



Mr Andrew McKeegan  
Deputy Secretary Planning and Land Services  
Department of Transport and Planning  
Level 13, 1 Spring Street  
MELBOURNE VIC 3000

15 February 2024

Dear Mr McKeegan

**REGULATORY IMPACT STATEMENT FOR BUILDING AMENDMENT (CONTINUING PROFESSIONAL DEVELOPMENT) REGULATIONS 2024 AND PLUMBING AMENDMENT (CONTINUING PROFESSIONAL DEVELOPMENT) REGULATIONS 2024**

I would like to thank your staff at the Department of Transport and Planning (the Department) for working with the team at Better Regulation Victoria to prepare the Regulatory Impact Statement (RIS) for the Building Amendment (Continuing Professional Development) Regulations 2024 and Plumbing Amendment (Continuing Professional Development) Regulations 2024 (the proposed Regulations).

As you know, the Commissioner for Better Regulation is required to provide independent advice on the adequacy of the analysis provided in all RISs in Victoria. A RIS is deemed to be adequate when it contains analysis that is logical, draws on relevant evidence, is transparent about any assumptions made, and is proportionate to the proposal's expected effects. The RIS also needs to be clearly written so that it can be a suitable basis for public consultation.

I am pleased to advise that the final version of the RIS received by us on 14 February 2024 meets the adequacy requirements set out in the *Subordinate Legislation Act 1994*.

**Background**

The Victorian Building Authority (VBA) administers the registration and licensing scheme for building and plumbing practitioners in Victoria, under the *Building Act 1993* (the Act). One of the key purposes of the registration and licensing<sup>1</sup> system is to provide confidence to the community that building and plumbing practitioners are competent and will perform high-quality work.

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<sup>1</sup> Building practitioners are registered under the Act. Plumbers are registered or licensed under the Act. Licensed plumbers require more experience and must meet additional competency requirements, relative to a registered plumber.

Currently, a practitioner's suitability to be registered or licenced is assessed only at the initial registration or licensing stage. In the RIS, the Department explains that without ongoing Continuing Professional Development (CPD) requirements aimed at maintaining competence and up-to-date knowledge and skills, practitioners may develop competency gaps, which the Department explains is linked to poor-quality building and plumbing work.

The Department explains that poor quality work imposes a range of harms, including damage to property, financial loss, reputational loss to the practitioner and negative health and safety outcomes for practitioners, building occupants and other members of the public. It is noted in the RIS that the direct cost of these harms was estimated by the Centre for International Economics to be \$900 million per year in Victoria in 2021.

The Department acknowledges that while many practitioners currently undertake CPD activities, either voluntarily or as part of their membership of an industry body, some practitioners do not undertake enough CPD activities to remain competent. It estimates that about one-third of practitioners currently undertake enough CPD, and that another one-third do some, but not enough, CPD. The remaining one-third of practitioners do no CPD at all.

The Act was amended in both 2016 and 2018 to allow the VBA to consider whether a practitioner had complied with CPD requirements upon renewal of registration or licensing. This RIS analyses options to prescribe mandatory CPD requirements as a condition of a practitioner's renewal. If CPD requirements are prescribed by the proposed Regulations, the VBA will be able to consider whether a practitioner has complied with the prescribed CPD requirements and refuse renewal of registration or licensing if a practitioner has not complied with the prescribed CPD requirements.

## **Options**

In the RIS, the Department analyses three broad options for mandatory CPD requirements. The options vary by:

1. what types of CPD requirements are mandated by the VBA;
2. what types of activities will be accepted by the VBA; and
3. how much CPD is prescribed.

All options prescribe a minimum number of CPD 'points' a practitioner must complete by the time of their next renewal to be eligible for licence or registration renewal, where one point is equal to one hour of activity.

Under Option 1 (practitioner-led approach):

- The VBA will not mandate CPD topics and activities. These activities will be chosen by the practitioner.
- The VBA will recognise CPD activities completed by the practitioner, provided the practitioner can demonstrate a genuine learning outcome to the VBA when their licence or registration renewal is considered.

- Two variations of Option 1 are considered:
  - A low amount of CPD under Option 1a (6 points per year); and
  - A high amount of CPD under Option 1b (25 points per year).

