

Title: The Building, Approved Inspectors and Charges (Amendment) Regulations 2013: Authorisation of New Extended Competent Person Schemes IA No: Lead department or agency: Communities and Local Government Other departments or agencies:	Impact Assessment (IA)		
	Date: 28/3/13		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Secondary Legislation		
Contact for enquiries: Anthea Nicholson (0303 444 1767) or Alison Lockyer (0303 444 3420)			
Summary: Intervention and Options			RPC Opinion: Awaiting RPC validation

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as One-Out?
£15.1m	£15.1m	-£1.6m	Yes OUT

What is the problem under consideration? Why is government intervention necessary?
Competent person schemes (CPS) are a deregulatory measure under which installers can be registered as competent to self-certify that their building work complies with the building regulations. Self-certification, through competent person schemes, is an appropriate response to market failure in a low risk situation where information is costly and difficult to obtain. This removes the burden for installers and consumers of having to notify the work to a building control body in advance and having it checked by them when completed. Where a CPS installer is used, the business benefits from lower prices as building control charges (typically £60 - £180) are not payable. This saving could be passed on to the consumer in lower prices, although this is not accounted for in this IA.

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 new schemes and extending the scope of existing schemes, especially those associated with the Green Deal. The objective is to make work under the Green Deal as inexpensive and efficient as possible whilst ensuring that it fully complies with the relevant requirements in the Building Regulations. Authorising new and extended CPS schemes will allow us to achieve this objective.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
The two options considered have been:
(1) to do nothing or
(2) to authorise new/extended competent person schemes to self-certify a wider range of types of work than now.
Option 1 would continue to require third party checking by Building Control Bodies (BCB), so would not achieve our deregulatory aims, hence option 2 is the preferred option. Whilst competent person schemes are in themselves deregulatory they can only be authorised through amendments to the Building Regulations.

Will the policy be reviewed? Yes If applicable, set review date: Dependent on the outcome of annual inspections of scheme operators by the UK Accreditation Service.					
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
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 : _____ Don Foster _____ Date: 8th May 2013 _____

Summary: Analysis & Evidence

Policy Option 2

Description: To authorise one new Competent Person Scheme operator for an existing type of work and the extension of scope for seven existing Competent Person Scheme operators to cover both existing types of work and three new types of work to meet the policy objectives as set out above.

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 6.5	High: 23.7	Best Estimate: 15.1

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		0.3	2.3
High		0.3	2.6
Best Estimate	N/A	0.3	2.4

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

New members will incur annual and ongoing registration fees (ranging from £350 - £460 a year) depending on the scheme operator. Each year we estimate an average of 536 members will incur annual registration fees resulting in average annual costs to business of £0.2m, and a total PV cost of £1.7m. Members will need to undertake refresher training every 6 years at a direct cost ranging from £210 - £400 per member. We estimate, on average, 92 members requiring training per year resulting in an average annual cost to business ranging from £19k to £37k, and a total PV cost to business ranging from £0.2m to £0.3m. All members attending training will lose earnings one day's earnings (£117 - £178) for attending training at an average annual cost to business of £11k to £16k, and a total PV cost of £91k to £139k. There will be cost to scheme operators from their members notifying them of work carried out at an estimated annual cost of £36k to £44k, with a PV total cost £304k to £377k.

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

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low		1.0	8.7
High		3.1	26.2
Best Estimate	N/A	2.1	17.5

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

Savings arise because Competent Person Scheme members do not pay an average £120 charge per job to have their work checked by a Building Control Body. Each year we estimate, on average, of 17,124 jobs a year no longer paying a building control charge, resulting in an average annual benefit of £2.1m, and a PV total benefit of £17.5m. Applying a range to the saving per job (£60 - £180) results in the average annual benefit ranging from £1.0m to £3.1m, and a total PV benefit ranging from £8.7m to £26.2m. All these benefits fall on business. These savings may be passed on to households in lower fees although this is not quantified in this IA.

