

Continuing Professional Development for Building and  
Plumbing Practitioners

**Regulatory Impact Statement**



## Acknowledgements

The Department of Transport and Planning (the Department) acknowledges its responsibility for this Regulatory Impact Statement (RIS) that sets out the impacts of the *Building Amendment (Continuing Professional Development) Regulations 2024* and *Plumbing Amendment (Continuing Professional Development) Regulations 2024* (the proposed Regulations). This RIS and accompanying documents have been prepared for the express purpose of supporting the proposed Regulations and other potential uses of the information contained in the RIS has not been a consideration in its development. No reliance should be placed on this document for any other purpose. The information contained in this RIS has not been subjected to an audit or any form of independent verification.

### Prepared by

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**ISBN 978-0-7311-9308-0 (pdf/online/MS word)**

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## Glossary

The Act	<i>Building Act 1993</i>
The proposed Regulations	The proposed Building Amendment (Continuing Professional Development) Regulations 2024 and Plumbing Amendment (Continuing Professional Development) Regulations 2024
ABCB	Australian Building Codes Board
BRAC	Building Regulatory Advisory Committee
CPD	Continuing Professional Development
Department	Department of Transport and Planning
DBLS	Domestic Building Legal Service
NCC	National Construction Code
NPV	Net Present Value
PAC	Plumbing Advisory Council
RIS	Regulatory Impact Statement
RTO	Registered Training Organisation
VBA	Victorian Building Authority
VGR	Victorian Guide to Regulation

## Industry Associations

AIBS	Australian Institute of Building Surveyors
AIRAH	Australian Institute of Refrigeration, Air conditioning and Heating
HIA	Housing Industry Association
MBAV	Master Builders Association of Victoria
Master Plumbers	Master Plumbers (Victoria)
MPBAA	Master Pool Builders Association Australia (formally SPASA Victoria)
PICAC	Plumbing Industry Climate Action Centre
SPASA	Swimming Pool & Spa Association of Australia

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## Foreword

### Purpose of this Regulatory Impact Statement

This Regulatory Impact Statement (RIS) has been prepared to assess the regulatory impacts of new regulations prescribing continuing professional development (CPD) requirements for building practitioners registered under Part 11 of the *Building Act 1993* (the Act) and plumbers licensed or registered under Part 12A of the Act. The proposed CPD requirements will operate under the Act and are set out in the proposed *Building Amendment (Continuing Professional Development) Regulations 2024* and *Plumbing Amendment (Continuing Professional Development) Regulations 2024* (the proposed Regulations), published with this RIS.

The purpose of this RIS is to assist stakeholders to provide feedback on the proposed Regulations. The RIS explains the policy rationale for the proposed CPD requirements for the building and plumbing sectors, the objectives of the proposed Regulations, and assesses the expected impacts (costs and benefits) of the proposed Regulations. It also considers other feasible options considered by the Department of Transport and Planning (the Department) and explains why these other options were not preferred. This RIS also includes some questions to assist stakeholders to provide feedback to the Department.

### Consultation framework

**Opportunity to provide feedback on the RIS and proposed Regulations will be open from 26 February 2024 to 26 April 2024.**

Following receipt of feedback, the Department will consider all responses and submissions received by the closing date and make any required changes to the Regulations prior to being finalised.

CPD requirements are proposed to commence on 1 January 2025, however dates in the proposed Regulations should be treated as placeholders and are subject feedback during the consultation period. Please note, to ensure industry has enough time to prepare for the introduction of CPD, requirements will not commence until at least 6 months after the Regulations are made.

### How to respond

**Anyone wishing to provide feedback on this RIS and the proposed Regulations may:**

- upload a submission on the project's webpage at [engage.vic.gov.au/continuing-professional-development-builders-and-plumbers](https://engage.vic.gov.au/continuing-professional-development-builders-and-plumbers)
- complete the online survey on the project's webpage at [engage.vic.gov.au/continuing-professional-development-builders-and-plumbers](https://engage.vic.gov.au/continuing-professional-development-builders-and-plumbers)
- email a submission directly to [building.policy@delwp.vic.gov.au](mailto:building.policy@delwp.vic.gov.au)
- post a submission to:

*Continuing Professional Development Team, Planning and Building Reform Division  
Department of Transport and Planning  
8 Nicholson St - PO Box 500 East Melbourne VIC 8002*

**Submissions must be received by the Department by the close of business, 26 April 2024.**

# Executive Summary

## Context

Over recent years there has been increased public concern about the quality of building and plumbing work in Victoria. A number of consumers have been left with defective buildings and plumbing systems, which in some cases have presented serious health and safety risks to building occupants or have required costly remedial work.

Part of the problem associated with poor quality building and plumbing work in Victoria today can be attributed to practitioner performance, and in particular to a lack of attention to maintaining and developing the competence necessary to continue performing safe and compliant work. When competency is not developed or maintained after a practitioner first becomes registered or licensed, knowledge and skills can deteriorate over time or can become outdated due to changes in technology, methods, materials or work standards and regulatory requirements. This can lead to a number of harms, including damage to property and financial loss, reputational loss for practitioners, and negative health and safety outcomes for practitioners, building occupants and other members of the public.

The risk of these problems occurring can be reduced by ongoing participation in activities aimed at maintaining competence and up-to-date knowledge and practice. That is, learning and training that continues after a practitioner's initial registration or licence.

Many building and plumbing practitioners already engage in some form of continual learning, either through structured programs run by industry associations, workplace-based activities, or on their own initiative. In general, industry-based CPD programs require practitioners to complete a minimum number of 'points' in certain activities, aimed at refreshing existing skills, updating knowledge where there have been changes in work requirements or practices, or developing new skills. These activities often take the form of structured courses, delivered in person or online, but can also include informal activities such as some industry events or private study.

For example, the Master Plumbers (Victoria) CPD program encourages licensed plumbers to complete 12 points of learning activities each year. Different types of learning (such as courses or technical reading) earn a different number of points. Under this program, approved activities currently include technical training, business, OH&S and workplace relations. These activities include watching online manufacturer videos, reading technical worksheets or attending expos. Master Plumbers may also require plumbers to complete specific activities for their area of licensing.<sup>1</sup>

Activities such as these have been effective in meeting industry needs and supporting practitioners to improve the quality of their work. However, Victoria's current licensing and registration framework does not *require* participation in these types of activities throughout a practitioner's professional career. Existing regulatory mechanisms do not provide assurance or confidence that there is a sufficiently high level of ongoing competency across the sector.

## Background

Mandatory CPD has long been used in professions such as law and medicine, to ensure the ongoing competence of industry professionals. In recent years it has become more common in other sectors, such as electrical work. CPD for building and/or plumbing practitioners has been in place for a number of years in Tasmania, New South Wales, and New Zealand, and has been proposed for introduction in

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<sup>1</sup> <https://plumber.com.au/professional-training-home/what-is-cpd/>

Queensland and the Northern Territory. Prior to 2013, the then Building Commission ran a voluntary CPD scheme for the Victorian building sector.<sup>2</sup>

Over the past several years there have been numerous independent findings and recommendations aimed at improving the continued competence of building and plumbing practitioners.<sup>3</sup> Responding to past calls to ensure continued competence of practitioners in Victoria, the Act was amended through the *Building Legislation Amendment (Consumer Protection) Act 2016* to allow CPD requirements to be prescribed as a condition of renewal of a building practitioner’s registration.<sup>4</sup> The Act was further amended through the *Building Amendment (Registration of Building Trades and Other Matters) Act 2018* to allow CPD requirements to be prescribed as a condition of renewal of plumber’s registration or licence.<sup>5</sup>

Regulations are now required to operationalise these amendments, which are proposed to be introduced through the Building Regulations and Plumbing Regulations, respectively.

## Scope of the RIS and proposed Regulations

This RIS assesses the regulatory impacts of the proposed Regulations, as well as the impact of feasible alternative options.

The proposed Regulations will apply to registered building practitioners (including building surveyors, building inspectors, quantity surveyors, draftspersons, commercial, domestic and demolisher builders, a person who erects or supervises the erection of prescribed temporary structures, and a person responsible for a building project or any stage of a building project) and licensed and registered plumbers (backflow prevention work, drainage work, fire protection work, irrigation (non-agricultural) work, mechanical services work, refrigerated air-conditioning work, roofing (stormwater) work (including metal roofs), sanitary work, gasfitting work, and water supply work).

The proposed Regulations will not apply to engineers or architects, as renewal requirements for these practitioners are established in the *Professional Engineers Registration Act 2019* and *Architects Act 1991* respectively.

A company who is registered as a building practitioner will also not be required to meet the proposed CPD requirements. However, the individual employees of the company that are registered building practitioners will be required to undertake mandatory CPD requirements. While the Regulations will provide the legislative framework for CPD, the operational elements of the scheme will be determined by the Victorian Building Authority (VBA) in collaboration with industry. Once introduced the Regulations will give operational effect to the CPD framework in the Act but will not prescribe all elements.

Further work will be undertaken by the VBA, in collaboration with industry and other stakeholders, to ensure that other systems and processes are in place to make the scheme work effectively and

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<sup>2</sup> The voluntary CPD scheme ended when the Building Commission was replaced by the Victorian Building Authority. Building Commission documents from that period set out how the scheme worked. The VBA documented what industry stakeholders said about the scheme in 2016 (in the context of elements to be included in a CPD scheme during the 2016 consultations).

<sup>3</sup> These include Victorian Auditor-General’s reports in 2011 (Compliance with Building Permits) and 2015 (Victoria’s Consumer Protection Framework for Building Construction, Victorian Ombudsman Report “Own motion investigation into the governance and administration of the Victorian Building Commission” in 2012, and “Building Confidence — Improving the effectiveness of compliance and enforcement systems for the building and construction industry across Australia” – report by Weir and Shergold, 2018. See page 13 for further detail.

<sup>4</sup> The amendments introduced s. 173(5)(a) of the Act—in considering applications for renewals, the VBA may have regard to whether the practitioner has met any prescribed CPD requirements.

<sup>5</sup> The amendments introduced s. 221ZD(2A) of the Act — in considering a renewal of licence or registration, the Authority may refuse to renew the licence or the registration of a person if the Authority is satisfied that the person has not complied with any prescribed CPD requirements.



efficiently. These elements are not addressed within the scope of the RIS or proposed Regulations. These elements will include:

- publishing information to explain to all practitioners what the CPD requirements are and how to comply
- providing administrative guidance to practitioners on how CPD compliance will be managed, including what information will need to be provided to the VBA and information for practitioners if they cannot meet the CPD requirements
- establishing consultation mechanisms to enable industry to be involved in the development of specific CPD requirements and decisions.

Further information on implementation of the CPD scheme outside the proposed Regulations are detailed later in this RIS.

## Objective of the proposed Regulations

The proposed Regulations address the problem that registered and licensed building and plumbing practitioners are not maintaining or developing their competencies in line with their initial registration or licence. Existing regulatory mechanisms do not provide adequate assurance that there is a sufficiently high level of ongoing competency across the sectors, even though there are large numbers of practitioners who already undertake CPD activities on a voluntary basis and/or as part of their membership of industry organisations.

The objective of the proposed Regulations is to provide a high level of assurance to the Victorian Government and the community that registered and licensed practitioners have skills and knowledge that are up to date with regulation, industry standards and practices. Consumers have the right to expect that practitioners who are authorised to carry out building and plumbing work have taken positive steps to ensure they remain competent.

## What was considered in developing the proposed Regulations?

During 2021 the Department of Transport and Planning (the Department<sup>6</sup>) consulted widely on the proposed CPD requirements. The Department has considered the voluntary CPD program that was previously run by the Building Commission, CPD schemes operating elsewhere in Australia and New Zealand, and industry-based CPD programs and activities run by building and plumbing industry groups. Many building and plumbing practitioners currently undertake CPD activities through industry-run programs or programs such as the VBA's Practitioner Education Series and the Australian Building Codes Board's CPD on the National Construction Code. The Department and industry consider these programs to be highly effective in meeting industry needs and supportive of practitioners.

The Department has also considered what is possible and necessary from a legislative perspective in establishing an effective CPD framework. The Act already provides the legal framework establishing CPD requirements and the role of the VBA in making decisions about a practitioner's ongoing competencies. The Regulations will specify what a practitioner needs to do to be considered to have met their CPD requirements. The CPD framework in the proposed Regulations is limited by what is already in the Act.

## CPD options assessed in the RIS

The Department determined the proposed CPD model from an assessment of three feasible options that varied according to the *amount* of CPD activities required to be completed, and *how* the

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<sup>6</sup> Including as the former Department of Environment, Land, Water and Planning prior to 1 January 2023

particular CPD activities would be determined (the three options presented should be considered along a continuum of all potential design choices).

The options assessed in this RIS are as follows:

Option	Nature of option	Description		
1	Practitioner-led	<p>The Regulations could prescribe the minimum amount of CPD that must be completed within the practitioner’s registration/licence period, but would not mandate in which subject areas or types of activities those points could be earned; this would be decided by the practitioner provided the activities are relevant to their scope of work and have a genuine learning outcome.</p> <p>Two sub-options were assessed:            1a— the Regulations could prescribe a low amount of CPD (for example, 6 points per year)<sup>7</sup>            1b— the Regulations could prescribe a high amount of CPD (for example, 20-30 points per year).</p>		
2	Government-led	<p>The Regulations could prescribe the amount of CPD that must be completed by practitioners within their licence/registration period, with the number of points to be completed within each subject area and/or types of activity to also be prescribed in Regulations or set each year by the VBA.</p> <p>Two sub-options were assessed:            2a— the Regulations could prescribe a low amount of CPD (for example, 6 points per year)            2b— the Regulations could prescribe a high amount of CPD (for example, 20-30 points per year).</p>		
3	Combination approach, with ongoing industry input <i>(the preferred option)</i>	<p>Regulations would prescribe the total amount of CPD that must be completed by practitioners within their licence/registration period and require that some of that total be completed in particular subject areas and types of learning activities, with the remaining required points to be determined by the practitioner. This option would also allow for some flexibility to guide some subjects and activities over time, with a prominent role for industry groups in guiding the direction of the scheme.</p> <p>Option 3 provides a choice of two pathways for practitioners:</p> <table border="1"> <tr> <td><b>Pathway A:</b> to identify and complete individual CPD activities that will satisfy the minimum requirements set out in the Regulations.</td> <td><b>Pathway B:</b> to enrol in and complete the requirements of an approved industry-based CPD program</td> </tr> </table>	<b>Pathway A:</b> to identify and complete individual CPD activities that will satisfy the minimum requirements set out in the Regulations.	<b>Pathway B:</b> to enrol in and complete the requirements of an approved industry-based CPD program
<b>Pathway A:</b> to identify and complete individual CPD activities that will satisfy the minimum requirements set out in the Regulations.	<b>Pathway B:</b> to enrol in and complete the requirements of an approved industry-based CPD program			

The options not preferred were found to be more costly, less effective, overly prescriptive, not flexible, and/or overly burdensome on practitioners, compared with the proposed Regulations (Option 3, the preferred option). The options were ranked according to their relative cost-effectiveness in improving competence levels across the industry. The preferred option takes a proportionate and risk-based approach to prescribing minimum CPD requirements for all practitioners, with a balance of choice and flexibility for practitioners, and providing an adequate level of assurance to Government and the community that practitioners are undertaking valuable and relevant activities to maintain skills and competencies to a high standard.

Chapter 5 provides details on the costs and effectiveness of these alternative options.

<sup>7</sup> Where 1 point equals 1 hour of time spent on a learning activity (subject to any exceptions that could be made).

The CPD requirements contained in the proposed Regulations:

As assessed in this RIS, *Option 3: Combination approach* was identified as the preferred option and is set out in proposed Regulations. Under the proposed Regulations, all building and plumbing practitioners will be required to undertake learning activities that refresh, update or develop knowledge and skill necessary to perform work under their licence or registration.

The proposed CPD requirements will give practitioners a choice of two compliance pathways:

**Pathway A**—if building and plumbing practitioners do not wish to enrol in an industry-run CPD program, they may find and complete their own CPD activities that meet the following requirements:

Eligible activities	<p>CPD activities can be in the form of courses or modules (including online), formalised on-the-job training, private study, undertaking writing or research for an industry journal or magazine, attending seminars, workshops, conferences, forums, information or trade sessions, short courses, technical demonstrations provided by manufacturers, or supervision or mentoring of apprentices or trainees.</p> <p>It will be up to the individual practitioner to demonstrate at renewal that an activity they have completed had a genuine learning outcome and is relevant to their work.</p>
Subject areas	<p>The CPD activities outlined above must be completed in certain subject areas. These are technical knowledge, workplace safety, business management, sustainability and ethical and professional conduct.</p> <p>These broad subject areas are proposed on the basis that they are relevant to the sector as a whole and were highlighted by stakeholders during consultation as being areas where practitioners are likely to benefit most from further training.</p>
Baseline minimum requirements	<p><u>Registered building practitioners</u> will be required to complete at least 60 points in eligible CPD activities within their 5-year registration period, of which a minimum of 30 points must be completed in the subject area of technical knowledge, a minimum of 5 points in workplace safety and a minimum of 5 points in the subject area of ethical and professional conduct.</p> <p><u>Licensed plumbers</u> will be required to complete at least 36 points in eligible CPD activities within every 3 licence renewal cycles. A minimum of 18 points must be completed in the subject area of technical knowledge, a minimum of 3 points in workplace safety and a minimum of 3 points in ethical and professional conduct.</p> <p><u>Restricted licensed plumbers</u> will be required to complete at least 18 points of CPD activities within every 3 licence renewal cycles. A minimum of 9 points must be completed in the subject area of technical knowledge, a minimum of 3 points in workplace safety and a minimum of 3 points in ethical and professional conduct.</p> <p><u>Registered plumbers</u> (including restricted registered plumbers) will be required to complete at least 18 points of CPD activities within their 3-year registration period. A minimum of 9 points must be completed in the topic of technical knowledge, a minimum of 3 points in workplace safety.</p> <p>1-point equals 1 hour of activity, unless the VBA caps the points for some activities.</p> <p>The number of CPD points required to be completed by each practitioner type is based on consideration of roles and responsibilities, and feedback provided from industry. Prescribing CPD requirements to be met over a number of years provides flexibility that a practitioner can choose the most relevant activities as they are available over the course of the renewal period.</p>

	<p>Where a registration or licence is granted by the VBA for less than the usual period, the CPD requirements will be reduced on a pro-rata basis. Further, practitioners who hold multiple licences or registrations will have an ability to focus their CPD to particular classes or categories of licence or registration (but will still be required to do some CPD for all classes or categories of registration or licence held).</p>
Structured learning requirements	<p>The minimum number of points gained in the subject area of technical knowledge must be completed only through certain training providers—referred to as ‘structured learning’. To ensure quality of training this will include university, technical and further education (TAFE) organisation, registered training organisation (RTO), a CPD course delivered by a relevant government regulatory body, or an activity delivered by another training provider approved by the VBA.</p>
Record keeping	<p>Practitioners will be required to keep records of all completed eligible activities for a period of up to 3 years after renewal of their licence or registration. Evidence may include receipts, a personal log of an activity and its learning outcomes, statements of attainment or records of attendance.</p>
Additional requirements	<p>Practitioners must also comply with any additional requirements set by the VBA from time to time. The proposed Regulations include only a baseline set of requirements. This is the starting point of the CPD requirements, which are the Government’s minimum expectations for all practitioners. Once the Regulations are made, the VBA will work at an operational level with industry to develop further details for specific groups or classes of practitioner as required.</p> <p>There is significant variability across and within the various practitioner categories and classes in terms of training needs. Rather than set out specific CPD details for individual classes or categories in the Regulations, it is proposed that the VBA will work with industry to develop further requirements as needed.</p> <p>The proposed Regulations specify that any further minimum requirements set by the VBA will be limited only to the technical knowledge point requirements, and within the minimum points requirements set in the Regulations (for example, within the 30 technical knowledge points required for building practitioners). The VBA will be able to:</p> <ul style="list-style-type: none"> <li>▪ set a minimum number of points on a particular technical knowledge topic (for example, by requiring practitioners to complete a particular topic or course)</li> <li>▪ set a minimum number of points in a particular eligible activity in technical knowledge</li> <li>▪ set a minimum number of points in eligible activities delivered by a particular provider of structured learning</li> <li>▪ specifying periods of time in which any of the requirements must be completed (for example, requiring some activities to be completed annually).</li> </ul> <p>Additionally, the proposed Regulations allow the VBA to specify further eligible activities for a practitioner, activities which are ineligible, or limit the number of points that can be completed on a certain CPD activity. Under the proposed Regulations, the VBA will be required to consult with industry before setting specific requirements for practitioners.</p> <p>This will allow industry expertise and data collected by VBA on areas of non-compliance to be used to inform CPD requirements, to ensure the highest level of effectiveness of the scheme, and to ensure the CPD requirements remain relevant to industry. Under the</p>

proposed Regulations, the VBA will be required to consult with industry when making decisions outside the minimum requirements.