Under Option 2 (Government-led approach):

- The Regulations will prescribe, or the VBA will mandate the total amount of CPD required, and how many points will be allocated to specified topics, skill gaps or courses. The RIS explains these determinations will largely be driven by industry-wide competency gaps.
- The VBA will only recognise CPD activities it has approved when the practitioner's licence or registration renewal is considered.
  - The Department explains that this will provide greater assurance to the community that the content is relevant to industry and address specific competency gaps.
- Two variations of Option 2 are considered:
  - A low amount of CPD under Option 2a (6 points per year); and
  - A high amount of CPD under Option 2b (25 points per year).

Under Option 3 (combination approach):

- The Regulations will mandate that all CPD activities must be within defined 'eligible activities' (such as courses or modules, on-the-job training, private study, seminars or workshops, and mentoring of apprentices). It will also mandate how many points will be allocated to defined topics (such as technical knowledge, workplace safety, business management, sustainability, and ethical and professional conduct).
- Practitioners will be required to complete their technical knowledge points through an approved 'structured learning provider' to ensure quality learning outcomes.
- The VBA will recognise CPD activities as chosen by the practitioner, provided the practitioner can demonstrate a genuine learning outcome to the VBA when renewing their licence or registration.
- Registered building practitioners must complete a minimum of 60 points of CPD within their five-year registration period, of which a minimum of 30 points must be completed in technical knowledge, five points in workplace safety and five points in ethical and professional conduct.
- For plumbing practitioners, Option 3 prescribes different CPD amounts and minimum requirements of CPD in particular topics, depending on the practitioner's licence or registration type:
  - Licensed plumbers must complete 36 points of CPD every three years (although they are required to renew their licences annually). Of these 36 points, a minimum of 18 points must be on technical knowledge, three points must be on workplace safety and three points must be on ethical and professional conduct;
  - Restricted licensed plumbers must complete 18 points of CPD within every three renewal cycles. Of these 18 points, a minimum of nine points must relate to technical knowledge, three points must relate to

- workplace safety and three points must relate to ethical and professional conduct; and
- Registered plumbers must complete 18 points of CPD within their three-year registration period. Of these 18 points, a minimum of nine points must relate to technical knowledge and three points must relate to workplace safety.
- Practitioners can undertake self-directed learning, or enrol in a VBA-approved industry-based CPD program, such as those already offered by many industry organisations.

### **Costs to industry and government**

The Department explains that the key costs to industry (practitioners and employers) are:

1. The financial costs of CPD activities;
2. The cost of foregone earnings to participate in CPD activities; and
3. Record-keeping costs.

Foregone earnings are the largest cost to industry across all options. The Department estimates the total annual cost to industry of the options over 10 years are up to:

- \$39 million for Option 1a and \$123 million for Option 1b;
- \$57 million for Option 2a and \$177 million for Option 2b; and
- \$69 million for Option 3.

The Department explains that these estimates do not consider voluntary CPD activities that are currently undertaken by industry. After removing these costs, the Department estimates that the additional costs to industry (i.e. related to those practitioners who will do more CPD) for each option are lower:

- \$11 million for Option 1a and \$35 million for Option 1b;
- \$45 million for Option 2a and \$141 million for Option 2b; and
- \$35 million for Option 3.

The Department notes in the RIS that it expects that part of the costs to practitioners will be passed onto consumers, but it does not estimate what proportion of costs will be passed on. It notes that the proposed scheme will not add any significant costs to consumers, as the additional costs to industry are less than one per cent of the total value of Victorian building and plumbing work.

The Department also explains that the key drivers of costs to Government are capital costs incurred in the first three years and ongoing annual administration costs.

The Department explains that the costs to Government will fall on the VBA, and draws on VBA estimates of the set-up and ongoing costs of the CPD scheme. The VBA only provided detailed estimates for Option 3 as it is the preferred option. The Department explains that the cost to Government for each option represents a small proportion of overall costs, and it does not materially impact the choice of the preferred option.

The VBA estimates that a total of \$4.2 million in set-up costs will be incurred in the first three years of the scheme, which relate to IT system updates, establishing reporting tools for practitioners, engaging with industry and practitioners to explain the CPD requirements, and integrating processes into the VBA's IT systems.

The VBA estimates that a total of \$3.6 million in ongoing costs will be incurred to administer the CPD scheme, which relate to auditing and compliance costs, processing practitioner information, engaging with practitioners and training providers and conducting research to ensure CPD topics are relevant to current industry gaps.

### **Analysis of options**

The Department undertakes a cost-effectiveness analysis to assess the benefits and costs of each option. The Department scores benefits on a scale from 0 to 10 and quantifies costs in dollars. To calculate a cost-effectiveness ratio, it divides the score for benefits by the quantified cost (per \$10 million). It then ranks options based on these ratios to select the preferred option. Option 3, with a cost-effectiveness ratio of 1.89, is the Department's preferred option. Option 1b has the second highest cost-effectiveness ratio of 1.76.

