



**Concerns about the impact of the introduction of PAS 2035
& PAS 2030:2019**

13 April 2021

Concerns about the impact of the introduction of PAS 2035 & PAS 2030:2019

About

Energy Action Scotland is the Scottish charity dedicated to ending **fuel poverty**. Energy Action Scotland has been working with this remit since its inception in 1983 and has campaigned on the issue of ending fuel poverty and delivered many practical as well as research projects to tackle the problems of cold, damp homes.

Whilst we recognise the role that **quality standards** have been playing in trying to remove rogue activity and low-quality work, we are **seriously concerned** that the introduction of the **new** and updated **standards** at this time, following a year of limited opportunity to meet certification standards for businesses and individual trades people, will have a **serious impact for installers**, their supply chain, government energy efficiency programmes and ultimately **vulnerable** and **fuel poor households**. Installer business have themselves been impacted by COVID-19 with many experiencing **reductions in turnover**, strained cashflow and **loss of staff**.

We are **supportive** of a practical introduction of **new standards** where this drives quality, provides confidence for the public and accelerate support to vulnerable and fuel poor households. There needs to be **greater sensitivity** to the challenges of delivery in Scotland and clarity over the role that PAS standards will play in the retrofit of Scotland's homes.

These concerns were raised through our **membership** which includes a number of installers and others involved in the specification of improvements to homes. Those consulted include **AC Whyte, BCA, the Energy Agency, Tighean Innse Gall, Shetland Heatwise, and Warmworks**.

Concerns

We project that, without a **Scotland sensitive** solution, **100's of job losses or job displacement** to other sectors will result seriously undermining any energy efficiency target delivery profiles, **millions of £'s of ECO** investment will be **lost** as both urban and rural supply chains struggle to satisfy accreditation bodies, **cost increases of anywhere between +20% to +120%** where the new PAS is operated, all leading to **significant delays, milestones missed and strategic collapse** of the Scottish Government's Fuel Poverty, Heat in Buildings and Carbon Reduction strategies particularly in the rural context.

In the rural areas we are **facing a cliff edge scenario** for the sector as a result.

The threat which the transition to these PAS standards **poses** and the associated impacts their processes will have, can be categorised as follows:

- Immediate & Critical
- Mid term & Chronic
- Long Term & Strategic

From a recent National Insulation Association poll¹ we believe that in Scotland in general and in the rural areas particularly, the retrofit industry has **insufficient skills capacity** to meet the requirement of the of the new PAS 2030/2035 standards for retrofit, currently required to deliver measures through ECO3. With Scottish Government Schemes linked to the Energy Company Obligation (ECO) this is immediately **threatening the viability** of installers, whom if lost, reduces Scotland's ability to improve homes to the standards required. We believe that the **additional roles, processes and associated costs** of compliance with the new standards will add significantly to the costs of measures resulting in a **reduction in the quantity** of homes improved which will either require additional investment or Scotland will **miss strategic targets**.

The Immediate & Critical Situation

Immediate Requirements for PAS Transition -Risk: Programmes stop & supply chain lost.

There is a drop-dead date of 1 July 2021 for all PAS 2030:2017 transitions to the new 2030:2019/2035 certifications in Great Britain where the works are to be funded either fully or in part by ECO monies. However, **the reality** is that the current **PAS accreditation** for many organisations involved in the installation of ECO supported measures to improve the quality and energy efficiency of homes in the Great Britain **ends on 31 May 2021**. This means that PAS audits are taking place prior to May 31st against the new standards and companies are now in possession of their audit reports detailing the significant steps required to enable a new accreditation to be issued. If these steps cannot be met because the supply chain is not accredited, accordingly all ECO funded work – or the work requiring an element of ECO funding - will cease overnight. From discussions with the certification/accreditation bodies it appears the situation of qualified/certified installers is widespread and the sector is not ready for this drop-off on May 31st/1st July.

