Domestic quality assurance requirements for the Heat in Buildings Programme

Business and Regulatory Impact Assessment



Quality Assurance Policy Statement

Business and Regulatory Impact Assessment

Title of Proposal

Domestic quality assurance requirements for the Heat in Buildings Programme

Purpose and intended effect

To ensure the success of the Heat in Buildings Programme, Scottish Ministers are proposing to develop and adopt a TrustMark approval scheme for Scotland which will also be a requirement for Scottish Government funded domestic programmes.

This scheme will include the latest industry standards, the installer skill requirements developed by industry in Scotland, oversight, enforcement and consumer redress. Ministers believe this scheme will significantly benefit consumers by providing quality assurance and consumer protection.

The scheme also sends a clear signal to the supply chain on Ministers' intentions for quality assurance and approvals. Development of the scheme will also factor in supply chain considerations to ensure suppliers are given adequate time and options for getting approved.

Background

Heat in Buildings

Our Heat in Buildings Programme¹ is the primary vehicle for reducing energy demand and carbon emissions from Scotland's existing buildings, and for eliminating poor energy efficiency as a driver of fuel poverty. Delivering on our targets has the potential to support substantial employment opportunities and build Scotland's supply chain. It has been estimated that this will require investment of £33 billion over its lifetime and that every £100 million spent on energy efficiency improvements supports approximately 1,200 fulltime equivalent jobs² across the Scottish economy.

In March 2019, the independent Quality Assurance Short Life Working Group published a <u>report</u> with 19 recommendations for developing quality assurance for Energy Efficient Scotland (including heat) including:

- There should be Quality Assurance criteria developed which detail the key mandatory requirements for suppliers wishing to participate in Energy Efficient Scotland.
- There should be a Quality Mark for Energy Efficient Scotland and suppliers wishing to take part in the Programme will have to demonstrate that they meet

¹ Previously referred to as the Energy Efficient Scotland Programme.

² Type 1 construction sector employment effects multiplier from the Scottish Government input-output tables, applied to 2021 prices.

all of the requirements (set out in Recommendation 1) through a robust vetting and verification process to achieve the Quality Mark. All approved suppliers should be listed on a publicly available Directory and where possible the use of operative ID cards should be considered.

- The verification process must not place an undue administrative or financial burden on SMEs, particularly micro-businesses.
- There should be a clear, simple and well-defined complaints process with support available for the consumer to navigate the process.

UK retrofit standards

In June 2019, the British Standards Institution (BSI) published a new retrofit standard for energy efficiency known as the Publicly Available Specification (PAS) 2035. This standard covers the entire retrofit process, from initial assessment and design to installation and evaluation. It incorporates the updated PAS 2030: 2019 installer standard, which was initially developed to support the Green Deal. Together they are known as PAS 2035/30: 2019.

These standards incorporate a number of well-defined roles for retrofit work including: retrofit coordinator, assessor, designer, installer and evaluator.

For renewables, industry standards have been available for some time and continue to evolve. These standards are provided by the Microgeneration Certification Scheme (MCS) and are separate to the BSI PAS 2035/30 standards.

Objective

Scottish Ministers want to ensure consumers can access approved suppliers regardless of where they live and that the services they receive to improve the energy efficiency of their homes is done to a high standard. Furthermore, should the worst happen, there are adequate safeguards in place to ensure consumer redress. In parallel to this we want to ensure suppliers, particularly micro-sized businesses, can get approved as effectively as possible. Proposed actions are:

Quality assurance, approvals and consumer protection

- We will work with TrustMark to develop a new quality assurance scheme for Scotland which will enable domestic consumers, including private sector landlords, to access approved suppliers in accordance with the principles of the British Standards Institution (BSI) Publicly Available Specification (PAS) 2035/30 standards.
- For our forthcoming Home Energy Scotland loans and cashback scheme, we will introduce a new requirement that applicants must use approved suppliers through Scotland's new TrustMark scheme for energy efficiency work. Microgeneration work will retain the current requirements for Microgeneration Certification Scheme (MCS) approved suppliers. This requirement will also apply to future schemes and programmes where appropriate.

