

DISENTANGLING EFFECTIVE ELEMENTS OF REGULATORY CHANGES IN THE BUILDING INDUSTRY

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Policy to be Evaluated

- ▣ Recent legislation called for streamlining building consents where building risks are relatively low – Risk-Based Consenting (RBC)
 - RBC is intended to reduce the time and cost required for building homes, without increasing risk of poor quality in housing
 - RBC is being pilot tested for residential construction in Christchurch & Hamilton; commercial pilot under development in Auckland

Evaluation Challenges

- ▣ Is the policy ready for evaluation?
 - Pilots need to test RBC as it is intended to run, with a sufficiently large sample
 - Comparative data is needed
- ▣ What should be tested as causes of change?
 - A changing context needs to be considered, in which different parties are making changes to make the system more efficient
 - Which changes are necessary or sufficient to streamline the regulatory system?

Background

- ▣ Residential building: approval and inspection processes
 - Building Consent Authorities (BCAs) grant building consents, inspect building work, certify results as meeting Building Code
 - Building Code sets standards to be met
 - Industry groups: architects, designers, builders
 - Residential building work must be done by Licensed Building Practitioners

Risk in Housing Construction

- ▣ Leaky building episode showed risks from faulty design, building
 - Generally believed that 42,000 homes were affected by weathertightness failures
 - Local councils held liable when other parties went out of business
 - ▣ Councils have a “duty of care” to homeowners
 - ▣ Held liable as “last man standing” when companies go out of business

Sources of Risk

- ▣ From the people involved – assumed to be low because house building must be done or overseen by Licensed Building Practitioners
- ▣ From the design of the house and the materials used--focus of the RBC approach

Efficiency Issue

- ▣ Over the last decade, the time and cost required to build a house have grown as councils scrutinise consent applications and inspect more, to avoid new failures
 - BCAs are seen as highly risk averse because of leaky building episode
 - ▣ Require extensive documentation, ask many questions
 - ▣ Do many on-site inspections
 - Builders are also seen as risk averse, relying on inspectors to ensure quality