Immediate ASK: Make representation to BEIS to suspend the current requirements for 12 months to allow the industry sector to recover and provide a window to achieve accreditations/certifications.

Immediate ASK: Seek exemptions for aspects of works that delivered in Scotland that could meet the highest quality standards that delivering to the detail of PAS2035 would not be practicable.

¹ Below are the results of a recent poll carried out of NIA members operatives needing upskilling. This gives a quick snapshot of the NIA portion of the workforce of those who responded. (LI:46, UF:31,CWI:54, EWI (boarding):361, EWI (Rendering):348, IWI (Boarding):36, IWI (Finishing):27, RIR (Boarding):42, RIR (Finishing):23, Flat Roof:19 & DP:17.

Immediate Requirements for PAS Roles & Skills Risk: No access to certified personnel

Scottish Government HEEPS:ABS funded schemes have had a **direct relationship** with the **ECO** programmes. Delivery the adoption of the new PAS standard will mean that all activity carried out by those contractors will be required to meet the PAS standard. This poses an **existential threat** to the programmes as installers immediately struggle to achieve the accreditations due to a lack of accredited operatives as well as professionals to fulfil the various roles imposed by PAS2035. This situation is more acute in remote rural areas where accessing such a skills pool, within the transition period set out for ECO, is unachievable.

Ofgem regulated programmes delivered through the **Energy Company Obligation (ECO)** require all installer companies and indeed now other parts of the improvement supply chain to meet **PAS2030:2019/2035** certification. These introduce several new roles with the aim of underpinning the quality of installations.

Scotland generally and rural Scotland in particular has a **low level** of certified people in the key roles to deliver to the new PAS standards. In **England** there has been government **investment** that has increased the number of people in certified roles (although even there the Green Homes Grant scheme has since been abandoned -in part due to lack of accredited installers and role holders). This funding was also limited to new entrant contractors. In the GB it is estimated that only 300 people have achieved the Retrofit Assessor standard per the new PAS standards. We believe that less than 15² are registered for Scotland delivery, albeit many in England will have identified Scotland as a market for delivery. However, it remains to be seen how many will be willing to service remote rural areas at an affordable level if at all.

Immediate ASK: Uncouple HEEPS:ABS and ECO temporarily whilst the supply chain transitions.

Immediate ASK: Support training now for existing supply chain for Installer & Professional Development

Lack of Access to PAS Systems & Warranties Risk: Monopoly situation and higher cost

In addition, ECO energy efficiency installation **requirements** demand **Trustmark certified systems** be utilised and/or manufacturer **warranties** of up to **25years** provided. For some rural areas such 'certified systems' are simply not reasonably accessible and wholesale changes to the supply chain logistics, training and evaluation services- all at significant extra- cost would be required. (Some of the largest UK insulation suppliers simply have not engaged with the new PAS system due to its heavily bureaucratic system). Engaged manufacturers insist that all materials are purchased via their suppliers and all materials down to the very screws are

² As of 8th April 2021, 11 Retrofit Co-ordinators are registered as based in Scotland. Based on an average of 6hrs per measures and a forty hour week, this equates to app 73 measures capacity per week.

procured that way. In addition, only one warranty provider exists for Internal Wall Insulation (IWI) with a limited number of accredited systems.

“It must be said that the principle that any install must be a ‘manufacturers accredited system’ is one which to a large degree negates the Retrofit Designer role and has led to higher cost and, at the same time for some measures such as IWI, resulted in poorer thermal improvements.” Tighean Innse Gall

Immediate ASK: Lobby BEIS, Trustmark & BSI to review how warranties are granted where the Retrofit Designer has designed a solution.