- We will set up a Scottish Quality Assurance Consumer Oversight Group to oversee the implementation of the new Scottish TrustMark energy efficiency approval scheme and oversee changes and improvements to the existing MCS scheme in support of our Heat in Buildings Strategy.
- For non-domestic support schemes we will work with key stakeholders to look at quality issues experienced by businesses and to consider the role of BSI PAS 2038 retrofit standards in overcoming these and considering an appropriate approval mechanism for this.

Standards and skills

- We will work with the BSI to establish an expert technical group to advise about retrofit standards in Scotland and develop best practice that reflects the nature of our housing stock, weather and other environmental factors.
- We will integrate the Scottish installer skills matrix into both the BSI PAS 2030 installer standards and MCS installer standards in 2022.

Scams and mis-selling

• We will work with Trading Standards Scotland to prevent scams and support improved enforcement action against rogue traders within Scotland.

Public engagement

- As of September 2022, we will work with the new virtual National Public Energy Agency – and future dedicated body – to ensure our messages, advice and support are provided to all consumer groups across Scotland and that consumers have a say in the development of associated policy and interventions.
- We will investigate the development of an online portal powered by TrustMark and MCS to help consumers find approved suppliers in Scotland.
- In introducing new primary legislation for energy efficiency and zero direct emissions heat, we will consider making it a requirement for any enforcement body to provide information on relevant approved suppliers who can help them meet the standard.

Rationale for Government intervention

The proposals for quality assurance sit very well with the National Performance Framework as follows:

Create a more successful country

A highly skilled work force for energy efficiency and heat not only brings benefits to markets in Scotland but potentially further afield. If Scotland is seen as a leading

country for energy retrofit and skills then there could be wider economic benefits including markets in other countries.

• Increase the wellbeing of people living in Scotland

There are direct and indirect benefits of energy efficiency and heat quality assurance in Scotland. Assuming there is a buoyant market for energy efficiency and heat then there is a direct benefit for jobs, particularly school leavers where there will be a wellestablished pathway for them to gain the skills to work in this sector. The indirect benefits are through the work that is carried out by the skilled operatives to ensure retrofit work is done to a high quality resulting in lower fuel bills and improved comfort in homes which is widely acknowledged to provide health benefits for the recipients particularly the vulnerable and elderly.

Create sustainable and inclusive growth

This links closely to the points above but with the addition that having set the minimum quality assurance, standards and skill requirements then this will contribute to inclusive growth by ensuring training provision is available across Scotland including the islands. There is still a lot of work to be done to achieve this but this cannot work effectively until these requirements have been set. This also relates to the aim of giving opportunities to all people living in Scotland.

• Reduce inequalities and give equal importance to economic, environmental and social progress

The economic and environmental benefits are fairly well established but we will also aim to reduce inequalities by working with colleagues in construction and skills to ensure underrepresented groups are encouraged to work in this sector. People who are in more vulnerable circumstances may be more likely to be affected by rogue traders and will suffer greater impacts. The work will ensure protection across consumer characteristics.

In addition, there is also a real need to address the following:

• Reduce the number of energy efficiency related scams in Scotland There is already a proliferation of energy efficiency related scams which, without intervention, is likely to increase in line with our ambitions for decarbonising buildings. According to some reports, energy efficiency is linked to a high incidence of outright fraud, and organised criminal gangs are increasingly infiltrating consumerrelated industries. Consequently it is hugely important that consumers, particularly the most vulnerable in our society, are protected from these criminal elements.

