Department for
Communities and
Local Government

Authorisation of New Extended Competent Person Schemes

Final Implementation Impact Assessment

August 2015
Department for Communities and Local Government

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Title:The Building (Amendment) Regulations 2015: Authorisation of New Extended Competent Person Schemes **IA No:** RPC14-FT –CLG-2311 **Lead department or agency**: Department for Communities and Local Government **Other departments or agencies**:	Impact Assessment (IA) **Date:** 27/04/2015 **Stage:** Final (Validation) **Source of intervention:** Domestic **Type of measure:** Secondary Legislation **Contact for enquiries:** Anthea Nicholson (0303 444 1767)
Summary: Intervention and Options	**RPC Opinion:** GREEN

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB[1] on 2009 prices discounted to 2015)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
£8.99m	£8.99m	-£0.93m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?
Competent person schemes are a deregulatory measure under which installers can be registered as competent to self-certify that their work complies with the Building Regulations. Self-certification is an appropriate response to market failure in a low risk situation where information on compliance is costly and difficult to obtain. It also removes the burden for installers and consumers of having to notify the work to a building control body in advance and having the work checked by them when completed. Where a registered installer is used, the business benefits from lower prices as building control charges (£150 - £200) are not payable. This saving could be passed on to the consumer, though the saving to consumers is not accounted for here. Airtightness testing schemes are a variant of competent person schemes under which members self-certify their test results. Local authorities are authorised to accept certificates from these schemes' members as evidence that the relevant requirements have been complied with.

What are the policy objectives and the intended effects?
The policy change seeks to extend the use of self-certification of notifiable building work through authorising one new scheme and extending the scope of five existing schemes. The objective is to make work that is low risk and notifiable under the Building Regulations as inexpensive and efficient as possible whilst ensuring that it fully complies with the relevant requirements. Authorising new and extended schemes will allow us to achieve this objective. There is only one airtightness testing scheme currently operational. Authorising a new scheme will bring competition into the market, giving developers choice and keeping membership costs in check.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
The two options considered are (1) to do nothing or (2) to authorise new/extended competent person schemes. Option 1 would continue to require third party checking of building work by building control bodies, so would not achieve our deregulatory aims. Whilst competent person self-certification schemes are in themselves deregulatory they can only be authorised through amendments to the Building Regulations. Option 1 would also mean the one currently active airtightness scheme would continue to be in a monopoly position. For both reasons Option 2 is our preferred option.

[1] Equivalent annual net cost to business. The £0.93m figure is in 2009 prices discounted to 2015. It is £0.78m when discounted to 2010.

Will the policy be reviewed? Yes **If applicable, set review date:** Dependent on the outcome of annual inspections of scheme operators.					
Does implementation go beyond minimum EU requirements?			N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro**	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded: N/A**	**Non-traded:** N/A	

I have read the Impact Assessment and. I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible SELECT SIGNATORY:
:

Date: 27 April 2015

Summary: Analysis & Evidence Policy Option 2

Description: To authorise one new competent person self-certification scheme operator and extend the scope for five existing operators for existing types of work and one new airtightness testing scheme operator to meet the policy objectives as set out above.

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 3.43	**High: 18.16**	**Best Estimate: 8.99**

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		0.11	**0.93**
High		0.22	**1.90**
Best Estimate	N/A	0.16	**1.40**

Description and scale of key monetised costs by 'main affected groups'

New installer members will pay application fees (£218 on average); in Year 0 all members will pay assessment fees and new members will pay that in subsequent years (£237 on average); existing members pay annual registration fees (£220 on average); in Year 0, all members will pay inspection fees and new and 1/3 of existing members will pay that each year in subsequent years (£133 on average). On average per scheme each year 5 members will pay application fees; 3 members will pay assessment fees; 29 members will pay registration fees; 12 members will pay inspection fees. See table 1. These result in average annual costs of £47k and a present value cost of £0.5m. Members will need to undertake training every 6 years and will hence lose a day's earning. On average 150 members taking training a year results in average annual costs of £70k and a present value cost of £0.6m. See tables 2 and 3. Finally, the cost of notification per job is £1.35-£4.5. This results in average annual costs of £26k and a present value cost of £0.2m. The present value costs of fees (£0.5m), training (£0.6m) and notification (£0.2m) add up to £1.4 m.

Other key non-monetised costs by 'main affected groups'

There is a minimal cost to competent person scheme members in time and money to notify a job to a building control body and provide a certificate of compliance to the customer (via the scheme operator), offset by the time and cost that would otherwise have been incurred submitting a building notice.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		0.52	**4.36**
High		2.39	**20.06**
Best Estimate	N/A	1.24	**10.39**

Description and scale of key monetised benefits by 'main affected groups'

Savings arise because self-certifiers do not pay an average of £175 charge per job to have their work checked by a building control body. Each year we estimate, an average of 7,085 jobs a year no longer paying a building control charge, resulting in an average annual benefit of £1.2m, and a present value total benefit of £10.39m. Applying ranges to the saving per job (£150 - £200) and number of jobs results in the average annual benefit ranging from £0.5m to £2.4m, and a total present value benefit ranging from £4.36m to £20.06m. All these benefits fall on business. These savings may be passed on to households in lower fees although these are not quantified in this Impact Assessment.

Other key non-monetised benefits by 'main affected groups'

Freeing up of building control bodies' resources to concentrate on other areas of work where self-certification is not appropriate. Improving the level of compliance, as members of self-certification schemes are likely to be more competent than non-members. Saving of time for scheme members through the removal of the need to give local authorities two days' notice before building work commences on site. Potentially lower costs for business as a result of increased competition. Airtightness testing schemes improve quality assurance in a relatively new industry and thus the reliability of energy efficiency measures, leading to greater carbon reduction. Being in a scheme improves the commercial prospects of individual firms. Having competition between schemes will give developers choice and should keep membership charges in check.