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 Competent Person Scheme members are likely to be more competent than non-members. Saving of time for Competent Person Scheme members through removal of the need to give local authorities two days notice before building work commences on site. Potentially lower costs for customers as a result of increased competition.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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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 a range of £350-£460 based on information provided by the Competent Person Schemes on their registration fees. Savings per job are estimated in ranges based on an average hourly rate for BCBs of £60 per hour and an estimate of time taken, 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 OIOO?	Measure qualifies as
Costs: 0.3 Benefits: 1.9 Net: 1.6	Yes	OUT

Evidence Base (for summary sheets)

Introduction and Background

The Building Regulations and development of Competent Person Schemes

The Building Regulations are designed to ensure the health, safety, welfare and convenience of people in and around buildings and provide for furthering energy conservation. Prior to the introduction of competent person schemes (CPS), anyone carrying out building work was required to pay a charge and use a building control service provided by a building control body (BCB), i.e. local authorities (LAs) or private sector approved inspectors, to check plans and/or inspect work to ensure compliance with the relevant requirements of the Building Regulations.

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 BCB 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 (i.e. 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.

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 (known as CPS) were introduced to cover window and boiler installation.

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

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 CPS to remove the costs and burden of notification to BCBs and the risk was considered to justify this approach. Since then the range of types of work and the number of authorised schemes has continued to increase to cover areas such as plumbing, air-conditioning systems, roof replacements and cavity wall insulation (an up to date list can be found in Schedule 3 of the Building Regulations 2010, as amended and on the DCLG website¹).

¹ <https://www.gov.uk/building-regulations-competent-person-schemes/current-schemes>

Authorisation and monitoring of CPS

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

Installers wishing to become a member of a CPS 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 NVQ level 3 or other equivalent standards under a Minimum Technical Competence procedure, with continuing random monitoring of members' work to make sure it meets those standards.

When a job is completed an installer must notify the relevant LA, via their CPS operator, of the work carried out and certification of building regulations compliance is provided to the consumer (i.e. customer). It should be noted that membership of a CPS is voluntary – if an installer chooses not to join a CPS they still have the option of having their work supervised by a BCB.

About 3.5 million jobs were self-certified under CPS in the year to Sept 2012. Our periodic monitoring reports of the performance of existing CPS can be found on the DCLG website². These have shown that schemes have generally achieved a high level of compliance with the health, safety and energy efficiency requirements of the Building Regulations and have proved to be a success. The number of complaints from customers is a miniscule fraction of the jobs carried out under CPS (0.1% at most) and many of these are not about failure to meet building regulations standards. Evidence has therefore demonstrated that there are low risks attached to self-certification in the areas of work authorised to date.

In June 2012 DCLG implemented an enhanced set of criteria for conditions of authorisation and monitoring of CPS designed to improve robustness, consistency and quality assurance and ensure a level playing field between the schemes. This included a condition that all CPS achieve accreditation to British Standard EN 45011 by the United Kingdom Accreditation Service (UKAS), with a two year transitional period. UKAS will then monitor the schemes regularly to ensure that they continue to meet their conditions of authorisation.

Other Government schemes

DCLG works with the Department of Energy and Climate Change to align the CPS system with its related schemes as appropriate, i.e. the Microgeneration Certification Scheme (a quality assurance scheme relating to renewable microgeneration 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

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/68676/competent_person_stats.xls

Allowing competent installers who are members of CPS to self-certify their work means that they do not need to notify in advance and pay a BCB to check the work, thus removing a burden on installers and consumers, and also BCBs 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 subject to ongoing monitoring also means that the installations should achieve a higher level of compliance with the relevant requirements of the Building Regulations than other work. Competition amongst CPS also helps to ensure they keep membership fees low. CPS therefore provide an alternative, cost effective and deregulatory means of ensuring compliance with the Building Regulations and helps to reduce the level of unauthorised work carried out. The CPS framework is also consistent with the Government's localism agenda.