**Pathway B**—practitioners may enrol (or continue their existing enrolment) in an industry-run CPD program if the VBA indicates that organisation’s program will be an acceptable program for meeting the CPD requirements for renewal. The organisation will be responsible for confirming the practitioner has met the requirements of their program. There will be some minimum criteria around which CPD programs the VBA can accept to ensure it is of sufficient quality and relevance.

## What are the costs and benefits of the proposed Regulations?

The total cost to industry of undertaking the required CPD activities, and associated compliance activities, is around \$69 million per year (or around \$1,287 per practitioner per year), and a net present value over ten years of \$478 million. This includes direct financial costs (e.g. payments for courses) as well as opportunity costs (value of time).<sup>8</sup>

As noted above, many practitioners already do CPD activities, meaning some of this cost would be incurred already. Around one third of practitioners already partake in enough CPD activities to meet the proposed requirements, and a further one third already complete some CPD and will only require a small increase.

Therefore, the *incremental* cost to industry by mandating all practitioners undertake a minimum level of CPD is around \$35 million per year (annualised), (or around \$661 per practitioner year) or a net present value over the next ten years of \$245 million. This represents less than half of one per cent of the total value of building and plumbing work undertaken in Victoria each year.

The incremental costs averaged over all practitioners is around \$647 per year for registered building practitioners, and \$593 per year for plumbers. However, these costs take account of the number of practitioners that already do CPD activities. For practitioners that currently do no CPD at all, the additional costs of complying with the proposed requirements are \$1,293 per year for registered building practitioners and \$1,418 per year for licensed plumbers and \$755 per year for registered plumbers. These costs are also an average of expected CPD activities across practitioners. It is likely that some practitioners will choose CPD activities that are low or zero cost and done entirely outside work hours, while others will be more likely to attend courses for a cost during normal work hours.

The additional cost to Government (to the VBA as the regulator) are estimated to be around \$4.2 million as initial capital and set-up costs, and then around \$3.6 million per annum.

Implementation costs are expected to cover business needs analysis of current system functionality, development of a digital diary for practitioners to report on their CPD activities, initial engagement with industry for delivery of new requirements, and providing communication and supporting information to practitioner and industry in initial implementation of the scheme. Annual ongoing costs will cover administration of the scheme, auditing of practitioners to ensure compliance with CPD requirements, ongoing engagement with industry, approved program providers and structured learning providers, and ongoing information and support to practitioners engaging in the scheme. Further detail on the estimated costs to Government are outlined in Chapter 5.

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<sup>8</sup> Note that the modelling of costs for this RIS was completed in 2022, as and such uses available data and inputs from 2022 (including practitioner number at that time). All cost estimates reported in this RIS should be taken as being expressed in 2022 dollars.

It is expected that some additional costs to industry will partially be passed on to the consumer through the price paid for building and plumbing work. It has not been possible to estimate the extent of price pass-through, however even if all of the additional costs to industry for all options are passed through to consumers through higher prices for building and plumbing work, this is expected to be less than 1 per cent of the total value of building and plumbing work done by practitioners each year.

The expected benefits of the proposed CPD scheme are:

- provide a high level of assurance (to Government and the community) that registered and licensed practitioners have up-to-date skills and knowledge. This will support increased confidence in the industry, supporting overall activity levels and the contribution the building and plumbing sectors make to the state's economic output
- decreased rectification costs to consumers arising from poor quality work or non-compliant work, and reduce costs associated with dispute resolution
- benefits to practitioners themselves—as well as the opportunity to improve skill sets and capability to do work in the industry, practitioners will benefit from reduced costs of dispute resolution, less pressure on insurance premiums, and improved reputation (of the industry as a whole and individual practitioners)
- improved safety by reducing non-compliance and the risk of poor-quality work.

It was not possible to directly quantify the benefits expected as there are no publicly available evaluations of comparable schemes in other jurisdictions that quantify the benefits. However, it was estimated that benefits would exceed costs of the scheme if the improved practitioner competency resulting from CPD saw the costs associated with defects reduced by at least 4 per cent per year. This was considered an achievable break-even point.

The proposed Regulations were assessed as not having a material restriction on competition and are not expected to have a disproportionate impact on small businesses.

## Implementation

During consultation processes in 2020, the Department considered commencing CPD for some classes of practitioners before others. The 2020 Discussion Paper sought views on implementation of CPD for gasfitters and building surveyors first, with other groups to follow. Feedback from industry and consideration of the operation of the preferred option resulted in the Department preferring to commence CPD requirements for all plumbers and building practitioners at the same time.

Setting the CPD requirements in the proposed Regulations is only one part of the overall CPD scheme. Further work will need to be completed by the VBA, working with industry, to ensure that other systems and processes are in place to make the scheme work. As such, it is proposed that CPD requirements will not commence until at least 6 months after the Regulations are made.

Once the Regulations are made, the VBA will:

- publish information to all practitioners on what the CPD requirements are and how to comply. This is expected to include simple explanations of the requirements and tools to assist practitioners determine what requirements apply to them. Guidance will also be published to assist practitioners to find relevant CPD activities, and to give examples of CPD activities that meet the requirements.
- provide guidance to practitioners on administrative matters including what information will need to be provided to the VBA and when, how to report their CPD activities and what practitioners should do if they are not able to meet the CPD requirements.
- establish consultation mechanisms to enable industry to be involved in the development of specific CPD requirements and decisions. For plumbing stakeholders, this is proposed to

incorporate the existing Plumbing Advisory Council (PAC), which is a statutory entity that has a formal legislative role to provide advice to the VBA on all plumbing regulatory matters. However, it is expected that VBA will set up other consultation and engagement mechanisms to support decision making under both sets of Regulations.<sup>9</sup> These mechanisms will be relevant to making decisions before the CPD requirements commence and will also continue on an ongoing basis.

- review its internal systems to prepare for the checking of applications for renewal from the date the CPD scheme comes into operation. VBA will develop processes to confirm information provided by practitioners and a framework to audit compliance. VBA will update its compliance and enforcement policies to ensure a proportionate and well-targeted response to non-compliance, with an emphasis in the first few years of facilitating compliance.

## Evaluation

The outcomes of the CPD scheme will be evaluated as part of the sunset review of the Building Regulations and Plumbing Regulations, which both sunset in 2028. To inform this review, VBA will collect data on CPD compliance and trends in CPD activities, to indicate whether overall levels of competency are improving across the industry (e.g. complaints and audit data, disciplinary action taken against practitioners, and surveys of practitioners and seeking feedback from industry organisations). The evaluation phase will also provide an opportunity to evaluate costs incurred to the VBA, the practitioner uptake of pathway A and B respectively, and the capacity for the market to deliver CPD training and that meets the needs of industry.

While the evaluation of the costs and benefits and other outcomes of the proposed Regulations will be part of the sunset review, (scheduled to expire in 2028), it is appropriate to ensure the administration of the CPD scheme is effective, particularly given the critical function the VBA will play in the transition and implementation of the new requirements.

## Consultation Questions

Interested parties are invited to submit any views and feedback on the proposed Regulations. In particular, the Department welcomes feedback on the following questions:

- Do you agree there is a need for the Government to activate the requirements for practitioners to undertake mandatory CPD, in order to have their registration or licence renewed?
- The proposed Regulations prescribe only a baseline set of minimum requirements to apply to all practitioners and the VBA and industry will work together in relation to more detailed requirements that may apply to different categories or classes or work. Do you think that the minimum requirements in the proposed Regulations are appropriate in meeting improving continued competence of practitioners?
- Do you agree that the benefits will outweigh the costs regarding the requirement for all practitioners to undertake at least a minimum amount of CPD?
- Are there any other costs or other potential impacts of the proposed Regulations that are not considered in this RIS, but which may affect the Government's decision on whether or not to proceed with mandating CPD requirements? If so, what is the nature and extent of these impacts, and how should they affect the decision?

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<sup>9</sup> The Building Regulations Advisory Committee (BRAC) established under the Act holds a different legislative remit than the PAC. PAC is empowered to advise the Minister and the VBA on matters relating to 12A of the Act and impacting the plumbing industry. BRAC has functions to advise the Minister on a range of matters including regulations, the building permit levy, and to accredit building products. As BRAC is not empowered to directly advise the VBA on certain matters, it is expected that any relevant stakeholders that are represented on the BRAC would be consulted on CPD issues through other means, including new mechanisms specific to CPD.

- Is the timeline for implementation reasonable? Are there any other matters that need particular attention in the implementation of the CPD scheme? What information and other support would be needed for this to occur?

The *Gender Equality Act 2020* commenced on 31 March 2021. This legislation introduced a new requirement for the Victorian Public Service to undertake a Gender Impact Assessment (GIA) when developing or reviewing any policy, program or service that has a direct and significant impact on the public. A GIA critically assesses the effect that a policy, program or service may have on persons of different genders, to ensure that policies can be developed in a way that meets the needs of different genders and addresses gender inequality. This includes, where practicable, taking into account that gender inequality may be compounded by intersectional disadvantage or discrimination on the basis of characteristics such as aboriginality, age, disability, ethnicity, gender identity, race or sexual orientation.

As part of remaking these Regulations, the Department will need to prepare a GIA that demonstrates that the needs of different gender intersectionality groups have been considered. Stakeholders may wish to consider:

- Do you think there are any parts of the proposed Regulations, or the wider approach to implementing the CPD scheme, that may have disproportionate impacts on some people based on their gender (whether directly, or through other intersecting characteristics)?
- If so, how could the proposed Regulations meet the needs of different genders or avoid gender inequality?



# 1 Background

## 1.1 Building and plumbing work in Victoria

Building work is essential to providing housing for Victorians, places of business and employment, and other critical social and economic infrastructure to support the movement of goods, delivery of services, and places of gathering. We expect all our buildings to be fit for purpose, of high quality, and safe.

The scope of building work carried out in Victoria includes residential and non-residential construction, renovations and extensions, building structure and installation services, heavy and civil engineering, land development, and site preparation.

Building practitioners are critical in responding to damage to buildings caused by events such as storms, bushfires and earthquakes, and will increasingly play an important role in ensuring our built assets are resilient to climate change.

The building industry (including civil, commercial and residential construction activity) is one of Victoria's largest, contributing over \$42.5 billion annually to the Victorian economy, or 7.5 per cent of Gross State Product (GSP) in 2022-23. The building sector has played an important part of Victoria's COVID-19 recovery and employment has continued to grow to an average of 355,000 people in 2023, or 9.7 per cent of the state's total employment<sup>10</sup>.

Similarly, plumbing work is an important part of the Victorian economy and provides many benefits to consumers including:

- ensuring the safety of drinking water
- heating buildings using gas-powered or wood-fired equipment
- heating or cooling buildings using refrigerant-based air-conditioning systems
- ensuring that buildings use water reliably to mitigate against a fire event (e.g. sprinklers, etc.)
- facilitating the safe and convenient disposal of human waste.

Data is not collected on the aggregate value of plumbing work undertaken each year, but based on information provided in Compliance Certificates (which indicate value ranges) and noting that not all plumbing work requires a Compliance Certificate, the value of plumbing work each year has been estimated to exceed \$1.5 billion.<sup>11</sup>

Effective building and plumbing work can also have a positive impact on the environment such as reducing energy use in the home for heating and improving water efficiency.

## 1.2 Regulation of building and plumbing practitioners

The Act aims to ensure that building and plumbing work is carried out safely and competently. The objectives of the Act include:

- to protect the safety and health of people who use buildings
- to improve the amenity of buildings.

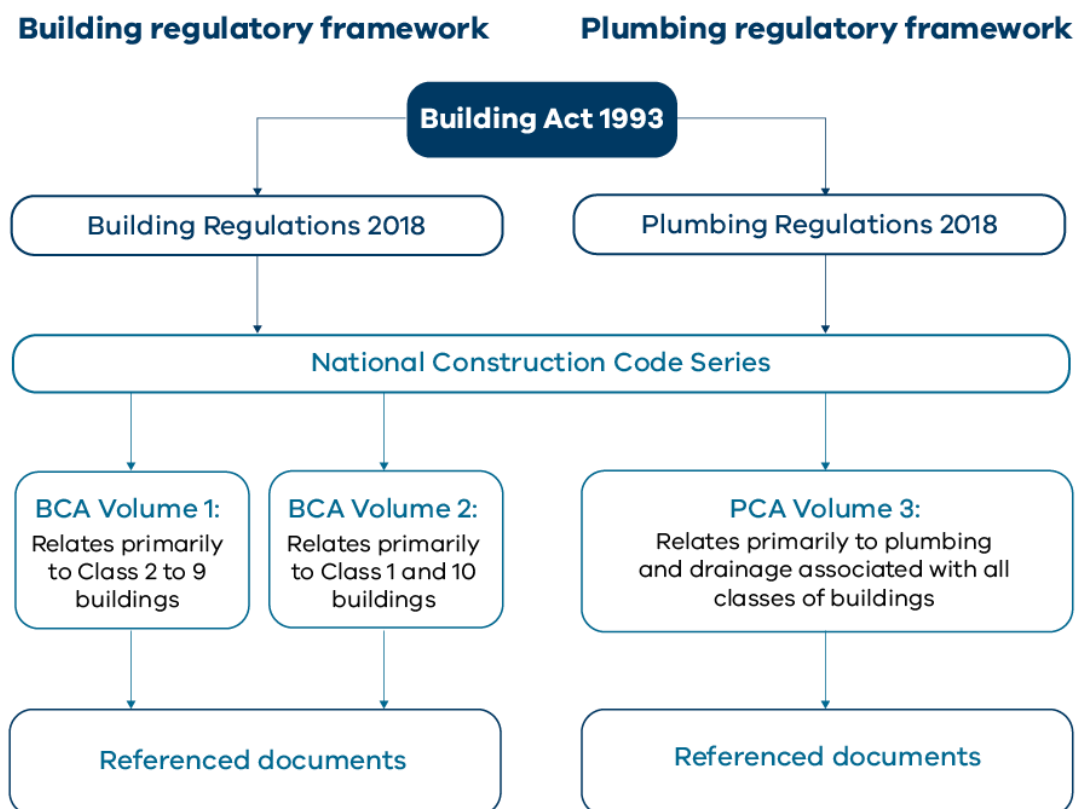
The Act sets out the framework for the regulation of building and plumbing work, as outlined in Figure 1.

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<sup>10</sup> Source: Australian Bureau of Statistics, *Australian National Accounts: State Accounts*.

<sup>11</sup> See the Regulatory Impact Statement prepared for the remaking of the Plumbing Regulations 2018. [https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/6515/3024/5393/Regulatory\\_Impact\\_Statement\\_-\\_Plumbing\\_Regulations\\_2018.pdf](https://s3.ap-southeast-2.amazonaws.com/hdp.au.prod.app.vic-engage.files/6515/3024/5393/Regulatory_Impact_Statement_-_Plumbing_Regulations_2018.pdf)

Figure 1: Legislative framework for building and plumbing work in Victoria



The Act, and the associated Building Regulations 2018 and Plumbing Regulations 2018, define types of building and plumbing work that must be completed by registered or licensed practitioners. Registration and licensing<sup>12</sup> of building and plumbing practitioners provides assurance to consumers that the person engaged to carry out building or plumbing work has the technical and professional skills necessary for the job and provides a mechanism for disciplining individuals who do not carry out work in accordance with work standards.

As of 30 June 2023, there were approximately 23,097 individuals and 11,962 businesses registered across the various building categories, with the most common being domestic builders,<sup>13</sup> and 30,942 plumbers either registered and/or licensed.<sup>1415</sup>

In Victoria, a practitioner’s suitability to be registered or licensed is assessed at initial registration or licensing. To be eligible, a person must successfully complete the relevant academic qualifications and practical experience requirements prescribed in the Building or Plumbing Regulations (or equivalent

<sup>12</sup> The Building Regulations 2018 define eight categories of building practitioner in Victoria. Each category has specific requirements for when a practitioner must be registered with the VBA, the registration classes under each category, and the work that registered building practitioners can lawfully undertake for each class. Plumbing work is delineated between work that can be done by a registered plumber, and work that is required to be done or supervised by a licensed plumber.

<sup>13</sup> Building practitioners includes building surveyors, building inspectors, quantity surveyors, draftspersons who carry on a business of preparing plans for building work or preparing documentation relating to permits or permit applications, builders including a domestic builder, a person who erects or supervises the erection of prescribed temporary structures, and a person responsible for a building project or any stage of a building project.

<sup>14</sup> Plumbing work encompasses any work at a premises that deals with the system of pipes, tanks, fittings, and other apparatus required for the supply or removal of water, sanitation in a building. In Victoria, plumbing work has historically been categorised for regulation purposes as falling into any of the following categories: backflow prevention work, drainage work, fire protection work, irrigation (non-agricultural) work, mechanical services work, refrigerated air-conditioning work, roofing (stormwater) work (including metal roofs), sanitary work, gasfitting work, and water supply work.

<sup>15</sup> Data source VBA Annual report 2022-2023.

competency as determined by the VBA). All plumbers and some categories of building practitioner must also pass a competency exam. All registered building practitioners and licensed plumbers are also required to hold minimum amounts of insurance cover.

As well as providing confidence to consumers, registering and licensing building and plumbing practitioners also provides a mechanism for disciplining individuals who do not meet minimum standards or work conduct.

The Building Regulations 2018 require registered building practitioners to perform their work in a competent manner and to a professional standard, in addition to prescribing or adopting a range of technical standards for how work is to be completed. The Plumbing Regulations 2018 require plumbers to carry out their work in a good and workmanlike manner.

The VBA is responsible for giving effect to the regulatory requirements placed upon building and plumbing practitioners to ensure efficient and competitive building and plumbing work in Victoria.

Under the Act, the VBA's functions include:

- monitoring and enforcing compliance with this Act and the Regulations
- administering the scheme for the registration of building practitioners and the scheme under part 11A for the licencing of building employees
- registering, licensing and disciplining building and plumbing practitioners
- monitoring developments relevant to the regulation of building standards and plumbing standards in Victoria
- responding to general enquiries from the public about the building and plumbing industries
- promoting the maintenance of adequate levels of competence among plumbers
- undertaking inspections, investigations and audits to enforce compliance with relevant legislation
- providing information and training to assist persons and bodies in carrying out functions under the Act or the Regulations
- working with other agencies and regulators to ensure building and plumbing practitioners are compliant and that consumers are protected
- publishing data for building and plumbing practitioners
- overseeing the work of building surveyors and Victoria's building permit system.

The VBA is responsible for approving renewals of registrations and licences. Under the Act, the VBA considers applications for renewal to determine if the practitioner still meets the requirements for registration or licence, as well as any specific other conditions or criteria that may be prescribed.

### 1.3 Calls to improve practitioner competence

While initial registration and licensing are important tools for ensuring that individuals entering the regulated system are competent to carry out building or plumbing work, the regulatory framework does not currently compel all practitioners to undertake activities aimed at maintaining or developing their knowledge and skill beyond this initial point. The only instance in which a practitioner might be required to undertake further training is where the VBA identifies a ground for taking disciplinary action against the practitioner.