Consultation

Within Government

We have consulted internally on these proposals which involved colleagues from:

- Directorate for Energy and Climate Change
- Directorate for Fair Work, Employability and Skills
- Directorate for Housing and Social Justice
- Directorate for Economic Development

Quality Assurance Short Life Working Group

In order to ensure that quality assurance under Energy Efficient Scotland (later becoming the Heat in Buildings Strategy) reflects the needs and views of the Scottish supply chain, Scottish Ministers agreed to convene a Short Life Working Group (SLWG) to focus on the quality, skills, supply chain and consumer protection requirements of the Programme. This group met for the first time in January 2018 and held five meetings with the last being held in December 2018. The SLWG membership was as follows:

- Citizens Advice Scotland
- Construction Scotland
- Energy Saving Trust (chair)
- Energy Skills Partnership
- Highlands and Islands Enterprise
- Historic Environment Scotland
- Skills Development Scotland
- Scottish Enterprise
- Scotland Excel
- The University of Edinburgh (ClimateXChange)
- Warmworks Scotland LLP

Following the publication of the SLWG report with recommendations, a new working group was set up to look at qualifications and skills (Quality and Skills Working Group). The Energy Skills Partnership provided the secretariat for this and the group's aim was to map Energy Efficient Scotland requirements against existing National Occupational Standards and to develop minimum skill requirements for the Energy Efficient Scotland programme. The group also wanted to ensure that Scotland's colleges are central to any training. See 'business' below.

Public Consultation

In March 2019 we published the Energy Efficient Scotland consultation which included a chapter on the supply chain where we consulted on the 19 recommendations from the Quality Assurance Short Life Working Group. We subsequently published our <u>consultation analysis</u> in December 2019.

In March 2021 we published our draft Heat in Buildings Strategy for consultation which included a separate consultation on Scottish skills requirements for energy efficiency, zero emissions and low carbon heating systems, microgeneration and heat networks for homes. To support these consultations we also held several virtual workshop for Scottish suppliers and other stakeholders including a virtual workshop focusing on remote rural and island suppliers which would be promoted through various channels including suppliers registered with the Sustainable Energy Supply Chain programme administered on our behalf by Energy Saving Trust. The analysis from both these consultations can be found here –

Draft Heat in Buildings Strategy consultation analysis

Skills consultation analysis

Business

The Quality and Skills Working Group administered by Energy Skills Partnership had representatives from the following organisations with many of them representing their respective industry. Some of the trade bodies also consulted with their members on this, for example the electrical trade body SELECT.

- BESA (Building Engineering Services Association)
- BRE (Building Research Establishment)
- CITB (Construction Industry Training Board)
- Energy Saving Trust
- EU Skills
- FMB (Federation of Master Builders)
- HES (Historic Environment Scotland)
- INCA (Insulated Render and Cladding Association)
- NIA (National Insulation Association)
- NICEIC (National Inspection Council for Electrical Installation Contracting)
- SDS (Skills Development Scotland)
- SELECT sector skills body for electricians
- SNIPEF (Scottish and Northern Ireland Plumbing Employers Federation)
- South Lanarkshire College
- Warmworks
- West College Scotland

Options

Below are the key options identified for the domestic quality assurance requirements

Option 1 - do nothing

With the exception of renewables and the Microgeneration Certification Scheme (MCS), the current quality assurance arrangements for self-funders wishing to do whole-house retrofit work on their homes are severely lacking, and there is no single directory for householders to access approved suppliers. The Green Deal Oversight and Registration Body (GD ORB) exists, but with the demise of the Green Deal, this tool has become obsolete due to a lack of suppliers listed on it. Simply put, if nothing is done, consumers will struggle to find approved suppliers, making it impossible for them to improve the energy efficiency of their homes, putting our net zero targets in jeopardy. Consumers may suffer as a result of inconsistent or poor quality assurance if they are left to find their own suppliers. Furthermore, the resulting market confusion may lead to an increase in scams and mis-selling.

Option 2 – develop a TrustMark quality assurance scheme for Scotland.

TrustMark is the only scheme that can approve suppliers in accordance with the BSI PAS 2035 standards with flexibility to allow Scottish Ministers to create a bespoke scheme for Scotland that goes further in terms of quality assurance and consumer protection. Furthermore having one overarching scheme that includes MCS will make the process of finding suppliers and consumer redress much easier as there will be a single process for both.

Option 3 – develop a new quality assurance scheme for Scotland

This would require significant resource to set up a new organisation to provide approvals for the BSI retrofit standards and would take time. Whilst this could achieve the same results as option 2, it is considered prohibitively expensive plus feedback from our Heat in Buildings Strategy strongly suggested suppliers would prefer a UK-wide scheme.

