b>		
HR 5	Review Building Code E2/AS1	Acceptable solution containing all common cladding systems to be prepared by 30 June 2003
HR 7/23	Develop interpretive guidelines and monitor application by building officials	Draft documents to be completed by 31 March 2003
HR 8	Clarification of roles of territorial authorities and building officials	Draft documents to be completed by 30 June 2003
HR 11/22	<ul style="list-style-type: none"> <li>▪ B2 alternative solutions</li> <li>▪ General alternative solutions</li> <li>▪ Weathertightness standard</li> </ul>	Draft documents to be completed by 31 March 2003

### Estimated Expenditure

Estimate of expenditure for these outputs

	<i>2002-03</i> (\$'000s)	<i>2003-04</i> (\$'000s)	<i>2004-05</i> (\$'000s)
Operations	\$169	\$177	\$186
General projects	\$828	\$870	\$915
Overheads (including staff costs)	\$983	\$1,249	\$1,301
<i>Subtotals</i>	<i>\$1,980</i>	<i>\$2,296</i>	<i>\$2,402</i>
Weathertightness projects	<u>\$443</u>	<u>\$515</u>	<u>\$355</u>
<b>Totals</b>	<b><u>\$2,423</u></b>	<b><u>\$2,811</u></b>	<b><u>\$2,757</u></b>

### iii. Building solutions

#### *Objective*

To offer building solutions that arise from choice, certainty and innovation, and which, as far as is consistent with the Act, are increasingly focussed on minimising whole of life costs.

This objective contributes to:

- Outcome 1: Safe, healthy buildings;
- Outcome 2: Building controls that the community has confidence in; and
- Outcome 2: A useful legislative framework for buildings.

#### *Outputs*

- Determine matters of doubt and dispute relating to compliance with the Building Code;
- Accept and process applications for new or continued approval as a building certifier;
- Accept and process applications for new or renewed accreditation of proprietary building products, systems or methods; and
- Update the estimated building costs for a range of building types throughout New Zealand.

Outputs		Performance Measures
<b>Operations</b>		
Determine matters of doubt and dispute relating to compliance with the Building Code (Determination).		Complete applications within four weeks. Respond to new applications and requests for additional information supporting an application within 20 days.
Accept and process applications for new or continued approvals as building certifiers.		Complete applications within 20 days. Respond to new applications and requests for additional information supporting an application within 20 days.
Accept and process applications for new or renewed accreditations of proprietary building products, systems or methods (Accreditation).		Respond to new applications and requests for additional information supporting an application within 20 days.
Reporting		Report quarterly to the Minister
<b>General Projects</b>		
0203	Technical advice on accreditations and determinations	Monthly report to Authority
0260	Approval of building certifiers	Approval within 40 working days
<b>Weathertightness projects</b>		
HR 12	Appraisal / accreditation review	Participation as required by MED

## **Estimated Expenditure**

Estimate of expenditure for these outputs

	<i>2002-03</i> <i>(\$'000s)</i>	<i>2003-04</i> <i>(\$'000s)</i>	<i>2004-05</i> <i>(\$'000s)</i>
Operations	\$112	\$118	\$123
General projects	\$35	\$37	\$39
Overheads (including staff costs)	\$49	\$72	\$75
<i>Subtotals</i>	<i>\$196</i>	<i>\$227</i>	<i>\$237</i>
Weathertightness projects	<u>52</u>	<u>-</u>	<u>-</u>
<b><i>Totals</i></b>	<b><u>\$248</u></b>	<b><u>\$227</u></b>	<b><u>\$237</u></b>

#### iv. Policy advice

##### *Objective*

To oversee legislation that provides for safe and sanitary buildings for the people of New Zealand.

This objective contributes to:

Outcome 2: Building controls that the community has confidence in.

##### *Outputs*

- Advice provided within given timeframes;
- Correspondence;
- Parliamentary papers and reports;
- Speech notes;
- Official committee participation;
- Review of the administration and impact of the Building Regulations 1992;
- Reports to departmental officials and the Minister; and
- Contribution to the review of the Building Act.

