



Building Statement

 Strengthening Victoria's
Building System



Department
of Transport
and Planning

MINISTER'S FOREWORD

Our homes are the biggest investment that most of us will make. Victorians should be able to build, buy or renovate a home of their own with the confidence that they'll get what they paid for – a properly built, affordable home.

We're delivering more protections for Victorians, giving them peace of mind whether they're building, buying or renovating a home.

We're supporting builders and plumbers to do a better job.

The reforms include the establishment of a new more powerful watchdog – the Building & Plumbing Commission – to oversee Victoria's building and plumbing industries. For the first time, this new regulator will bring together all aspects of building quality control – regulation, insurance and dispute resolution – into a single agency.

The new watchdog will have tough new powers, including to direct builders to fix poor work not just before move-in day – but beyond. Currently, the regulator can only direct builders to fix substandard work before occupants move in.

We're introducing a new first-resort warranty scheme for projects of up to three storeys, meaning consumers can claim on their insurance when issues arise. This new framework will sit alongside a modernised dispute resolution process.

We're also introducing a new developer bond to provide more financial protection for owners of apartments in buildings four storeys or more and hold developers accountable for poor building work. The developer bond is the first step towards introducing a 10-year insurance product for apartment buildings.



Hon. Harriet Shing
Minister for Housing and Building

These changes are part of a suite of reforms being delivered to improve oversight of new home builds, including introducing mandatory Continuing Professional Development to support builders and plumbers to keep up to date with their skills; and changes to the Security of Payment Framework to better protect subbies' pay. We're also introducing a building manual and additional mandatory inspections for apartment buildings to reduce non-compliant building work and support ongoing maintenance.

The Government is also working proactively with industry and consumer groups on reforms to ensure the rules around domestic building contracts are clear and fair, with legislative change expected this year.

These reforms will deliver greater peace of mind for Victorian homeowners and homebuyers by strengthening regulatory oversight of the sector and by putting consumers at the core of the system – right where they should be. This will also provide industry with more certainty as Victorians continue to choose to build or renovate.

Industry will also benefit from these changes, with clear pathways to identify and rectify any defects, and a dispute resolution process that's easier to navigate. Builders and plumbers doing the right thing will also benefit from greater consumer confidence, while those doing the wrong thing will be held accountable.

Importantly, the reforms will help deliver 800,000 new homes to be built over the next decade in places where people want to live and work as part of the Victorian Government's Housing Statement.

Importance of building reform

The building industry is a cornerstone of Victoria’s economy and community, employing over 325,000 Victorians and supporting many other key industries relied on every day. As Australia’s fastest growing state, Victoria is set to hit 10.3 million residents by 2051, meaning a strong and reliable building system is essential to support future generations.

The Housing Statement puts forward a bold target of building 800,000 homes in Victoria over the next decade to accommodate this significant growth. For these homes to be built, we need a strong building system that industry and consumers trust.

That’s why we have an ambitious plan to reform the building system to ensure safer, higher quality buildings that meet the needs of Victorians.

Restoring confidence in Victoria’s building system

Public confidence in the building system has been shaken by major failures, including unsafe building materials, poor construction practices, and the collapse of major home builders, leaving consumers vulnerable.

Victoria’s building system is also outdated. It was developed in the early 1990s, and while it has been amended, it has not kept pace with modern building practices.

For too many consumers who encounter problems with building work, the pathway to remedy is complex, time-consuming, costly and ineffective. Rectifying building work is also a financial burden for industry that delays or defers new building projects. The Centre for International Economics (CIE) estimates Victoria has among the highest rates of defective building work with an estimated 1.04 defects per dwelling. For apartments, the rate of defects are the worst nationally at 2.13 per apartment built. Whilst the precise cost of defects is difficult to quantify, the CIE also estimates that defects cost Victoria \$675 million annually.

This has flow-on effects on housing affordability, as the burden of rectifying building work is ultimately borne by consumers through higher building costs. To support the industry to build the houses we need, we have to build practitioner skills and ensure that our homes are safe, durable and sustainable.

Supporting industry to thrive: the need for reform

Victoria has been a national leader in job creation, adding 300,000 jobs since the state’s second COVID-19 peak. Unemployment is at a historic low and employment remains strong. However, despite this progress, many industries are struggling with workforce challenges.

Labour and skill shortages are limiting business growth, with around 373,000 additional workers needed by 2025 to meet demands from new jobs and replace retiring workers.