HEEPS:ABS, Accruals, Surveys & PAS Pre-Approvals Risk: Time critical impact on accruals

The **Scottish Government** through the delivery of its programmes including its energy efficiency programmes led centrally or through local government has an implied position on PAS. HEEPS:ABS demands ECO leverage and therefore must comply with the ECO rules. It is noted that the Scottish Government’s **Heat in Buildings Strategy** makes explicit reference to **PAS 2030:2019/2035** which by inference suggests a **predisposition** towards that standard. The current **Consultation on Skills** requirements for the energy efficiency etc sector clearly supports alignment with the PAS standards.

This brings immediate short term issues in relation to the continuity of HEEPS:ABS works. If any works are to proceed beyond the 31st May (or latest 30th June) and attract ECO then such works must be surveyed and processed under the new criteria set down in the new PAS or will not attract any ECO payment.

So, after this date, failure to follow the new PAS front end procedure for client interaction and pre-approval of works will eliminate the ability to draw down ECO for those jobs. If the accruals period is to be extended due to COVID 19 issues such jobs will have to be entirely re-processed if ECO is to be levered in. Without ECO the work can continue immediately if other arrangements were put in place.

Members identified they are delivering **ECO projects** that **straddle** the **transition** deadline and have been delayed due to COVID. There will be a gap in funding from 1st July equivalent to the ECO contribution as they will be unable to claim under PAS 2030:2017. In these instances, it is out of the scope of the tender and **cost prohibitive** to transfer to PAS 2035. Without movement on the transition to the new standard there will be a significant economic impact on contractors.

Immediate ASK: Uncouple HEEPS:ABS and ECO temporarily whilst supply chain transitions and aim for 31st Dec 2021 or 31st March 2022 as an extended transition timeframe.

Immediate Unintended Consequences of PAS Risk: Quality contractors penalised.

Many **Scottish Government** funded schemes have a **direct relationship** with **ECO** programme delivery which with the adoption of the new PAS standard will mean that all activity carried out by those contractors will be required to meet the PAS standard.

When tendering for other non-PAS required work this standard will apply to certified contractors whilst not being applicable to non-certified contractors, thereby creating a uneven playing field.

Immediate ASK: Advise procurement teams in LA's to recognise in assessment criteria scoring for retrofit works, PAS 2035/ 2030:2019 accredited tenderers.

Mid Term & Chronic

PAS required Qualifications Risk: Existing supply chain exits retrofit sector

It is **unclear** when the Scottish Government will determine what the **standards** are for its publicly funded works. It is our understanding that the skills report covering the sector may only be published in the Autumn. Meanwhile given the desire to lever ECO alongside HEEPS:ABS, the ECO rules will become the default position.

As contractors embrace the new PAS standard there will be immediate and **significant shortages of suitably qualified persons.**

PAS 2030:2019 demands that installers operatives meet the training requirement of NVQ2 or 3 (or the Scottish equivalent) depending on what and where the measure is being installed. It also requires 1 in every 4 operatives onsite installing the workstream measure to be accredited. For small **rural contractors** the reality is this means the **same personnel** must be carded for each workstream.

Most of the existing supply chain do not have the requested NVQ accreditations for the insulation work specified in the PAS. (Many have joinery/carpentry qualifications if they are newer to trades but **longer served trades persons don't have the SVQ** apprenticeship qualification as it was only introduced in 1997). The PAS introduces requirements that very few of the supply chain have because they are unaware due to a lack of marketing and/or have no access to a course or funding support to undertake that course.

Midterm Ask: Undertake an awareness campaign during 2021/22 for expectations of retrofit standards.

Access to Training, NVQ/ SVQ Courses & Recognised Prior Learning (RPL) Risk: RPL process is unclear and the Existing supply chain exits retrofit sector

The **Recognised Prior Learning (RPL)** route whilst proposed by the Scottish Government's short life working group to attain the NVQ/SVQ 2 or 3 **is a sensible approach**. However, the reality when contacting colleges in Scotland is that there are **virtually no colleges ready** to offer courses³ and there is a complete lack of clarity around RPL and how it might reduce any course length when engaging training providers. Rural areas are particularly affected. Whilst the skills matrix appended to the **Skills consultation** suggests certain course lengths the reality seems to be quite different. Where colleges have a course, at least on paper, the length is substantially greater than the matrix suggests (e.g. EWI est30 days vs actual 1year).