The Department explains that Option 3 is its preferred option because it will require practitioners to complete sufficient CPD that is consistent with minimum expectations across industry, and it allows flexibility for practitioners to choose activities to address specific competency gaps, as well as industry-wide gaps. It also notes there would be a high level of assurance that activities will translate into the desired outcomes. The Department notes that Option 3 ranks in the middle for both costs to industry and government.

In addition, the Department explains that Option 3 strikes a balance between the advantages of Options 1 and 2:

- While Option 1 imposes the lowest cost to industry and Government and offers flexibility for practitioners to choose activities to address their own competency gaps, it will be less effective than the preferred option because there would be a low level of assurance that CPD activities will translate into improved competency.
- While Option 2 will provide a high level of assurance that CPD will translate into improved competency, it will be more burdensome than the preferred option and less effective as it offers minimal flexibility for practitioners to address their specific competency gaps.

The preferred option is estimated to have the following costs for practitioners not currently undertaking CPD:

- \$1,293 per year for registered building practitioners;
- \$1,418 per year for licensed plumbers; and
- \$755 per year for registered plumbers.

The Department explains these are average impacts. As practitioners will be able to choose their CPD activities, or enrol in an industry-based CPD program, there will be lower-cost options available for many practitioners.

### **Implementation and Evaluation**

The Department proposes that the CPD requirements for both building and plumbing practitioners will commence on 1 January 2025. However, it notes that the commencement date may change based on stakeholder feedback during the RIS consultation period. The Department also proposes that, as part of transitional arrangements, practitioners who lodge renewal applications between 1 January 2025 and 1 July 2025 will not need to meet CPD requirements for their renewal.

The RIS also explains that the CPD requirements will apply on a pro-rata basis for practitioners whose registration or licence will expire soon after the CPD scheme commences. For example, a building practitioner who applies for renewal one year after the scheme commences would only be required to complete 12 points of CPD rather than the 60 points required for a full five-year renewal period.

In the RIS, the Department explains that for practitioners who lodge renewal applications between 1 July 2025 and 1 January 2026, voluntary CPD activities that practitioners complete between 1 July 2024 and 31 December 2024 may be counted as eligible CPD activities when practitioners lodge their renewal. The Department explains that it recognises that many practitioners are currently undertaking voluntary CPD activities, and that practitioners should be encouraged to continue undertaking voluntary CPD before the requirements commence. The period where voluntary CPD activities will be recognised will be based on feedback from the RIS consultation period.

The VBA is expected to conduct risk-based audits of licence and registration renewals to verify that CPD requirements have been met, which may occur before or after a renewal is granted. Reliance on auditing will also ensure that implementation is proportionate to risk.

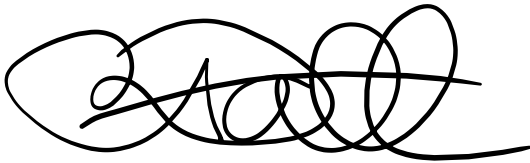
The RIS explains that the VBA will provide guidance to practitioners on how to comply with CPD requirements once the Regulations are made. It will also include establishing consultation mechanisms to enable industry input into developing CPD program requirements and prepare its internal systems to support compliance and scheme implementation.

The Department notes that if an evidenced-based competency gap is identified by the VBA (in consultation with relevant industry stakeholders), it can direct certain practitioners to undertake CPD activities to address this gap. The VBA will only be able to specify which areas of 'technical knowledge' must be covered. It cannot change the total number of technical knowledge points required. The proposed Regulations require the VBA to consult industry and affected stakeholders, such as training providers, prior to making any changes to the scheme.

The Department commits to an interim evaluation of the CPD scheme. It will evaluate the effectiveness of the scheme as part of broader sunset reviews and RISs for the Building Regulations and Plumbing Regulations (both sunset in 2028). The Department also commits to reviewing how the VBA is administering the scheme. The timing of this review will be determined after consultation on the RIS closes.

Should you wish to discuss any issues raised in this letter, please do not hesitate to contact my office on (03) 7005 9772.

Yours sincerely

A handwritten signature in black ink, appearing to read 'C Wall', with a stylized, cursive script.

**Cressida Wall**  
Commissioner for Economic Growth and Better Regulation