There have been numerous independent findings and recommendations to improve the ‘continued competence’<sup>16</sup> of building and plumbing practitioners. These include:

- Victorian Auditor-General’s reports in 2011 (*Compliance with Building Permits*, which recommended the introduction of a system of compulsory continuing professional development for building surveyors)<sup>17</sup> and 2015 (*Victoria’s Consumer Protection Framework for Building Construction*, which recommended the registration regime be reviewed in order to provide assurance that practitioners maintain and update their skills over time and as building practices evolve)<sup>18</sup>
- Victorian Ombudsman Report “Own motion investigation into the governance and administration of the Victorian Building Commission” in 2012<sup>19</sup>, which highlighted various concerns that resulted in a lack of confidence that only competent and suitably qualified and experienced practitioners had been registered to build in Victoria, which the report found represented a substantial risk to the public and the integrity of the licensing regime.
- *Building Confidence — Improving the effectiveness of compliance and enforcement systems for the building and construction industry across Australia* – report by Weir and Shergold, 2018<sup>20</sup>, which recommended compulsory Continuing Professional Development for building practitioners.
- Commonwealth Parliament *Inquiry into Non-conforming building products*, 2018 Final Report, which recommended mandatory requirements for continued professional development for all building practitioners<sup>21</sup>
- Victorian Coroner’s Court Inquest into the Death of Sonia Sofianopolous, 2018, which recommended the introduction of a system of mandatory continuous professional development training for Type A Gas Appliance plumbers as a condition of being registered or licensed<sup>22</sup>
- other sector specific reviews, including the Report by the Victorian Cladding Taskforce in 2019<sup>23</sup>
- Model Guidance on CPD on the National Construction Code and Ethics issued by the Australian Building Codes Board (ABCB) in response to Building Confidence recommendation 3, 2021.<sup>24</sup>

In 2019 the Government appointed an Expert Advisory Panel to conduct a review of Victoria’s building system to identify reforms needed to improve consumer protection and practitioner competence. The Expert Panel has submitted Stage One and Stage Two reports to Government with a range of recommendations to improve Victoria’s building system. The Expert Panel is now undertaking Stage

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<sup>16</sup> For the purposes of this RIS, continued competence is taken to mean: (a) maintenance of the baseline competency standard – i.e., the knowledge and practical experience requirements for registration or licencing; or (b) keeping pace with any technical and legislative changes relevant to the practitioner’s scope of work – i.e., changes to the baseline competency standard. In this context, ‘continued’ or ‘continuing’ refers to maintenance of competency after the initial qualifications necessary to become registered or licensed.

<sup>17</sup> <https://www.audit.vic.gov.au/report/compliance-building-permits?section=>

<sup>18</sup> Victorian Auditor General's Office 2015, *Victoria’s Consumer Protection Framework for Building Construction* <https://www.audit.vic.gov.au/report/victorias-consumer-protection-framework-building-construction?section=>

<sup>19</sup> <http://www7.austlii.edu.au/au/other/VicOmbPRp/2012/12.html>

<sup>20</sup> [https://www.industry.gov.au/sites/default/files/July%202018/document/pdf/building\\_ministers\\_forum\\_expert\\_assessment\\_-\\_building\\_confidence.pdf](https://www.industry.gov.au/sites/default/files/July%202018/document/pdf/building_ministers_forum_expert_assessment_-_building_confidence.pdf)

<sup>21</sup> Senate Economics References Committee

[https://www.aph.gov.au/Parliamentary\\_Business/Committees/Senate/Economics/Non-conforming45th/Report](https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Economics/Non-conforming45th/Report)

<sup>22</sup> [https://www.coronerscourt.vic.gov.au/sites/default/files/2018-12/soniasofianopoulos\\_356617.pdf](https://www.coronerscourt.vic.gov.au/sites/default/files/2018-12/soniasofianopoulos_356617.pdf)

<sup>23</sup>

[https://www.planning.vic.gov.au/\\_\\_data/assets/pdf\\_file/0019/426034/DELWP0124\\_Victorian\\_Cladding\\_Taskforce\\_Final\\_Report\\_July\\_2019\\_v9.pdf](https://www.planning.vic.gov.au/__data/assets/pdf_file/0019/426034/DELWP0124_Victorian_Cladding_Taskforce_Final_Report_July_2019_v9.pdf)

<sup>24</sup> [https://www.abcb.gov.au/sites/default/files/resources/2021/BCR-rec3-Continuing-professional-development-on-the-NCC-and-ethics\\_0.pdf](https://www.abcb.gov.au/sites/default/files/resources/2021/BCR-rec3-Continuing-professional-development-on-the-NCC-and-ethics_0.pdf)

Three, which will provide recommendations to inform the development of a new Building Act. This work is progressing separately from the development of CPD requirements.

#### 1.4 Why continued competence of practitioners is important

With only a small percentage of building and plumbing work inspected or audited by the VBA, consumers are very reliant on the skills and professional integrity of practitioners.<sup>25</sup> The extent to which Victoria's system places the compliance onus on practitioners means that supporting those practitioners to be current, compliant, and professional is particularly important.

Public concern has been noted over recent years about the quality of building and plumbing work in Victoria. Some consumers have been left with defective buildings or plumbing systems requiring costly remedial work.

For example, VBA advises that audits of plumbing work have found non-compliance rates of up to 15 per cent in some areas over recent years, and investigation of complaints has found a high level of incorrect or inappropriate work or work not conducted in good and workmanlike manner.<sup>26</sup>

Lines of accountability for defective work can be unclear, with limited regulatory tools available for regulators to act against poor practitioner performance. Moreover, poor practitioner performance has the general effect of damaging consumer confidence in the overall quality of the building and plumbing industries.

Some of the problems with the quality of building and plumbing work can be attributed to a lack of attention to continued competence.<sup>27</sup> While practitioners may possess all relevant skills and knowledge when they are first registered or licensed, these may reduce over time because they are not being used regularly, or may become outdated as a result of changes in technology, methods, materials or work standards and regulatory requirements.

In the absence of ongoing activities aimed at maintaining competence and up-to-date knowledge and practice, practitioners may develop skills and knowledge gaps, which can significantly impact their ability to remain at the top of their game and perform their work to compliant standards. Sub-standard building or plumbing work may result in a number of harms, including damage to property and financial loss, reputational loss to the practitioner, and negative health and safety outcomes for practitioners, building occupants and other members of the public.

Many building and plumbing practitioners already engage in some form of continuing learning, either through structured programs run by industry associations, through the VBA's Practitioner Education Series or the Australian Building Codes Board's CPD on the National Construction Code, through workplace-based activities, or on their own initiative. It is the view of the Department and industry stakeholders that these have been effective in improving the quality of practitioner work.

Industry-run CPD programs are generally made available to members of associations, but some do allow non-members to join their CPD programs. A number of associations require CPD activities to be completed as an ongoing membership requirement. Industry CPD programs include those run by Master Plumbers, Australian Institute of Building Surveyors (AIBS) and Design Matters. Other industry groups offer training (i.e. courses, etc.) geared towards practitioners who are already licensed or

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<sup>25</sup> In 2020-21, the VBA completed 547 building audits and 7,901 plumbing audits. The low amount of building audits is a result of recent legislative reforms as there was a shift in focus of audits towards the implementation of these reforms and to support practitioners - see page 31: [https://www.vba.vic.gov.au/\\_\\_data/assets/pdf\\_file/0004/144373/VBA-Annual-Report-202021.pdf](https://www.vba.vic.gov.au/__data/assets/pdf_file/0004/144373/VBA-Annual-Report-202021.pdf)

<sup>26</sup> The VBA release plumbing audit reports on a monthly basis which can be accessed here: <https://www.vba.vic.gov.au/plumbing/plumbing-audit-program>

<sup>27</sup> For the purposes of this RIS, continued competence is taken to mean maintaining the baseline level of competency (i.e., the knowledge and practical experience required for registration or licensing) and keeping pace with any technical and legislative changes relevant to the practitioner's scope of work.

registered, such as Construction, Forestry, Maritime, Mining and Energy Union (CFMMEU), the Housing Industry Association (HIA), Master Builders Association of Victoria (MBAV), the Plumbing Industry Climate Action Centre (PICAC) and Swimming Pool & Spa Association of Australia (SPASA).

## 1.5 The authorising environment to introduce CPD

Wide ranging reforms to the registration of building practitioners were made in the *Building Legislation Amendment (Consumer Protection) Act 2016*, aimed at improving confidence in the quality of practitioners. One of the reforms to the registration arrangements was that the Act would allow the Government to specify particular CPD requirements, the completion of which the VBA could take into account when considering applications for renewal of registration.<sup>28</sup> This responded to the various calls to ensure continued competence of practitioners in Victoria.

### Reforms focused on assessment of ongoing suitability of practitioners

Prior to the 2016 legislative amendments, once a building practitioner was registered, there was no duration on registration, meaning they remained registered until a deliberate decision was made to remove their registration. The 2016 amendments limited the period of registration to a maximum of 5 years, at which point practitioners need to apply for renewal. This time-limited approach provided an appropriate point at which the VBA could re-assess whether the practitioner should remain registered. The Act created a number of factors to be taken into account at this assessment point, including whether the practitioner remains competent to do the work authorised by their registration.

A key role of the VBA is to ensure ongoing practitioner competence. It is not practical to assess whether every practitioner has maintained the skills and knowledge necessary for renewal through testing or inspection. Therefore, the amendments to the Act allowed the VBA to take into account upon application for renewal, whether the practitioner has met prescribed CPD requirements. Completion of at least minimum CPD activities (as specified through Regulations) is a cost-effective way of providing greater assurance to the regulator and the community that a practitioner remains competent.

The Act was further amended in 2018 to allow CPD requirements to be prescribed as a condition of renewal of a plumber’s registration or licence. The *Building Amendment (Registration of Building Trades and Other Matters) Act 2018* introduced s. 221ZD(2A)—VBA may refuse renewal if a person has not complied with prescribed CPD requirements.

The amendments allow the minimum CPD requirements to be specified in the respective Building Regulations and Plumbing Regulations.

An overview of how the proposed Regulations fit into the development and implementation of the proposed CPD scheme is shown in Table 1.

**Table 1: Overview of stages completed to date and steps to be completed**

2016	Establishment of the legislative framework for a CPD scheme for building practitioners	The Act was amended in 2016 to allow CPD requirements to be prescribed, within a framework of how the overall CPD scheme would operate, drawing on existing legislative powers of the VBA in relation to renewal applications and disciplinary action. The CPD framework put in place in the Act includes the following elements: <ul style="list-style-type: none"> <li>• CPD requirements apply to individual registered building practitioners.</li> </ul>
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<sup>28</sup> The amendments introduced s. 173(5)(a) of the Act—in considering applications for renewals, the VBA may have regard to whether the practitioner has met any prescribed CPD requirements.

		<ul style="list-style-type: none"> <li>• The VBA has the discretion to refuse to renew a registration if a practitioner has not met the CPD requirements, or it may initiate disciplinary action under the Act.</li> <li>• The VBA will have the discretion to renew a registration or licence if not all CPD requirements have been met, if it considers there are reasons for doing so.</li> <li>• The VBA has powers to determine what information needs to be produced to demonstrate CPD requirements have been met (and may also require information from other parties).</li> <li>• Penalties in the Act for providing false information or refusing to produce information when requested.</li> <li>• Regulations will set out the specific activities that a practitioner will need to do to be considered to have met the CPD requirements under the Act.</li> </ul> <p>The VBA has an existing Compliance and Enforcement Strategy that governs how it approaches enforcement of the Act, including that it will take proportionate and risk-based enforcement action, informed by threshold principles of the rules of evidence and natural justice.</p> <p>There are existing processes under the Act if a person does not agree with the decision of the VBA, including if a renewal application is refused.</p>
2016/17	Preliminary work on a CPD model	Following the 2016 amendments to the Act, the VBA explored how a model of CPD for building practitioners could be implemented. This drew on the experience of the voluntary CPD program run by the VBA's predecessor, the Building Commission, and included consideration of how the VBA would work with industry to oversee the operation of the scheme.
2018	Expanding legal framework for CPD to licensed and registered plumbers	Mirroring the amendments in 2016, further amendments were made in 2018 to establish the same mechanism of CPD for licensed and registered plumbers, drawing on the existing legislative arrangements of renewal, enforcement and disciplinary actions.
2018	Consultation on the Building Regulations 2018 and the Plumbing Regulations 2018	While the remaking of the Building Regulations and Plumbing Regulations in 2018 did not include prescribing CPD requirements, several submissions indicated the need for CPD to support improved compliance. The RIS for the Plumbing Regulations identified the intention to set CPD requirements as a priority area; stakeholders were invited to provide any comments on the types of CPD requirements that should be prescribed. .
2020	Industry consultation on the types of CPD that should be mandated	<p>The Department published a Consultation Paper outlining different options for mandating CPD elements, including options to mandate specific subjects. Forty submissions were received and a survey of practitioners was also conducted, with over 300 responses.</p> <p>The outcome of this stage was a high level of support for progressing minimum mandatory CPD for all practitioners, and the</p>

		feedback informed the next stage of developing detailed CPD requirements (see Appendix A).
2021 - 22	Development of detailed CPD requirements	<p>The Department used the feedback from 2018 and 2020, and analysis of CPD schemes in other professions and in other states, to develop options for setting:</p> <ul style="list-style-type: none"> <li>• what <i>types</i> of activities (i.e., forms of training and in what subject areas) practitioners will need to do to satisfy the CPD requirements</li> <li>• how <i>much</i> of those activities practitioners will need to do.</li> </ul> <p>Options were assessed in terms of feasibility, and costs and benefits.</p> <p>Consideration of those options was informed by research, data, benchmarking against existing CPD schemes in Australia and New Zealand, and a series of workshops with practitioners and key industry stakeholders.</p> <p>A number of stakeholders pointed to the previous CPD scheme that operated (on a voluntary basis) under the former regulator, the Building Commission, and earlier preparatory work undertaken between the VBA and the building industry in 2016/17 to inform what CPD requirements were appropriate. Stakeholders indicated this previous program had merit, particularly in terms of providing a clear statement of requirements and ongoing involvement of industry in working with the regulator. The Department drew on this earlier work in developing the proposed Regulations.</p>
2022 - 2023	Preparation of draft Regulations and RIS	The Department prepared draft Regulations to set out how the scheme is proposed to work, ensuring that the Regulations are consistency with the policy intention and objectives, align with the Building Act, and clearly set out the operational mechanisms for how the CPD scheme will work in practice.
Early-2024	Release of proposed detailed CPD requirements	<p>The Government's draft Regulations setting out the minimum CPD requirements have now been released for public comment.</p> <p>To assist the public to understand how the Government has considered the costs and benefits of different CPD requirements, this Regulatory Impact Statement (RIS) has also been prepared and published.</p>
Early to mid 2024	Public feedback on the proposed CPD requirements	<p>Members of the public are encouraged to provide written comments to the Department about their views on the proposed CPD requirements in the draft Regulations, as well as a public survey seeking feedback on options for CPD.</p> <p>The Department will consider all written feedback and provide advice to the Minister, who will decide whether to make the Regulations, or to make any changes based on the feedback received</p>
Late 2024	Settling CPD Regulations	Subject to public feedback, the Department will review all responses received on the RIS, proposed Regulations and survey questions at the close of the consultation period. Following this review, the Department will make any necessary adjustments to

We are now here



		the proposed requirements and prepare for the new Regulations to be given effect and come into operation.
First half 2025	Preparing for the CPD requirements to commence	<p>Subject to settling of the CPD Regulations, the VBA will prepare information and guidance to assist practitioners understand the requirements, find suitable CPD activities, and understand how to comply.</p> <p>VBA will update its Compliance Policy to set out how it will support compliance with the CPD requirements during the implementation phase.</p> <p>VBA will work with industry members to make any necessary regulatory decisions in relation to the operation of the scheme.</p>
(TBC)	CPD requirements formally commence	<p>Practitioners begin to identify and complete CPD activities. Any CPD activities completed from the time the Regulations are made can be counted towards the first renewal.</p> <p><b>Please note, all dates in the proposed Regulations should be treated as placeholders and are subject to feedback during the consultation period.</b></p> <p>CPD requirements will not commence until at least 6 months after the Regulations are made. Further information about how CPD will be operationalised and when CPD requirements will commence for practitioners will be shared after the RIS consultation process.</p>

## 1.6 Scope of this Regulatory Impact Statement

This RIS assesses the regulatory impacts of the proposed Regulations, which have been published in draft form for public comment, as well as the impact of alternative options considered.

The Government has been engaging with industry and other stakeholders on CPD for a number of years and has already determined to introduce a comprehensive CPD scheme when it amended the Act to support maintaining practitioner competencies as part of the renewal processes. The need for a mandatory CPD scheme was subject to extensive consultation through 2020 through a discussion paper and survey of practitioners. This RIS is the next step, and only focuses on the details of the CPD scheme that needs to be put into the Regulations.

The proposed Regulations are only one component of how the overall CPD scheme will work for building practitioners and plumbers in Victoria. The Act already includes the legal framework for how the CPD requirements will be enforced and the role of the VBA in making decisions about a practitioner's ongoing competencies.

The Act requires that Regulations be made to specify what a practitioner needs to do to be considered to have met their CPD requirements. While the Regulations are required to activate, or give operational effect to, the CPD framework in the Act, they will not prescribe every aspect of how the CPD scheme will work in practice. There are existing powers within the Act that allow the VBA to determine many aspects of the implementation of the scheme, such as demonstrating compliance, auditing, and discretion to be used when a practitioner has not completed the CPD requirements.

At the federal level, similar regulatory activity occurred regarding CPD, notably through the ABCB.<sup>29</sup>

This RIS considers how options about the amount and type of mandatory CPD would contribute to supporting continued competency of practitioners, notwithstanding there may be other opportunities to further address overall quality of the sector through additional actions. Prescribing CPD requirements as part of registration or licence renewal does not prevent consideration of other measures that may improve compliance and confidence in the sector, or the ability to revisit existing parts of the regulatory framework. However, these are outside the scope of this RIS.

The CPD options considered in this RIS apply to registered building practitioners (individuals) and registered and licensed plumbers (including restricted work types), as these are the groups to which the legislative amendments allow CPD requirements to be set. As other building-related trades may become registered in the future, consideration of appropriate CPD requirements will be given at a later time.

It is important to note that engineers no longer form part of the definition of registered building practitioner because in July 2021 the enactment of the *Professional Engineers Act 2019* introduced the Engineer's Registration Scheme for registered and endorsed engineers. This scheme provides for a mandatory assessment scheme that will require professional engineers to meet qualification and experience requirements to be registered, and completion of CPD will be considered as part of renewal for registration and renewal for endorsement (if applicable). CPD requirements have also not been considered for architects whose registration and licensing requirements are governed by the *Architects Act 1991*.

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<sup>29</sup> Forming part of the ABCB's broader response to the *Building Confidence Report*, the ABCB has developed a series of , short, targeted online CPD courses on the NCC for building and plumbing practitioners aim to improve understanding and competent use of the NCC, to be delivered by CPD providers. <https://ncc.abcb.gov.au/education/cpd>

## 2 Problem definition

### 2.1 Evidence of skills and knowledge gaps among practitioners

The problem being addressed by the proposed Regulations is the risk that registered and licensed building and plumbing practitioners are not maintaining or developing their competencies after initial licensing or registration.

#### *Regulatory Perspective*

The VBA's regulatory experience has shown there is a persistent gap in areas of knowledge and skills that have a direct relationship to the risks posed by unsafe or non-compliant building or plumbing work. The VBA has evidence-based experience across the sector that has identified gaps and weaknesses in practitioner performance that are a result of some practitioners not maintaining skills or updating knowledge.

According to the Victorian Auditor-General, a significant number of Victorian consumers experience problems with domestic building work.<sup>30</sup> The 2016 Australian Consumer Survey found at least 17 per cent of consumers who had undertaken home building, renovations, repairs or maintenance in Victoria had experienced a problem.<sup>31</sup> Problems were most likely to be related to poor workmanship.

The VBA received 1,746 plumbing complaints and 1,791 building complaints in 2022-23<sup>32</sup>. Cases of non-compliance from investigation indicates unacceptably high rates of failures including incorrect sizing of materials and poor installation. This suggests that there is significant scope to improve sector compliance.

There is no specific data on the extent to which a lack of continued competency contributes to individual instances of non-compliance or sub-standard work. Often the cause is not directly identified, and evidence for emerging skill gaps may only be evident by examining patterns over time for individual practitioners.

#### *Current Practitioner Status Quo*

As outlined in Chapter 1, many practitioners already undertake CPD activities, either as voluntary activities or as part of membership of an industry body. There are already strong incentives for practitioners to maintain their competencies. This includes professional reputation for the quality of work, avoidance of customer disputes and the costs associated with rectification, and the potential for audits or investigation of complaints by the VBA that could result in disciplinary action against the practitioner.

