



EHC Quality Mark Financing Sub-Committee September 2017

1. Aim of the Paper

This paper will set out the recommendations from the Each Home Counts (EHC) Quality Mark Financing Sub-Committee. Specifically, the paper is intended to set out the financing approach for the Each Home Counts Quality Mark.

2. Sub-Committee Initial Recommendations

- a. Funding should be via participating schemes. That is, part of the contractors' fees to the existing schemes would include the 'Quality Mark' fees.
 - i. Rationale:
 1. Simplicity for contractors
 2. Implications for scale of accounts payable functions for dealing with a small number of participating schemes with associated debt risk vs a high number of contractors and associated debt risk.
- b. Funding structure
 - i. Annual membership fee.
 - ii. Variable cost elements such as cost per job, lodgement fees, etc.
 - iii. Potential for revenue from finance and insurance sectors based on access to data / analytics services that would enable better risk assessment.
 - iv. Potential for matched funding from the supply chain that would benefit from EHC though increased opportunities needs to be assessed.
- c. Pump prime funding would be required to:
 - i. Establish the Quality Mark Service Organisation
 - ii. Design, build and implement the 'Information Hub' and the 'Data Warehouse'
 - iii. Establish the Framework Operating Requirements
- d. Pump prime funding would include 'flash funding':
 - i. 'Flash funding' is use to describe activity (such as design of Quality Mark logo, marketing activities to establish the Quality Mark brand) that does not result in enduring assets to the Service Organisation.
- e. It has been stated that the Quality Mark organisation should be able to become self-sustaining within 3 years. However, the assumptions about the scope of the activities, the willingness of existing schemes to fund the Quality Mark and the level at which they would be prepared to fund it has not been established.

3. Further Work

- a. Establish level of participation in 'Quality Mark' by existing schemes
 - i. Need to understand:
 1. Number of schemes
 2. For each scheme:
 - a. Number of members (both organisation and contractors)
 - b. Number of jobs

- c. Value of jobs
 - d. Level of risk of failure (will drive risk and enforcement activity levels)
 3. Number of schemes, members, jobs and value that require access to ECO
 4. Number of schemes, members, jobs and value that operate without access to ECO or other fiscal incentive schemes.
- b. Establish 'value proposition' of the 'Quality Mark' to existing schemes for their participation
 - c. Establish 'value proposition' of the 'Quality Mark' to the finance / insurance community

4. Background

One of the primary recommendations of the Each Home Counts Review was to establish a 'quality mark' for all energy efficiency and renewable energy measures, and for all companies operating in this sector.

The objective of this sub-committee was to consider financial requirements for the EHC quality mark including, but not limited to:

- Level of funding required for different scales of delivery
- Pump priming funds – level, duration and options for funding
- Identification of revenue opportunities from delivery of the quality mark
- Timeline – with aim of establishing a self-sustaining quality mark model

It has not been possible to establish the level of funding required for the 'quality mark' Service Organisation at this stage.

This paper seeks to set out the recommended approach to funding, the dependencies and risks, the proposition and the approach to revenue generation.

Principles set out in Each Home Counts Review for the 'quality mark':

4.1: build further on the recognised consumer brands in the sector, such as the Gas Safe Register, TrustMark and Kitemark. It will function in a similar way to trusted consumer brands in other sectors.

4.2: work in conjunction with other brands, and will indicate clearly that the holder was delivering to best practice standards in the sector.

4.3: To obtain the quality mark, installers, designers and assessors will need to show that they have been certified by an **approved certification body**, and meet the requirements of three key elements of the quality mark: **a Code of Conduct**; defined **Codes of Practice and standards**; and a **Consumer Charter**.

4.9: not to reinvent existing organisations or duplicate the key roles they play

4.12: The 'quality mark' Strategic Governance Board will be responsible for defining the Framework Operating Requirements (FOR) against which participating certifying bodies and schemes will be approved. The FOR will set out the requirements of the quality mark (including the detailed definitions of the Code of Conduct, Consumer Charter, and Codes of Practice and standards). It will also specify the requirements for organisations who wish to accredit and certify firms and individuals against the quality mark, including the level of auditing required.