Midterm Ask: Clarify how RPL is assessed and Promote and co-ordinate local learning centres in Scotland to achieve the standards expected in Scotland.

Funding & Training Risk: Jobs and supply chain lost

The training funding is currently focussed on new entrants to the industry and not the current workforce.

The funding available for training is not suitable for small contractors and thus **rural contractors will be disproportionately affected**. The funding sources referred to in the Skills consultation are not geared to smaller existing contractors that operate in the rural geographies. The National Transition Training fund is pointed at those under threat of redundancy or redundant, the Flexible Workforce Development Fund is for bigger contractors who pay the apprenticeship levy and the Young Person's Guarantee is for new entrants to apprenticeship.

We need funding which will **support the existing small self-employed or small contractor** to undertake the necessary upskilling. **Upskilling** must be pitched at an appropriate level and the hours of input to achieve this practical and be workable in conjunction with RPL to allow the **existing workforce** to take advantage, take part and remain in the retrofit supply chain.⁴

For a full NVQ level 2 including one measure (e.g. IWI internal wall insulation) the cost per trainee is circa £1250 any with other measures at £375 per measure (If the installer has eight measures on their PAS certificate this becomes a substantial cost). The training involves 120 hours online for the certificate including one measure with any additional measure taking a further 40 hours each (other measures are e.g. Room in Roof Insulation, Pitched Roof Insulation, Underfloor Insulation, Loft Insulation, Cavity Wall Insulation, Under Floor Insulation, Energy Efficient Glazing & Doors and Draughtproofing). Costs for one operative to be trained in eight measures are £1250

³ Currently, the SQA have not published the updated SVQ's and as such no college in the country is geared up to deliver. There are at the most two colleges that were delivering EWI training, but we believe these were to the old qualification and did not offer the on site assessment element and were just new entry courses.

⁴ No funding is available for On Site Assessment, only new entry training.

+ 7 x £375 + 400 hrs @ £30/hour downtime per man giving a total cost per operative of £15,875 including training and downtime.

Upskilling therefore needs to be supported by funding and accessible locally. But local colleges are not yet ready to deliver these courses and as a result the supply chain remains largely unaccredited/uncertified to the PAS standard.

Funding support is also required for the **professional roles** associated with PAS; Retrofit Adviser, Designer, Assessor, Co-ordinator & Evaluator. These courses carry substantial cost and time commitment (more than 150hrs for RC) but this is necessary if we are to avoid scarce professional resource from distorting the market.

“... independent RC’s quoting £1,000 per address and RA’s being recruited on salaries of £50k per year” BCA.

Mid term Ask: Review funding support for existing contractors and in particular small and rural contractors - to ensure engagement with training whilst remaining viable.

Costs of PAS Risk: Financial failure of schemes with missed targets and supply chain loss

The **new PAS processes and roles** bring significant additional time input from the installation companies and their professional supply chain. There are **real question marks** over the **deliverability** of some of these areas due to the imposed cost.

Even for a basic measure its Medium Term Plan and house condition report will now easily take circa 6hrs to gather the necessary information. This simply brings additional cost which has to be funded. **ECO offers a 20% uplift** to installers for PAS 2030:2019 accredited installs. Where for IWI £1500 would be drawn down under the previous PAS, this will increase to £1800 under the new regime. **However, costs associated with achieving a compliant install under the new PAS will far outstrip this small uplift** with the Retrofit Co-ordinator alone costing an estimated additional £500-£1500 depending on the job.⁵ Compounded with all the other aspects of the process there will be significant extra cost even on ‘simple’ loft measures.⁶

One aspect which the previous flawed **GB Green Deal** scheme suffered from was how pre-install attrition was paid for. With such intensive pre-install requirements the same risk remains true for the new PAS as they are introduced.