Based on discussions with stakeholders, including industry groups and providers of current CPD programs and activities, the Department understands that around one third of practitioners already undertake some form of structured CPD activities to an acceptable level, and a further one third do a range of informal activities that involve some amount of skills maintenance or development.

Nevertheless, the Department considers that the total amount of activity currently aimed at addressing continued competency is inadequate for practitioner groups as a whole.

Many practitioners work diligently to ensure they remain up to date both technically and in relation to understanding regulatory and business requirements. However, despite this, it is possible for practitioners' skills and knowledge to decline in areas they do not regularly work in (but are entitled to perform under their licence or registration), and for it to be difficult to maintain currency in a complex and often changing external environment. The regulatory objectives relating to work quality,

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<sup>30</sup> Victorian Auditor General's Office 2015, Victoria's Consumer Protection Framework for Building Construction.

<sup>31</sup> The survey showed that the building industry ranked fourth out of 22 sectors, behind telecommunications (ranked 1) and above utilities (ranked 6).

<sup>32</sup> Data source VBA Annual Report 2022-2023.

work safety and consumer protection need to be seen in the context of community expectations about quality, technical changes, environmental changes (e.g., sustainable buildings), and how these factors are also reflected in frequent changes to regulated work standards and practices.

Therefore, the Department considers the current level of attention given to continued competence is too low, which is a risk to the ongoing quality and safety of building and plumbing work. Without a re-focused effort to bring about a step-change in continued competence, this risk will grow in the future.

The VBA currently audits around 2 per cent of plumbing compliance certificates lodged per year, and inspects around 10 per cent of new building permits issued per year.<sup>33</sup> Hence, some non-compliant work is likely to go unreported or undetected, and the need for a consistent level of competency in the industry is paramount. It would not be feasible for the VBA to audit every building and plumbing job that is completed, hence the Government decision to allow the setting of CPD requirements as a condition for renewal of registration and licences to increase compliant work.

### *Industry Stakeholder Perspectives*

The need to mandate minimum requirements for completing CPD activities has received support from stakeholders.

Feedback from stakeholders indicates a high incidence of complaints from consumers concerning building work, much of which is due to non-compliance with relevant standards, which may stem from changing standards over time and a failure by practitioners to maintain currency of knowledge. Stakeholders have perceived a failure by some practitioners to keep up to date with changes to legislation, Regulations, or other requirements.

There is broad acknowledgment within the building and plumbing sectors that further efforts to improve continued competency are warranted. In mid-2020 the Department published a Consultation Paper seeking feedback on options for introducing CPD requirements in Victoria. Over 40 responses were received, including from the PICAC, AIBS, HIA, MBAV, SPASA and Master Pool Builders Association Australia (formally SPASA Victoria) (MPBAA), and Master Plumbers.

One plumbing stakeholder recommended CPD should be a mix of compulsory and non-compulsory units and argued that CPD needed to be designed and led by industry, outcome focused, integrated with existing regulatory framework, relevant to the individual and time and resource efficient.

A submission received from a building industry stakeholder supported mandatory CPD for building surveyors and inspectors as a component of a holistic professional accreditation scheme managed by professional industry associations who are approved by Government. They expressed the view that to ensure that only competent and relevant training is provided, only an RTO, government authority, or a professional industry organisation should be authorised to deliver CPD training.

Another building stakeholder supported CPD but with no compulsory units. It was their view that this provided the strongest flexibility for participants to tailor courses or leaning to suit their particular needs. They also noted that any mandatory CPD should be driven by industry and should address issues relevant to the practitioner or contractor's business.

Other building industry stakeholders noted their longstanding support for the implementation of CPD for registered builders, noting its importance for continued safety and quality outcomes within industry and that practitioners maintain their skills and qualifications over time. They supported CPD with a mix of compulsory and non-compulsory units, providing practitioners with flexibility to gain CPD points in areas of relevance to a practitioner's business. It was also noted that any CPD points must only be prescribed where it is relevant to a practitioner's scope of work and that any proposed Regulations should reflect prescribed CPD training relevant to each category of registration.

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<sup>33</sup> VBA Annual Reports.

A plumbing industry stakeholder indicated support for the implementation of CPD for registered and licensed plumbers, expressing that the costs will be outweighed by the benefits CPD will bring. They supported CPD with a mix of compulsory and non-compulsory units and include technical and non-technical units. There was a preference for an industry-informed CPD program and that an industry representative panel should be established to decide on the delivery and logistical challenges that may present during its implementation.

Overall, the majority of responses received from industry organisations indicated the following conclusions:

- Industry organisations believe identified non-compliances are linked to a lack of specific knowledge or currency of experience by the practitioner and limited oversight or inspection by the regulator. The status quo is not delivering adequate levels of ongoing practitioner competency, which is exposing consumers and the community to unnecessary risks.
- The nature of the modern plumbing industry is such that a one off, point in time qualification is not an adequate means of ensuring practitioner competence. In an industry as dynamic as plumbing – where new innovations, technologies, systems, techniques, and materials are being developed, and incorporated into the built environment every day – ongoing, post trade qualification training is not a “nice to have”, but is vital and necessary to ensure currency.
- There is anecdotal evidence of poor performance in technical and legislative compliance. An understanding of legislative and technical requirements for building work is not shared across all industry participants and results in inconsistent quality outcomes. There is confusion over whether they are compliant or not, noting that some areas of regulation are open to interpretation.
- There is some evidence that a number of practitioners have a less than adequate knowledge in a range of areas, often depending on the number of years of experience. There is a lack of understanding of relevant legislative and regulatory requirements in some areas, with lack of knowledge of the National Construction Code (NCC) and Building Code as identified areas.

Other key comments from industry supporting the need to introduce CPD requirements for all practitioners is included at Appendix A.

A university representative noted that the current system of relying solely on the professionalism and goodwill of practitioners to maintain their skills has allowed some people to continue to practice without updating their skills and knowledge. This can have serious implications for individual clients, the industry, and the community more broadly.<sup>34</sup> It is clear that most practitioners work diligently to ensure they remain up to date both technically and in relation to understanding regulatory and business requirements. However, it is possible for people to lose skills and knowledge in areas they do not regularly work in, and for it to be difficult to maintain currency in a complex and often changing external environment. Providing opportunities for practitioners to undertake relevant, practical and current training is therefore critical.<sup>35</sup>

A submission from a consumer legal service outlined the increased demand for legal help from low-to-middle income homeowners who have stretched themselves financially to buy, build or renovate a home and cannot afford unexpected legal expenses if a building dispute arises. Data from the submission in relation to the primary cause of domestic building disputes with which it assists homeowners shows that around 60 per cent of domestic building disputes stem from defective work.<sup>36</sup> Their research also observed that some practitioners appear to misunderstand legislative requirements governing domestic building contracts, which is a contributing factor to how domestic

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<sup>34</sup> Swinburne University of Technology submission

<sup>35</sup> Ibid.

<sup>36</sup> Justice Connect submission

building disputes arise and escalate. In such instances, the resultant loss is often borne by consumers while practitioners continue similar practices unless they are subject to disciplinary action.

As noted above, some industry associations require their members to undertake regular CPD activities and/or provide CPD activities for their members (often at no additional cost). These steps by industry create incentives for practitioners to already undertake a large amount of CPD.

Table 2 below, which was compiled for a report prepared for the ABCB, summarises the CPD requirements and provisions by some professional bodies.

**Table 2: CPD requirements and provision by some professional bodies<sup>37</sup>**

Organisation	Points	Delivery partner & Platform	Notes
Australian Institute of Building	70 points over 3 years	PointsBuild AstaPower Project	Available to non-members
Australian Institute of Building Surveyors	30 points per year		Mandatory to maintain accreditation. Free to members. Explicit requirement to know Building Codes and applications. Delivered through state and territory chapters.
Australian Institute of Architects	Mandatory, minimum 20 points per year		Mandatory 20 hours of CPD every year for A+ registration. Delivered through state and territory chapters.
Master Plumbers	Encouraged to complete 12 points per year	WebEx	A range of CPD via PICAC + seminars on different topics around Australia. Some in partnership with other organisations.
Design institute of Australia	Yes mandatory	Multiple CPD avenues	DIA courses and any other courses approved for points. State and territory branches
Institute of Quantity Surveyors	Yes, 20 points per year	Multiple CPD avenues	
Engineers Australia	Yes		150 hours of CPD over three years. However, there is no course directly related to the NCC.

Source: CIE (2021)

In addition to those listed above, other industry organisations such as the Royal Institution of Chartered Surveyors (20 hours per year, 10 hours of which are structured learning activities), Swimming Pool and Spa Association of Australia (12 points per year under various pathways) and the Australian Institute of Refrigeration, Air conditioning and Heating (AIRAH) run CPD programs for their members. Other industry organisations including MBAV and HIA, offer training modules that can be used towards CPD requirements. While not specifically delivering complete CPD schemes, this indicates a trend towards industry uptake in ongoing training and skill development.

However, it is the experience of most stakeholders that current voluntary CPD schemes do not typically attract the practitioners who are most likely to need the technical, competence or compliance related training. It is noted that while there is a large amount of high-quality CPD

<sup>37</sup> Table extract adapted from the Centre for International Economics, *Building Confidence Report – A case for intervention*, prepared for the Australian Building Codes Board, July 2021. In general, one hour of CPD activity accrues one CPD point, although there are variations with different professional bodies and government requirements.

provided by industry associations to their members, not all practitioners are members of relevant industry associations.

Stakeholders also suggested that some practitioners will undertake little or no CPD unless their professional body has it as a compulsory requirement. Non-compulsory CPD provides a risk to practitioner's clients, as those clients would have reasonable expectation that the professional being engaged is aware of current performance measures, regulations, standards, etc.

Industry association stakeholders agreed that the status quo is not delivering adequate levels of ongoing practitioner competency, which is exposing consumers and the community to unnecessary risks. CPD is not seen as a panacea, although it is an important tool in terms of improving practitioner competence (and by extension consumer and community safety). CPD can help build industry capacity and resilience, which is so important in a rapidly changing and increasingly complex sector, with a high-risk profile.

Mandatory CPD has long been used in professions such as law and medicine. In recent years it has become more common in other sectors, such as electrical work. CPD for building and/or plumbing practitioners has been in place for a number of years in Tasmania, New South Wales, and New Zealand, and has been proposed for introduction in Queensland and the Northern Territory. Prior to 2013, the then Building Commission in Victoria ran a voluntary CPD scheme for the Victorian building sector.<sup>38</sup> The problem with ensuring continued competency of practitioners is not unique to Victoria, and most other states have or are in the process of implementing mandatory CPD schemes.

## 2.2 The size of the problem

As indicated above, it is difficult to quantify how much skills and knowledge gaps are resulting in poor quality work and additional costs.

Analysis undertaken by the Centre for International Economics in 2021 to support the work of the Australian Building Codes Board's implementation of the recommendations in the Building Confidence Report<sup>39</sup> estimated that the total direct costs for Australia of problems associated with defects due to non-compliance of building work were in the order of \$2.5 billion per year. The share of these costs for Victoria, based on potential scope for improvement, was around \$900 million.<sup>40</sup>

A survey of industry stakeholders undertaken for that analysis indicated that a lack of competence of some building practitioners was seen as a leading cause of the problems, particularly for work on residential buildings. A survey of practitioners indicated that around 80 per cent of respondents considered a lack of competence contributed to the size of the problem.

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<sup>38</sup> The Centre for International Economics, *Building Confidence Report – A case for intervention*, prepared for the Australian Building Codes Board, July 2021

<sup>39</sup> The Centre for International Economics, *Building Confidence Report – A case for intervention*, prepared for the Australian Building Codes Board, July 2021

<sup>40</sup> This cost estimate included costs such as rectification costs, additional time costs, and property damage, but did not include other costs associated with poor quality work, such as evacuation costs, higher insurance costs, impacts on property values, legal costs, and stress and anxiety. These costs may be higher than the direct costs.

## 3 Objectives

Regulatory objectives should seek to address the core problem, that practitioners are not maintaining or developing their competencies after initial licensing or registration. The objectives of the proposed Regulations must be consistent with any relevant existing policies, broader Government objectives, and should assist in identifying what options for action are feasible.

This Chapter sets out the legislative and policy objectives the Government aims to support via the proposed Regulations.

### 3.1 Legislative objectives

The objectives of the Act<sup>41</sup> are:

- (a) to protect the safety and health of people who use buildings and places of public entertainment;
- (b) to enhance the amenity of buildings;
- (c) to promote plumbing practices which protect the safety and health of people and the integrity of water supply and waste water systems;
- (d) to facilitate the adoption and efficient application of:
  - (i) national building standards; and
  - (ii) national plumbing standards;
- (e) to facilitate the cost effective construction and maintenance of buildings and plumbing systems;
- (f) to facilitate the construction of environmentally and energy efficient buildings;
- (g) to aid the achievement of an efficient and competitive building and plumbing industry.

Relevant to domestic building work, the objects of the *Domestic Building Contracts Act 1995*<sup>42</sup> are:

- (a) to provide for the maintenance of proper standards in the carrying out of domestic building work in a way that is fair to both builders and building owners; and
- (b) to enable disputes involving domestic building work to be resolved as quickly, as efficiently and as cheaply as is possible having regard to the needs of fairness; and
- (c) to enable building owners to have access to insurance funds if domestic building work under a major domestic building contract is incomplete or defective.

VBA's functions under the Act<sup>43</sup> include, among others:

- monitor and enforce compliance with the Act and the Regulations
- supervise and monitor the conduct and ability to practise of registered building practitioners
- make recommendations to the Minister about the qualifications for registration of building practitioners
- promote the maintenance of adequate levels of competence among plumbers
- provide information and training to assist persons and bodies in carrying out functions under this Act or the Regulations.

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<sup>41</sup> Section 4 of the *Building Act 1993*

<sup>42</sup> Section 4 of the *Domestic Building Contracts Act 1995*

<sup>43</sup> Section 197 of the *Building Act 1993*



As noted above, the Act was amended in 2016 and 2018 to provide for the setting of CPD requirements. At the time the respective amendments were introduced into the Parliament, the Minister for Planning stated that the purpose of the amendments was:

- to restore confidence for both consumers and building practitioners and underpin further growth in the state's \$28 billion building industry; and achieve quality-built outcomes<sup>44</sup>
- to ensure plumbing practitioners' skills and training are keeping pace with changes to industry.<sup>45</sup>

The existing framework in the Act will allow for the administration of the CPD scheme and includes the following elements:

- CPD requirements apply to registered and licensed plumbers and individual registered building practitioners.
- The VBA has the power to refuse to renew a registration or licence if a practitioner has not met the CPD requirements, or it may initiate disciplinary action. Conversely, the VBA may still renew a registration or licence if not all CPD requirements have been met, if it considers there are reasons for doing so.
- The VBA has powers to determine what information needs to be produced to demonstrate CPD requirements have been met.
- There are penalties in the Act for providing false information or refusing to produce information when requested.
- The specific activities that a practitioner will need to do to have met the CPD requirements under the Act will be set out in Regulations.

### 3.2 Policy objectives

The Department works to ensure the effective and efficient operation of the state's building system. The Government is continually looking at ways in which the building system in Victoria can be improved to ensure the safety, liveability and sustainability of the built environment.

The Department works to deliver safe, quality buildings with effective consumer protections, through a sustainable building industry. Policy objectives include:

- safe, compliant, durable, affordable and sustainable housing and buildings
- protected consumers and improved confidence in the industry and its regulators
- skilled and experienced practitioners to carry out compliant and safe practices
- support to regulators to effectively and efficiently enforce compliance.

### 3.3 Objective of the proposed Regulations

Recognising the nature and extent of the problem discussed in Chapter 2, the proposed Regulations will specify the CPD requirements that must be completed by practitioners in order to have their registration or licence renewed. The proposed Regulations take into account the policy objectives noted above.

The objectives of the proposed Regulations are to:

- provide a high level of assurance (to Government and the community) that registered and licensed practitioners have skills and knowledge that are up to date
- minimise costs to consumers arising from poor quality work and to minimise costs for rectification

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<sup>44</sup> Second Reading speech, 10 December 2015

<sup>45</sup> Second Reading speech, 7 August 2018

- impose as low a cost burden as possible on practitioners
- recognise the wide range of ongoing learning activities that many practitioners already choose to undertake, while recognising that others may need some time to transition to new activities.

## 4 Options

### 4.1 The status quo

The status quo is the forward-looking situation that would occur if the proposed Regulations (or alternative actions) are not put in place. That is, the continuation of the existing arrangements where there are no prescribed CPD requirements that are required to be met as a standard condition for the renewal of registration or licences of practitioners.

Under the existing arrangements, there is scope for the VBA to set conditions on renewals on a case-by-case basis in consideration of evidence of non-compliance by an individual practitioner. This is not done in practice as it would be administratively complex and cumbersome for the VBA to assess the needs and set specific CPD requirements for each individual practitioner.

As noted in Chapter 2, up to two-thirds of practitioners already do some form of CPD, including some activities that may not be actively considered CPD, but do provide a means of skills or knowledge acquisition. However, the amount of CPD currently completed varies greatly, with some practitioners doing a large amount of CPD (for example, as a requirement for membership or accreditation of an industry body), while others may do a bare minimum.

Under the status quo, the Department expects there would be a gradual (slight) trend towards more practitioners voluntarily pursuing CPD activities. While there is evidence that the CPD programs being delivered in industry are improving competencies in general, which also reduces defective work, the overall scale of poor-quality work resulting from competency gaps would remain significant.

### 4.2 Options for CPD

The Department has considered a range of different approaches and CPD models, drawing on the experience of CPD schemes in other professions and other states, and the previous voluntary CPD scheme run by the Building Commission. Particular regard was given to feedback from industry stakeholders (representative bodies as well as individual practitioners and businesses) as elements of the scheme were workshopped and developed. Stakeholders agreed that a successful CPD scheme must be:

- Flexible—practitioners should be empowered to make choices about CPD activities that are most relevant to their particular work, including whether activities are used to maintain or refresh existing skills or to develop new skills.
- Accessible—relevant CPD activities should be readily available to practitioners regardless of their location, or time at which they are able to do activities. Stakeholders recognised that the cost of CPD activities may be a barrier to some practitioners, and therefore a CPD scheme should allow as far as reasonably possible, practitioners to choose zero or low-cost activities.
- Of educational value to the practitioners—while the Government’s concern is to ensure continued competency to benefit the end consumer, success of the CPD scheme will depend on practitioners gaining a direct benefit themselves (e.g. avoided costs of disputes, improvements to reputation, and the opportunity to learn and develop new skills to compete in more technically complex areas) from undertaking CPD activities, rather than being seen as a mere compliance requirement.
- Simple and consistent—CPD requirements should be easy to understand and comply with.
- Able to incorporate existing CPD activities—as far as possible, practitioners that are already doing CPD activities should be able to continue those activities and have them recognised. These include existing CPD programs and courses run by industry organisations, as well as less formal activities such as subscriptions to trade journals, on the job training, and industry events.

Importantly, stakeholders agreed that a successful CPD program must have industry at the centre, rather than being driven by Government mandates. While the legislative and regulatory realities necessitate certain requirements to be set by Government or by the regulator to enable an effective compliance and enforcement approach, the Department intends that industry participants will play a major role in steering the program as it commences and continues.

#### 4.2.1 Core elements common to all CPD options

The Department recognises that skills and knowledge can be acquired through a wide range of activities, and practitioners will have different preferred learning styles. In all the options assessed in this RIS, CPD activities would draw from a wide scope of recognised activity types, including structured courses (both in-person and virtual), formalised on-the-job training, private study, seminars, workshops, conferences, forums, information or trade sessions, short courses, technical training or demonstrations provided by manufacturers, supervision of apprentices or trainees or mentoring of apprentices or trainees. The options discussed below will differentiate between the degree of practitioner choice between the different activity types.

Consistent with the overall objectives of the Act and the Government's building policy, CPD would be recognised in any of the following subject areas:

- Technical knowledge—refreshing, updating or developing skills and knowledge about relevant work codes and standards, legislative or regulatory requirements, work methods, products, materials or technologies, which are directly relevant to work authorised to be carried out by the building practitioner or plumber.
- Ethical and professional conduct—refreshing, updating or developing knowledge and skills about working honestly and in good faith, working with integrity, being accountable for responsibilities, managing conflicts of interest, working openly and constructively with regulators, dealing with clients and other industry participants fairly and equitably, and understanding and applying any relevant industry codes of conduct.
- Workplace safety—refreshing, updating or developing skills and knowledge about the health, safety and welfare of any person while carrying out authorised work, the elimination of risks to health or safety of any person, ensuring that health and safety of members of the public is not placed at risk while carrying out authorised work, and learning about safe work practices or technical standards that relate to the safety of persons who use buildings.
- Business management (e.g. financial skills, consumer rights, dispute resolution, business planning, communication skills, adaptability, professionalism, cross-cultural competence, conflict management and customer service).
- Sustainability (e.g., energy and water efficiency, use of sustainable materials).

