



Hon Richard Wynne MP

Minister for Planning

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Dear Dr Donald

STATEMENT OF EXPECTATIONS FOR THE VICTORIAN BUILDING AUTHORITY

I am pleased to provide you with this Statement of Expectations (SoE) for the Victorian Building Authority (VBA). This SoE applies until 30 June 2018 or until otherwise amended.

Improving the administration and enforcement of regulation

The building industry is a significant contributor to the Victorian economy and jobs market. Future growth and consumer and industry confidence relies on efficient and effective regulation.

This SoE sets out my expectations of the VBA's contribution to the Government's Regulation Reform Program to reduce red tape and improve regulatory practices.

This SoE outlines key governance and performance objectives aimed at promoting greater efficiency and effectiveness in the administration and enforcement of building and plumbing regulation to reduce its cost impact on businesses, not-for-profit organisations, government service providers and households.

This SoE also incorporates immediate priorities arising from findings of the Victorian Cladding Taskforce.

As Minister for Planning, I am responsible for administering the *Building Act 1993*, Building Interim Regulations 2017 and Plumbing Regulations 2008 that affect businesses and the broader Victorian community. This SoE should be read within the context of the objectives, obligations and functions outlined in that Act and the regulations together with the government commitment to increase protection from home building malpractice and to improve compliance and enforcement of building regulations to better protect the health and safety of building occupants.

Performance improvements

It is critical the VBA has a reputation as an effective and efficient regulator in order to build industry and consumer confidence and to support a robust building sector.

Based on consultation between the Department of Environment, Land, Water and Planning (DELWP) and the VBA, I have identified some key areas of governance and operational performance where there are opportunities for the VBA to make improvements.

The VBA is expected to identify activities it will undertake to achieve these performance improvements. In developing actions, the VBA is expected to consult with business and the broader community as appropriate.

Implementation of recommendations from the Victorian Cladding Taskforce

The government expects that the VBA will continue to play a pivotal role in the work of the Victorian Cladding Taskforce, through active involvement as a taskforce member, providing ongoing advice and reports to the taskforce and leading a statewide audit of privately owned, residential, multi-unit buildings, three-storeys and above, overseen by the Taskforce.

The VBA is also expected to act swiftly to significantly expand its audit and inspection activities, with a particular focus on proactive inspections of buildings during construction. I expect the VBA will increase the inspection of buildings from current levels up to 10 percent each year.

The interim report of the Victorian Cladding Taskforce acknowledges the VBA has made important improvements toward being a risk-based and responsive regulator for the building industry and notes that there has been an increasing trend in the level of compliance and enforcement activities in recent years. However, the VBA's investigation and enforcement functions have been primarily driven by complaints.

Increasing proactive inspections will improve the effectiveness of the VBA as a regulator and will make clear to the industry there is a real risk of non-compliance being detected.

Risk based strategies

The government expects that all regulators, including the VBA, take a risk-based approach to the management of their compliance responsibilities.

I note the VBA's commitment to continue to enhance and evaluate the approaches it has taken in relation to monitoring and identifying poor performance of practitioners through risk based strategies and the release of *Regulatory Approach* (the VBA's strategy to regulate the Victorian building and plumbing industries) in November 2016 following consultation with key stakeholder groups. I am particularly interested in how the approach outlined in the document contributes to achieving legislative objectives, how the success of those activities is measured and the VBA's approach to monitoring and reporting on compliance performance.

The VBA's annual report should once again demonstrate how risk-based strategies have been applied and how those strategies have been used to prioritise monitoring, compliance and enforcement activities and the effectiveness of those strategies.

Demonstrating good regulatory practice

As you are aware, the government is continuing to implement significant reforms to the building system aimed at restoring confidence to the community; achieving quality built outcomes; timeliness in all processes and delivering clear and accessible pathways for consumers to resolve disputes and ensure their homes are built to the required standard. The effectiveness of the VBA as a regulator is fundamental to achieving these outcomes.

Legislation is now in place that gives the VBA significant responsibilities for practitioner registration and discipline and also strengthens the VBA's powers to direct builders. The legislation is part of the government's program of reform to respond to long standing issues, identified by the Victorian Auditor-General's report, *Victoria's consumer protection framework for consumer protection*. The VBA, as the industry regulator, has the critical role in driving the success of these reforms.

I understand the VBA have developed an implementation plan and is working with DELWP to resolve any operational issues prior to the commencement of reforms.

Engagement with stakeholders combined with new communication and education materials will assist the VBA to inform and ready industry and consumers for proposed reforms.

Continued implementation of VAGO recommendations

I expect the VBA to have met its commitment to implement the Victorian Auditor-General's (VAGO) recommendations directed to it within the agreed timelines. I also expect the VBA to have actions in place to address those areas identified by VAGO where the VBA could improve its operations, for example:

- the development of outcome-based targets and standards to measure whether the audit program is achieving its objectives;
- implement measures with the Municipal Association of Victoria and local councils to clarify administration and enforcement responsibilities under the Building Act; and
- identify and maximise opportunities for collaboration and information sharing with other regulators and agencies involved in the building industry to improve regulatory outcomes.

I am pleased the VBA has progressed the development of its Monitoring and Evaluation Framework and expect there be a continued focus on identifying expanded effectiveness measures that demonstrate the steps the VBA is taking to deliver best practice regulation.

Improved business systems

The government expects regulators to actively identify ways to reduce the burden they may impose on small business in the administration and enforcement of regulation.

I note the VBA has a business systems improvement project underway that should significantly improve the VBA's ability to put in place measures that streamline processes and make it as easy as possible for small business to complete forms or submit data. I also welcome the VBA's commitment, as part of this project, to improve data collection and analysis to inform future policy development by government.

I expect the VBA to continue to strive for improved e-capability through the rollout of VBA360 and to investigate the efficiencies that it can make through the use of its new information technology.

Transparency and accountability

The VBA, as part of the Victorian Government, is accountable to the Parliament through me in my capacity as Minister for Planning and through the tabling of its annual report.

The provision of high quality, accurate, reliable and timely advice on matters related to the building and plumbing regulatory systems and the operations of the VBA enables the VBA to measure the effectiveness of its regulatory activities and to provide data and evidence to DELWP to inform future policy development for the government's building reform program.

Effective stakeholder engagement can provide valuable intelligence on both the performance of the regulatory system and the effectiveness of the regulator. For this reason, I expect the VBA to continue to build on its stakeholder engagement strategy to enable stakeholders to provide feedback to the

VBA on current systems and performance issues and support the VBA to deliver its statutory functions under the Building Act.

Reporting

Reporting on your progress to achieve these SoE performance improvements should be undertaken in the context of annual financial reporting to avoid dual reporting streams. As part of the annual reporting, regulators are expected to report on:

- current baseline levels for performance set in this SoE; and
- activities to be undertaken to deliver the performance improvements set out in this SoE.

I also expect that these SoE performance improvements will be incorporated into the VBA's Corporate Plan, and this SoE should be published on the VBA's website upon receipt.

I would like to thank the VBA Board for its commitment to deliver on the government's priorities and look forward to seeing the VBA continuously working towards restoring community confidence in the building industry and achieving best practice in the administration and enforcement of regulation.

If you have any queries please contact Trevor Pisciotta, Director Building, DELWP on (03) 8392 5412 or email trevor.pisciotta@delwp.vic.gov.au.

Yours sincerely



HON RICHARD WYNNE MP
Minister for Planning

31/12/17