Energy efficient new homes

Background

1. A scheme providing a rates holiday for new low and zero carbon homes was developed by the Department following an Executive Review of domestic rating in 2007. The policy aim was to encourage investment, and thereby improve the housing stock, which aligned with the Executive’s wider commitment to promote sustainable development.

2. The scheme came into operation on 1st April 2010 and was funded centrally, resulting in no loss to district councils.

3. Full rate relief was provided for the first occupiers of newly-constructed homes which met the definitions of zero and low carbon set out in Regulations; up to five years relief for zero carbon and up to two years relief for low carbon. Only newly-constructed properties with a completion date on or after 1 April 2010 were eligible.

4. The scheme was time bound and was to close for applications on:
   - 30 September 2013 for low carbon; and
   - 30 September 2016 for zero carbon, respectively.

5. The decision was taken to close the scheme early, with protections put in place for homes under construction, and funding redirected to the Green New Deal initiative. At that time it was argued that the Green New Deal provided the opportunity to deliver energy efficiency on a much grander scale than any rate relief scheme could ever achieve.¹

6. During the lifetime of the rate relief scheme the first residents of 74 houses successfully obtained the relief; 63 low carbon and 11 zero carbon. The 11 residents of the zero carbon homes are still receiving full rate relief. For the majority of them the relief will come to an end in March 2017 and all 11 will be subject to full rates by July 2017.

Policy Proposal

7. The Department wishes to re-introduce a similar scheme aimed at improving the energy efficiency of new homes. As with the previous scheme, it is intended that it will be restricted to owner-occupier (including co-ownership) with Regulations excluding social rented properties. This is because social sector landlords already build to high energy efficiency standards. Public properties including those owned by the Ministry of Defence will also be excluded. In addition it is planned that mixed commercial and residential properties will not fall within the scope of the scheme.

¹ The Green New Deal was scaled back and the savings from the rates scheme were ultimately transferred to the (then) Department of Social Development for their boiler replacement scheme.
8. Previously, an assessment carried out by an accredited Energy Performance Certificate (“EPC”) assessor was required to determine whether a dwelling satisfied the criteria for a low or zero carbon home. If a property met the criteria a Zero or Low Carbon Certificate based on the UK wide zero carbon scheme certificates for stamp duty exemption (closed in 2015) was issued along with the EPC.

9. However, priorities have changed and standards have evolved in the few years since the former scheme was in place, including significant enhancement of building regulations in this area. Nevertheless, current estimates suggest these standards still lie between 20% and 30% below the code for sustainable homes level 4 standard, which appears to have been the previous reference point for the old scheme.

10. The Department is in the process of commissioning a technical review of the additional build cost for appropriate standards of energy efficiency in order to assist with a value for money assessment of re-opening the scheme.

11. Options for determining a new standard include the use of on-construction Energy Performance Certificates or an uplift on the Target Emissions Rating required under building regulations. Assuming a new standard can be adopted (which can be readily assessed) and the scheme passes value for money tests, the Department intends to introduce a new scheme along similar lines to the old one, though perhaps only to one standard instead of the two that existed before. There may also need to be safeguards such as a cap (first come, first served basis) on preliminary approvals.

12. In order to avail of the relief, it is intended that an individual ratepayer will be required to make an application to Land and Property Services. Current thinking is that first occupants [of newly-constructed energy efficient homes] will be entitled to a 3 year domestic rates holiday, to help increase demand for new houses built to the required exceptional standard. If the person moves house within that period, the relief is withdrawn.

Questions for Consultees

- Do you agree with the proposal to provide a rates incentive for newly built energy efficient homes?
- What are your views on an appropriate standard, reliable assessment and safeguards?
- Do you agree with limiting the incentive to the first occupier?
- What criteria should be used to judge the success of such a measure?