High rates of insolvency and rising interest rates are placing immense pressure on businesses, particularly in the building and construction sector, limiting job creation and investment. That is why building reforms are essential – to strengthen industry, support growth and ensure long-term stability.

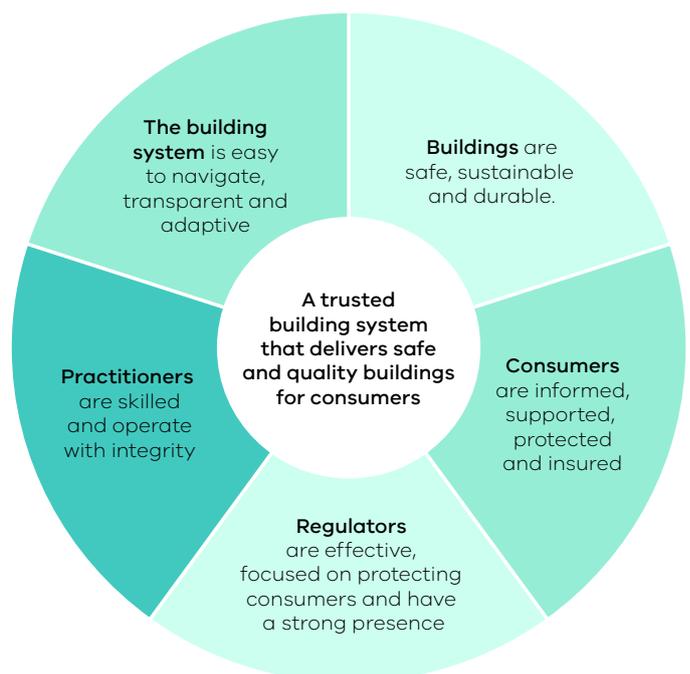
Victoria’s future prosperity depends on a skilled and adaptable workforce. By acting now and implementing the necessary building reforms, we can create more opportunities, support businesses, and drive sustainable economic growth for years to come.

Our Vision: A safer, more trusted building system

The Victorian Government’s building reform program will modernise Victoria’s building system, ensuring it is trusted by industry and consumers, and enables safe, high-quality homes to be built.

Five key outcome areas will underpin Victoria’s new building system:

- **Consumers** are informed, supported, protected and insured.
- **Practitioners** are skilled and operate with integrity.
- **Regulators** are effective, focused on protecting consumers and have a strong presence.
- **The building system** is easy to navigate, transparent and adaptive.
- **Buildings** are safe, sustainable and durable.



The progress we've made to date

Consumers are informed, supported, protected and insured

Following the Porter Davis Homes collapse and revelations of builders failing to take out required insurance, the Government acted to protect Victorians from financial risk. The *Building Legislation Amendment (Domestic Building Insurance New Offences) Act 2024* took effect on 28 February 2024, making it an offence for builders to demand or receive payments over \$16,000 without proper insurance.

Consumers will be equipped with better information to support them when constructing their home and for maintenance requirements during the life of their home. We plan to introduce a Building Surveyor Information Statement to equip homeowners with information about their building surveyor's role, obligations and their rights as the owner.

We will seek feedback on a new requirement for a building manual for apartment buildings and other shared residential buildings. This will also help bridge the information gap between consumers and developers. The building manual will collate essential information about a building into one location, increasing transparency and accountability and helping consumers and industry make informed decisions.

Practitioners are skilled and operate with integrity

We have been engaging with industry to finalise mandatory Continuing Professional Development (CPD) requirements for building and plumbing practitioners, helping to ensure a skilled workforce. The CPD requirements will support practitioners to maintain their professional knowledge and skills throughout their careers. The proposed CPD framework will prescribe mandatory areas of learning for practitioners, such as technical knowledge. This will ensure that identified knowledge or skills gaps can be targeted across the building and plumbing sectors.

Regulators are effective

Action has been taken to address concerns about the culture and performance of the Victorian Building Authority (VBA), including implementing a new governance structure to support a program of rapid reform. These changes, along with a refresh of the VBA's regulatory strategy, will help to deliver greater oversight of the building industry.

Government has also invested in technology and practice change at the VBA, so that the regulator has more boots on the ground and is better equipped to hold building practitioners to account and support building consumers.

The building system is easy to navigate, transparent and adaptive

We commissioned an independent 'root and branch' review of the building system to drive meaningful reforms. The Building System Review Expert Panel provided over 80 recommendations in three reports. Some of these recommendations have been prioritised under the Building Reform Program.