Key assumptions/sensitivities/risks **Discount rate** 3.5

There is an element of uncertainty about estimates which has been reflected through ranges. For instance the average annual cost of competent person scheme membership is in ranges (see above) based on information provided by the competent person schemes on their fee structures. Savings per job are estimated in a range of £150-£200 based on advice from LABC (building control representative body) and backed by an estimate of time taken and an average hourly rate of £60, together with assumptions for the average number of competent person scheme members carrying out a number of jobs each year, based on historical data, advice from local authorities and the competent person schemes. There are some risks of non-compliance with Building Regulations associated with self-certification but these are considered to be low risk. For more detail see evidence base.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			**In scope of OITO?**	**Measure qualifies as**
Costs: 0.16	**Benefits: 1.21**	**Net: 1.04**	Yes	OUT

Evidence Base (for summary sheets)

Introduction and Background

The Building Regulations and development of competent person schemes

1. The Building Regulations are designed to ensure the health, safety, welfare and convenience of people in and around buildings and further energy and water conservation. Prior to the introduction of competent person self-certification schemes, anyone carrying out building work was required to pay a charge and use a building control service provided by a building control body, ie local authorities or private sector approved inspector, to check plans and/or inspect work to ensure compliance with the relevant requirements of the Regulations.

2. By the late 1990s the significant increase in the amount and types of building work subject to the Building Regulations that had to be notified to a building control body before commencement of work could no longer be practicably accommodated within the traditional building control framework. The Government therefore consulted on the principles of allowing competent installers (ie businesses - mostly sole traders or small firms) to self-certify their own work to demonstrate compliance with the relevant requirements of the Building Regulations. There was no support for self-certification for whole buildings but much support for specific types of work, provided that the type of work was relatively low incidence of risk and of such a volume that made building control involvement difficult and diverted resources from areas of higher risk. Although there were expressions of interest in participating in such self-certification schemes, progress in taking the proposal forward was initially slow.

3. In 2002 the revision to Part L (Conservation of fuel and power) extended Building Regulations requirements to areas not previously covered, notably the energy efficiency of replacement windows and combustion appliances. It was anticipated that there would be over one million notifiable jobs per year for each type of installation (compared to only around half a million other notifiable jobs in total), which would considerably stretch building control resources. It was also considered that the incidence of risk associated with non-compliance was low. It was therefore decided that self-certification would be appropriate in these areas and a number of schemes were introduced to cover window and boiler installation.

4. These schemes allow registered installers (ie members of the schemes) who have been assessed as competent to self-certify that their work complies with the Building Regulations, ie they are not required to seek and pay for building control approval from a building control body. They charge consumers for their work but this does not include the cost of a building control charge.

5. The Building Regulations were extended to cover electrical installation work in dwellings through Part P (Electrical safety) in 2005. Again, given the scale of the potential number of notifications it was felt this could only be practicably and cost-effectively implemented if there were competent person schemes to remove the costs and burden of notification to building control bodies and the risk was

considered to justify this approach. Since then the range of types of work and the number of authorised schemes have continued to increase to cover areas such as plumbing, air-conditioning systems, roof replacements and cavity & solid wall insulation (an up-to-date list can be found in Schedule 3 of the Building Regulations 2010 as amended and on the Government's website[2]).

6. Airtightness testing schemes are a variant of competent person schemes. Local authorities are authorised to accept certificates from members of these schemes as evidence that the relevant requirements have been complied with. The first of these schemes was authorised in 2006 at the same time as the original Energy Performance of Buildings Directive was being transposed into UK law. Whilst airtightness testing is not required by the Directive it is a way of informing the energy efficiency calculations that are required by the Directive. A second scheme was authorised in 2013 and the first scheme ceased operation in December 2014.

Authorisation and monitoring of competent person schemes

7. Applicants to become a scheme operator are vetted by the Department against published conditions of authorisation in consultation with other relevant government departments, building control representative bodies and the Building Regulations Advisory Committee. The operators must demonstrate that they have the managerial, financial and technical ability to operate a scheme before their members are authorised to self-certify a type or types of work in the Building Regulations.

8. Installers wishing to become a member of a scheme must pay a membership fee and demonstrate to the scheme operator that they have the necessary technical competence to carry out a type of work to Building Regulations standards. Competence is generally assessed against National Occupational Standards at qualification level 3 or equivalent under a Minimum Technical Competence procedure, with continuing random monitoring of members' work to make sure it meets those standards.

9. When a job is completed an installer must notify the relevant local authority, via their scheme operator, of the work carried out and certification of Building Regulations compliance is provided to the consumer (ie customer). It should be noted that membership of a scheme is voluntary – if an installer chooses not to join a scheme they still have the option of having their work supervised by a building control body.

10. In June 2012 the Department issued an enhanced set of conditions of authorisation[3] with monitoring requirements designed to improve robustness, consistency and quality assurance and ensure a level playing field between the schemes. This included a condition that all schemes should achieve accreditation to British Standard EN 45011 or latest equivalent standard (ISO 17065) by the United Kingdom Accreditation Service (UKAS) within a two year transitional period.

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[2] https://www.gov.uk/competent-person-scheme-current-schemes-and-how-schemes-are-authorised#current-schemes

[3] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/255510/120606_CPS__Conditions_of_authorisation__6_June.pdf

11. The Department monitors performance and publishes performance statistics on a six-monthly basis[4]. About 3.3 million jobs were self-certified under competent person schemes in the year to September 2014. 128,667 installers were registered with schemes at September 2014. This is a slight reduction from the 131,727 members recorded at March 2014, reflecting that some schemes lost members as the Department's revised conditions of authorisation came fully into effect in June 2014.