Outputs		Performance Measures
<b>Operations</b>		
Provide advice, respond to requests for reports and correspondence, including parliamentary papers to the Minister and Department officials		Delivery within agreed deadlines
Participate in official committees		Participation as requested
Reporting		Report quarterly to the Minister
<b>General Projects</b>		
0250	Legal advice and representation	Timely and appropriate advice
0252	Annual Report and Business Plan	Statutory deadlines achieved
<b>Weathertightness projects</b>		
HR 4	Compliance costs	Participation as required by MED
HR 9(a)	Report on information to include in LIM reports	Draft report by 30 June 2003
HR 17	Promoting industry debate at and after summit	Monthly reports to the Authority

## Estimated Expenditure

Estimate of expenditure for these outputs

	2002-03 (\$'000s)	2003-04 (\$'000s)	2004-05 (\$'000s)
Operations	\$112	\$118	\$123
General projects	\$40	\$50	\$55
Overheads (including staff costs)	\$69	\$97	\$101
<i>Subtotals</i>	\$221	\$265	\$279
Weathertightness projects	<u>\$129</u>	<u>\$160</u>	<u>-</u>
<b><i>Totals</i></b>	<b><u>\$350</u></b>	<b><u>\$425</u></b>	<b><u>\$279</u></b>

## **Risk Management**

The Authority recognises that, as the strategic and operating issues faced by the organisation are addressed, there are a number of risks to be addressed also. The nature and impact of the risks will change over time.

Key risks include:

- The possibility of a major downturn in building activity nationwide and the resultant negative impact on the Authority's revenue
- The Authority's reliance on key personnel
- Perceptions by users that the Building Code clauses and Approved Documents may be incomplete or are unhelpful
- The capacity and capability of personnel to respond to the strategic and operating issues faced by the Authority
- Failures to coordinate with and link to either the building sector and or the wider public sector
- Perceived delays in issuing determinations
- A lack of confidence in the ability and responsiveness of the Authority.

Risks will be mitigated through:

- Proactive risk management strategies
- Realistic planning of resource requirements
- Clear allocation of risk management responsibilities
- Proactive Information sharing with key stakeholders.



<b>Forecast Statement of Cash Flows for 2003-2005</b>
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	2002/03 \$'000	2003/04 \$'000	2004/05 \$'000
<b>Net cash from (used in) operating activities</b>			
<i>Cash was provided from:</i>			
Building consent levies	3,078	3,078	3,078
Receipts from customers	21	21	21
Interest earned	740	650	555
	<u>3,839</u>	<u>3,749</u>	<u>3,654</u>
 <i>Cash applied to:</i>			
Payments to personnel and suppliers	<u>4,885</u>	<u>5,683</u>	<u>5,325</u>
	<u>- 1,046</u>	<u>- 1,934</u>	<u>- 1,671</u>
 <b>Net cash from (used in) investing activities</b>			
<i>Cash was provided from:</i>			
Sale of fixed interest funds	1,316	2,217	1,968
<i>Cash applied to:</i>			
Purchase of fixed assets	<u>270</u>	<u>283</u>	<u>297</u>
	<u>1,046</u>	<u>1,934</u>	<u>1,671</u>
 Net increase (decrease) in cash held	-	-	-
Cash balances at beginning of the year	835	835	835
	<u>835</u>	<u>835</u>	<u>835</u>