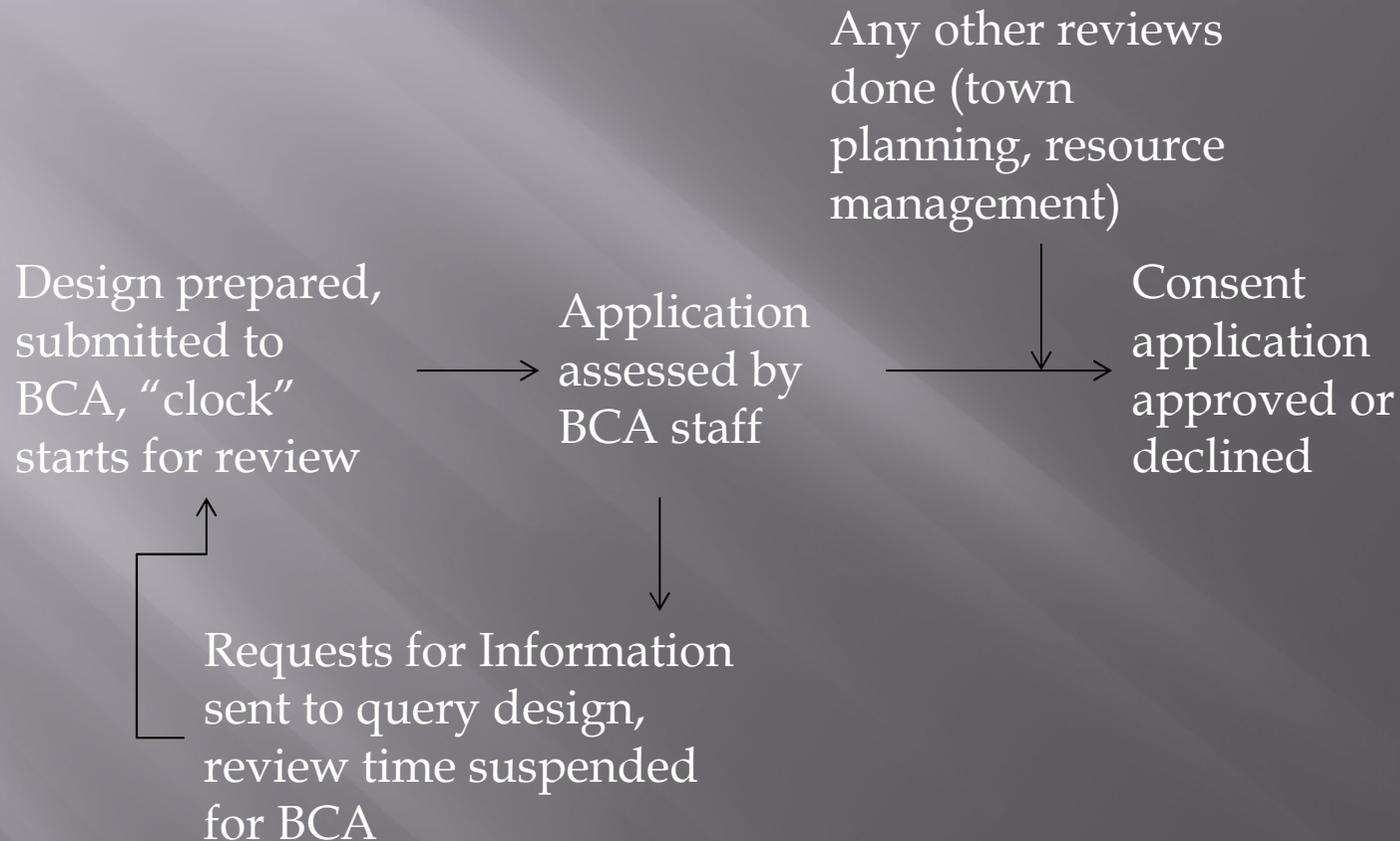
Response: RBC

- ▣ One proposed solution to growing delays and cost: adjust the regulatory process to take account of the level of risk (risk-based consenting, or RBC)
 - Recent amendments reflect this in two levels of building that should require less oversight
 - ▣ Low-risk, such as non-residential structures on farms
 - ▣ Simple houses, built to conventional designs, with typical features, on sites that present no hazards