These subject areas are intended to be broadly interpreted, although the subject areas of technical knowledge, workplace safety and ethical and professional conduct have specific definitions in the proposed Regulations to ensure they focus on the particular types of activities that have been identified as areas of particular importance.

The options discussed below will differentiate between the degree of practitioner choice between the different learning subject areas.

Finally, all options discussed below apply CPD requirements to all registered building practitioners and all registered or licensed plumbers.

## 4.2.2 Options assessed in this RIS

### *Overview of options assessed*

There are three core options identified and assessed in this RIS, although they should be considered as specific examples along a continuum of design choices. The differences between the options are primarily in two features:

- *How much* CPD should be required in total; and
- *What kinds* of CPD activities should be required.

While the first question considers the amount of CPD activities, the second question deals with more nuanced choices about how much flexibility and choice should be given to the practitioner versus how much should be mandated by Government in particular subject areas or types or learning, that the Government and regulator thinks is necessary.

In terms of setting the *amount* of CPD required, there are a number of possible approaches. While ideally the amount of CPD a practitioner does should be based on the needs of that individual (for example, following a skills gap assessment), this would be overly complex to administer and enforce. Most other CPD schemes use a points-based approach, where points are generally linked to the time spent on an activity, with some variability between jurisdictions in how points are calculated or capped. The Department considers the simplest approach is for 1 hour of completed activity to equal 1 point, with an ability for the VBA to limit the number of the points counted from some types of activities.

The objective of a mandatory CPD requirement is not to estimate the specific learning needs of each practitioner, or necessarily the average, but to set a minimum amount that all practitioners should be expected to do. For some practitioners, the minimum amount may be enough (and they may be meeting this requirement already) to meet their knowledge gaps over time; for others, the prescribed amount could be far less than what they actually require. The options do not seek to address every practitioner's potential knowledge gaps, but to provide an assurance that all practitioners are spending at least that minimum amount of time maintaining or developing their skills, and thereby raise the overall continued competency of the industry.

The Department considered options varying according to these parameters:

**Option 1: Practitioner-led approach:** Regulations would prescribe the amount of CPD that must be completed within the practitioner's registration/licence period, but would not mandate in which of the above subject areas or types of activities those points could be earned; this would be decided by the practitioner provided the activities are relevant to their scope of work and have a genuine learning outcome. Two variations were considered:

1a—a low amount of CPD (6 points per year), and

1b—a high amount of CPD (20 to 30 points per year).

**Option 2: Government-directed approach:** Regulations would prescribe the amount of CPD that must be completed by practitioners within their licence/registration period, with the number of points to be completed within each of the above subject areas and types of activities to also be prescribed in Regulations or set each year by the VBA. Two variations were considered:

2a—a low amount of CPD (6 points per year), and

2b—a high amount of CPD (20 to 30 points per year).

**Option 3: Combination approach:** Regulations would prescribe the total amount of CPD that must be completed by practitioners within their licence/registration period and require that some of that total be completed in particular subject areas and types of learning activities, with the remaining balance of points to be determined by the practitioner. This option would also allow for some flexibility to

guide some subjects and activities over time, with a prominent role for industry groups to participate in determining any specific mandates and in guiding the overall direction of the scheme.

**Option 3 provides a choice of two pathways for practitioners:**

**Pathway A:** to identify and complete individual CPD activities that will satisfy the minimum requirements set out in the Regulations.

**Pathway B:** to enrol in and complete the requirements of an approved industry-based CPD program.

**Options 1a and 1b** are considered ‘light touch’ interventions from a regulatory point of view. They set a total amount of CPD that each practitioner should complete (either high or low) and allow each practitioner to determine in which of the range of allowed subject areas, and in which of the allowed types of learning, those CPD activities occur.

For example, under Option 1a or 1b, a registered building practitioner may choose to complete all required points in formal courses run by an RTO to refresh or develop the technical skills required by their registration, or choose to do most or all of their required points in the form of private study in the areas of sustainability and business financial planning.

Under this option there would be no mandatory subjects or forms of learning activity, and no role for the VBA to identify sector-wide skill or knowledge gaps. The onus would sit with the individual practitioner to determine what their learning needs are, and which of those to focus on through CPD activities. It is expected that practitioners who are employees would discuss their ongoing learning needs with their employers, which may influence the activities they complete. Similarly, practitioners who complete CPD activities through industry organisations may also be influenced by the particular courses offered. The practitioner would be required to keep records of their activities (including personal logs) to be able to demonstrate to the VBA that they have completed the required points in one or more of the above subject areas.

On the other hand, **Options 2a and 2b** are highly prescriptive approaches. In addition to setting the total amount of CPD to be completed (either high or low), the VBA would also determine how the total amount should be allocated to particular subject areas (or even to more specific topics), skill gaps, or particular courses. The Government would determine in what form each component of CPD must be undertaken. There would be limited choice for the individual practitioner, as the requirements would largely be driven by industry-wide competency gaps.

For example, under Option 2a or 2b, the VBA could set a complete list of all specific courses and learning topics that all practitioners must complete to satisfy the CPD requirements. These lists could be specific to a category or class of practitioners, but there may also be common compulsory subjects for all practitioners. There would be no choices for individuals to address their own competency gaps. This option relies on the VBA identifying industry- or category-wide skills gaps and applying a ‘once size fits all’ approach to setting CPD mandatory subjects, based on audit and investigations data.

As with Options 1a and 1b, each practitioner would be required to keep records of their completion of each mandatory course and provide this information to the VBA. Compliance activities may be simpler where all practitioners are doing the same courses, which may allow the VBA to work directly with each training provider to validate practitioners’ attendance.

*How Option 3 will work in practice*

Option 3 is designed to balance these extremes. The Department assessed options for the CPD requirements, with an aim of being flexible across different work classes and over time, relevant to both individual and industry needs, and also be easy to administer from a compliance point of view. Importantly, as far as possible, the Department wanted an option that put industry engagement and involvement at the centre of the ongoing operation of the scheme.

Option 3 therefore comprises:

- Setting a baseline minimum CPD requirements that apply to all practitioners. This is expressed as a total amount of CPD activities that must be completed within each registration period (or three licence periods for licensed plumbers), and a requirement that a proportion of those CPD activities be completed in some high-level subject areas. These baseline requirements are:
  - For registered building practitioners, at least 60 points of CPD activities within their 5-year registration period. A minimum of 30 points must be completed in the subject area of technical knowledge, a minimum of 5 points in workplace safety and a minimum of 5 points in ethical and professional conduct.
  - For licensed plumbers, at least 36 points of CPD activities within every 3 licence renewal cycles. A minimum of 18 points must be completed in the subject area of technical knowledge, a minimum of 3 points in workplace safety and a minimum of 3 points in ethical and professional conduct.
  - For restricted licensed plumbers, at least 18 points of CPD activities within every 3 licence renewal cycles. A minimum of 9 points must be completed in the subject area of technical knowledge, a minimum of 3 points in workplace safety and a minimum of 3 points in ethical and professional conduct.
  - For registered plumbers (including restricted registered), at least 18 points of CPD activities within their 3-year registration period. A minimum of 9 points must be completed in the subject area of technical knowledge, and a minimum of 3 points in workplace safety.

These amounts were based on a consideration of the roles and responsibilities of practitioner types, and feedback from industry.<sup>46</sup>

Where a registration or licence is granted for less than the usual period, the CPD requirements will be reduced on a pro-rata basis.

- The minimum number of points to be completed in the subject area of technical knowledge must also be completed through certain training providers (referred to as ‘structured learning’ in the proposed Regulations). This is to ensure that at least a proportion of the CPD activities is delivered through learning that provides greater assurance of knowledge that is relevant to industry and results in skills acquisition. In practical terms, this component of the CPD activities will be required to be completed through a university, TAFE institute, RTO, or a CPD course or activity delivered by or on behalf of the Australian Building Codes Board or a Government sector body. There will also be an ability for the VBA to approve other providers of structured learning, including non-RTO providers, where appropriate.
- The onus would be on the practitioner to demonstrate to the VBA how the activity had a genuine learning outcome relevant to their work.

This approach is broadly consistent with CPD requirements in other states, such as New South Wales, Queensland and Tasmania.

There is significant variability across the various practitioner categories and classes in terms of training need and professional development appetite. However, rather than set out specific CPD details in the Regulations, it is the intention that the VBA will work with industry to provide further

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<sup>46</sup> For building practitioners and registered plumbers, the total CPD requirements can be completed at any time during the registration period (generally 5 or 3 years, respectively). Plumbing licences are renewed every year; however, the proposed Regulations will allow total CPD requirements to be smoothed over 3 consecutive renewals. This is in recognition that the most useful CPD activities may not be run every year (or of benefit if done every year)—for example, standards are generally only updated every few years. Prescribing CPD requirements over a number of years provides flexibility that a practitioner can choose the most relevant activities. However, there may be some activities that VBA requires to be completed on a more frequent basis.

detailed requirements in response to competency gaps. The proposed Regulations specify that any further minimum requirements set by the VBA will be limited only to the technical knowledge point requirements, and within the minimum points requirements set in the Regulations (that is, within the 30 technical knowledge points required for building practitioners for example). The VBA will be able to:

- set a minimum number of points on a particular technical knowledge topic (for example, by requiring practitioners to complete a particular topic or course)
- set a minimum number of points in a particular eligible activity in technical knowledge
- set a minimum number of points in eligible activities delivered by a particular provider of structured learning
- specifying periods of time in which any of the requirements must be completed (for example, requiring some activities to be completed annually).

Additionally, the proposed Regulations allow the VBA to specify further eligible activities for a practitioner, activities which are ineligible, or limit the number of points that can be completed on a particular CPD activity. This will allow industry expertise and data collected by VBA on areas of non-compliance with the Building or Plumbing Regulations, the NCC and other relevant building standards, to inform CPD requirements. This will ensure the highest level of effectiveness of the scheme, and that CPD requirements remain relevant to industry. Under the proposed Regulations, the VBA will be required to consult with industry when making decisions to further specify the minimum requirements.

These further decisions by the VBA could apply to all practitioners, but it is more likely they will be tailored to individual practitioner classes or categories. This will allow expertise across industry and data collected by VBA on areas of non-compliance to be used to tailor CPD requirements for different groups on an ongoing basis, to ensure the highest level of effectiveness and to ensure the CPD requirements remain relevant to industry.

### *Option 3 includes two pathways towards compliance*

Option 3 includes the opportunity for two pathways towards compliance. As noted above, many practitioners already undertake CPD activities through industry-run CPD programs, often provided to members of industry associations. This option allows practitioners who are already doing industry-based CPD programs to continue to do so, by exempting a person from having to meet the above requirements if they instead are enrolled in and meet the requirements of an industry-based CPD program relevant to their registration or licence.

For simplicity, compliance with the specific CPD points requirements set out in the above section is referred to as 'Pathway A', while the alternative compliance pathway that recognises industry-run CPD programs is referred to as 'Pathway B'.

For Pathway B, industry-based CPD programs may only be approved where they, taken as a whole, contribute to the continued competency of the practitioner at least as much as the requirements in Pathway A, and there are appropriate safeguards to assure compliance. This will be assessed by the VBA on a program-by-program basis. Once a CPD program is approved, the VBA will rely on the industry association to verify that a practitioner has completed the requirements of that program, rather than require the individual practitioner to demonstrate compliance.

### *Role of VBA under the options*

Under all options, the VBA will have its legislative functions<sup>47</sup> in relation to CPD, being:

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<sup>47</sup> The Act already provides these functions for the VBA, so the proposed Regulations do not need to set out any new processes or powers.



- to provide guidance and support to practitioners to assist them in complying with the CPD requirements
- to satisfy itself as to whether a practitioner has met the prescribed CPD requirements, including by requesting information and evidence, and through audits and other investigations
- to take into account a practitioner’s compliance with the CPD requirements when assessing applications for renewal of registration or licence, in particular including determining when renewal may be approved even if all requirements have not been met
- to consider whether any other disciplinary actions should be taken for a practitioner that has not met the CPD requirements.

Under Option 1, the VBA (and the Government) would have limited involvement in overseeing what CPD activities are done by practitioners, beyond setting the initial definition of eligibility activities. The ongoing role of the VBA is to check that practitioners have completed the minimum amount of CPD.

On the other hand, under Option 2, the VBA (with additional involvement by Government) would play an active role in determining which CPD activities all practitioners need to complete, including the learning topics, forms of learning and frequency. This would include setting initial requirements for all practitioners, as well as regularly reviewing and updating the requirements. Aside from setting these requirements, the day-to-day role of the VBA would be to check that practitioners have completed the minimum amount of CPD in all of the specified mandatory CPD activities.

Under Option 3, there is a larger role for the VBA (working closely with industry) in the establishment and ongoing operation of the CPD scheme. The additional functions and powers of the VBA will include:

- Protecting the integrity of the CPD scheme by deeming certain activities to not be eligible to count towards the CPD requirements, or limiting the number of points that can be claimed against some types of activities. This will be considered on a case-by-case basis if, for example, it emerges there are instances of widespread use of certain activities that have little value (e.g. an event that calls itself a learning event but provides no actual learning to attendees).
- Further specifying how the minimum points in the subject area of technical knowledge need to be made up—for example specifying particular topics, types of learning activities, specific training providers, or timeframes within which some activities need to be done. This will be considered for individual classes, categories or groups of practitioners based on data about compliance and knowledge gaps.
- For the CPD activities that must be done through providers of structured learning, the VBA will have the discretion to list additional training providers that will be within this category of CPD activities (in addition to those already included in the proposed Regulations such as RTOs, and government agencies). Additional training providers can only be listed if they meet certain criteria in the proposed Regulations to ensure they provide high quality training. In practice, there may be limited need to list additional providers; it is likely only to be used where the VBA considers there is insufficient capacity or availability of courses by RTOs.

Related decisions can be made at any time under the proposed Regulations. In relation to all the above functions, the VBA will need to consult with industry on proposed decisions when specifying CPD requirement for practitioners requirements. It is expected that the VBA will establish consultation mechanisms to facilitate ongoing consultation with industry in the exercise of these functions.

The above functions relate to the implementation of the CPD requirements under Pathway A. For Pathway B, the VBA will have the role of determining whether or not an industry-run CPD program will be an acceptable Pathway B program. The VBA will need to assess the program against criteria outlined in the proposed Regulations. Once accepted, the VBA will liaise with the organisations

running each CPD program to validate which practitioners have or have not completed the requirements of each program, and to periodically review whether the program continues to meet the criteria in the Regulations.

### 4.3 Record keeping and reporting

To ensure the CPD activities can be verified upon renewal or audit, it will be necessary to require that practitioners keep records or other evidence of completion of activities.

All options would place the onus on the practitioner to be able to demonstrate that they have met the prescribed CPD requirements. This would include the keeping of relevant records of completed CPD activities, which may include proof of attendance, certificates of completion, statement of attainment, receipts, or a personal log of an activity and its learning outcome, for at least 3 years after the end of the renewal period to which the activity relates. It is expected that practitioners will need to be able to explain, if asked, how the CPD activity related to their work, and describe what was learnt in each activity.

While the legislative intent was to link CPD assessment to the renewal cycle (with the Act fixing the maximum length of registration periods to reflect an appropriate interval at which a practitioner's suitability to continue should be reassessed), the proposed Regulations would also allow the VBA to request practitioners to provide information on their CPD activities at times between renewal points. The VBA advises that it may use this power to require practitioners to complete an annual statement of CPD activities. While the Regulations do not set any particular CPD activities that must be done every year (only requiring CPD activities to be done within the 3- or 5-year renewal cycles), the annual reporting will allow the VBA to monitor how practitioners are progressing with their CPD activities and inform the assessment of risk-based monitoring and compliance activities. This is expected in turn to enable the VBA to better support practitioners to meet the CPD requirements. For some practitioner classes or categories, the VBA may use its powers under the Regulations to require certain activities to be done within a particular timeframe (e.g. yearly refresher courses in high-risk areas, or requirements that all practitioners undertake urgent training within a fixed time period). The ability to require reporting of CPD activities between renewal dates will assist enforcement of these decisions. Given that many practitioners may have multiple registrations or licenses that fall on different dates, the Regulations will allow the VBA to determine when practitioners would be required to provide this information and in what form. Over time, it is anticipated that information on CPD activities can be uploaded in real time to an online portal, removing the need for separate annual statements.

## 5 Assessment of options

### 5.1 Costs of CPD options

#### 5.1.1 Cost to industry

Mandating CPD requirements will impose a cost to industry. These costs include:

- Financial costs of paying for CPD courses and activities, materials used in activities (e.g., trade journals), and costs of travel to attend activities. Not all CPD will have a direct financial cost, and the flexibility of different options will allow some practitioners to find low or zero cost activities in some cases, although the modelling in this RIS assumes there will be a range of different costs for different practitioners depending on their choices.
- Cost of time taken in undertaking CPD activities (including travel time), and time to identify and plan CPD activities. These costs may be an opportunity cost (for example lost time that would otherwise be used doing productive work or foregone leisure time for the practitioners), or in some cases may be a financial cost (for example where an employer pays for the time an employee is doing CPD activities and/or needs to backfill positions).
- Compliance costs. Time associated with record keeping, and potential audit by VBA. This is another opportunity cost.

Based on these, the estimated cost **to industry** of each of the options is as follows. The total cost to industry measures the total costs associated with all practitioners undertaking the required CPD activities under each option. The incremental costs take account of the large amount of CPD activities that are already undertaken by many practitioners, and hence does not represent an additional cost to what they would do in the future anyway (based on what they are doing currently).

**Table 3: Total and incremental costs to industry of CPD options (annual)**

Option	1a	1b	2a	2b	3
Total costs to industry	\$38.9m	\$123.1m	\$56.8m	\$176.8m	\$68.7m
<i>Average cost per practitioner</i>	<i>\$728</i>	<i>\$2,304</i>	<i>\$1,603</i>	<i>\$3,310</i>	<i>\$1,287</i>
Incremental costs to industry	\$11.0m	\$34.9m	\$45.4m	\$141.4m	\$35.3m
<i>Average cost per practitioner</i>	<i>\$206</i>	<i>\$654</i>	<i>\$850</i>	<i>\$2,648</i>	<i>\$661</i>

\* Note: total number of practitioners was approximately 53,500 in 2022, increasing by around 2 per cent per annum during the next ten years.

For the purposes of quantifying impacts, options 1b and 2b were modelled as a 25 hour per year requirement. See Appendix B for the methodology used to estimate costs. For the incremental costs of each option, the breakdown of costs by cost type for each practitioner group is shown below. Opportunity costs account for around half or more of all incremental costs.

**Table 4: Breakdown of incremental costs to industry by cost type and practitioner group (annual)**

Option	1a	1b	2a	2b	3
<b>Building practitioners</b>					
Financial costs	\$0.8m	\$2.4m	\$8.5m	\$25.9m	\$5.7m
Opportunity costs	\$2.5m	\$10.4m	\$7.4m	\$31.1m	\$9.9m
Compliance costs	\$1.1m	\$1.1m	\$3.4m	\$3.4m	\$2.3m
Total incremental cost	\$4.4m	\$13.9m	\$19.4m	\$60.4m	\$17.9m
Average cost per practitioner*	\$158	\$503	\$700	\$2,185	\$647
<b>Plumbers</b>					
Financial costs	\$1.1m	\$3.5m	\$11.0m	\$33.7m	\$5.1m
Opportunity costs	\$3.8m	\$15.8m	\$10.2m	\$42.5m	\$9.2m
Compliance costs	\$1.8m	\$1.8m	\$4.8m	\$4.8m	\$3.0m
Total incremental cost	\$6.7m	\$21.0m	\$26.1m	\$81.0m	\$17.4m
Average cost per practitioner*	\$212	\$669	\$819	\$2,545	\$593
<b>All practitioners</b>					
<b>Total incremental cost to industry</b>	<b>\$11.0m</b>	<b>\$34.9m</b>	<b>\$45.4m</b>	<b>\$141.4m</b>	<b>\$35.3m</b>

\* Total cost averaged across all practitioners. In practice, the additional costs would fall disproportionately on those that currently do little or no CPD activities.