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

DCLG proposes to authorise two new and extend the scope of one existing CPS in the Building Regulations to cover types of work that relate to the Green Deal. A table listing the new and extended CPS and the types of work for which we propose to authorise them is included in 'Option 2' below.

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 any body 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

Option 1: To do nothing and authorise no extensions to the scope of existing CPS.

Option 2: To authorise two new CPS operators (British Board of Agrément (BBA) and BRE Global) and the extension of the scope of one existing CPS (ECA Certification, to be renamed Certsure from 6 April) to cover the types of work indicated in the table below to meet the above policy objectives:

Type of work	CPS operator
Installation, as a replacement, of a window, rooflight, roof window or door in an existing dwelling	ECA/Certsure
Installation, as a replacement, of a window, rooflight, roof window or door in an existing building other than a dwelling (excluding glass which is load bearing or structural or which forms part of glazed curtain walling or a revolving door).	ECA/Certsure
Installation in a building of a system to	BRE Global

produce electricity, heat or cooling— (a) by microgeneration, or (b) from renewable sources (as defined in European Parliament and Council Directive 2009/28/EC of 23 April 2009 on the promotion of the use of energy from renewable sources).	
Installation of insulating material to the internal walls of a building	BBA
Installation of insulating material to the external walls of a building, not including insulation of demountable-clad buildings	BBA
Installation of insulating material to both the external and internal walls of a building ("hybrid insulation"), not including demountable clad buildings	BBA

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

OPTION 1:

If we do nothing and authorise no new or extended Competent Person Schemes, no new costs or benefits will arise.

OPTION 2:

It is estimated that the following costs and benefits will arise if we authorise the proposed new and extended Competent Person Schemes:

Costs

Option 1

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

Option 2

(a) Registration fees

All competent person scheme operators require annual registration fees paid from businesses registered with them. 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.

Existing members' registration costs

In the proposed authorisation of new types of work (or the proposed extension of schemes to existing types of work for which they were not previously authorised) some of the existing members of the schemes will extend their ability to self-certify the work they do to new types of work or extensions. As these members are already paying a registration fee to belong to a scheme there will be no additional registration fee for them to pay.

New members' registration costs

However, all the schemes will attract new members not currently belonging to any competent person scheme and in respect of these the registration fee is a cost to the members. BBA and BRE are operating new schemes so all members will incur registration costs in our calculations. ECA are extending the categories of work which can be self certified. They anticipate that 15 of their existing members will wish to undertake the new types of work. Given that they are existing members, they will not incur registration fees as a result of the extension of scope.

In their application forms scheme operators provided the cost of the annual registration fee. They also provided estimates of the number of new members who they anticipate would join the scheme in each of the following ten years to carry out and self-certify the types of work for which the schemes are being authorised. 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 the cumulative number of members (excluding current members) in each scheme (found in table A.3 in the Annex) and multiplied it by the registration fee each scheme operator charges its members. 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 registration costs to new scheme members

Scheme Operator	Annual fees	Average annual number of members incurring fees	Average annual cost	Total Present Value Costs (Millions)
BBA	£380	216	£82,080	£0.7
BRE	£350	233	£81,550	£0.7
ECA	£460	87	£39,790	£0.3
Total	N/A	536	£203,420	£1.7

The average annual cost to scheme members will be £203k, based on an average of 536 members paying an annual registration 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 £1.7m.

(b) Ongoing training costs

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.

Following 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.

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: e.g. 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.

For the previous round of Competent Person applications the Department consulted with scheme operators about the likely direct costs of their members attending a days training course. Nine scheme operators responded. Of these, seven informed us that the cost of training ranged from £210 to £400 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 £210 to £400 per member. Of the three scheme operators this policy is being extended for ECA who were included in our previous Impact Assessment. We have liaised with the two new scheme operators who have informed us that they expect the direct cost of training to fall within our £210 - £400 range.

Table 2 displays the cost of training based on average number of new members attending courses per year and presents the midpoint cost of training of £305 per delegate.