**Assumptions**

1 Refer to the assumptions separately stated.

<b>Forecast Statement of Financial Position for 2003-2005</b>
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	<i>2002/03</i> <i>\$'000</i>	<i>2003/04</i> <i>\$'000</i>	<i>2004/05</i> <i>\$'000</i>
<b>Accumulated funds</b>			
Levy reserve	6,089	4,155	2,484
Retained surpluses	<u>5,042</u>	<u>5,042</u>	<u>5,042</u>
	<u>11,131</u>	<u>9,197</u>	<u>7,526</u>
<i>Represented by:</i>			
<b>Current assets</b>			
Cash	835	835	835
Work in progress	42	42	42
Interest receivable	1	1	1
Prepayments	18	18	18
AMP Henderson fixed interest funds	<u>10,360</u>	<u>8,143</u>	<u>6,175</u>
	11,256	9,039	7,071
<b>Fixed assets</b>	498	781	1,078
<b>Total assets</b>	<u>11,754</u>	<u>9,820</u>	<u>8,149</u>
<b>Current liabilities</b>			
Accounts payable	502	502	502
Accrued leave	120	120	120
GST payable	<u>1</u>	<u>1</u>	<u>1</u>
	623	623	623
<b>Net assets</b>	<u>11,131</u>	<u>9,197</u>	<u>7,526</u>

**Assumptions**

1 Refer to the assumptions separately stated.

## **Financial Assumptions**

- 1 Levy income remains constant at \$3.078M each year
- 2 Interest income forecast for 2002/03 is \$740K, and reduces in subsequent years as the levy reserve is drawn upon; 2003/04 is \$650K; 2004/05 is \$555K.
- 3 Income, other than building levies and interest, remains constant at \$21K per annum.
- 4 All expenditure forecasts, including expenditure on weathertightness projects, are accurate.
- 5 The net deficits are to be offset against the BIA's levy reserve.
- 6 Cash balance at the beginning of 2002/03 equals actual cash on hand as at 30 June 2002 per the audited financial statements.
- 7 Work in progress, interest receivable, prepayments, accounts payable, accrued leave, and GST payable remain as per the balances as at 30 June 2002 per the audited financial statements.
- 8 Insufficient information has been provided to split payments made to personnel and suppliers.
- 9 The proposed repayment of crown funding is excluded from the forecasts.

## **Accounting Policies**

### ***General Accounting Policies***

- a) The measurement base adopted is that of historical cost
- b) Reliance is placed on the fact the Authority is a going concern
- c) Accrual accounting is used to match expenses against revenue.

### ***Accounts Receivable***

Accounts receivable are stated at estimated realisable value, after due allowance for amounts which are not considered recoverable.

### ***Investment Income***

Interest income is accrued at balance date.

### ***Accounts Payable***

Costs to complete research projects in progress at balance date have been accrued in the Statement of Financial Position.

### ***Good and Services Tax (GST)***

All revenue and expense transactions have been recorded net of GST. Where applicable, all assets and liabilities have been stated net of GST, with the exception of receivables and payables that are stated inclusive of GST.

### ***Levy Income***

In accordance with the Building Act levy income is recognised on a cash basis.

### ***Levy Reserve***

Amounts in excess of the budget surplus as approved by the Ministers of Internal Affairs and Finance are transferred to the Levy Reserve throughout the period.

## **APPENDIX I: Hunn Report – Terms Of Reference**

The Overview Group's Terms of Reference were:

To identify:

1. The nature, extent and effect of the current failure of some buildings to deal with moisture in and through their exterior envelopes
2. Potential contributing causes such as, but not limited to:
  - a) Inadequacy in the Building Code and Approved Documents
  - b) Inadequate documentation supplied for building consent
  - c) Insufficient checking at building consent, during construction, and at Code compliance stages
  - d) Inadequacy of building products, materials and components, including evaluation of their suitability or fitness for purpose
  - e) Insufficient technical information provided by manufacturer's literature and instructions
  - f) Inadequate contract documentation
  - g) Inadequate trade skills and supervision on site
  - h) Lack of cooperation and sharing of responsibility on site
3. Whether failures are attributable to deficiencies in the Building Act, the Building Regulations, or in the manner in which these are administered by the Authority or territorial authorities (including the role of Building Certifiers) and whether the purposes and principles of the Act under Section 6 have been properly observed and followed by the Authority
4. Any other matters that are considered relevant to the inquiry.