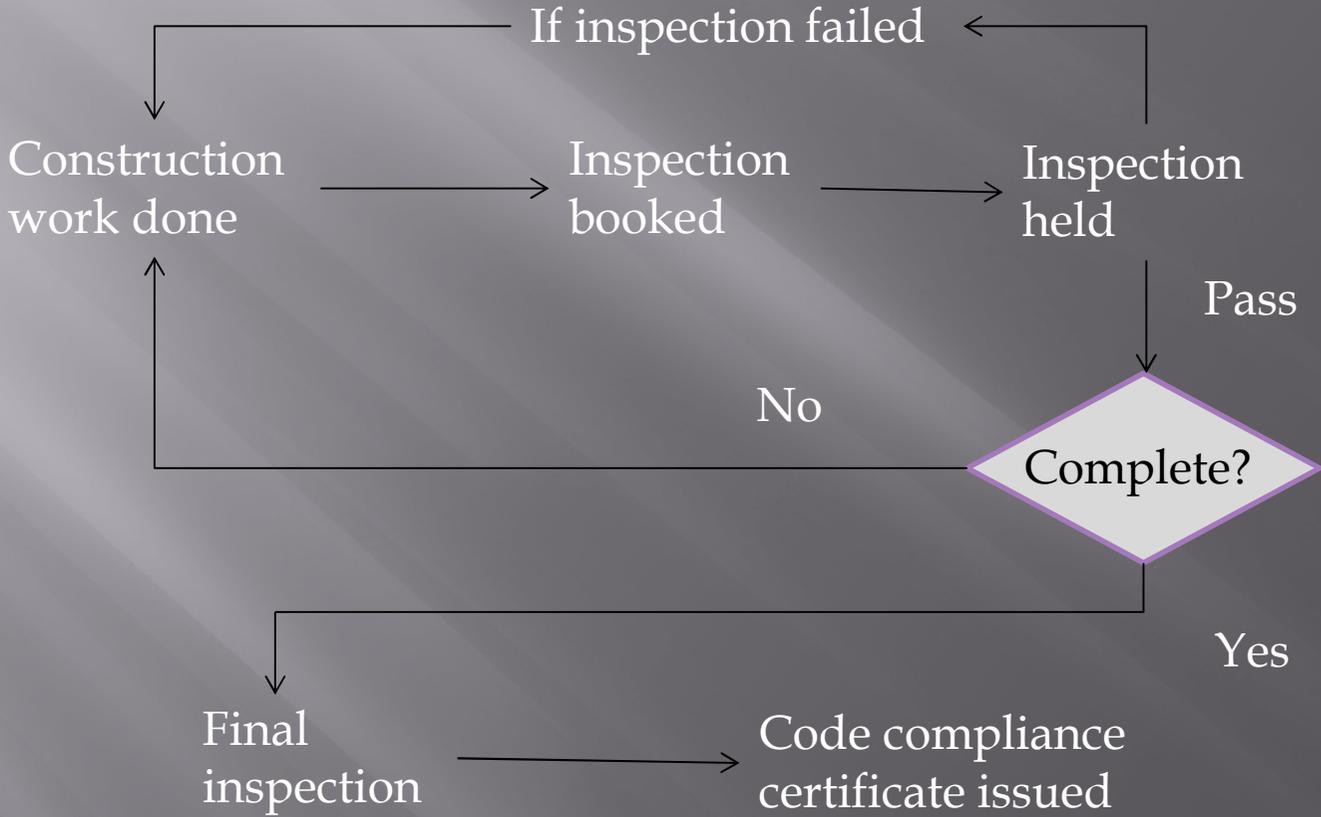
Risk-Based Consenting

- ▣ Objective: cut time and costs
 - Shorter time frames allowed for review of consent applications (5 working days instead of 20)
 - For low-risk projects, no inspections are to be done once consent is approved
 - For simple houses, fewer inspections are to be carried out during construction
 - ▣ Licensed Building Practitioners (LBPs) accountable for ensuring that work is done to code even if not inspected
 - ▣ Council inspections still done at specified points

Status Quo Consenting Process



Status Quo Construction Process



Evaluation Objectives

- ▣ In the short term, the objectives are to assess how well the RBC idea is being tested, and what the results say about its readiness for implementation
 - Is it accepted by BCAs and industry?
 - Is it being tested as planned?
 - Is the scale of the test sufficient to assess its effectiveness?
 - What outcomes are likely from use of RBC?
 - What factors influence RBC's acceptance?

Pilot Testing RBC

- ▣ Risk-based consenting (RBC) has been pilot tested in Hastings and Christchurch
 - Small scale pilots, with selected designers and builders invited to take part (not open to all)
 - Some changes concurrently made to processes
 - More detailed records than usual
 - Questions over wider acceptance by industry & wider acceptance by councils

Ideal Evaluation Approach

- ▣ Compare costs and times (from start to finish) with those of matched projects before the pilot or at other, similar site, while looking for possible unintended consequences
 - Critical assumptions:
 - ▣ Adequate sample sizes are achieved
 - ▣ Comparable data over time and across sites
 - ▣ Other critical influences on outcomes remain constant

Influences on Pilot Outcomes

- ▣ Pilots include other changes
 - Procedural changes, such as requirements to notify BCA of application in advance (to balance staff workloads) or consolidation of information requests
 - Improved information systems for filing applications
 - Better guidance (e.g, pre-filing checklist)
 - Efforts to increase level of trust between BCAs and builders known to have good track records

Concurrent Developments

- ▣ Other BCAs continue to develop their own approaches for streamlining consenting
 - Some BCAs share procedures, forms
 - Auckland consolidation resulted in changes to consenting processes, including requirements for pre-application meetings
 - Online consenting system being developed to replace patchwork of information systems, some outdated, now in use
- ▣ Concerns remain over RBC process due to liability issues

Status of Pilot Tests

- ▣ Pilot site visits carried out, processes reviewed, interviews conducted
 - Small set of applications considered from selected designers or builders (not open to others)
 - Very few inspections dropped, so little change in construction phase (only 2 in Christchurch pilot)
 - Additional records kept, in more detail than status quo systems

Monitoring Development

- ▣ Ongoing effort with BCAs to secure more comprehensive information for assessing trends in time and cost of BCAs, as well as reasons for delays
 - Needed for comparative data
 - National system under development that would provide more useful information

Evaluation Logic

- ▣ Look at RBC as one set of mechanisms to achieve efficiency goal, affected by other mechanisms, within changing context
 - Identify mechanisms in place for each site
 - Associate use of different approaches with changes in observed outcomes
 - Assess the significance of risk-based consenting as a factor

Use of Truth Tables

- Once outcomes data becomes available, a potential approach is to assess relative impacts of RBC with or without other factors (using logic of Qualitative Comparative Analysis)

BCA	Apply RBC	Change processes	Change forms	Change IT
1	√			
2		√	√	
3	√			√

Issues to Date

- ▣ Quality of consent applications
- ▣ Small samples: few consents through pilots
- ▣ Cherry picking participants
- ▣ Unwillingness to cut inspections due to liability concerns
- ▣ Understanding and credibility of LBP scheme
- ▣ Lack of in-depth information on the consenting and inspection processes

Information Base

- ▣ Need to develop more comprehensive base of data on time and cost at each stage of the consent, construction process
 - Consulting with BCAs on data available through their own (diverse) systems
 - Reviewing data from 2 pilots
 - Identifying information requirements from proposed national online consenting system

Conclusions So Far

- ▣ The RBC pilots are not yet ready to be evaluated and to demonstrate the workability of the approach or its readiness for implementation
- ▣ More work is needed to build credible and comparable data on results
- ▣ More data collection on stakeholder views is needed
- ▣ A question should be raised on whether RBC is necessary or sufficient to meet efficiency goals