Table 2 – Ongoing training costs to members

Scheme Operator	Training cost per member (midpoint)	Average number of members trained per year	Average annual cost	Total Present Value Costs (Millions)
BBA	£305	36	£10,980	£93,155
BRE	£305	39	£11,844	£101,272
ECA	£305	17	£5,160	£43,636
Total		92	£27,984	£238,062

We therefore anticipate a midpoint average annual cost to members of attending training costs of £28k, with a total present value cost over 10 years of £238k. The

low and high estimate result in a total PV cost ranging from £164k to £312k based on a cost per member ranging from £210 to £400.

We feel that we have overestimated the cost of training because we have assumed both that all new members will attend formal training and that they will incur direct costs for doing so. However, it is unlikely that all members will be charged for attending formal training as some members will undertake online training (at a lower cost), and/or may maintain and enhance their skills via email communication and website updates from the scheme operator (at no cost).

(c) Loss of earnings from training

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 92 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 ASHE, is £14.63³ an hour and the high rate, obtained from EC Harris' database, is £22.29⁴ per hour, resulting in a midpoint hourly wage rate of £18.46. This results in a loss of earnings per member attending training ranging from £117 to £178.29 with a midpoint of £147.64. Table 3 presents the average annual cost and total cost of members losing earnings from attending training courses.

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 (Millions)
BBA	£147.64	36	£5,315	£45,094
BRE	£147.64	39	£5,734	£49,024
ECA	£147.64	17	£2,498	£21,123
Total		92	£13,546	£115,241

Table 3 recognises that, on average, 92 members will lose one day's earnings per year at an average annual cost of £14k. This results in a total present value cost of lost earnings of £115k over 10 years. Using the low and high cost per member results in the total PV cost over 10 years ranging from £91k to £139k.

Previous consultations with scheme operators informed us that the loss of earnings we have calculated in table 3 are likely to be an overestimate. In January 2013 we liaised with scheme operators during the previous round of CPS to understand what proportion of their members would attend a formal training course, and lose earnings,

³ Hourly wage rate of £11.25 obtained from ONS ASHE 2012, for a 'Skilled construction and building trades' worker. This has been updated by 30% to account for overheads as per standard cost model methodology to take the hourly wage rate to £14.63.

⁴ Used an hourly wage rate for Skilled Tradesman in the South East of £22 per hour. This has been updated to 2012 prices using most up to date HM Treasury GDP deflators

and what proportion would undertake learning in their own time (online courses and/or through updates from the scheme provider in the form of an email, or updates to the scheme operator's website) and not lose earnings. There was a mix of responses from the six scheme operators who replied. One scheme operator stated that only 20% of its members would attend formal training and 80% update their skills either online (60%) or by receiving information from the scheme provider (20%). Two scheme providers informed us that 80-90% of their members attended formal training, while three scheme operators informed us that they do not provide any online training, meaning all members would need to attend training during work hours. Responses from three of the six scheme operators who responded indicate that not all of their members undertake training during work hours and therefore lose earnings. However, to be conservative we are going to assume that all members will lose earnings and undertake training during work hours and therefore lose income.

(d) Cost of notification of work

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. We anticipate that it will take a maximum of five minutes to send out of a certificate. Adding £1 for printing and postage costs we anticipate it costing £2.09 for a scheme operator to produce and send each certificate. This is based on an hourly wage for an administrative worker at the scheme operator of £13.05⁵. We feel that this is a conservative estimate given that in a previous IA⁶ we assumed this would take someone two minutes to prepare and send out a certificate. During our previous extension of the CPS we asked the Managing Director of one of the scheme operators, who is also chair of the Competent Persons Forum, to validate our estimate of the time taken to complete a compliance certificate. He timed himself and informed us that it took one and a half minutes to log in and complete a certificate (which included time for making a mistake in the process). He said that, in his experience, it can take a maximum of two minutes if not all the information (such as addresses) is available to hand. He also told us that the cost of producing a certificate is always incorporated into the customer's bill, in the same way as other costs that are incurred by the installer when carrying out work are passed on to the customer. However, because the cost is initially incurred by the scheme operator we have assigned the notification cost to them and included it in the EANCB calculations.