12. All schemes were accredited by UKAS by June 2014 as meeting the revised conditions. Meanwhile the number of complaints from customers is a tiny fraction of the jobs carried out under competent person schemes (less than 0.1% of jobs) and many of these are not about failure to meet Building Regulation standards. This provides evidence to demonstrate that there are low risks attached to self-certification in the areas of work authorised to date. UKAS will continue to monitor the schemes regularly to ensure that they continue to meet the conditions of authorisation.

13. During the two year transitional period it became clear that UKAS were unable to accredit airtightness testing schemes as certification bodies under BS EN 45011 (or ISO 17065) in the same way as other competent person scheme operators. This is because UKAS can accredit test houses to ISO 17025 and it is against EU and EA rules for them to accredit a body that in turn would certificate another body that UKAS could accredit directly. As a result of this clarification, a slightly modified set of conditions of authorisation for airtightness testing schemes[5] was issued in May 2014. Instead of UKAS accreditation, an independent third party acceptable to the Department, such as an ISO 9001 certification body, is required to audit periodically the scheme operator's performance against the conditions of authorisation.

Other Government schemes

14. The Department for Communities and Local Government works with the Department of Energy and Climate Change to align the competent person scheme system with its related schemes as appropriate, ie the Microgeneration Certification Scheme (a quality assurance scheme relating to renewable micro-generation technologies) and the Green Deal (a scheme offering consumers energy efficiency improvements with no up-front costs). This allows installers to derive the benefits of mutual membership.

Rationale for Intervention / Policy Objectives

15. Allowing competent installers who are members of a scheme to self-certify their work means that they do not need to notify in advance and pay a building control body to check the work, thus removing a burden on installers and consumers, and also building control bodies as it frees up their resources to concentrate on other areas of building work where the risk is higher and self-certification is not considered appropriate. The fact that installers need to demonstrate their competence and be

[4] https://www.gov.uk/government/statistical-data-sets/competent-person-self-certification-schemes-statistics

[5] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/339751/ATT_schemes_Conditions_of_Authorisation_FINAL.pdf

subject to ongoing monitoring also means that the installations are likely to achieve a higher level of compliance with the relevant requirements of the Building Regulations than may be the case with other work. Competition amongst schemes also helps to ensure they keep membership fees low. These schemes therefore provide an alternative, cost effective and deregulatory means of ensuring compliance with the Building Regulations and help to reduce the level of unauthorised work carried out.

16. Self-certification, through competent person schemes, is an appropriate response to market failure where information about compliance is costly and difficult to obtain. It provides an alternative, cost effective and deregulatory means of delivering compliance with the Building Regulations.

17. The main element in this intervention is to extend the use of self-certification of building work by authorising one new scheme operator and extending the scope for five existing operators for existing types of work. Operation of a scheme is voluntary as is membership of a scheme. However, as the costs associated with being a member of a self-certification scheme are less than paying building control charges for each piece of work they carry out – if it was not installers would not be a member of a scheme – then by definition, by allowing more installers to self-certify their work and not incur the building control charges, there is a direct benefit to business (and possible benefit to consumers through lower prices).

18. A secondary element in this intervention is to authorise a new airtightness testing scheme in order to bring competition into a sector where there is now only one scheme in operation. Having competition between schemes provides developers with choice and should help to keep membership costs in check. Keeping these costs in check should in turn keep costs down for developers who are obliged to have the airtightness of new buildings tested to meet the requirements in Part L of the Building Regulations (conservation of fuel and power).

19. Airtightness testing schemes improve quality assurance in what is a relatively new industry. They thus contribute to the improved reliability of energy efficiency measures, in turn leading to greater carbon reduction.

20. As with other competent person schemes, operation and membership of such a scheme is voluntary but being in a scheme improves the commercial prospects of individual firms as building control bodies are authorised to accept a certificate only from a scheme member and are therefore much more likely to prefer this to having to take the responsibility themselves for deciding whether or not an airtightness test has been done correctly according to the approved procedure.

21. A table listing the new and extended competent person schemes and the types of work for which we propose to authorise them is included in ‘Option 2’ below.

22. The types of work for which we propose to authorise new and extended schemes are types of work for which other scheme operators are already authorised. In line with European competition law, we invite applications periodically in order to allow a free market for anybody to run these schemes, provided that they have the technical competence and meet all our other conditions. Competition provides the necessary disciplines in terms of keeping costs for installers under control and our conditions provide a control on quality.

Description of policy options considered

23. Option 1: To do nothing and authorise no extensions to the scope of existing schemes. There will be no costs or benefits to businesses.

24. Option 2: To authorise one new competent person self-certification scheme operator and extend the scope for five existing operators for existing types of work and one new airtightness testing scheme operator, as listed in the table below, in order to meet the above policy objectives:

Competent Person Scheme operator (New scheme or extension to existing scope)	**Type(s) of work**
Blue Flame Certification (New)	Installation of— an oil-fired combustion appliance; or oil storage tanks and the pipes connecting them to combustion appliances. (This does not include the provision of a masonry chimney.) Installation of a heating or hot water system, or its associated controls. Installation of a mechanical ventilation or air conditioning system or associated controls, in a building other than a dwelling, that does not involve work on a system shared with parts of the building occupied separately. Installation of an air conditioning or ventilation system in a dwelling, that does not involve work on systems shared with other dwellings. Installation of an energy efficient lighting system or electric heating system, or associated electrical controls, in buildings other than dwellings. Installation of fixed low or extra-low voltage electrical installations in dwellings. Installation of fixed low or extra-low voltage electrical installations in dwellings as a necessary adjunct to or arising out of other work being carried out by the registered person. Installation, as a replacement, of a window, rooflight, roof window or door in an existing