Costs

Options 1 and 3 are not seen as viable so this section will consider the costs and impact related to Option 2 relative to the 'do nothing' option (option 1)

Option 2 has two key cost components:

1) direct costs to suppliers subscribing to PAS 2035: 2019 standards through TrustMark and;

2) delivery costs for retrofit work complying with PAS 2035: 2019 standards. The analysis that follows comes from BEIS ECO 3 impact assessment³, which has adopted the same standards under a similar TrustMark scheme, unless otherwise stated.

Direct costs to suppliers

The additional costs associated with becoming TrustMark approved is estimated to be approximately £140/year comprising £40 TrustMark registration fee and £100 in administration costs though this may vary. Also, Scheme Providers who approve these suppliers will pay a one-off joining fee of £2,000 with TrustMark. However, there are already a number of Scheme Providers already registered with TrustMark who operate in Scotland.

The costs associated with upskilling also need to be considered though this is more complex as it depends on the role and whether the skill requirements are mandatory as part of the PAS 2035/30 standards.

The Retrofit Coordinator role in PAS 2035 requires a Level 5 Diploma in Retrofit Coordination and Risk Management qualification and we understand there is only one training provider at the moment with costs ranging from $\pounds 1,700 - \pounds 2,500 + VAT$ depending on how quickly the qualification is achieved and how much of the training is classroom based or online.

³ ECO3: Improving consumer protection consultation - Impact Assessment (publishing.service.gov.uk)

The Retrofit Assessor training costs are estimated to range from $\pounds 295 - \pounds 650 + VAT$ depending whether the training is delivered online or in the classroom.

Installer costs are more complex and while the installer skills matrix developed in Scotland will not be mandatory initially, some examples of apprenticeship/upskilling costs are as follows:

- Ground Source/Air Source Heat Pump training £600/person
- Solar thermal training £600/person
- External wall application £3000/person

Apprenticeship costs can be <u>found here</u>.

Overall, we believe the costs for suppliers seeking TrustMark approval will be negligible when compared to Green Deal approvals as the additional TrustMark component is around £140 per business per year.

Upskilling costs are likely to be significantly higher though we expect these costs will be mitigated significantly through the funding such as the Flexible Workforce Development Fund⁴ and will provide assurance that work is done to high standards, potentially avoiding consumer detriment through sub-standard workmanship.

Delivery costs

The PAS 2035: 2019 framework comprises the following steps and the cost impact of each of these will depend on the level of risk:

- 1. Risk Assessment (informed by number of measures, type of measures etc.)
- 2. Dwelling Assessment including ventilation
- 3. Improvement option
- 4. Advice
- 5. Design
- 6. Monitoring and evaluation in accordance with PAS 2035.

The level of risk will depend of the complexity and / or scale of the project and is rated from Path A (lowest risk) to Path C (highest risk). Based on the ECO 3 scheme there were on average 1.5 measures per household delivered in the first 8 months of ECO 3. Based on compliance with ECO 3 then the costs for the different pathways are included in the table below.

	Path A	Path B	Path C
Total cost per	£400	£500	£1,000
household (1.5 measures)			
Total cost per measure	£280	£350	£700

Table 1: PAS 2035 pathway costs

⁴ <u>Flexible Workforce Development Fund (ourskillsforce.co.uk)</u>

BEIS have assumed the costs associated with pathway B will add to the cost of delivering measures when they adopt the PAS 2035:2019 framework with the additional costs expected to be around £350 per measure as a result of compliance to PAS 2035. These costs reflect lodgement fee, the additional time spent in a property providing advice to the consumer, producing a risk assessment and carrying out pre and post installation checks. However, BEIS anticipate these cost impacts to be lower once the supply chain becomes familiar with the new PAS 2035 framework.