For this extension of the CPS we asked the three scheme operators to include what they believe will be the notification cost. Each scheme operator provided a figure which ranged from £1.50 to £3.00 per notification, applying a weighted average based on the number of jobs each scheme carries out results in a notification cost of £2.59. We will use the £2.59 cost as a high estimate and our previous estimate of £2.09 as the low estimate for each notification.

⁵ Hourly wage rate of £10.04 obtained from ONS ASHE 2012, for an 'Administrative occupations' worker. This has been updated by 30% to account for overheads as per standard cost model methodology to take the hourly wage rate to £13.05. This is the most recent data source available.

⁶

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/39330/121217_BCS_final_IA_to_public_for_web.pdf

Applying the range of costs to each job carried out results in an average annual cost to scheme operators of £40k per year (range £36k - £44k), based on 17,124 jobs, on average, being carried out per year. The total present value cost to scheme operators totals £340k over 10 years (range £304k - £377k).

(e) Scheme operator costs

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)

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

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.

Total Costs

Total average annual costs range from £269k to £301k with a midpoint of £285k in constant prices. The total present value cost ranges from £2.3m to £2.6m, with a midpoint of £2.4m. This results in an equivalent annual cost to business of £0.3m in 2009 prices.

Benefits

Option 1

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

Option 2

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.

In this Impact Assessment we have used a local authority cost of £60 per hour which is based on an average of local, authority hourly rates provided by LABC and the Building Control Alliance⁷, which differ from local authority to local authority.

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 two hours or £120.

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. This policy is extending the scope of competent persons schemes, meaning new types of work are being bought in and will thus benefit from no longer having to pay a building control charge.

We have estimated the number of jobs that each competent person scheme member would likely undertake each year. These figures are derived from estimates given in the application forms by the applicant scheme operators and from DCLG statistics on the number of jobs carried out for comparable work by existing schemes⁸.

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 5,505 members belonging to a scheme over 10 years, meaning 551 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 30 – 36 based on figures provided by the scheme operators in their submissions to the department. Table 4 presents the average number of members belonging to 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 17,124 jobs being carried out per year. Table A.5 in the annex presents an annual profile of the number of jobs carried out in each year of the policy.

Table 4 – total number of jobs to be carried out per year

⁷ Sourced from CIPFA. Document is titled: Local Authority building control accounting, guidance for England and Wales. 2nd edition 2010.

⁸ <https://www.gov.uk/government/statistical-data-sets/competent-person-self-certification-schemes-statistics>

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
BBA	216	30	6,480
BRE	233	30	6,990
ECA	102	36	3,654
Total	551	96	17,124

1. 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.

We expect, on average, 17,124 jobs per year to no longer incur a building control charge. With an average building control charge of £120 per job we anticipate average annual savings of £2.1m and a total present value total benefit of £17.5m. Table 5 displays the average annual savings along with the total present value savings/benefits.

Table 5 – savings of extending the CPS

Scheme Operator	Saving per job	Average number of jobs per year (table 4)	Average annual benefit	Total Present Value Benefit (Millions)
BBA	£120	6,480	£777,600	£6.6
BRE	£120	6,990	£838,800	£7.2
ECA	£120	3,654	£438,480	£3.7
Total		17,124	£2,054,880	£17.5

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

Sensitivity Analysis

To account for the uncertainty surrounding the time saved for each job we have applied a range to the savings per job. For a low estimate we have assumed 1 hour of building control time taken to inspect the members work. We have used a 1 hour because some jobs are can be inspected quickly (such as windows), therefore we have use a saving per job of £60 for the low estimate. Using the low estimate results in average annual savings of £1.0m. The total present value benefit over 10 years totals £8.7m.