	dwelling. Installation, as a replacement, of a window, rooflight, roof window or door in an existing building other than a dwelling. (This does not include glass which is load bearing or structural or which forms part of glazed curtain walling or a revolving door.) Insertion of insulating material into the cavity walls of an existing building. Installation of insulating material to the internal walls of a building, not including the installation of flexible thermal linings. Installation of insulating material to the external walls of a building, not including insulation of demountable-clad buildings. Installation of insulating material to the external and internal walls of a building ("hybrid insulation"), not including insulation of demountable-clad buildings, and not including the installation of flexible thermal linings.
Certass Limited (CERTASS) (Extension)	Insertion of insulating material into the cavity walls of an existing building. Installation of insulating material to the external and internal walls of a building ("hybrid insulation"), not including insulation of demountable-clad buildings, and not including the installation of flexible thermal linings.
National Association of Professional Inspectors and Testers (NAPIT) (Extension)	Installation, as a replacement, of a window, rooflight, roof window or door in an existing building other than a dwelling. (This does not include glass which is load bearing or structural or which forms part of glazed curtain walling or a revolving door.)
Network Veka (Extension)	Installation, as a replacement, of a window, rooflight, roof window or door in an existing building other than a dwelling. (This does not include glass which is load bearing or structural or which forms part of glazed curtain walling or a revolving door.)

Oil Firing Technical Association Limited (OFTEC) (Extension)	Installation of a solid fuel-burning combustion appliance other than a biomass appliance. (This does not include the provision of a masonry chimney.)
Stroma Certification Limited (Stroma) (Extension)	Installation of a solid fuel burning combustion appliance other than a biomass appliance. (This does not include the provision of a masonry chimney.) Installation of a wholesome cold water supply or a softened wholesome cold water supply. Installation of insulating material to the external and internal walls of a building ("hybrid insulation"), not including insulation of demountable-clad buildings, and not including the installation of flexible thermal linings.
Independent Airtightness Testing Scheme (iATS) (New)	Air pressure testing.

Costs and benefits of each option (including risks and general assumptions)

Option 1:

25. If we do nothing and authorise no new schemes for installers or testers, no new costs or benefits will arise.

Option 2:

26. It is estimated that the following costs and benefits will arise if we authorise the proposed new and extended self-certification:

Costs

Option 1

27. There are no costs associated with option 1 as it is the baseline which option 2 is compared against.

Option 2

(A) FEES PAYABLE BY INSTALLERS REGISTERED WITH A SCHEME

Application fee

28. All competent person scheme operators require new joiners to pay an application/joining fee. These fees form the costs of operating the scheme with an allowance for a small surplus which may only be used for the development of the scheme. Under the conditions of authorisation any funds which the members of a scheme have paid for may only be used for the benefit of the members of the scheme.

Assessment fee

29. All members, ie both existing members already registered with a scheme for other types of work and new members, will be assessed and required to pay an assessment fee during the first year the schemes extend. This is to ensure all members are fully competent to self-certify. In the subsequent years, however, since existing members will have already been assessed, only new members will be required to pay the assessment fee.

Registration fee

30. Existing members of a competent person scheme are required to pay an annual registration fee. This too contributes towards the operational costs of running a scheme and any allowed small surplus would be used for scheme development.

Inspection fee

31. To ensure compliance with the Building Regulations, all new and existing members will have one inspection in the first year of scheme extension or provision. Thereafter, new members will still have one inspection for the first two years after joining. But existing members, subject to their first inspection being satisfactory, would have only one inspection in every three years. For costing purposes, we feel that it is reasonable to assume a third of the number of existing members from Year 1 onwards will pay the inspection fee each year, while all new joiners will pay that as well.

Summary of fees payable by scheme installers

32. In their application forms scheme operators provided the cost of these fees. They also provided estimates of the number of new members who they anticipate would join the scheme in the first, fifth and tenth years (Years 0, 4 and 9) to carry out and self-certify the types of work for which the schemes are being authorised. We have moderated some of the estimates somewhat to reflect the historical trend for the types of work applied for (as recorded in performance statistics published by the Department) and likely trajectory of the market structures.

33. The number of new members we anticipate joining each scheme in each year is presented in table A.1 in Annex A. We have used these numbers to multiply schemes' respective application fee. The number of current members is in table A.2 in Annex A. We have taken these numbers, together with new joiners numbers in table A.1, to multiply out the schemes' total assessment fees. The numbers of existing members at the start of each year are in table A.3. We have used these numbers, minus the number of pre-existing members, to multiply out the total amount of registration fees. Finally for the total amount of inspection fees, we have taken the member numbers in Year 0 from table A.4. In subsequent years we have taken the member numbers from table A.1 and a third of that in table A.3. This reflects that existing members are only inspected once every 3 years, provided their first inspection was satisfactory. Table 1 displays the annual fees each scheme will charge each member along with the average number of members per year over the 10 years of this policy.

Table 1 – Annual costs to installers registered with a scheme

Scheme Operator	Application fees (no. of members paying)	Assessment fees (no. of members paying)	Registration fees (no. of members paying)	Inspection fees (no. of members paying)	Average annual costs	Total present value costs
Blue Flame	£250 (6)	£600 (6)	£250 (32)	£0 (0)	£12,860	£109,593
Certass	£350 (4)	£200 (5)	£354 (15)	£175 (9)	£9,608	£77,871
NAPIT	£280 (3)	£200 (3)	£150 (14)	£200 (8)	£3,965	£63,832
Network Veka	£200 (2)	£180 (1)	£200 (10)	£130 (6)	£2,894	£32,245
OFTEC	£125 (14)	£0 (0)	£125 (81)	£50 (41)	£10,125	£169,632
Stroma	£100 (4)	£240 (3)	£240 (23)	£240 (12)	£7,160	£97,680
Total	**£1,305 (33)**	**£1,420 (17)**	**£1,319 (174)**	**£795 (75)**	**£46,612**	**£549,853**

Note: OFTEC's assessment fee is £0 as it is included in its application fee; inspection fees for Blue Flame are £0 as they are included in their registration fees; bracketed numbers are annual numbers of members paying each fee rounded to the nearest integer; total present value costs may be different from the present values of multiplying out the average annual costs for 10 years as the numbers of members paying may themselves differ across the appraisal period. The Total row may differ slightly from adding up the individual figures due to rounding.