We think these costs are acceptable given the enhanced quality assurance provided by the PAS 2035 standards and TrustMark operating framework. We will, however, make every effort to reduce this cost as much as possible by influencing the retrofit standards (PAS 2035/30) that underpin these costs through the new Scottish expert technical group that will advise BSI on Scottish requirements. Furthermore, we will look to reduce costs through our own programme requirements, and we will look at removing anything that we deem disproportionate or not cost effective. For example, for low-risk (path A) work, we will consider whether a Retrofit Coordinator is really necessary.

Scottish Firms Impact Test

We have identified the following risks which we believe can be mitigated.

- Installation companies are concerned the cost of achieving TrustMark accreditation are too expensive and/or won't have time to meet the requirements. As outlined earlier the additional costs to suppliers associated with TrustMark approval are relatively small and we do not believe this would add any significant amount of time to approvals. However, we accept that more could be done to improve communications and we plan to work with partners to develop consistent advice and messaging in this regard. We will also work with TrustMark to identify alternative pathways for suppliers to get involved with the scheme, particularly those that will be attractive to new entrants.
- Costs passed on to householders make energy efficiency upgrades unaffordable or undesirable. As noted above, we consider the extra costs to be acceptable given the enhanced quality assurance provided by the PAS 2035 standards and TrustMark operating framework, especially considering the costs incurred where poor quality work is undertaken (remedial action etc). We will, however, make every effort to reduce this cost as much as possible by influencing the retrofit standards (PAS 2035/30) that underpin these costs through the new Scottish expert technical group that will advise BSI on Scottish requirements. Furthermore, we will look to reduce costs through our own programme requirements, and we will look at removing anything that we deem disproportionate or not cost effective. For example, for low-risk (path A) work, we will consider whether a Retrofit Coordinator is really necessary.
- Installation companies think the skill requirements are unnecessary. We think this is an acceptable risk as their respective sector skills and trade

bodies who represent them agree that it is required. It is also quite possible that the more unscrupulous companies would resist but that may be a positive, particularly if the skill requirements remove these companies so they cannot operate under our Heat in Buildings Programme. In addition, we plan to make the skill requirements non-mandatory initially but with the clear intention that they will at some point in the future as part of wider competency requirements (Scottish installer skills matrix will be one of several routes). Secondly, as already mentioned there is a significant package of support for skills announced in our Programme for Government.

 Suppliers in remote rural and island areas may find it difficult to meet the skills requirements. We are very aware of the challenges faced by suppliers in these areas including access to training and this is something we are keen to address and we will work with Skills Development Scotland to consider how this work fits with, for example, the Skills Investment Plan for Highlands and Islands⁵. We will also work with partners including Energy Saving Trust and the Energy Skills Partnership to support suppliers with skill requirements in these areas.

Competition Assessment

It considering competition, it is important to emphasise that currently there are no regulatory requirements to comply with the proposed TrustMark scheme for Scotland or the existing Microgeneration Certification Scheme. However, we would like to see the high standards set out in our Quality Assurance policy statement embedded across the sector to ensure that consumers are supported to the highest standards and the quality of work meets the high expectations required.

The requirements relate to our programmes only, including the Home Energy Scotland loans and cashback, and not to energy efficiency work that is entirely selffunded.

The impact on competition of the actions in the policy statement is confined to energy efficiency improvements, e.g. insulation, as the Microgeneration Certification Scheme has been in place for some time. As we develop the TrustMark scheme there will inevitably be an impact on competition as suppliers gradually join the scheme but we think this is a necessary step to ensure consumers are protected. However, we will work with TrustMark to ensure there is flexibility to allow suppliers to get approved through several pathways.

We have also considered the market for qualifications which we believe is already a competitive market and we understand that any recognised training provider with an appropriate awarding body approval can provide approved qualifications - which are regulated by SQA - based on the National Occupational Standards. Therefore we do not envisage any competition issues with what we are proposing as we are not stipulating specific training providers.

⁵ Skills Action Plan for Highlands and Islands

It is recognised that a lot of the current training provision is manufacturer led. However, we do not envisage a significant impact for this training as under our proposals we see a role for both recognised qualifications and manufacturer training.

