

Regulatory Triage Assessment

Title of regulatory proposal	Authorisation of new Building Regulations Competent Persons Schemes 2012
Lead Department/Agency	DCLG
Expected date of implementation	January 2013 SNR 5
Origin	Domestic
Date	26/09/12
Lead Departmental Contact	Anthea Nicholson, Building Regulations and Standards [REDACTED]
Departmental Triage Assessment	Deregulation (fast track)

Rationale for intervention and intended effects

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 regulations. This removes the burden for installers and consumers 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 consumer benefits from lower prices as building control charges (typically £100-150) are not payable.

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.

Viable policy options (including alternatives to regulation)

Apart from the 'Do Nothing,' which would continue to require third party checking by Building Control Bodies, the option considered is to authorise new/extended competent person schemes to cover a wider range of types of work than now.

Initial assessment of business impact

Businesses have applied on a voluntary basis to operate Competent Persons Schemes (CPS). Membership of CPS is also voluntary and it can be expected that installers will only seek to be registered where they see a net benefit in doing so. Similarly customers can choose whether or not to use a CPS registered installer.

An Impact assessment was undertaken in 2011 for previous new and extended competent persons schemes which showed a small but significant 'OUT' due to savings as previously notifiable 'building work' becoming self-certified. This monetised the benefits by estimating membership over the 10 year appraisal period, assessing the likely annual jobs per annum each member will undertake and then estimating a cost saving per job from saved building control fees. An estimate was then made of the costs of running the schemes and training requirements. This IA achieved a 'Green' rating by the RPC.

We have not yet made a decision on which applicants will be accepted in the current round or what work will be covered. However, a detailed assessment of the costs and benefits of these newly authorised schemes will be based on the types of work applied for, estimated numbers of scheme members, jobs likely to be carried out and savings per job in each case along the lines of the previous IA. As it will include some currently notified building work becoming self-certified and thus a saving from reduced building control charges this will be a small but significant 'OUT'.

One-in, One-out status

There is no compulsion on installers to belong to competent person schemes, thus there is no regulatory burden for One In One Out purposes. The benefits to business outlined above mean that this IA will reduce costs to business and so be an 'OUT' for OIOO purposes.

Rationale for Triage rating

This is a minor, low risk, deregulatory change. Impact assessments have been carried out on previous similar applications for new/extended CPS all of which have shown net savings.

We therefore anticipate that this will also be an 'OUT' as it does involve self-certification of work which currently requires approval by a building control body and accompanying savings to business.

Departmental signoff (SCS):

Date:

R. Tolson

27/9/12

Economist signoff (senior analyst):

Date:

Better Regulation Unit signoff:

Date:

Supporting evidence

1. The policy issue and rationale for Government intervention

Competent persons schemes (CPS) were first introduced in 2002, following changes to the Building Regulations under which the installation of boilers and replacement windows became notifiable 'building work' for the first time. It was recognised that building control bodies (local authorities or their private sector counterparts, Approved Inspectors) would not be able to cope with the massive increase in inspections of building work that would follow. In addition, there are cost savings benefits to business from authorising self-certification rather than involving information and checking requirements for third party Building Control Bodies, for which business must pay.

CPS are a **deregulatory measure** under which installers can be registered as competent to self-certify that their building work complies with the regulations. This removes the burden for installers and consumers 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 consumer benefits from lower prices as building control charges (typically £100-150) are not payable.

DCLG periodically invites applications for new and extended schemes and authorises them in line with the requirements of the EU Services Directive. There are currently 18 CPS operators with, between them, more than 150,000 registered members (i.e. businesses, mostly small firms or sole traders). We estimate that some 2.5 - 3.0 million building jobs are currently self-certified under CPS, as compared to half a million other notifiable building jobs supervised by building control bodies.

2. Policy objectives and intended effects

Policy objectives: The primary objective is to improve the cost effectiveness and efficiency of ensuring compliance with the requirements of the Building Regulations, through extending the scope of some existing CPS to self-certify further types of work where the incidence of risk is considered to be low.