34. The annual registration fee only includes new members. New work done by pre-existing members is captured in the additional inspection fee, The average annual cost to installers registered with a scheme will be £47k, based on an average of 33 members paying an application fee, 17 members paying an assessment fee, 174 members paying a registration fee, and 75 members paying an inspection fee, in each of the 10 years of the policy. This yields in a total present value cost of annual registration fees over 10 years of £550k.

35. The authorisation of a second air tightness testing scheme (iATS) does not involve any alteration to the requirements from business of meeting the underlying regulation in Part L of the Building Regulations (conservation of fuel and power). As there is no added burden from this authorisation it is assumed that the costs to business as a result of the regulation will be no different than under the Do Nothing. The only difference will be that a developer will have a choice of schemes if they require an authorised tester.

36. There is a possibility that there will be an increase in use of an authorised tester as a result of this scheme. However, the choice facing the developer will be no different than it is at the moment. For this reason this Impact Assessment assumes that there is no additional burden to business as a result of this scheme. Where a developer decides to fulfil the obligations using an authorised tester, there will simply be more choice available to them.

(B) ONGOING TRAINING COSTS

37. Under the conditions of authorisation members of schemes must maintain their technical competence levels and where there is a change to standards in the Building Regulations or to British or European technical standards upgrade their competences accordingly.

38. Following the publication of "Future of Building Control – Implementation Plan" in September 2009, the Department instituted a periodic review timetable under which the different Parts of the Building Regulations would be reviewed and amended as appropriate once every six years. For the purpose of this analysis we have assumed that this would continue and that therefore members of schemes would normally need to undergo mandatory upgrade training once every six years. Whilst members can choose to attend training courses more frequently than once every six years it is not, in our view, necessary for the implementation of this policy that they should do so. For these reasons we have only quantified the costs based on a member attending training once every six years.

39. Scheme operators generally organise this upgrade training but scheme members must pay for it separately from the registration fees. There are a number of ways that this training can be delivered: eg formal courses at technical colleges, workshops at a scheme operator's premises, distance learning packages. Some members will not need to undertake formal training because they will benefit from updates from the scheme operator whether it is via email or through updates to the scheme operators website.

40. In January 2013 the Department consulted with scheme operators about the likely direct costs of their members attending a day's training course. Nine scheme operators responded. Of these, seven informed us that the cost of training ranged from £217 to £414[6] per member. One scheme operator operated courses free of charge to its members, but would charge a fee of £250 to members who could not demonstrate their staff were adequately trained. Of the remaining two scheme operators, one provided a range of £150-750 (but this was for 1-4 days training) and the other provided a range of £100 to £3,000 dependent on the class size and training material (making it hard to estimate an overall cost of training). Based on the data collected from scheme operators we used a direct cost of training ranging from £217 to £414 per member.

41. Table 2 displays the cost of training based on the average number of new members attending courses per year and presents the midpoint cost of training of £316 per delegate, adjusted up from £305 in the 2012 Impact Assessment using ONS GDP deflator statistics.

[6] The range reported in the 2012 Impact Assessment was £210 to £400. This range has been uprated by ONS GDP deflator to 2015 values.

Table 2 – Ongoing training costs to members

Scheme Operator	Training cost per member (midpoint)	Average annual number of members trained	Average annual cost	Total present value costs
Blue Flame	£316	11	£3,473	£29,971
Certass	£316	8	£2,479	£20,640
NAPIT	£316	12	£3,631	£31,788
Network Veka	£316	5	£1,626	£13,893
OFTEC	£316	103	£32,366	£289,770
Stroma	£316	12	£3,694	£32,438
Total	**N/A**	**150**	**£47,270**	**£418,501**

Average numbers of members trained per year are rounded to the nearest integer; total present value costs may be different from the present value of multiplying out the average annual costs for 10 years as the numbers of members paying may themselves differ across the appraisal period.

42. We therefore anticipate an average annual cost of £47k to members undertaking training, with a total present value cost over 10 years of £419k. The low and high estimates result in a total present value cost ranging from £288k to £549k based on a cost per member ranging from £217 to £414.

(C) LOSS OF EARNINGS FROM TRAINING

43. Those members undertaking formal training will be expected to lose earnings from attending a training course. We have assumed that all those attending a formal training course (average of 150 per year from Table 2) will lose one day (8 hours) of earnings. We have applied a range for the hourly wage rate for each member attending a course. Estimates of hourly costs are based on two sources, the EC Harris database of professional fees and the Annual Survey of Hours and Earnings. Hourly rates have been calculated for the central case by attaching a 50% weighting to wage rates from the EC Harris professional fees database and a 50% weight to wage rates derived from the Annual Survey of Hours and Earnings. The low wage rate, obtained from the Annual Survey, is £14.81[7] an hour and the high rate, obtained from EC Harris' database, is £23.13[8] per hour, resulting in a midpoint hourly wage rate of £19.14. This results in a loss of earnings per member attending training ranging from £118.46 to £187.82 with a midpoint of £153.14. Table 3 presents the average annual cost and total cost of members losing earnings from attending training courses.

[7] Hourly wage rate of £11.39 obtained from the Annual Survey of Hours and Earnings 2014, for a 'Skilled trades' worker. This has been uprated by 30% to account for overheads as per standard cost model methodology to take the hourly wage rate to £14.81.

[8] Used an hourly wage rate for Skilled Tradesman in the South East of £22 per hour from 2012. This has been uprated to 2015 prices using most up to date ONS GDP deflators.