For a high estimate we have assumed three hours of building control time to inspect jobs and carry out their administrative tasks. We have used 3 hours because for some jobs, such as solid wall insulation, building control officers may need to visit premises at least twice to inspect work. This results in three hours of saved building control time per job (at £60 per hour). Using the high estimate saving results in average annual savings of £3.1m. The total present value benefit over 10 years totals £26.2m.

Non-monetised benefits

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.

In addition, a further 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.

A further benefit is that there will be more competition between the various schemes for the types of work likely meaning lower costs to the customers.

Any loss of work for building control bodies frees up their scarce resources to concentrate on areas of higher risk.

Total benefits

Total average annual benefits range from £1.0m to £3.1m with a midpoint of £2.1m. The total present value cost ranges from £8.7m to £26.2m, with a midpoint of £17.5m. This results in an equivalent annual benefit to business of £1.9m in 2009 prices.

One In One Out

The equivalent annual cost to business totals £0.3m in 2009 prices, and the equivalent annual benefit to business totals £1.9m in 2009 prices. This equates to an equivalent annual net cost to business of -£1.6m in 2009 prices. This policy provides a net 'OUT' of £1.6m in 2009 prices for one in one out purposes.

Specific Impacts Tests

Statutory equality duties

We have considered the 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 CPS there would be no impact.

Economic impacts

The main specific group affected by the proposed extended Competent Person Schemes are micro-and small businesses as membership of CPS 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.

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.

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

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

No impact.

Summary (including preferred option and implementation plan)

DCLG 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 average net saving/benefit of around £3.9m per annum, and help improve compliance.

The extended Competent Person Schemes will be authorised as part of amendments to the *Building Regulations 2010*. The amendment regulations will come into force on 1 January 2013 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
BBA	150	20	20	20	20	4	4	4	4	4	250	25
BRE	200	10	10	10	10	2	2	2	2	2	250	25
ECA	45	15	15	10	10	2	2	2	2	2	105	10.5
Total	395	45	45	40	40	8	8	8	8	8	605	60.5

Table A.2 – Number of current members

Scheme	Current members
BBA	0
BRE	0
ECA	15
Total	15

Table A.3 – Cumulative number of members (excluding current members for registration costs)

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
BBA	150	170	190	210	230	234	238	242	246	250	2,160	216
BRE	200	210	220	230	240	242	244	246	248	250	2,330	233
ECA	45	60	75	85	95	97	99	101	103	105	865	87
Total	395	440	485	525	565	573	581	589	597	605	5,355	536

Table A.4 – Cumulative number of members (including current members)

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
BBA	150	170	190	210	230	234	238	242	246	250	2,160	216
BRE	200	210	220	230	240	242	244	246	248	250	2,330	233
ECA	60	75	90	100	110	112	114	116	118	120	1,015	102
Total	410	455	500	540	580	588	596	604	612	620	5,505	551

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
BBA	4,500	5,100	5,700	6,300	6,900	7,020	7,140	7,260	7,380	7,500	64,800	6,480
BRE	6,000	6,300	6,600	6,900	7,200	7,260	7,320	7,380	7,440	7,500	69,900	6,990
ECA	2,160	2,700	3,240	3,600	3,960	4,032	4,104	4,176	4,248	4,320	36,540	3,654
Total	12,660	14,100	15,540	16,800	18,060	18,312	18,564	18,816	19,068	19,320	171,240	17,124

Table A.6 – Profile of benefits

Scheme	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Total benefit (Millions)	Total Present Value Benefit (Millions)
BBA	£0.5	£0.6	£0.7	£0.8	£0.8	£0.8	£0.9	£0.9	£0.9	£0.9	£7.8	£6.6
BRE	£0.7	£0.8	£0.8	£0.8	£0.9	£0.9	£0.9	£0.9	£0.9	£0.9	£8.4	£7.2
ECA	£0.3	£0.3	£0.4	£0.4	£0.5	£0.5	£0.5	£0.5	£0.5	£0.5	£4.4	£3.7
Total	£1.5	£1.7	£1.9	£2.0	£2.2	£2.2	£2.2	£2.3	£2.3	£2.3	£20.5	£17.5