In June 2012 DCLG invited applications for new/extended schemes, in particular to support the Green Deal. (The Green Deal is a new scheme developed by DECC which will allow households and businesses to have energy efficiency measures installed at no upfront cost, paying back over time through their energy bills.) In June DCLG also issued new conditions of authorisation designed to tighten up quality standards for CPS and ensure consistency of approach both between CPS operators and between CPS and Green Deal installers as regards competency requirements.

In July DCLG received 13 applications, mainly to widen the scope of existing schemes to cover Green Deal measures that constitute notifiable building work, such as external wall insulation and replacement windows. DCLG will put recommendations to Ministers in October on which applications to accept.

The **intended effect** of enabling Green Deal certified installers also to be CPS registered is to make building work that is eligible for Green Deal funding as cost-effective and non-disruptive as possible for business and customers.

3. Policy options considered, including alternatives to regulation

Apart from the 'Do Nothing,' which would continue to require third party checking by Building Control Bodies, the option considered is to authorise new/extended competent person schemes to cover a wider range of types of work than now.

4. Expected level of business impact

Businesses have applied on a voluntary basis to operate CPS. Membership of CPS is also voluntary and it can be expected that installers will only seek to be registered where they see a net benefit in doing so. Similarly customers can choose whether or not to use a CPS registered installer.

A detailed assessment of the costs and benefits of authorising new/extended schemes will be based on the types of work applied for, estimated numbers of scheme members and jobs likely to be carried out in each case.

Impact assessments have been carried out on previous applications for new/extended CPS all of which have shown net savings. Three impact assessments relating to CPS have been produced within the last two years:

A full impact assessment was completed for the extension to five CPS in 2011, with an estimated average of 1,900 members over the 10 year appraisal period. This estimated equivalent annual net savings of £2.3m (£0.15m costs for installer registration and training and £2.45m savings from not paying building control charges).

Non-monetised benefits included freeing up of building control body resources to concentrate on other areas of work where self-certification is not appropriate and improving the level of compliance with building regulations, as CPS members are likely to be more competent than non-members. This IA was rated as "green" by the RPC (RPC11-CLG-0850(2), DCLG 0036) and we intend to use the same base assumptions in calculating the costs and benefits of the new/extended schemes now proposed.

A consultation IA (RPC11-CLG-1137(2), DCLG 0089) was produced for the consultation in January 2012 on proposed changes to the building control system, including an 'in principle' proposal to extend the CPS framework to cover new types of work. This described and monetised as far as practicable the types of costs and benefits that would need to be taken into consideration when assessing specific proposals for new types of work. The IA concluded that, as CPS changes would be voluntary and only undertaken when a business judged the benefits to be greater than cost, they did not represent a regulatory burden for One In One Out purposes.

A further impact assessment was completed in June 2012 (RPC12-CLG-1288(2) Amber, DCLG 12010) for the new conditions of authorisation for CPS operators. The main costs to operators were from continuing training, additional financial protection, actions to increase membership, ensuring minimum technical competences, surveillance of scheme members and UKAS accreditation, all amounting to £34m (present value). These costs were offset by £71m (present value) benefits, primarily resulting from a more efficient and effective risk-based surveillance and inspection regime, giving an overall NPV benefit of £37m and an annual equivalent net benefit to business of £4.7m (2011 prices).

We are currently assessing applicants and have yet to make the final decisions regarding which of the 13 applications will be authorised and what type of schemes covered in this round. It is therefore not possible to monetise the costs and benefits at this stage as they depend upon this decision. However, at least some work currently outside CPS and some installers not currently in CPS will be included and so ongoing annual savings along similar lines to those identified in Impact Assessment DCLG 0036 are likely. This is likely to cover in the range of 5,000 – 18,000 new members on average over the 10 year appraisal period.

Once we have identified the successful applicants we can use their estimates of membership, likely jobs per member per annum and cost saving per job to estimate the benefits along similar lines to DCLG0036. Against this we will also estimate membership fees to cover the cost of running the schemes and additional training requirements. This will result in a small but significant 'OUT' as a result of the cost savings to business.

Additional benefits to be considered include potential competition benefits from more schemes in areas already covered by self-certification and benefits of better compliance as members are likely to be more competent to ensure compliance than non members in situations where building control bodies may not have identified non-compliance due to information being costly and difficult to obtain.