Table 3 – Loss of earnings for members

Scheme Operator	Midpoint loss of earnings per member	Average number of members losing earnings per year	Average annual cost	Total present value costs
Blue Flame	£153.14	11	£1,685	£14,535
Certass	£153.14	8	£1,202	£10,010
NAPIT	£153.14	12	£1,761	£15,416
Network Veka	£153.14	5	£789	£6,738
OFTEC	£153.14	103	£15,697	£140,530
Stroma	£153.14	12	£1,792	£15,732
Total	**N/A**	**150**	**£22,925**	**£202,961**

Average numbers of members trained per year are rounded to the nearest integer; total present value costs may be different from the present value of multiplying out the average annual costs for 10 years as the numbers of members paying may themselves differ across the appraisal period.

44. Table 3 recognises that, on average, 150 members will lose one day's earnings per year at an average annual cost of £23k. This results in a total present value cost of lost earnings of £203k over 10 years. Using the low and high costs per member results in the total present value cost over 10 years ranging from £157k to £249k.

(D) COST OF NOTIFICATION OF WORK

45. For each job that a scheme member carries out, regulation 20 of the Building Regulations 2010 requires that a compliance certificate be given to the customer and a notice of the completed work to the local authority. This is normally carried out by notifying the scheme operator of the work and the scheme operator then sends a certificate to the customer and the notice to the local authority.

46. In their application forms, prospective scheme operators provided the unit cost of notification per job. The majority of applicants reported the same administrative charge regardless of modes of communication. However, the charges do differ for OFTEC and Stroma depending on the communication method. We have taken their midpoints to arrive at average cost estimates. These costs are summarised in Table 4 below.

Table 4 – Scheme members' cost of notification

Scheme Operator	Cost of notification per job	Average number of jobs carried out per year	Total present value costs
Blue Flame	£1.5	824	£10,068
Certass	£1.35	340	£3,677
NAPIT	£2.2	178	£3,199
Network Veka	£1.65	85	£1,163
OFTEC	£4.5	5175	£196,930
Stroma	£2	483	£7,998
Total	**N/A**	**7,085**	**£223,035**

47. On average, 7,085 will need to be notified each year. Applying the respective administrative charge estimates, this results in a total present value cost of £223k.

(E) SCHEME OPERATOR COSTS

48. As mentioned above, the registration fees from members are used by the scheme operator for what is required of it by the conditions of authorisation in respect of the extension to types of work. This would include:
    - UKAS accreditation to BS EN 45011 in respect of the extension to the types of work for which the scheme operator is to be authorised
    - the cost of periodic surveillance of a random sample of member's work to make sure it complies with the Building Regulations
    - promotional activity relating to the new types of work for which scheme operators are to be authorised
    - maintaining additional membership lists and putting them on the scheme's website
    - making the arrangements for the provision of financial protection for the customer such as guarantees, warranties (the cost of the guarantees and warranties is borne directly by the customer)
    - general administrative costs (rent of premises, telephone and IT, salaries of staff)

49. We have not monetised these as their cost is within the costs of the registration fees payable and to do so would thus be double counting.

(F) COSTS TO BUILDING CONTROL BODIES

50. The new and extended competent person schemes do not represent a loss of income to building control bodies (local authorities and private sector approved inspectors) when set against their costs. The building control service is a user paid for service and local authorities are required to set their charges under The Building (Local Authority Charges) Regulations 2010 based on the recovery of their costs of carrying out their building control functions. If no service is provided there are no costs to the local authority and is therefore cost neutral. This similarly applies to Approved Inspectors.

Cost sensitivity analysis

51. The main source of uncertainty on the cost side is the number of members each scheme operator will have. Membership uncertainty will not only affect the total amount of fees to be levied, but also the total cost of training and relevant loss of income.

52. We have also moderated some of the job numbers somewhat. But considerable uncertainty remains, and to account for them we have taken an upside of 30% more, and a downside of 30% less, based on the midpoint estimates.

Familiarisation cost

53. There is no familiarisation cost where a scheme is only extended. Where a new scheme is set up, part of the application fees charged to new members represent a small familiarisation cost. However, it is difficult to know how much of these fees can be said to be costs of familiarisation. Therefore we have included this as an integral part of the administrative cost rather than having a separate section on familiarisation cost.

Total costs

54. Total average annual costs range from £0.11m to £0.22m with a midpoint of £0.16m in constant prices. The total present value cost ranges from £0.93m to £1.90m, with a midpoint of £1.40m. This results in an equivalent annual cost to business of £144k in 2009 prices.

Benefits

Option 1

55. There are no benefits associated with option 1 as it is the baseline which option 2 is compared against.

Option 2

56. .Where an installer is not a member of a competent person scheme it is necessary for the work done to be notified in advance to a building control body (local authority or private sector approved inspector). The notification triggers a building control charge to pay for the carrying out of statutory building control functions by the building control body. The basis for local authority charges is set out in the Building (Local Authority Charges) Regulations 2010 and, briefly, means that local authorities can charge only for the number of hours of work they take for each notified job. Approved inspector charges are set by negotiation between the approved inspectors and their clients. They are very similar to local authority charges for competitive reasons

57. In this Impact Assessment we have estimated a local authority cost of £150-£200 per job which LABC has agreed is a reasonable estimate. The actual costs differ from local authority to local authority and by type of work.

58. Each job notified to a local authority will need to be processed administratively at each stage of the building control function and for the types of work covered by the extended competent person schemes we estimate that this would be one hour. Building control bodies almost always carry out one or more inspections on site of the work being undertaken. For the types of work in the extended competent person schemes we estimate that this would be on average a further hour of building control time. We have thus based the cost of building control time at £175 which is the midpoint of the range of £175 and £200. This is equivalent to just under 3 hours of work at £60 per hour.

59. Installers registered with competent person schemes do not have to notify building control bodies in advance or pay a building control charge. This gives a benefit of saving building control costs to those joining competent person schemes.