Consumer Assessment

We think it is vitally important that consumers have robust quality assurance for any work undertaken on their homes and we believe that skills and clear standards are a key component of this. Overall, we believe the proposals outlined in this document will result in greater benefits for consumers on the basis that industry approved, competent, skilled trades people will carry out the work to their properties. This is a key reason why we plan to introduce these requirements as we believe this will significantly address consumer detriment in relation to poor quality of installations due to lack of skills. However, it should be recognised that there is expected to be a cost associated with this borne by the supplier which in turn may result in slightly higher installation costs. We think this is acceptable as it will ensure a higher quality and standards of work which will last the expected lifetime of the measure, given historic issues have led to work being redone earlier than anticipated.

There are also considerable benefits to be had through the scam prevention and enforcement steps we plan to take which once applied could benefit consumers hugely by shielding them from potential harm.

Test run of business forms

N/A, as the forms for this are already well established through TrustMark, MCS and Scotland's college network.

Digital Impact Test

The introduction of the proposals in this document are not expected to have any significant digital impact.

Legal Aid Impact Test

N/A, the proposals will not create a new procedure or right of appeal to a court or tribunal, or any change in such a procedure or right of appeal.

Enforcement, sanctions and monitoring

TrustMark is the UK-government approved quality assurance scheme that checks compliance with the BSI standards and consequently TrustMark are responsible for enforcement, sanctions and monitoring through their Scheme Providers. For small-scale renewables MCS are responsible for this through their Certification Bodies.

Implementation and delivery plan

The key milestones and dates for implementing the proposals within this document are as follows:

Milestone	Complete by	
Scottish installer skills matrix integrated	PAS 2030 (complete)	
into the PAS 2030 and MCS standards.	MCS (Spring 2022)	
Scottish low carbon heat skills subgroup	Autumn 2022	
of the CESAP set up (includes acting on		
the recommendations from SDS		
regarding Retrofit Coordinator role).		
Scottish Retrofit Standards Working	Summer 2022	
Group set up to oversee PAS 2035/30		
standards in Scotland.		
New TrustMark scheme for Scotland set	Summer 2022	
up and ready for suppliers to join with		
dedicated Trading Standards Scotland		
resource identified.		
Supply Chain Delivery Plan published	Summer 2022	
Scottish Quality Assurance Oversight	Autumn 2022	
Group set up to oversee quality		
assurance of TrustMark and MCS in		
Scotland.		
New online consumer portal set up to	Autumn 2022	
find approved suppliers in Scotland.		
Relaunch of HES loans and cashback	Autumn 2022	
scheme with requirement to use		
TrustMark/MCS approved suppliers		
Non-domestic quality assurance policy	Late 2022/early 2023	
statement published		

Summary and recommendation

The Scottish Government proposes to implement Option 2

Summary costs and benefits table

Option	Total benefit per annum: economic, environmental, social	Total cost per annum: economic, environmental, social – policy and administrative
1	No additional benefits envisaged.	No additional increase in costs envisaged.
2	Economic - higher skilled individuals are more productive and therefore have higher earning potential and better job	Economic – increased costs for householders as a result of quality assurance to give more protections though this

3	security, this benefits both the individual directly as well as businesses and the wider economy. Environmental – improved skills leads to higher quality installs leading to better outcomes for the environment. Social – improved skills leads to higher quality installs leading to better outcomes for consumers which in turn leads to lower energy costs, improved comfort levels and addresses fuel poverty. Also creates improved pathways for careers and supports young people enter the market.	 will be mitigated through influencing the retrofit standards and through our programmes. For suppliers, marginal increase in approval costs for suppliers and we expect any additional training requirements will be supported heavily through our skills funding including the Flexible Workforce Development Fund. There will also be the opportunity cost of not working arising from attending training. Environmental – no environmental costs. Social – potentially more difficult getting approved suppliers in the short term as industry works to meet the quality assurance requirements.
5		relative to option 2.

Declaration and publication

I have read the Business and Regulatory Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options. I am satisfied that business impact has been assessed with the support of businesses in Scotland.

Signed:

19 April 2022

Patrick Harvey Minister for Zero Carbon Buildings, Active Travel and Tenants' Rights

Scottish Government Contact point: Andrew McConnell



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