⁵ The question of whether you could continue to leave kitchens and bathrooms un-insulated or reveals undone if window frames are too shallow, or if you will need to replace all three raises prohibitive extra cost implications. There are also additional costs of trimming doors, significant ventilation improvements and question over periodic features like cornicing (if in the unlikely event that clients even accept this as an option).

⁶ We understand a recent survey by INCA and passed on already to SG, found that installers on average reckoned their costs will increase by around 120%

Midterm Ask: Review how HEEPS:ABS links to ECO and re-consider grant ceilings

Long Term & strategic

Risk of ECO leverage loss Risk: Historic ECO leverage to Scotland impacted severely.

If contractors struggle to access the PAS accredited work for the various reasons outlined above or as a result choose not to invest in the new PAS standard, then **ECO funding leverage** is likely to be **reduced** in Scotland.

Whilst Energy companies have **no geographical imperative** aside from a reputational one, to discharge their obligation in Scotland, they will naturally seek out the route of least resistance. If English cavity wall work is easier to accredit and target, then this is where their obligation spend will be focussed. In England we have seen the recent **failure** of the **Green Homes Grant** where there was a link to PAS and difficulties in securing accredited installers. Energy Companies can discharge their obligations across Great Britain will be under real pressure to meet those obligations and any difficulty in Scotland related to PAS puts at **risk £millions** per annum and **reduces** measures to reduce our **climate change impacts**.

Long term Ask: Lobby for an extended transition for the new PAS to enable the supply chain to engage or take control of ECO in Scotland.

Long Term Cost Risk: Higher costs and lower outputs place strategy milestones at risk

Trustmark certified systems which offer an industry backed guarantee, are required for PAS certification and ECO. It is anticipated that the **adoption** of these systems will **add over £2000** to the costs of an average EWI/IWI install. This is likely to **reduce** the rate at which **progress** can be made towards Scottish Government targets.

The Insulated Render and Cladding Association (INCA) previously reported in March 21 that the impact on costs of a typical EWI job in a potentially fuel poor area was predicted to be **120% greater** than under the previous standard.

HEEPS accruals are potentially affected where the current PAS certifications fall prior to the accrued work being completed. If a new certification to the higher standard is achieved, then accruals will be held to the higher PAS standard. This will increase the time taken and increase costs for those accruals or lead to financial and contractual difficulties.

The Department of Business Economy and Industrial Strategy (**BEIS**) is widely reported as accepting that the new standards will **add to the costs** of delivery and will **reduce the rate** at which homes can be improved.

Rural and Island proofing to PAS Risk: Worst fuel poverty areas become a programme desert.

In **rural Scotland**, small and even medium sized contractors are unprepared for these changes. They are also then **disadvantaged** should larger contractors receive funding support and achieve desired standards ahead of them. It should be noted that many of the shared elements of previous PAS standards have been removed. This prevents smaller contractors working within the standards of a larger contractor.

A lack of clarity over the standards required are potentially disastrous for retrofit programmes driving contractors to deliver in areas where there are no requirements such as new build or in the installation of private self-funded measures. This could create an **unhelpful cost differential** for public funded works (grants/loans) and self-funded.

“..this is the biggest challenge to delivery we have faced to date” Shetland HeatWise

If the rural supply chain senses a lack of support, it will be very reluctant to engage and will be lost to the other markets which do not carry such onerous requirements, the non-accredited retrofit market via other government funding, new build and private in more urban areas.

Long term Ask: Shape funding support to assist small Rural contractors and implement longer term funding programmes to give assurance and secure supply chain engagement.

Scottish Government Fuel Poverty Targets Missed Risk: Households left in fuel poverty and jobs lost throughout the supply chain

The rural and island areas have some of the **highest** rates of **fuel poverty** and greatest challenges in improving the quality of homes. This is not isolated to rural areas as there are real and immediate challenges in urban areas too.