60. We have estimated the additional number of jobs that each competent person scheme member would likely undertake each year only as a result of extending the schemes. These figures are derived from estimates given in the application forms by the applicant scheme operators and from the Department's statistics on the number of jobs carried out for comparable work by existing schemes[9].

61. There are, however, no building control savings in respect of the proposed air tightness testing scheme (iATS). The scheme, which covers air-tightness testing of new buildings, has as its outcome a record of test results which is given to the person carrying out the work who in turn passes it on to the building control body. There is nothing for the building control body to inspect on site. All new buildings are subject to notification to a building control body and a building control charge is payable. The fact that a competent person scheme member gives test results that a building control body can accept as evidence would not result in any difference to the building control charge. iATS has therefore been excluded from this analysis of savings from not having to pay building control charges.

62. The benefits are quantified by multiplying the number of jobs a building control officer no longer needs to inspect by the saving per job as a result of building control no longer having to inspect the work. Firstly we need to estimate the number of jobs we anticipate to be undertaken each year. We have profiled the cumulative number of members in each scheme, in each year, in table A.4 in Annex A. This shows a total of 5,581 members belonging to a scheme over 10 years, meaning 558 members belonging to a scheme, on average, per year. We have then assumed that each member, in each scheme, will carry out a certain number of jobs per year, ranging from 2 - 29 based on figures provided by the scheme operators in their submissions to the department, moderated based on the historical trend and likely trajectory of market structures. Table 5 presents the average number of members belonging to

[9] https://www.gov.uk/government/statistical-data-sets/competent-person-self-certification-schemes-statistics

schemes per year, multiplied by the estimated number of jobs we expect each member to carry out per year. This results in an average of 7,085 jobs being carried out per year, and 73% of that are expected to be from OFTEC members. Table A.5 in the annex presents an annual profile of the number of jobs carried out in each year of the policy.

Table 5 – Total number of jobs to be carried out per year

Scheme Operator	Average number of members per year[1]	Anticipated number of jobs to be completed per year per member	Average number of jobs carried out per year
Blue Flame	38	22	824
Certass	24	14	340
NAPIT	42	4	178
Network Veka	17	5	85
OFTEC	395	13	5,175
Stroma	43	11	483
Total	**558**	**N/A**	**7,085**

Based on the number of current members, plus the new members we anticipate joining in each of the 10 years of the policy. The cumulative number of members belonging to schemes, per year, is presented in table A.4 in Annex A.

63. We expect, on average, 7,085 jobs per year to no longer incur a building control charge. With an average building control charge of £175 per job we anticipate average annual savings of £1.2m and a total present value total benefit of £10.4m. Table 6 displays the average annual savings along with the total present value savings/benefits.

Table 6 – Savings of extending competent person schemes

Scheme Operator	Saving per job	Average number of jobs per year (table 5)	Average annual benefit	Total present value benefit
Blue Flame	£175	824	£144,200	£1,174,556
Certass	£175	340	£59,535	£476,664
NAPIT	£175	178	£31,150	£254,490
Network Veka	£175	85	£14,788	£123,300
OFTEC	£175	5,175	£905,625	£7,658,377
Stroma	£175	483	£84,567	£699,858
Total	**£175**	**7,085**	**£1,239,865**	**£10,387,244**

Note: The annual benefit is presented as an average over 10 years. Profiling this number over 10 years will not generate the present value total benefit as in the table. Please see table A.6 for the profile of the benefits.

Benefit sensitivity analysis

64. The actual building control charges will affect the final present value benefit, as will the total number of jobs. The latter in turns depends on two factors: the number of jobs per member and the number of members carrying out those jobs.

65. The cost sensitivity analysis above has covered the effect of variation in the number of members. We have applied the same allowance of 30% on both sides here. In addition, we think the same range for the number of jobs in percentage terms is reasonable. We have furthermore applied a range of building control charges (£150 - £200).

66. Therefore for a low estimate of benefit we have kept the lower bound building control charges of £150 and have taken 70% of the base-case number of jobs per member and 70% of the base-case number of members in each year. This leads to an average annual saving of £0.5m. The total present value benefit over 10 years is £4.4m.

67. For a high estimate of benefit we have kept the upper bound building control charges of £200 and have taken 130% of the base-case number of jobs per member and 130% of the base-case number of members in each year. This leads to an average annual saving of £2.4m. The total present value benefit over 10 years is £20.1m.

Non-monetised benefits

68. The 'Rationale for Intervention' above refers to other benefits provided by the proposed extended competent person schemes, in particular removing the burden on installers and consumers of requiring notification of work in advance and freeing up building control bodies' resources, and improving the level of compliance with the Building Regulations.

69. In addition, a benefit may arise because a notice to commence must be made to the local authority at least two days before building work commences on site, whereas competent person scheme registration does not require such a notice. This could therefore provide a potential benefit of a saving of two days delay to work commencing on site. However, most installers will take account of this small delay when planning their work and as there is no evidence as to whether the delay causes any real difficulties, the potential savings have not been monetised.

70. A further benefit is that there will be more competition between the various schemes for the types of work which is likely to mean lower membership costs and lower costs to end customers. Having a second airtightness testing scheme will give developers more choice. Any loss of work for building control bodies frees up their scarce resources to concentrate on areas of higher risk.

Total benefits

71. Total average annual benefits range from £0.5m to £2.4m with a midpoint of £1.2m. The total present value cost ranges from £4.4m to £20.1m, with a midpoint of £10.39m. This results in an equivalent annual benefit to business of £1.07m in 2009 prices.

One In Two Out

72. The equivalent annual cost to business totals £0.1m in 2009 prices, and the equivalent annual benefit to business totals £1.1m in 2009 prices. This equates to an equivalent annual net cost to business of **-£0.93m** in 2009 prices discounted to 2015, or -£0.78m discounted to 2010. Therefore this policy provides a net 'OUT' of **£0.78m** in 2009 prices, discounted to 2010, for one in two out purposes.