To further protect Victorians building or renovating their homes, a review of the Domestic Building Contracts Act (DBCA) was subsequently commissioned. This review ensures the framework governing home building contracts is strong, modern and effective.

The DBCA will be amended based on the findings, with a long-term goal of aligning it more closely with the Building Act for a clearer and more cohesive system.

Victoria's Security of Payment Framework was also reviewed by a Parliamentary Inquiry, and recommended reforms have been agreed by Government that aim to reduce financial insecurity among building practitioners. Implementing these reforms should help attract, and retain, skilled tradespeople and protect the small businesses that make up the vast majority of Victoria's building sector.

Buildings are safe, sustainable and durable

The State Building Surveyor (SBS) now has a stronger, more formal role as a leading authority for building surveyors and practitioners across Victoria. The SBS provides expert guidance and supports industry changes to enhance technical capabilities and ensure buildings are consistently well-built, safe and fit for purpose.

Victoria has led the world in its response to combustible cladding with over 360 buildings with the highest cladding risk rectified, with all remaining highest risk buildings to be rectified by the end of 2025. Cladding Safety Victoria is working closely with local government to support building owners with lower cladding risk by providing a pathway for all remaining buildings that require cladding remediation.

The Government has also supported recent reforms through the National Construction Code to ensure that buildings are both accessible to Victorians with mobility requirements and energy efficient to bring down bills and reduce emissions.

Over the next 18 months

The Victorian Government is taking significant steps to build more homes where people want to live – close to jobs, education and transport. As part of the 2024–25 State Budget, **\$63 million** has been invested into a building reform package to ensure homes are built to last so that Victorians can build, renovate or buy a home with confidence.

The funding will deliver on a reform program that puts consumer protection at the core of the system – with greater oversight of the building process, a fit for purpose regulator and improved access

to insurance should things go wrong. The changes will enhance consumer and industry experiences with building regulators, modernise the legislative framework and provide new opportunities for Victorians to participate in the building sector.

Over the next 18 months, the Victorian Government will introduce a series of legislative and operational reforms to help realise the vision of a trusted building system that delivers safe and quality buildings for Victorians.

What this means for consumers

A more powerful regulator, the Building & Plumbing Commission oversees Victoria's building and plumbing industries.

For the first time, Victoria's consumer protection framework for building (including registration and licensing, monitoring and enforcement, insurance and dispute resolution) will become the responsibility of a single regulator.

Stronger powers to fix defects for the new regulator that direct builders to fix poor work not just before move-in day but beyond. Currently, the regulator can only direct builders to fix substandard work before occupants move in. The new powers will allow rectification orders to be issued for up to 10 years after the issue of the occupancy permit.

Better insurance protection for homeowners thanks to a new first-resort mandatory domestic building insurance framework for projects up to three storeys, meaning consumers can claim on their insurance when issues arise. This new framework will sit alongside a modernised dispute resolution process.

Stronger financial protections for apartment owners through the introduction of a new developer bond to provide more financial protection for owners of apartments in buildings over three storeys and hold developers accountable for poor building work. The developer bond is the first step towards introducing a 10-year insurance product for apartment buildings – Decennial Liability Insurance.

Better domestic building laws through a review of the law that regulates building contracts and dispute resolution to ensure they remain effective for consumers and the building industry in today's market conditions. This review will respond to the construction industry reforms announced in May 2023.

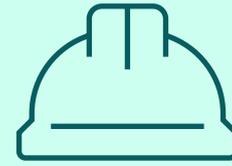
More sustainable homes Government is also seeking to unlock further opportunities to bring down energy bills, reduce emissions and respond to declining gas reserves by consulting on a Building Electrification Regulatory Impact Statement (RIS).

The RIS explores options to progressively electrify all new residential and many new commercial buildings in Victoria. It also assesses options requiring gas appliances in existing residential and certain commercial buildings be replaced with electric appliances when the current appliance reaches end-of-life.

All-electric homes can save Victorians hundreds of dollars a year in energy bills and are better for the environment.



What this means for industry



Better payment protections for builders and subcontractors

Subcontractors and suppliers play a vital role in Victoria's building and construction industry, and they deserve to be paid fairly and on time. *The Building and Construction Industry Security of Payment Act 2002* was introduced to help ensure timely payments, but since its last update in 2006, it has fallen behind similar laws in other states and is no longer as effective as intended.