The above figures are annualised costs per year over the next ten years.

The key drivers of the difference in costs between options is the amount of additional time (hours) of CPD needed to be done in order for all practitioners to meet the minimum requirements. Additional time spent on CPD activities contributes to both financial costs (the cost of course) and opportunity cost (work time lost). However, underlying the additional amount of time for CPD activities under each option is the number of practitioners that already do CPD activities.

Table 4 takes account of CPD activities that are already being done by practitioners, which would not be an additional cost caused by the proposed CPD requirements. The number of practitioners that would already meet (or partially meet) the requirements varies with each option (e.g. a large proportion would already do at least 6 hours per year under options 1a or 2a, while only a very small proportion would already do the 20-30 hours required under options 1b or 2b. See Appendix B for how costs have been reduced to take account of existing CPD activities under each option).

The above estimates are expressed in real amounts (i.e. do not allow for inflation over time) and are discounted based on a 7 per cent real discount rate.<sup>48</sup>

It is recognised that costs will be borne by either the individual practitioner or in some situations their employer (e.g. some employers may pay for their employees to attend CPD activities, including paying for the time of attendance). It is also anticipated that the cost on the individual practitioner will be impacted by their preference for Pathway A or Pathway B under the preferred option.

It is expected that some additional costs to industry will partly be passed on to the consumer through the price paid for building and plumbing work. It has not been possible to estimate the extent of price pass-through, however even if all of the additional costs to industry of all options are passed through

<sup>48</sup> Discounting future values to today's dollars accounts for a preference to have the value of something sooner rather than later, or the opportunity cost of not having its value now; e.g. a future value of \$100 is equivalent to having \$93.46 today and investing it with a 7% return. The 7% rate reflects the risk-free long-term average return of a market. See Appendix B for further discussion on assumptions.

to consumers through higher prices for building and plumbing work, this is expected to be less than 1 percent of the total value of building and plumbing work done by practitioners each year.

### 5.1.2 Costs to Government

VBA has estimated the additional costs it will incur to administer the proposed CPD scheme. Due to the time and effort required to consider funding through annual budget processes, focus was given to estimating the costs to VBA of implementing the proposed Regulations (Option 3). The costs to VBA of the other options have been interpolated from this work, although should be seen as indicative only. That said, the costs to VBA under all options represent only a small fraction of the overall costs of the options, and therefore, the analysis and comparison of options is not particularly sensitive to estimated costs to Government. This information is therefore provided to paint a complete picture, rather than be a precise assessment of actual costs. While the scope of Government costs is relevant in comparing the regulatory options in this RIS, it is also recognised that some variability in these costs will be expected, and that the preferred regulatory option is not dependent on this variability. The Department notes that the cost information is necessarily an early estimate, with the actual cost of the scheme dependent on choices to be made once the scheme commences, and other core functions of VBA in their everyday operation. The Government is responsible for processes outside the RIS, to ensure that the costs to the VBA are subject to proper scrutiny, and that the activities of the VBA are efficient and appropriate to their regulatory objectives and functions.

**Table 5: Costs to Government (VBA)**

Option	1a	1b	2a	2b	3
<b>Costs to VBA</b>					
Capital/set-up costs (one-off costs incurred within the first 3 years)	\$3.3m	\$3.3m	\$4.2m	\$4.2m	\$4.2m
Ongoing annual costs of administration (excluding inflation)	\$1.2m	\$1.5m	\$3.7m	\$4.3m	\$3.6m
<b>Total annualised cost per year*</b>	<b>\$1.9m</b>	<b>\$2.1m</b>	<b>\$4.6m</b>	<b>\$5.2m</b>	<b>\$4.4m</b>

\* Annualised cost is the annual recurrent costs plus the initial set-up costs spread evenly over five years (being the time to the sunset of the current Building Regulations and Plumbing Regulations).

The VBA has provided estimated costings for the initial establishment, and annual ongoing costs for the first five years of the CPD scheme. The VBA has only estimated costs for Option 3 (preferred option) of the RIS. The VBA estimates that:

**Table 6: Costs to Government – preferred option (VBA)**

	Implementation costings	Ongoing costings
Costs	\$4.2 million (across three years)	\$3.6 million (annually)
FTE	<b>20FTE</b> <ul style="list-style-type: none"> <li>• 10 VPS5 staff</li> <li>• 10 VPS6 staff</li> </ul>	<b>14FTE</b> <ul style="list-style-type: none"> <li>• 9 VPS6 staff</li> <li>• 5 VPS7 staff</li> </ul>

- The implementation is estimated to cost \$4.2 million. These costs will cover business needs analysis of current system functionality, development of a digital diary for practitioners to report on their CPD activities, initial engagement with industry for delivery of new requirements, and providing communication and supporting information to practitioners and industry in initial implementation of the scheme, and full integration of the required processes into the VBA’s technology platform for managing practitioners.
- During implementation, 20FTE will be required to design and build the required technology solutions, develop and put in place the delivery framework with RTOs and undertake all necessary change work including external communications.

- Annual ongoing costs are estimated at \$3.6 million. Annual costs will cover administration of the scheme, auditing of practitioners to ensure compliance with CPD requirements, ongoing engagement with industry to deliver additional CPD requirement above the minimum framework, ongoing engagement with approved program providers and structured learning providers, and ongoing information and support to practitioners engaging in the scheme.
- Annual operation of the scheme is estimated to require 14FTE to ensure that the scheme is managed and kept up to date. It includes resources for audit and compliance, processing of practitioner information, supporting practitioners and RTOs and ensuring that the necessary research and advisory support is undertaken to keep the program up to date and focused on critical professional development areas.

An additional contingency of 20 percent in new resourcing needs is also assumed to these costings, noting that the exact scope of some activities under the scheme is not yet determined.

For implementation costs, Options 2a, 2b and 3 have a similar cost, as all options require the VBA to be able to verify specific details about CPD activities. Options 1a and 1b have a small set-up cost because while there will still need to be systems changes to accommodate consideration of CPD compliance, the relative 'light touch' of these options means a lower level of information collection will be needed.

For ongoing costs, the costs reflect the combination of the amount of CPD required to be completed (for baseline compliance checks) and the degree to which CPD activities are prescribed (requiring increasing levels of verification). Option 1a and 1b have a lower cost as the compliance effort is limited to checking only that a minimum number of points have been completed, within the wide range of eligible activities and topics. Options 2a and 2b require more scrutiny to check that completed CPD requirement meet the highly prescriptive requirements set by Government, which applies to all CPD activities. Option 3 involves a middle ground in terms of what compliance effort is required to check practitioners have met the prescribed requirements, however there are other functions for VBA under Option 3 such as working with industry to monitor and determine the need to refine CPD requirements on a class/category basis, work with industry groups to monitor the compliance mechanisms (approved industry-run CPD programs), and annual reporting. The costs to the VBA of Option 3 are therefore closer to those of Options 2a and 2b.

## 5.2 Benefits of CPD options

On an individual level, a best practice CPD framework assists practitioners to:

- improve worker safety—their own safety, subcontractors and employees
- help building and plumbing practitioners progress their career
- achieve personal development and help them serve their clients and the community.

It does this by building the knowledge and skills needed to succeed in a competitive professional environment, helping practitioners to influence and lead others by example, and enhancing their transferable skills to increase employability.

On a macro level, a best practice CPD framework:

- protects consumers both directly and indirectly through reduced non-compliance and future defects.
- allows governing bodies to ensure high standards of performance and up-to-date knowledge are maintained within a profession or industry
- instils greater consumer and client confidence in the work of professionals, and improves the overall reputation of an industry.

The outcomes of an effective scheme would see fewer defects, rectifications, insurance claims and reduced costs of disputes. Currently there are no publicly available evaluations of CPD schemes in other Australian jurisdictions. It is difficult to attribute how CPD will influence these outcomes, given a lack of baseline data. Therefore, there is no quantitative evidence that can be used to quantify the expected benefits directly. However, in 2021 Queensland Building and Construction Commission conducted a trial of a compulsory CPD framework for builders. The trial received a positive evaluation from all participants and support from industry organisations.

As noted in Chapter 2, the direct costs of non-compliant building and plumbing work in Victoria, for which practitioner competence was indicated as a key contributor, is approximately \$900 million.<sup>49</sup> If the costs of defects were able to be reduced by 10 per cent because of the introduction of compulsory CPD, then the direct benefits would exceed the direct costs, except for Option 2b which would require a larger improvement. Specific 'break-even' points for each option, and the likelihood of achieving them, is considered later in this chapter.

Stakeholders were generally satisfied that a well-designed, flexible CPD program would deliver net benefits. Feedback included:

- Greater competency and good practice through regular CPD will help avoid the problems associated with cladding, water proofing and other building failures, which had led to much greater costs for consumers through work not done correctly. This has led to additional repairs, higher life cycle and maintenance costs, increased safety risks and loss of asset value to consumers.
- Higher performing practitioners (including through CPD) result in fewer problems: better craftwork, higher productivity, less wastage and rework, on-time delivery, reduced client disputation, and an overall reduction in project risk. More competent practitioners are also likely to be more adaptable to changes in the workplace, including new work practices, emerging technologies and the digitisation of the construction process.
- CPD should be viewed as a business investment not a cost impost. As long as CPD costs are kept proportionate they are a key aspect of risk mitigation for individuals, their companies and their clients.
- It is accepted that a regulated CPD scheme imposes costs on practitioners and employers, however a regulated CPD scheme, which is necessary to achieve the broader objectives of the relevant legislation, will deliver benefits in terms of compliance, consumer protection and community safety, which will significantly outweigh the costs.
- It is a regulatory intervention with a low cost in terms of regulatory burden but with a potentially high benefit in terms of improved compliance and community safety.
- Experience suggests it is better (for the practitioner and their clients) and more cost effective to prevent inadequate performance than it is to try and correct it after the fact.

Empirical evidence is somewhat scarce. A synthesis<sup>50</sup> of available studies in 2004 noted that Victoria was among the first jurisdictions to introduce a (voluntary) CPD in the building sector. A study<sup>51</sup> on the previous CPD scheme administered by the then Building Commission found that that benefits to the Victorian community of the CPD scheme included a more highly skilled and managed workforce in the construction sector, improved quality buildings with fewer defects and greater efficiencies gained

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<sup>49</sup> See section 2.2 on page 26.

<sup>50</sup> Khosrowshahi, F (Ed.), *20<sup>th</sup> Annual ARCOM Conference*, 1-3 September 2004, Association of Researchers in Construction Management. Association of Researchers in Construction Management, Vol. 2, 749-57: pp 754-55.

<sup>51</sup> Smith, J, Mills, A and Iyer-Raniga, U (2004) Benchmarking the implementation of continuing professional development in the Victorian construction industry.

by a reduction in industry internal and external operating costs. This study reported the benefits of CPD lead to:

- safe and high-quality buildings and built environments
- improved knowledge, skills and performance standards
- up to date with latest technology, building trends, codes and regulations
- enhanced career opportunities for participants in scheme
- reduced liability exposure to insurance claims
- improved attitude and professionalism
- better service to customers
- improved networking amongst practitioners
- positive and productive attitude to learning
- potential for reducing disputes improved
- better career prospects for participants.

However, benefits are not able to be quantified. It was also noted that the benefits of the Building Commission program were observed even though the scheme was voluntary, and hence more likely attracted practitioners that were already aware of skills gaps and the need for ongoing activities to maintain competency. The Department considers that the largest area for benefits from a mandatory CPD scheme will be for those practitioners that would otherwise not do any types of activities to keep their skills and knowledge up to date (which would be up to around 20,000 practitioners, being the proportion of practitioners that currently do no CPD activities).

Other studies of the success of CPD have also relied on anecdotal or case study evidence to demonstrate the benefits realised, including a study from the United Kingdom that indicated participants (employees and employers) believed CPD was beneficial.<sup>52</sup> A number of surveys of practitioners have also demonstrated that practitioners consider that CPD offers benefits.

The Department believes that, while the benefits of CPD are not readily quantifiable due to the wide and diffuse nature of the benefits, undertaking CPD is of benefit to the community as a whole.

As noted from the above lists of benefits, the benefits themselves are inter-related. Some benefits have value in and of themselves, while also contributing to better outcomes for the community as a whole. For example, a practitioner who completes relevant CPD activities is likely to benefit from a safer workplace, reduced time in rectifying non-conforming work, and increased overall demand for their services from improved reputation for quality work (also reflected as greater consumer confidence in the industry as a whole). At the same time, the same CPD activities can result in a better quality building for the end user, and lower dispute costs. It was therefore not possible (or meaningful) to disentangle the benefits expected to be achieved by a CPD program. The benefits result as an amalgam, flowing directly from the contribution the CPD program makes to the competency levels of practitioners.

The relative benefits between the different options in this RIS therefore are only meaningfully distinguished in terms of how well they contribute to overall practitioner competency. This is considered on each variable:

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<sup>52</sup> CPD Institute (2005). *Regulating Competencies: Is CPD Working?* Institute of Continuing Professional Development, Kingston University, United Kingdom.



- *Total amount of CPD undertaken:* Practitioner competency is expected to increase with the quantity of additional CPD undertaken by the practitioner up to a certain point. Beyond that point, there are likely diminishing marginal returns, as it would require CPD activities that are not necessarily the greatest value-add for the practitioner, and (applying it to all practitioners) would increase the probable number of practitioners for which higher levels of CPD was not needed.
- *Quality of CPD activities:* the outcomes of CPD are likely to be higher if the individual CPD activities are of a high quality and are appropriately targeted to addressing competency gaps (at either an individual or industry level). Flexibility allows practitioners to do CPD activities to meet their own learning needs and competency gaps, so is very highly linked to the resulting improvement in competencies. However not all practitioners will be well informed or aware about their actual competency gaps, and some guidance in terms of learning topics and more importantly in signalling types of learning likely to result in greater skills acquisition, is likely to lead to a proportionately greater contribution to the aggregate level of competency across the sector. However, at a certain point, too much prescription in what CPD activities must be done would result in many practitioners doing CPD activities that are no longer relevant to their learning needs, and a tendency to merely ‘tick boxes’ rather than actively engaging in learning.

There are of course interactions between quantity and quality. How the overall benefits are likely to be affected by these two elements of the options in this RIS was considered separately in the table overleaf, with a single score taking account of both factors. The table describes how these factors are likely to manifest in each option, and gives an overall score (out of 10) for how effective each option is expected to be in contributing to the overall level of practitioner competency, and hence how effective the option is likely to be in achieving the benefits discussed above.

**Table 7: Assessment of effectiveness**

Option	Quantity of CPD (Improved competency through increased total amount of CPD undertaken by the industry)	Quality of CPD outcomes (Improved competency by ensuring CPD activities are of a high quality, and match competency gaps)	Score of effectiveness
Option 1a	The overall additional amount of CPD is low (more than half the industry already does at least 6 hours of some type of CPD). The benefits to practitioners and consumers is overall positive but likely small.	The option provides flexibility for practitioners to identify their own knowledge gaps and preferred methods of addressing them. But for the additional CPD this option brings, there is a low level of assurance about how much the CPD activities translate into genuine improved competency across the industry. There may be a tendency for those practitioners not already doing CPD to meet the requirements through only informal, low cost and low value/benefit activities.	1.5/10
Option 1b	20 (or 30) hours of CPD each year would require the vast majority of practitioners to increase their CPD activities. However, for many, the requirement may be much higher than what they realistically need to do to address knowledge gaps. The additional benefit they would achieve from doing more hours may be quite small.	While this is the same requirement as Option 1a, the additional amount of CPD should create more opportunity for practitioners to find CPD activities better suited to their needs. However, it would still predominantly be informal, likely lower value types of activities compared to the more prescriptive options.	6.5/10
Option 2a	This is the same as Option 1a in relation to the amount of additional CPD.	A higher assurance that the CPD activities being completed are of a high quality, meaning that there will be a good translation of CPD into quality learning outcomes. However, being highly prescriptive, it may not be well suited to address the individual learning needs of individual practitioners. The total amount of hours would allow directed activities to be address industry-wide competency gaps, regardless of an individual practitioner having other learning needs. This is particularly relevant as a majority of the industry would already do around 6 hours of some form of CPD each year, so this option may merely force those practitioners already doing the required amount of CPD to do different activities than what they do now.	3.5/10
Option 2b	Same amount of additional CPD as Option 1b.	Similar to Option 2a, although the additional CPD requirements may exacerbate both the benefits and weaknesses of the highly prescriptive approach (i.e., opportunity for a greater amount of high-quality training). While there may be more CPD points completed, the activities may not be directly relevant to the individual practitioner. On balance, the option is likely to increase the breadth of Government-directed training to allow a greater proportion to be relevant to more practitioners.	9/10
Option 3	Given increasing CPD requirements is likely to exhibit diminishing marginal returns, the additional amounts of CPD under Option 3 are likely to be almost as effective as Options 2a or 2b.	As this is a more balanced option (which aims to require all practitioners to do a meaningful amount of CPD that is consistent with a minimum expectation across industry, with opportunity to incorporate flexibility) this Option scores between all above options in terms of quality, but is expected to have a higher-than-average confidence of achieving quality learning outcomes, as it can target both individual and sector-wide learning needs, as well as setting high-level areas for learning while letting practitioners decide how (in which learning methods) to best to address those needs.	7.5/10

### 5.3 Comparing CPD options

The Department compared options by looking at the relative cost-effectiveness of each. That is, how much each option is likely to contribute to improved ongoing competence in the industry, adjusted for the costs of each option.

The following table shows the estimated costs for each option from section 5.1, and the estimated effectiveness measure outlined in section 5.2. The cost-effectiveness ratio is the effectiveness score per \$10 million cost.

**Table 8: Comparison of cost-effectiveness of options**

Option	Annual (Incremental) Cost*	Effectiveness score	Cost-effectiveness ratio
1a	\$12.9m	1.5	1.16
1b	\$37.0m	6.5	1.76
2a	\$50.0m	3.5	0.70
2b	\$146.6m	9.0	0.61
3	\$39.7m	7.5	1.89

\* Cost includes incremental costs to industry and VBA (adding costs from Tables 4 and 5 above; the one-off costs to VBA have been annualised over 5 years).

The cost-effectiveness score is not a measure of overall net benefit. It is a constructed measure only for the purposes of comparing the options in this RIS. The ratio is used to compare the relativities of the options in terms of how cost-effectively they are likely to achieve the desired objectives. The actual numbers reflect the choice of how the ratio is constructed.

Based on the total estimated costs of defects of building work in Victoria noted above, the following table shows the reduction in defects costs needed for each option to 'break even' (i.e., to be confident that benefits exceed the costs).<sup>53</sup> The table also indicates the Department's assessment of the confidence in achieving the break-even point, based on the qualitative assessment of options in Table 7 above.

**Table 9: Break-even analysis**

Option	Annual (Incremental) Cost	Reduction in defects needed to break even	Confidence of achieving break-even point <sup>54</sup>
1a	\$12.9m	1%	Medium
1b	\$37.0m	4%	High
2a	\$50.0m	6%	Low/medium
2b	\$146.6m	16%	Low
3	\$39.7m	4%	Very high

On this analysis, Option 3 is the preferred option, as it is expected to result in a greater improvement to practitioner competency for each equivalent unit of cost, and the most likely option to result in benefits exceeding costs.

Options 1a and 2a have low effectiveness due to the smaller amount of total CPD done under those options, combined with relatively high compliance costs for practitioners and costs for VBA to ensure compliance. In effect, under these options, there would be almost as much time and effort spent on compliance activities as time spent on actual CPD learning. These options are unlikely to reflect a cost-effective outcome.

<sup>53</sup> It is noted that the costs include only those directly resulting from defective work (such as rectification, time and damage costs) but does not include other costs such as impacts on insurance costs, property values, legal costs. This suggests the break-even points may overestimate the reduction in defects needed to break even.

<sup>54</sup> The confidence level (column four) refers to how likely it is that the specific break-even point in column three will be met. For example, Option 1b has a *high* level of confidence that it will achieve at least a 4% reduction in defects, while Option 3 has a *very high* confidence that it will achieve the same reduction of defects.