Specific Impacts Tests

Statutory equality duties

73. We have considered whether the statutorily protected groups would be impacted through the completion of our equality statement for changes to the Building Regulations. We concluded that for competent person schemes there would be no impact.

Economic impacts

74. The main specific group affected by the proposed extended competent person schemes are micro-and small businesses as membership of schemes is mainly from businesses of this size. As registration with a competent person scheme is voluntary only businesses which think it will be beneficial to their business will wish to register.

75. Members of the extended competent person schemes will be able to quote a price for the work which is likely to be lower than those installers who are not in schemes, as the price would not include the amount of the building control charge and thus give a competitive advantage.

76. In addition, more competition between competent person schemes to carry out the further types of work will also keep their fees at a competitive level and benefit consumers.

Environmental impacts

77. As stated under 'Rationale for Intervention' above, competent Person Scheme installers have to demonstrate their competence and are subject to ongoing performance monitoring. This means that the installations should achieve a higher level of compliance with the relevant requirements of the Building Regulations including the energy and water efficiency requirements. This should result in a small improvement to environmental standards and goals.

Social impacts and sustainable development

78. No impact.

Summary (including preferred option and implementation plan)

79. The Department therefore proposes to proceed with Option 2, to authorise the extension of some existing competent person schemes to self-certify the types of work indicated, so as to further reduce the costs and burdens of complying with the Building Regulations at an equivalent annual net benefit to business of £0.75m in 2009 prices discounted to 2010, and to help improve compliance.

80. The extended competent person schemes will be authorised as part of amendments to the Building Regulations 2010. The amendment regulations will come into force in April 2015 and no later than 20 April 2015 and will be for the authorised schemes to operate their extensions as soon as possible from that date.

Annex A

Table A.1 - Number of new members joining, each scheme, per year

Scheme	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total new members	Average annual number of new members
Blue Flame	20	4	4	4	4	4	4	4	4	4	56	6
Certass	2	2	2	2	2	6	6	6	6	3	41	4
NAPIT	3	3	3	3	3	3	3	3	3	3	30	3
Network Veka	5	1	1	1	2	2	2	2	2	5	23	2
OFTEC	50	10	10	10	10	10	10	10	10	10	140	14
Stroma	14	3	3	3	3	3	3	3	3	3	39	4
Total	**94**	**23**	**23**	**23**	**28**	**28**	**28**	**28**	**28**	**28**	**329**	**33**

Table A.2 – Number of current members

Scheme	Current members
Blue Flame	0
Certass	5
NAPIT	25
Network Veka	5
OFTEC	300
Stroma	16
Total	**351**

Table A.3 – Total number of members at the start of each year

Scheme	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total members	Average annual number of members
Blue Flame	0	20	24	28	32	36	40	44	48	52	324	32
Certass	5	7	9	11	13	19	25	31	37	43	200	20
NAPIT	25	28	31	34	37	40	43	46	49	52	385	39
Network Veka	5	10	11	12	13	15	17	19	21	23	146	15
OFTEC	300	350	360	370	380	390	400	410	420	430	3,810	381
Stroma	16	30	33	36	38	41	44	47	50	52	387	39
Total	**351**	**445**	**468**	**491**	**513**	**541**	**569**	**597**	**625**	**652**	**5,252**	**525**

Table A.4 – Total number of members at the end of each year

Scheme	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total members	Average annual number of members
Blue Flame	20	24	28	32	36	40	44	48	52	56	380	38
Certass	7	9	11	13	19	25	31	37	43	46	241	24
NAPIT	28	31	34	37	40	43	46	49	52	55	415	42
Network Veka	10	11	12	13	15	17	19	21	23	28	169	17
OFTEC	350	360	370	380	390	400	410	420	430	440	3,950	395
Stroma	30	33	36	38	41	44	47	50	52	55	426	43
Total	**445**	**468**	**491**	**513**	**541**	**569**	**597**	**625**	**652**	**680**	**5,581**	**558**

Table A.5 – Number of jobs carried out per year

Scheme	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total jobs	Average annual number of jobs carried out per year
Blue Flame	200	312	420	544	684	840	1,012	1,200	1,404	1,624	8,240	824
Certass	56	81	110	143	228	325	434	555	688	782	3,402	340
NAPIT	56	62	102	111	160	172	230	245	312	330	1,780	178
Network Veka	50	55	60	65	75	85	95	105	115	140	845	85
OFTEC	3,850	3,960	4,440	4,560	5,070	5,200	5,740	5,880	6,450	6,600	51,750	5,175
Stroma	240	262	320	346	412	484	562	645	734	828	4,832	483
Total	**4,452**	**4,732**	**5,452**	**5,769**	**6,629**	**7,106**	**8,073**	**8,630**	**9,703**	**10,304**	**70,849**	**7,085**

Table A.6 – Profile of benefits for schemes (in 000s)

Scheme	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total benefit	Total present value benefit
Blue Flame	£35	£55	£74	£95	£120	£147	£177	£210	£246	£284	£1,442	£1,175
Certass	£10	£14	£19	£25	£40	£57	£76	£97	£120	£137	£595	£477
NAPIT	£10	£11	£18	£19	£28	£30	£40	£43	£55	£58	£312	£254
Network Veka	£9	£10	£11	£11	£13	£15	£17	£18	£20	£25	£148	£123
OFTEC	£674	£693	£777	£798	£887	£910	£1,005	£1,029	£1,129	£1,155	£9,056	£7,658
Stroma	£42	£46	£56	£60	£72	£85	£98	£113	£128	£145	£846	£700
Total	**£779**	**£828**	**£954**	**£1,010**	**£1,160**	**£1,244**	**£1,413**	**£1,510**	**£1,698**	**£1,803**	**£12,399**	**£10,387**