If larger contractors in more urban areas who are undertaking External Wall Insulation as a primary measure **struggle to incorporate the lengthy lead in, process and evaluation timelines** or to obtain training for their 1 in 4 operatives then the major part of the **Scot Gov programme** will be in jeopardy.

The Scottish Government will then be **unlikely** to meet its stated **targets** for the achievement of EPC C by 2030. **Extreme fuel poverty targets will be missed.**

Fuel Poverty rates, which are estimated to have risen significantly during COVID, will remain. Tackling energy efficiency as a driver of fuel poverty will have been undermined by the 2021 transition to PAS and alignment of HEEPS:ABS will mean programmes are reduced and targets **not met**.

Programme delivery during 2021/22 will suffer as the combination of elections, budgets, PAS uncertainty and the ability of contractors to recover, will cause the installation of measures to **slow**.

“In the Western Isles there is a supply chain of contractors of approximately 30-40 operatives none of which will currently meet the new PAS standard. This puts work immediately at risk across all workstreams whilst we try to engage and upskill. The managing agent also has 30 FTE's now at risk due to the interdependent nature of deliver across HEEPS and ECO.” Tighean Innse Gall

Long term Ask: Extend the transition period for PAS and decouple ECO from HEEPS:ABS while the transition is achieved.

Shortage of skills for long term Risk: Supply chains are disengaged, and SG schemes are significantly impaired or fail.

The transition period to the new PAS is placing an **unachievable burden** on rural supply chains and will be counterproductive. Rather than securing quality work via the accredited schemes the timescales for transition coupled with the lack of funding, lack of certified professions and lack of access to training will place many contractors outside of the desired upskilling thus perpetuating the cycle.

Long term Ask: Engage with rural agents when reviewing the Skills Consultation response.

Priority Asks

Priority 1 Asks:

1. Seek a **12mnth suspension** of the introduction of **PAS 2035** for the delivery of ECO programme works
2. Apply an **exemption in Scotland** from the full aspects of **PAS 2035** for **12mnths** to allow organisation to meet the requirement of the standard
3. Immediate recognition of **PAS as a barrier** to fulfilling HEEPS:ABS in rural areas
4. Scottish Government to **temporarily decouple** the **PAS 2030/2035** requirements **from HEEPS:ABS**, due to COVID impacting on training etc, to 2022 until such a time as it is clear that there is confidence that capacity exists.
5. **Interim** provision of **gap funding**- utilising underspent HEEPS:ABS to fill the ECO gap. (i.e. in effect Extend the PAS Transition period by meeting the cost of ECO within HEEPS:ABS programmes until the supply chain has had the opportunity to become accredited/certified)
6. Support, **targeted grant funding**, for colleges and the sector to **upskill** its existing workforce to meet PAS accreditation/certification standards.

Priority 2 Asks:

1. **Review** how HEEPS:ABS links to ECO and re-consider grant ceilings in light of additional costs.
2. **Information campaign** to ensure that all contractors, Local Authority and Housing Association clients are fully aware of the implications of the PAS 2030:2019/2035 standards.
3. **Clarity** over the **quality standards** required for public funded programmes (grants/loans)
4. **Increased capacity** at colleges and other **training** organisations
5. **Locally** provided courses.
6. Scottish equivalent qualifications are identified and supported including the **importance** of ensuring that time served people and **Recognised Prior Learning** within the contractor base are supported to achieve standards.
7. **Review** funding support for existing contractors. In particular support is required for small and rural contractors - to ensure engagement with training whilst remaining viable.
8. **Ask** BEIS, Trustmark, BSI & GDGC to review how warranties are granted where the Retrofit Designer has designed a solution.
9. **Advise** procurement teams in LA's to recognise PAS 2035/ 2030:2019 accredited tenderers in assessment criteria scoring for retrofit works.
10. **Engage** with rural agents when reviewing the Skills Consultation response.