Options 1b and 2b would result in substantial improvements in the competency of practitioners, but are not as cost-effective as Option 3, as they are either not as well targeted or involve significant additional costs over and above those of Option 3.

The ranking of the options is not sensitive to assumptions about costs.

## 6 Preferred option

### 6.1 The proposed CPD requirements

Option 3 is the preferred option. Option 3 provides a choice of two pathways for practitioners:

**Pathway A** – identify and complete individual CPD activities that will satisfy the minimum points requirements set out in the Regulations.

**Pathway B** – enrol in and complete the requirements of an approved industry-based CPD program.

Option 3 takes a proportionate and risk-based approach to prescribing minimum CPD requirements for all practitioners, with a balance of choice and flexibility for practitioners, and provides an adequate level of assurance to Government and the community that practitioners are undertaking valuable and relevant activities to maintain skills and competencies to a high standard. CPD point requirements for building practitioners equate to 60 points within a renewal period. Requirements for licensed plumbers equate to 36 points, and requirements for restricted licensed plumbers and registered plumbers (including restricted registered plumbers) equates to 18 points within a renewal period. Please see chapter 4 for a further breakdown of CPD requirements against each practitioner.

The incremental costs **to industry** of meeting the proposed minimum CPD requirements are around \$35 million per year (annualised, see Table 4), or a net present value over the next ten years of \$245 million. This represents less than half of one per cent of the total value of building and plumbing work undertaken in Victoria each year.

The costs **averaged over all practitioners** is estimated to be \$647 per year for registered building practitioners, and \$593 per year for plumbers. However, these costs take account of a number of practitioners that already do CPD activities. For practitioners that currently do no CPD at all, the additional costs of complying with the proposed requirements are estimated to be \$1,293 per year for registered building practitioners, \$1,418 per year for licensed plumbers and \$755 per year for other plumbers. These costs reflect both direct financial costs of undertaking CPD activities (e.g. paying to attend a course), but the majority of the cost is the opportunity cost (of the time needed to attend). These costs are also an average of expected CPD activities across practitioners: it is likely that some practitioners will identify relevant CPD activities that are low or zero cost and done entirely outside work hours, while others will be more likely to attend courses for a cost during normal work hours.

The additional costs **to Government** (to the VBA as the regulator) is estimated to be around \$4.2 million as initial capital and set-up costs, and then around \$3.6 million per annum.

The expected benefits of the proposed CPD scheme are that it will:

- provide a high level of assurance (to Government and the community) that registered and licensed practitioners have skills and knowledge that are up to date. This will support increased confidence in the industry, supporting overall activity levels and the contribution the building and plumbing sectors make to the state's economic output
- decrease rectification costs to consumers arising from poor quality work or non-compliant work, and reduce costs associated with disputes
- provide benefits to practitioners themselves. As well as the opportunity to improve skill sets and capability to do work in the industry, practitioners will benefit from reduced costs of dispute resolution and improved reputation (of the industry as a whole and individual practitioners)
- improve safety by reducing non-compliance and the risk of poor-quality work.

There may be benefits in the form of reduced insurance claims, however it is unclear what the long-term impact on insurance premiums will be. Stakeholder consultation had mixed feedback on this especially since premiums are driven by the building market and not plumbing. This is regarded as an unquantifiable outcome.

## 6.2 Competition Assessment

Competition is a state of ongoing rivalry between firms—rivalry in terms of price, service, technology, and quality. In a competitive market, participants are mutually constrained in their pricing, output, and related commercial decisions to some extent by the activity of other market participants (or potential market participants). In other words, the greater the degree of competition in a market, the less market power each market participant will possess, and other things being equal, will result in competitive consumer prices and better service.

Any regulatory proposal needs to be scrutinised carefully to assess whether it may have an adverse impact on the ability of firms or individuals to compete in the market. As a matter of good public policy, it is a fundamental principle in Victoria that any new legislation (both primary and subordinate) will not restrict competition unless it can be demonstrated that:

- the benefits of the restriction, as a whole, outweigh the costs, and
- the objectives of the legislation can only be achieved by restricting competition.

Building and plumbing practitioners are already required to be registered or licensed in Victoria.<sup>55</sup> The requirement to undertake CPD will not be a barrier to entry into the market but will be a requirement to remain in the industry. These requirements will impose additional (minor) costs on building and plumbing practitioners across the board. As such, it should not affect the structure of the market, nor will it make it more difficult for practitioners to enter the market – CPD is not a market entry requirement, but rather a requirement to ensure that practitioners keep their skills and knowledge up to date.

CPD will add incremental costs to practitioners (or their employers), who will either absorb the costs or pass on the costs through higher prices. Consultation suggested that these costs would be mostly passed onto consumers, although some practitioners accepted any such costs as a ‘cost of doing business.’ The additional costs are expected to be very small compared to other business costs, and therefore should not create any material change to competition or consumer choices (i.e. there is nothing to suggest that any market participant could benefit in terms of increasing their market power from being able to pass on costs to consumers more easily than others. The building and plumbing sectors are already price competitive.

The potential for the requirements to affect small businesses (and in particular sole traders) is discussed below.

Overall, it is assessed that the CPD requirements do not restrict competition in the building and plumbing markets.

## 6.3 Small business impacts

The *Victorian Guide to Regulation* (VGR) provides a definitive guide to developing regulation within the context of the Government’s vision of well targeted, effective and appropriate regulation. All new regulatory proposals that have significant impacts on business must be assessed to ensure the benefits to the community outweigh the costs and that the best option is considered. The VGR recommends a special assessment of the impact of the proposed Regulations on small businesses, recognising that the compliance burden often falls disproportionately on that sector of the economy.<sup>56</sup>

Plumbing and building work is primarily carried out by small businesses. Most building and plumbing practitioners, for example, are sole traders or businesses with fewer than 20 employees. Accordingly, the impact of the Regulations will fall almost entirely on small business.

The proposed Regulations, however, do not disproportionately impact small businesses. The licensing arrangements primarily focus on the individual not the organisation, and there are no inherent administrative economies of scale associated with the CPD requirements. The time-costs of doing CPD activities and associated

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<sup>55</sup> A corollary of the licensing system is that the price of building and plumbing practitioner services will be marginally higher than if no regulations existed. Attaining qualifications requires years of training and licensing imposes direct financial costs on building practitioners. These costs are recouped/passed on to customers. In addition, the quality of service levels that is implicitly imposed by the Regulations is higher than would be case if the regulations did not exist (e.g. service delivery must be competent and safe; that is, a higher quality of service). These are likely to impose incremental costs on the industry and consumers, but it has been assessed that these costs are outweighed by the safety benefits.

<sup>56</sup> The ABS defines a ‘small business’ as a business employing fewer than 20 people. ABS Cat. 1321.0 - Small Business in Australia.

compliance activities fall on each practitioner, not the organisation. In some situations, large business employers may see a cost advantage in (for example) purchasing bulk CPD training placements for their employees, however the proposed Regulations have been designed to support all practitioners being able to find no or low cost activities or enable practitioners in small businesses or sole traders to take advantage of economies of scale through the CPD programs offered by industry groups. Competencies and qualification requirements apply equally to licensees from small or larger businesses. It is acknowledged that a practitioner being off site for CPD training may have a larger impact on a small business than a larger business. This is why the proposed CPD requirements have attempted to be as flexible as possible to minimise disruption to work time (e.g. through online content that can be done outside normal work hours).

## 6.4 Other impacts

### *Regional practitioners*

In designing the proposed CPD scheme, the Department was aware of greater disadvantage of practitioners in regional and remote areas in terms of availability and access to a range of CPD activities. For this reason, an emphasis was placed on ensuring that as far as possible, the CPD requirements should be able to be completed online, or on the job. Further, the ability for practitioners to schedule CPD activities at any time within their registration or licence period means that if some travel is required to attend some of the structured learning activities, this can be consolidated to minimise the number of individual trips.

In addition, the powers given to the VBA to fine-tune the CPD requirements in consultation with industry, to approve additional providers of structured learning, and the discretion in how they take into account the completion of CPD activities upon renewal, mean that the VBA will be able to address any situations where remote practitioners find it difficult to meet the CPD requirements.

### *Older practitioners*

While engaging with industry stakeholders and practitioners the Department became aware of the impacts on older practitioners who have worked in the industry for a significant period of time. There may be possible impacts on older practitioners who may not have experience using new technology including learning online. Additionally, industry stakeholders raised concern it may be overburdensome to expect older practitioners, who may be close to retirement age, to take up a new requirement for their registration or licensing.

Under the preferred option, eligible CPD activities can include the supervision or mentoring of apprentices or trainees. The Department expects that older practitioners, who have a wealth of knowledge and skills, may choose to accumulate CPD points through mentoring or supervising younger practitioners, in addition to their required structured learning. Additionally, the VBA will monitor CPD requirements in consultation with industry, enabling them to consider circumstances where older practitioners may experience difficulties in meeting their CPD requirements.

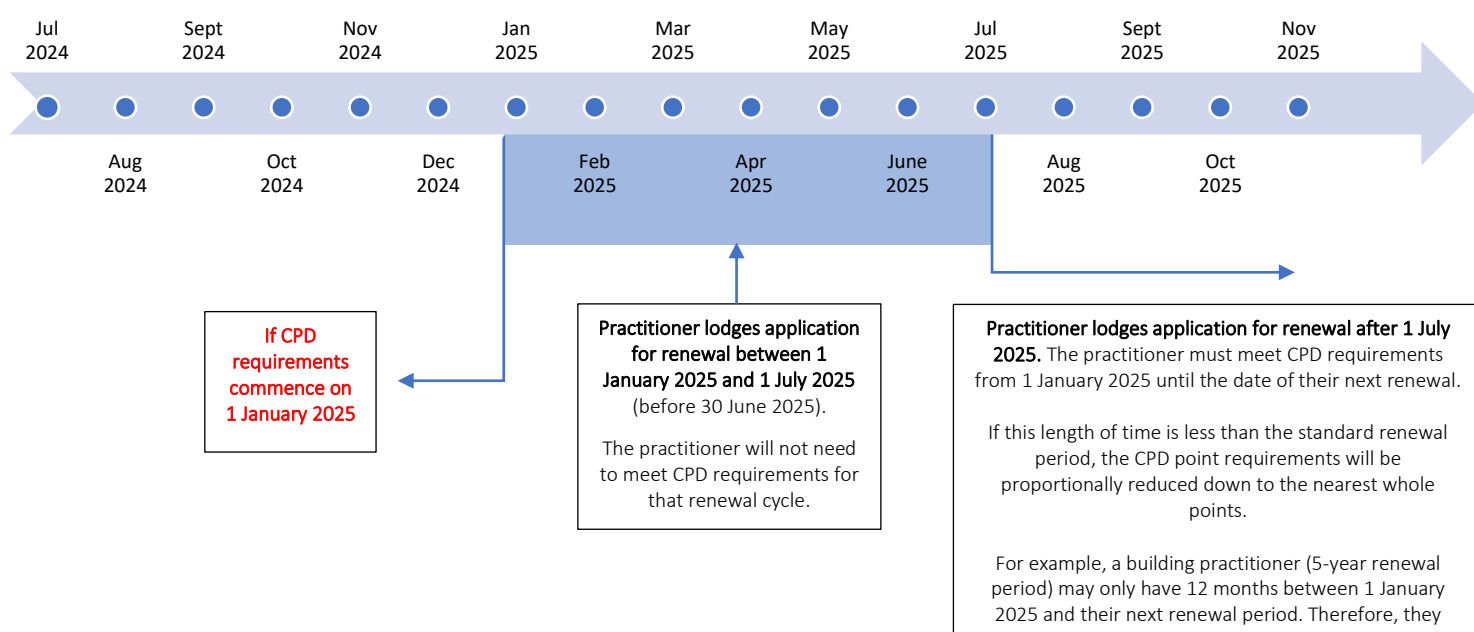
## 7 Implementation strategy

### 7.1 Transitional arrangements

The Department recognises that some time will be needed for industry, the VBA and training providers to prepare for the new CPD requirements and dates for the commencement of CPD requirements are subject to final decision.

**CPD requirements are proposed to commence on 1 January 2025, however proposed dates in the Regulations should be treated as placeholders and are subject to feedback during the consultation period.** CPD requirements will not commence until at least 6 months after the Regulations are made. Further information about how CPD will be operationalised and when CPD requirements will commence for practitioners will be shared after the RIS consultation process.

The proposed Regulations include the following transitional requirements. Please consider the below information as an example to demonstrate when CPD requirements may commence and the duration of time between key dates. As proposed in the Regulations, **If CPD requirements were to commence on 1 January 2025:**



The proposed Regulations also outline an opportunity for a practitioner to count certain CPD points they have completed before the CPD requirements commence (before 1 January 2025).<sup>57</sup> The Department recognises that many practitioners are already undertaking or planning to undertake CPD activities. The regulations will provide an opportunity for practitioners to count certain CPD activities completed before the formal commencement of CPD requirements, to avoid these activities being delayed or cancelled.

During consultation beginning in 2020, the Department proposed commencing CPD for some classes of practitioners before others. The 2020 Consultation Paper sought views on starting implementation of CPD for gasfitters and building surveyors first, with other groups to follow. Feedback from industry and consideration of the operation of the preferred option resulted in the Department preferring to commence CPD requirements for all plumbers and building practitioners at the same time.

<sup>57</sup> The proposed Regulations state that for an application for renewal lodged between 1 July 2024 and 31 December 2024, the practitioner may be eligible to count certain CPD points they completed for a certain period of time before the CPD requirements commence. These dates should be treated as placeholders and exact dates for which past CPD will be recognised will be determined after the RIS consultation closes.



## 7.2 Practical implementation matters

Following the Regulations being made, the VBA will:

- publish information to all practitioners explaining what the CPD requirements are and how to comply. This is expected to include simple explanations of the requirements and tools to assist practitioners determine what requirements apply to them. Guidance will also be published to assist practitioners to find relevant CPD activities, and to give examples of CPD activities that meet the requirements.
- provide guidance to practitioners on administrative matters including what information will need to be provided to the VBA and when, how to report their CPD activities and what practitioners should do if they are not able to meet the CPD requirements.
- establish consultation mechanisms to enable industry to be involved in the development of specific CPD requirements and decisions. For plumbing stakeholders, this is proposed to incorporate the existing Plumbing Advisory Council (PAC), which is a statutory entity that has a formal legislative role to provide advice to the VBA on all plumbing regulatory matters. However, it is expected that VBA will set up other consultation and engagement mechanisms to support decision making under the Regulations. These mechanisms will be relevant to making decisions before the CPD requirements commence, and will also continue on an ongoing basis.
- review its internal systems to prepare for the checking of applications for renewal from the date the CPD scheme comes into operation. VBA will develop processes to confirm information provided by practitioners and a framework to audit compliance. VBA will update its compliance and enforcement policies to ensure a proportionate and well-targeted response to non-compliance, with an emphasis in the first few years of facilitating compliance.

On an ongoing basis, the proposed Regulations will allow the VBA to be able to specify CPD requirements (within the minimum points in the area of technical knowledge) in response to evidence-based trends of competency gaps. The proposed Regulations require this to be done in consultation with industry and any other stakeholders affected (such as the training sector).

How compliance is checked and enforced will be a matter for VBA. Under the Act, meeting CPD requirements is one factor (among others) that may be taken into account by the VBA when assessing a renewal application. There are existing powers for the VBA to specify what information must be submitted with an application, and an ability to request further information as necessary. The VBA will determine its approach to what information is required to be produced with the application for renewal, or available for audit, which may develop over time.

## 7.3 Enforcement and compliance

Prior to commencement, VBA will advise practitioners on what information is needed to be provided with renewal applications, or at other times.

On a risk-based basis, VBA will select licence and registration renewals to audit to verify that CPD requirements have been met. This may occur before or after the renewal has been granted (as there are penalties for providing false information with a renewal application). Audits will cover confirmation that the activities undertaken by the practitioner meet the requirements of the Regulations, verifying evidence to confirm activities have been completed as claimed, and checking that activities are relevant to the work the practitioner is authorised to perform.

VBA will be able to, upon investigating a complaint about non-compliant work, review the CPD activities reported by the practitioner. VBA will be able to request at any time that a practitioner provide evidence of what CPD activities they have done.

There are a range of enforcement options available to the VBA if CPD requirements are not met. These include rejecting a renewal, or granting a renewal subject to conditions to complete additional CPD activities by a specified date, or cancelling a registration or licence (or other disciplinary action or penalties) if it is subsequently found that a practitioner provided false information about having met the CPD requirements. VBA may also renew registration or licences with a shorter duration, to bring forward the next time a practitioner will need to demonstrate they have met CPD requirements.

VBA has a wide discretion as to how it uses its powers under the Act, and it is expected that compliance activities in relation to CPD will primarily be about helping practitioners to understand and comply with the new scheme.

The proposed Regulations also provide an ability for VBA to take action if it emerges that there is weakness or misuse of the scheme. This includes an ability to deem an activity (whether a type of activity or a specific activity) no longer eligible to be counted towards CPD requirements, withdrawing approval of training providers for structured learning and CPD programs, and imposing caps on the number of points that can be earned from some types of activities.

#### 7.4 Other

VBA is separately progressing its resourcing requirements to effectively implement the proposed CPD requirements. The arrangements for resourcing requirements will be confirmed once the proposed Regulations are made as part of normal budget processes.

## 8 Evaluation

### 8.1 Evaluating the outcomes of the proposed CPD requirements

The proposed Regulations amend the existing Building Regulations and Plumbing Regulations, which will both sunset in 2028. As part of this sunset, the Department will undertake a comprehensive review of the Regulations before that date, which will encompass an evaluation of the CPD requirements.

Given the long transition period to fully implement the proposed CPD requirements, and that the outcomes of the program are not expected to be observed for at least five years after CPD requirements commence (when enough practitioners will have been through at least one renewal cycle), it is not practical to conduct a separate evaluation of the CPD scheme before that sunset review.

To inform the review of CPD as part of the sunset review (scheduled to expire in 2028) data on CPD will be collected ahead of that time. This will include quantitative directly available from the regulator (e.g. rates of non-compliance with CPD requirements, reasons for non-compliance, other trends and patterns in CPD activities) and proxy indicators where it would be expected that the benefits of CPD would be seen (such as complaints data, audits of building and plumbing work, insurance claims for poor or defective work).

There will be a need for additional information to be collected on the effectiveness of the CPD program. While the international literature is clear that CPD provides benefits in improving skills and competencies for individuals in industries ranging from the education, health, legal and engineering sectors, and increasingly in the trades industries, the literature also suggests that CPD programs need to be evaluated to ensure that programs are delivering benefits.

Dr. Thomas Guskey, professor emeritus in the College of Education at the University of Kentucky and a leading US academic in the area of CPD design, has written extensively on evaluating CPD.<sup>58</sup> He points to common weaknesses in evaluative practice, including that evaluation may often amount to no more than documentation of activities completed over a period of time. Guskey introduced a significant focus on evaluating CPD through the impact it had on learning outcomes (initially in the education sector). Guskey's five levels of evaluation have been used extensively to evaluate CPD programs. These include:

- participants' reactions
- participants' learning
- organisation support and change
- participants' use of new knowledge and skills
- learning outcomes.

In part, this data will be obtained through VBA data collection (e.g. audits of CPD compliance can interrogate learning outcomes and practical application of acquired skills). The stakeholder consultation processes that are to be set up as part of the program itself can inform these areas—the Department expects that industry will provide ongoing advice to the VBA on the program, and also has the ability (e.g. through the PAC) to directly advise the Minister on the scheme. It is also proposed that the Department will conduct a survey of practitioners in the lead up to the sunset review to gather their views and experiences of the CPD requirements.

The evaluation phase will also provide an opportunity to evaluate market responses to the introduction of CPD. The uptake of pathways A and B within the initial years of the CPD scheme will reveal practitioner preference for an industry-based program, or an individually designed CPD experience. Additionally, there will be opportunity to evaluate the capacity of current training providers and uptake of new providers to fill market gaps as they arise.

This evaluation phase will also provide an opportunity to evaluate costs incurred by the VBA, and whether the auditing and compliance role of the VBA can be scaled up or down depending on these market responses.