To strengthen payment protections and reduce financial stress across the industry, the Act is being updated to:

- Make it easier for subcontractors and suppliers to resolve payment disputes quickly. Modernise operations to allow payment claims and key documents to be submitted electronically.
- Improve fairness by giving independent decision-makers the power to invalidate unfair contract terms in specific cases.

These changes will provide stronger protections, reduce financial risks, and create a more secure and stable construction industry.

Stronger domestic building laws for industry Reviews have looked at how provisions in the *Building Act* can continue to adequately meet the needs of the building industry by supporting an efficient and competitive domestic building marketplace and industry. This includes identifying improvements that could be made to the processes for engaging in domestic building work and resolving disputes quickly and efficiently.

Better permit process for events Better clarity on requirements and streamlined processes for Place of Public Entertainment permits will minimise the burden on councils, improving their efficiency in a fast-paced events context. The events sector will also benefit from improved certainty, knowing how the temporary structures and facilities that they supply and erect align with requirements.

More innovation Modern Methods of Construction (MMC) reforms will facilitate the use of offsite construction, including prefabricated building and plumbing products, while maintaining appropriate building quality, durability and consumer protection outcomes. This will support more efficient, cost-effective construction, due to the use of predictable and standardised processes in a controlled environment.

2025

2026

MID 2025

END 2025

EARLY 2026

MID 2026

2026

Victorian Managed Insurance Authority and Domestic Building Dispute Resolution Victoria move to Victorian Building Authority

Tranche 1 introduction of Security of Payments Act

Building and Plumbing Commission enforcement powers commence

Developer bonds commence

Modern Methods of Construction reforms introduced

Mandatory Continuing Professional Development requirements introduced

First resort Home Warranty Scheme commences

Building Electrification reforms commence

Beyond 2026

Plumbing reforms

Government has been listening to the plumbing industry on a range of areas where changing industry dynamics and technologies need a regulatory response. One example is for complex plumbing work where increased oversight of the design and installation of systems in higher-risk settings is required to ensure that this is done safely and compliantly. Other areas for reform include consideration of the skills and competencies required across the range of main class, restricted and specialist plumbers to ensure these align to the new technologies on the market – in particular heat pumps. Major act reform and remake of the sunsetting Plumbing Regulations (due in 2028) will be critical.

Building approvals reforms

Achieving Victoria's housing targets will be dependent on public confidence in the quality of medium and high-density developments. Strengthening the building approvals framework will provide confidence to consumers, industry and the broader community that apartment housing will be safe, durable and liveable. These changes will consider expanding the accountability of design practitioners and developers, improving the quality and completeness of design documentation, addressing process gaps (such as variations) and requiring complex systems (such as fire management systems) to be designed and approved by appropriately qualified people.

Enhanced registration system

A reconsideration of the registration framework for building practitioners is needed to drive improved practitioner performance and supply, including through:

- Expanded scope of industry participants required to be registered and licensed.
- The setting of clear and appropriate scopes of authorised work.
- Establishing clear and objective benchmarks for competence to ensure the knowledge and skills to perform the work.
- Nationally consistent registration criteria where appropriate.
- Standardised practical experience requirements and assessment for registration.

These initiatives are expected to deliver better outcomes for consumers, with reduced risk of non-compliance and defects, including a higher quality-built environment, with lower defect costs and fewer harms to consumers.

Future improvements to payment protections

Additional changes to the *Building and Construction Industry Security of Payment Act 2002* may be introduced beyond 2026 to further strengthen payment protections for subcontractors, suppliers and homeowners. These further reforms would:

- Safeguard payments owed to subcontractors and suppliers by deeming such money to be held 'in trust', reducing the risk of lost payments if a builder or a developer goes bust.
- Streamline dispute resolution by handling homeowner vs builder payment disputes under the Act, meaning a faster, more effective process for reviewing payment dispute rulings and reducing costly court appeals.

A new modern building legislative framework

Victoria's building laws need an overhaul to keep up with industry changes. Government is exploring a new legislative structure that will make it clearer, more efficient and easier to navigate. Subject to government priorities and funding, a new legislative structure could be introduced, organised by phases of the building lifecycle.

The design of a new legislative structure in this way provides the flexibility for phased implementation without disrupting the current system, allowing for a smooth transition. It also organises the legislation in a way that is more functional and easier to navigate for both industry and consumers alike. In the long run, this new structure could replace the *Building Act 1993* and the *Domestic Building Contracts Act 1995* creating a more effective and user-friendly legal framework.

For more information visit:

planning.vic.gov.au/guides-and-resources/building-policy/building-reform



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