4.13: The scope of the Service Organisation may include:

- Ownership, management and licensing of the quality mark, including holding a register of schemes and organisations which have been certified against the quality mark, and rules on how the quality mark may be used for marketing purposes;
- Auditing those delivering the quality mark, including both companies who hold the mark and scheme operators, such as certification bodies and the consumer codes that wish to act as scheme providers under the Framework;
- Ensuring information received from auditing and redress processes is used to provide feedback to training bodies on emerging training and capacity building needs in the sector; and Commissioning, adopting, monitoring, and reviewing new Codes of Practice and standards, in conjunction with the Retrofit Standards Task Group, created as part of the Quality and Standards workstream.

5. Funding requirements

- establishing the Strategic Governance Board,
- establishing and maintaining the Framework Operating Requirements,
- establishing the Service Organisation, whose activities could include:
 - Secretariat for and facilitation of technical committees,
 - Audit, compliance, performance measurement and enforcement against the Framework Operating Requirements
 - Service operations, such handling customer complaints, investigating complaints, resolving disputes, etc
 - Handling and investigation of whistle blowing
- implementing and operating the 'Information Hub' and the 'Data Warehouse', and
- establishing the 'Quality Mark' as the brand that customers trust.

6. Dependencies

- a. Scope of the operating model for the 'Quality Mark' and approach to delivery of the Service Organisation (insource vs outsource), and hence the scale of the Service Organisation and budgetary requirements:
 - i. FTE and skills sets required (whilst some indication that up to 27 FTE may be required, the break down of roles, capabilities (for instance, facilitatory / secretariat skills for technical committees, etc) and hence salaries that will be required has not been established or mapped against the scope of the Quality Mark Service Organisation
 - ii. Office space
 - iii. Support functions: IT, HR, Finance, Legal, Marketing, Procurement / contract management
- b. Scope and requirements of the 'Information Hub' and the 'Data Warehouse'

7. Risks

- a. Legal structure and powers of 'Quality Mark' not understood, scope of activities not established and hence liabilities not able to be assessed.

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- i. Implications for ability to establish a Quality Mark governance structure and board.
- b. Potential for duplication of activities between existing schemes and need to for 'Quality Mark' to assess compliance with and enforcement of the Framework Operating Requirements
 - i. leading to potential for duplication of costs, which does not align with the overarching principle of cost neutrality or overall cost reduction.
- c. Impact of cross-scheme design risks on customer trust.
- d. Measurement of performance of Quality Mark in terms of benefits (including indirect benefits such as reduced financing and insurance costs) vs costs.
- e. Level of buy-in, participation and funding from the existing schemes – the “proposition”.
 - i. Overhead to the existing schemes associated to acting as a 'collection agent' for 'Quality Mark' – impact on willingness to participate in Quality Mark.
 - ii. How successfully the 'Quality Mark' is promoted is likely to underpin the perception of the brand and therefore the levels of willingness to participate with Quality Mark. This has implications for the fundability of the Quality Mark as lower levels of participation will drive up the individual costs due to fixed cost recovery and reduce the perceived return on investment from participation.
- f. Scope of the 'Information Hub' and the 'Data Warehouse'
 - i. Potential for duplication of data storage with schemes vs rationalisation by becoming a service provider to existing schemes
 - 1. Alignment with depreciation of data capabilities of existing schemes / contract dates where outsourced.

Chair – *Rich Hampshire*

Members – Simon Ayers, Claire Curtis Thomas, Stephen Huller, Clare Price, Susan Jones

Aim

To consider financial requirements linked to establishing and running a quality mark. Providing advice to the EHC Implementation Board meeting in September 2017.

Approach

To consider financial requirements for the EHC quality mark including, but not limited to:

Level of funding required for different scales of delivery

Pump priming funds – level, duration and options for funding

Identification of revenue opportunities from delivery of the quality mark

Timeline – with aim of establishing a self-sustaining quality mark model

Output

To prepare advice and recommendations for the Each Home Counts Implementation Board in September 2017

To include proposals setting out funding options, from a collaborative stance across industry and Government

Interfaces

Quality mark sub-committee

Notes:

- **The group is made up of 4 decision makers (Rich, Claire, Clare, Susan) and two expert contributors (Stephen, Simon)**
- **Decisions can be made by a minimum of two of the decision makers (quorate)**
- **Any intellectual property that is input into this subgroup should be asserted as such and will reside with the owner**

Any IP cannot be used in anyway if/when any templated model is issued to the market for tender for provision of services. This Group will show if a model can be launched and become self-sustainable. It is the model which goes out for any tender & not the pricing model calculated.

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Annex B –Quality Mark two tier structure