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<sup>58</sup> Guskey, T. R., 2000, *Evaluating Professional Development*, Corwin Press, Thousand Oaks, California

## 8.2 Interim review of administration of the CPD scheme

While the evaluation of the benefits and other outcomes of the proposed Regulations will be part of the sunset review, it is appropriate to ensure the administration of the CPD scheme is being done well, particularly given the critical function the VBA will play in the transition and implementation of the new requirements.

Therefore, the Department will commission an independent review to report to the Minister on:

- how well the VBA communicated the CPD requirements and processes to practitioners
- the systems in place for practitioners to provide information to the VBA about their CPD activities
- how the VBA made (or did not make) decisions within its power related to CPD
- what data the VBA has collected to support the evaluation of the scheme as part of the sunset review
- industry views about the success of the implementation and how well industry has been engaged in the scheme
- the experience of practitioners in understanding the CPD requirements and reporting requirements, and finding relevant CPD activities
- the overall efficiency and effectiveness of the VBA in administering the scheme
- any opportunities to improve the administration of the scheme.

Timing of this review will be contingent on the commencement date of the scheme, which will be determined after the RIS consultation period has concluded.

# Appendix A: Consultation undertaken

## 2020 Consultation Paper

The Department released a Consultation Paper in mid-2020 seeking public feedback. The Consultation Paper flagged three broad approaches to introduce a CPD framework—the status quo (no compulsory CPD), compulsory CPD with no specific mandatory topics, and CPD with some mandatory topics.

Over 40 submissions were received from organisations representing water corporations, practitioners (as individual and as employers), unions, education and research sectors, consumer groups, and other regulators. Around 20 submissions were from individual businesses or practitioners.

The vast majority of submissions from across all areas supported the introduction of CPD. Of those that supported CPD, around two-thirds supported mandatory learning in the topics of technical knowledge (mostly specific to learning about changes in standards), but stakeholders also nominated safe work practices as another topic where mandatory subjects should be prescribed.

The majority view was that introduction of a CPD scheme would help to address current concerns regarding practitioner performance while fostering a broader culture of life-long learning and continuous improvement.

There was a consensus amongst stakeholders regarding problems with practitioner understanding of technical requirements under the NCC, Australian Standards and work requirements prescribed by Regulations. Specific gaps in technical knowledge identified by industry associations relate to design and energy efficiency requirements of the NCC. A significant gap identified by the VBA for both building and plumbing practitioners is a lack of understanding of the development and documentation of performance solutions.

Some specific comments on the merits of a mandated CPD scheme were as follows:

- The key to managing and mitigating risks to the community is demonstrable practitioner competence.
- The root cause of the identified non-compliances is a combination of a lack of specific knowledge or currency of experience by the practitioner and inadequate levels of oversight or inspection by the regulator. The status quo is not delivering adequate levels of ongoing practitioner competency, which is exposing consumers and the community to unnecessary risks.
- The nature of the modern plumbing industry is such that a one off, point in time qualification is not an adequate means of ensuring practitioner competence. In an industry as dynamic as plumbing – where new innovations, technologies, systems, techniques, and materials are being developed, refined, combined and incorporated into the built environment every day – ongoing, post trade qualification training is not a “nice to have”, but is vital and necessary to ensure currency.
- There is anecdotal evidence of poor performance in technical and legislative compliance. An understanding of legislative and technical requirements for building work is not shared across all industry participants and results in inconsistent quality outcomes. Members have also raised confusion over whether they are compliant or not, noting that some areas of regulation are open to interpretation.
- There is “some evidence that a number of practitioners have a less than adequate knowledge in a range of areas, often depending on the number of years of experience.” There is a lack of understanding among some practitioners of relevant legislative and regulatory requirements in some areas, including a lack of knowledge of NCC and Building Code.
- Industry examples and data of non-compliant plumbing indicates “a consistent rate of non-compliant plumbing fixtures or installation” which “represent an unacceptable public health and safety risk associated with the contamination and/or failure of water supply systems, the disruption of essential customer water supply and sewerage services, and the inequitable cost burden to the community associated with rectification.”
- While many contractors are well skilled and highly competent in the requirements of the NCC, the Plumbing Regulations, supporting standards and water corporation requirements for connecting to water and sewerage, there are also many contractors who do not fully understand, or are unfamiliar with these requirements.

- Consumers have serious, ongoing concerns about construction standards which may lead to inconsistent practice. Consumers may be exposed to a significant ‘safety gap’ when it comes to pool and spa construction. Regulatory and industry bodies report a large amount of contact from consumers regarding building practitioners that points to poor performance.
- Among the key reasons for poor practitioner performance are knowledge gaps regarding technical or regulatory requirements, infrequent use of skills or knowledge, emerging technologies, and changes in regulatory requirements, standards and client expectations. Infrequent use of skills can result in a loss of proficiency.

Stakeholders also had various comments on how a mandatory CPD scheme should be designed. Key themes were:

Theme	Comment from industry stakeholder
The scheme should be flexible, not one size fits all	<ul style="list-style-type: none"> <li>• Within the industry, there is great variability in terms of work types, skills classes, skill breadth and level, across the various license classes of plumbing and fire protection. While individuals may have a licence in common, it would be wrong to view all practitioners within those licence or registration categories as homogenous groups.</li> <li>• A scheme that is heavily mandated and lacking flexibility would quickly become a compliance driven model is also unlikely to be effective.</li> <li>• There should be as much flexibility as possible in the types of activities allowed.</li> <li>• The CPD program should be open to all types of learning.</li> <li>• There needs to be choice of activities, so that scheme is accessible, flexible, includes low/zero cost options, and caters to all learning methods.</li> <li>• The CPD scheme needs to realise people consume information differently (learning styles) (e.g., assessment of learning outcomes vs demonstrating skills).</li> <li>• A one size fits all CPD framework for all practitioners is not beneficial.</li> <li>• Mandatory formats of learning can be counter-productive.</li> <li>• The scheme should have sufficient flexibility to quickly prescribe or introduce additional CPD requirements when new or amended legislation or regulations are introduced, or when gaps and needs are identified including emerging safety issues.</li> <li>• The scheme should be tailored to the requirements of each class (and sub-classes) of practitioners, taking a risk-based approach depending on the area of work or specialisation of practitioners.</li> <li>• The scheme needs to provide a range of options for limited building classes (e.g., there may be few CPD options for some types of specialised work).</li> </ul>
The scheme should focus on mandating CPD that is of real and practical benefit to practitioners	<ul style="list-style-type: none"> <li>• Requiring practitioners to re-do full units of competency from a qualification they already hold could be overly time consuming, cover basic topics that those working in the industry are already across, and in some cases miss some critical recent changes to practice relevant to experienced practitioners.</li> <li>• For some practitioners that are only registered in one class (e.g., a restricted class), there may be insufficient content available as CPD that is relevant to the work being performed. This may justify smaller CPD requirements.</li> <li>• Ensuring some level of well targeted, compulsory subjects is the best practice model and will ensure building practitioners maintain and improve their level of knowledge to deliver better quality outcomes in building work.</li> </ul>
The scheme should offer low-cost and accessible	<ul style="list-style-type: none"> <li>• Learning activities should allow for some or all CPD to be done at low cost (or zero cost) to practitioners.</li> <li>• Accessibility provides equity of access to all practitioners and does not unduly disadvantage practitioners: who have not engaged with formal training for several</li> </ul>

options for compliance	years, living in regional and rural areas, and with limited financial resources or access to technology.
The CPD activities must be of a high quality	<ul style="list-style-type: none"> <li>• The learning undertaken should be (as far as possible) certifiable by a third party. The desired flexibility needs to build in verification.</li> <li>• Some activities/learning topics could have a cap on points, to ensure CPD occurs on more than just one thing, and is not all done on low value activities.</li> <li>• Compulsory units must substantially contribute to maintaining and updating practitioner competence and acquiring key topics of knowledge and skills and not involve simply 'box-ticking' or re-learning components of initial training.</li> <li>• There should be some form of formative and/or summative assessment, particularly in compulsory subjects, to provide confidence that the practitioner has engaged with and understood the content. Attending a seminar or reading technical information sheets can be useful, but there is no guarantee that learning has taken place or the key messages understood. Providing straightforward but comprehensive assessment would assist practitioners to check their understanding and regulators and the community to be confident the learning has occurred.</li> <li>• There should be some 'test-based' elements in mandatory subjects, which would require practitioners to 'pass' a competency test as part of completing a mandatory subject. Depending on the subject matter, online modules are an effective format of learning if they incorporate questions or exercises that would help ensure that participants pay an appropriate level of attention to the course content and demonstrate the competencies gained.</li> </ul>
The scheme should align with other policy objectives or priorities	<ul style="list-style-type: none"> <li>• Some learning topics could attract more points to encourage more learning in that area (recent carbon monoxide training was cited as an example.) More generally, safety-related learning should have a higher focus.</li> </ul>
What should and shouldn't count as legitimate CPD activities	<ul style="list-style-type: none"> <li>• Membership of organisations should count towards meeting CPD requirements.</li> <li>• CPD should not include 'beer and giggles' or marketing events with no learning component.</li> <li>• Subscription to organisations that provide regular information to members is of value.</li> <li>• Training directly from manufacturers can be highly specialised learning.</li> <li>• Informal information sharing networks (e.g., Facebook groups) can provide useful learning on current issues and should be included. The scheme could also recognise vlogs/podcasts.</li> </ul>
Other comments on the amount of forms of CPD activities	<ul style="list-style-type: none"> <li>• Existing programs are usually based on around 12 CPD points per year (6 technical and 6 non-technical).</li> <li>• Online learning has worked well in 2020, but still need options for face-to-face engagement.</li> <li>• The requirements of the scheme need to be predictable. Practitioners need to understand with certainty what is required and what will and won't count.</li> </ul>

## Survey of practitioners

During the release of the Consultation Paper in 2020, building and plumbing practitioners and industry members were invited to complete a short survey on CPD. There were around 300 survey responses received.

On the key question: Would you support the introduction of mandatory CPD for registered building practitioners and registered and licensed plumbers in Victoria?

	Yes	Partial support	No
All survey respondents	46%	9%	46%
Building practitioners (67% of responses)	49%	8%	44%
Plumbers (33% of responses)	39%	11%	50%

*Note: numbers may not add to 100 due to rounding*

- The 'partial support' indicates those that supported CPD subject to certain qualifications. Some reasons given for conditional support included ensuring there was 'proper education', support of CPD subject to the additional compliance costs, concern about how much formal learning would be required, support if limited to genuine/relevant needs, support if accessible for people in regional areas, and support subject to adequate flexibility.
- Some reasons given for not supporting mandatory CPD included the additional cost to building practitioners, a view that learning about new materials or products on the job was sufficient, extensive time working in the industry should be enough to demonstrate ongoing competency, and that the existing approach to taking disciplinary action and/or rectification when non-compliance is detected is enough. Some responses indicated a belief that competency should be demonstrated when first registered/licensed. Others did not believe there were any competency gaps.
- The breakdown of yes/no did not reflect any patterns in terms of years of experience.
- 71% responses thought that, if CPD is introduced, practitioners should be able to choose their own subjects based on self-identified learning needs.
- 31% practitioners thought certain subjects should be compulsory; 55% thought no subjects should be compulsory.
- Nearly all plumbers who supported CPD also indicated CPD should apply to both registered and licensed plumbers.

In response to these results, care was taken to address potential barriers to practitioners, whether from perceived usefulness of CPD to the costs and choice of activities.

## 2021 Workshops

Between April and December 2021, the Department held a series of workshops with industry representatives and other stakeholders focussing on the development of detailed options for CPD to be included in the proposed Regulations. The outcomes are reflected in the Options chapter. The key design elements that stakeholders considered most important were flexibility, genuine learning (not box ticking), low or zero cost options, and not 'one size fits all'.

The workshops were used to develop elements of the overall proposed CPD scheme, testing the feasibility of different design options, and consider the overall costs and benefits of the proposed CPD scheme.

Further workshops were held with a sample of practitioners that responded to the 2020 survey.

## Other consultation

During the development of the proposed Regulations and this RIS, the Department also consulted with VBA, the Department of Education and Training, TAFEs and RTOs, organisers of industry-based CPD programs (membership) and CPD training providers, EnergySafe Victoria (which recently implemented a CPD scheme for electrical workers), and interstate regulators (NSW, Tasmania, Queensland) on understanding how their CPD programs worked in practice and lessons for implementation.



## Appendix B: Cost methodology and assumptions

The following approach to estimating costs in Chapter 5 was used.

### Financial cost

$$\left( \text{number of practitioners} \right) \times \left( \left[ \frac{\text{average cost of CPD activity}}{\text{per point} * } \right] \times \left[ \text{number of points for each class **} \right] + \left[ \frac{\text{average cost of course materials}}{\text{ }} \right] \right)$$

\* The financial cost of CPD activities is the price paid (e.g. tuition fee, cost of accessing online content). Not all CPD will have a direct financial cost, and the flexibility of different options will allow some practitioners to find low or zero cost activities in some cases, although the modelling in this RIS assumes there will be a range of different costs for different practitioners depending on their choices.

\*\* The number of points needed for each class as per each option, however this is reduced for the share of practitioners that already do some or all of the amount of CPD required by each option. Consequently, a share of practitioners will have zero additional points needed in this calculation, depending on the option, while others will only require some additional points. For the purposes of quantifying impacts, options 1b and 2b were modelled as a 25 hour per year requirement.

### Opportunity cost

$$\left( \text{number of practitioners} \right) \times \left( \left[ \frac{\text{additional time to complete CPD activities}}{\text{ }} \right] + \left[ \text{travel time to CPD activities} \right] + \left[ \frac{\text{time to search, plan and enrol in CPD activities}}{\text{ }} \right] \right) \times \left( \text{value of time} \right)$$

The additional time needed is reduced for a share of practitioners that already do some or all of the amount of CPD required by each option. A share of practitioners will have zero additional time needed in this calculation, depending on the option, while others will only require some additional time.

### Compliance costs

$$\left( \text{number of practitioners} \right) \times \left( \frac{\text{time to record CPD activities and submit info to VBA}}{\text{ }} \right) \times \left( \text{value of time} \right) \\ + \left( \text{a \% of practitioners each year} \right) \times \left( \frac{\text{time to participate in audit of CPD}}{\text{ }} \right) \times \left( \text{value of time} \right)$$

Note: practitioners that already complete the required amount of CPD will still incur compliance costs associated with reporting their CPD activities to the VBA, and potentially being audited to verify the claimed activities.

The following assumptions were used in estimating these costs.

Discount rate	<p>7 per cent real (adjusted for inflation) discount rate. Sensitivities at 4 per cent and 10 per cent were also tested, but were not material to the ranking of options.</p> <p>Assessing impacts involves a comparison of economic flows that occur at different points in time. The discount rate is used to compare economic effects occurring at different times. Discounting converts future economic impacts into their present-day value. The discount rate is generally positive because resources invested today can, on average, be transformed into more resources later. If the costs of undertaking CPD is viewed as an investment, then the return on investment can be used to decide how much should be spent on CPD now in order to achieve improved competency in the future.</p> <p>Future values should be discounted by the social discount rate, to take account of the opportunity cost to the community. Discounting costs and benefits allows a consistent determination of net benefit or cost.</p> <p>The discount rate is a critical parameter in cost-benefit analysis whenever costs and benefits differ in their distribution over time, especially when they occur over a long time period.</p>
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	Best practice uses a social discount rate equal to the long-term average market rate of return, which suggests a real discount rate of 7 per cent. <sup>59</sup> As with any uncertain variable, sensitivity analysis should be conducted, so in addition to the 7 per cent 'central' discount rate, the net present values were also calculated with real discount rates of 4 per cent and 10 per cent. If the sign of the net present value changes, or the ranking of options changes due to a change in the discount rate, the sensitivity analysis reveals that the choice of discount rate is important. For the analysis of options in this RIS, it was found that varying the discount rate within this range did not affect the ranking of options nor cause any option to change from a net benefit to a net cost.
Audit rate	For practitioners that nominate enrolment in a CPD program, all renewals are validated with the CPD program. For other practitioners, VBA will use a risk-based approach to audit a sample of practitioners each year. This audit rate is not made public for this RIS
Average costs of courses delivered by external training provider	\$60 per hour; this is an average only, based on a desktop review of currently available CPD courses. It is expected that many practitioners will be able to access free or low-cost courses that meet the requirements, including where CPD activities are provided to members of organisations or associations. While it is possible that practitioners can identify zero or low cost CPD activities, the cost estimates do not assume that every practitioner can (if they wish) take advantage of these activities, but more realistically many practitioners will opt to undertake activities that do have a financial cost. This assumption is an average across all activities, including a proportion that will have zero financial cost. For options that would mandate higher amounts of CPD be done through formal courses or in particular learning areas, the average cost is assumed to increase to \$80 per hour.
Other cost of materials	\$50 per year. This is an allowance for outlays such as journal subscriptions, or membership to access information.
Opportunity costs (value of lost time while undertaking CPD activities, travel to activities, keeping records, and producing information as part of renewal process)	It is assumed that half of CPD activities are done during work hours; and half can be done either outside work hours or during 'downtime'.  For lost work time, the approach is to use pre-tax wage rates, plus any overheads and on costs (applied as an estimate 75 per cent of base wage). This can measure lost earnings (if time is unpaid), or costs to employers if staff are still paid while attending courses or work is backfilled. It is a measurement of economic cost (lost value of production), not a financial payment. (The financial impact would only be the lost profits associated with the lost work.)  Wage rates for plumbers were taken from Plumbing and Fire Sprinklers Award, with an average hourly rate of \$90 for licensed plumbers and \$80 for registered plumbers. Wage rates for building practitioners were taken from indeed.com, with an average hourly rate of \$80. Therefore, the rates used to calculate opportunity cost for lost working hours is $\$90 \times 1.75 = \$157.50$ per hour for plumbers, and $\$80 \times 1.75 = \$140$ per hour for building practitioners. This is an average rate only across all practitioners that will do CPD.  Similarly, value of leisure time is taken as <i>after-tax</i> wage only (i.e., \$69.12 per hour for plumbers and \$61.44 per hour for building practitioners); again, a notional economic measure, not a direct financial cost. There are theoretical measures of leisure time value (e.g., willingness to pay studies), but these are not practical to use.
Proportion of practitioners already doing CPD	Based on discussions with stakeholders and survey of practitioners, it was assumed that one third of registered building practitioners and licensed plumbers already do enough CPD activities to meet the proposed requirement (on average 12 hours or more per year), while a further one third do some CPD but at a lower level. One-third are assumed to do no CPD at all. For those practitioners that do some CPD but less than what is proposed in the Regulations, the amount of CPD undertaken was modelled as shown below (i.e., an even distribution of the number of practitioners doing each amount of CPD activities).

<sup>59</sup> This is consistent with the Commonwealth Office of Better Practice Regulations (2016) and NSW Treasury (2007), but slightly below that recommended by Harrison (Productivity Commission 2010, *Valuing the Future: the social discount rate in cost-benefit analysis*, Visiting Researcher Paper, Productivity Commission, Canberra).

	<p>For registered plumbers, there is a lower level of current CPD assumed: around 15 per cent would already do sufficient CPD, and a further 15 per cent do some CPD at a lower amount. The remainder are assumed to do no CPD.</p> <table border="1"> <caption>CPD Hours per Year Distribution</caption> <thead> <tr> <th>hours of CPD per year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>0</td> <td>33%</td> </tr> <tr> <td>1-3</td> <td>8%</td> </tr> <tr> <td>3-6</td> <td>8%</td> </tr> <tr> <td>6-9</td> <td>8%</td> </tr> <tr> <td>9-12</td> <td>8%</td> </tr> <tr> <td>12-15</td> <td>8%</td> </tr> <tr> <td>15-18</td> <td>8%</td> </tr> <tr> <td>18-21</td> <td>8%</td> </tr> <tr> <td>21+</td> <td>8%</td> </tr> </tbody> </table>	hours of CPD per year	Percentage	0	33%	1-3	8%	3-6	8%	6-9	8%	9-12	8%	12-15	8%	15-18	8%	18-21	8%	21+	8%
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Growth in number of practitioners	The total number of practitioners is assumed to grow by 2 per cent per annum over the next ten years. This is in line with recent trend growth, which takes account of entries and exits from the sector over the past five years.																				

Note that the modelling of costs for this RIS was completed in 2022, as and such uses available data and inputs from 2022 (including practitioner number at that time). All cost estimates reported in this RIS should be taken as being expressed in 2022 dollars.