

## **EXPLANATORY MEMORANDUM TO**

### **The Rate Relief (Low-Carbon Homes Scheme) Regulations (Northern Ireland) 2010**

**S.R. 2010 No. 66**

#### **1. Introduction**

- 1.1. This Explanatory Memorandum has been prepared by the Department of Finance and Personnel ("the Department") to accompany the Statutory Rule (details above) which is laid before the Northern Ireland Assembly.
- 1.2. The Statutory Rule is made under Article 30C of the Rates (Northern Ireland) Order 1977 and is subject to the negative resolution procedure.

#### **2. Purpose**

- 2.1. The purpose of the draft Regulations is to introduce a period of full rate relief for first owner-occupiers of newly-constructed low-carbon or zero-carbon dwelling-houses. First owner-occupiers of a low-carbon dwelling-house will be entitled to 2 years' full rate relief and first owner-occupiers of a zero-carbon dwelling-house will be entitled to 5 years' full rate relief. The aim of the scheme is to encourage the construction of more energy efficient homes thereby improving the housing stock in Northern Ireland and contributing to the Executive's commitment to promote sustainable development.
- 2.2. Regulations 1 and 2 contain the citation, commencement and interpretation provisions.
- 2.3. Regulation 3 sets out the types of dwelling-houses that are excluded from the scheme.
- 2.4. Regulation 4 provides, subject to certain conditions, for the first occupiers of a newly-constructed low-carbon home to receive full relief from rates for two years from the date of occupation and the first occupiers of a newly-constructed zero-carbon home to receive full relief from rates for five years from the date of occupation. To qualify the newly constructed low-carbon or zero-carbon home must have a completion date no earlier than 1st April 2010 and must be occupied not later than 31st March 2013 in the case of a low-carbon home and 31st March 2016 in the case of a zero-carbon home.
- 2.5. Regulation 5 and Table 1 of the Schedule provide for the aspects of energy efficiency which must be met in order for a home to be low-carbon.
- 2.6. Regulation 6 and Table 2 of the Schedule provide for the aspects of energy efficiency which must be met in order for a home to be zero-carbon.
- 2.7. Regulation 7 provides for the certification process. If a home is deemed by an accredited assessor to meet the energy efficiency standards under these Regulations he shall issue a low-carbon home certificate or a zero-carbon home certificate. The information which these certificates must contain is provided in regulation 7(2).

- 2.8. Regulation 8 provides that rate relief under these Regulations shall only be granted if an application accompanied by the required documentation is made to the Department by the first occupier.
- 2.9. Regulations 9 and 10 provide for a review of a decision by the Department not to award rate relief under these Regulations and for appeals to the Northern Ireland Valuation Tribunal.

### **3. Background**

- 3.1. The original idea for the Low Carbon Homes Scheme (LCHS) came from a proposal to put in place a complementary measure to the UK wide Stamp Duty Land Tax scheme during the consultation associated with the Executive Review of Domestic Rating in 2007. In light of this, in October 2007, the Executive agreed to introduce a rates exemption for up to five years for the first residents of new zero-carbon homes (this was subsequently extended to new low-carbon homes which were to receive a rates exemption of two years). These decisions were taken, subject to further public consultation being carried out on the detail.

### **4. Consultation**

- 4.1. Policy proposals were published for consultation in July 2008 and the consultation process was completed in September 2008. The policy aim of the proposals was to encourage investment, and thereby improve the housing stock in Northern Ireland which aligns with the Executive's wider commitment to promote sustainable development.
- 4.2. In general terms the vast majority of those who responded during the consultation in 2008 were supportive of the broad thrust of the proposals set out in the consultation paper. Differing views were expressed on various details of the policies. Following careful consideration of the responses on these issues, final policy decisions were set out in the consultation report published in January 2009.
- 4.3. The primary legislation enabling the Department to introduce the LCHS through subordinate legislation was approved on 30th July 2009 by the Executive for introduction in the Assembly by accelerated passage and received Royal Assent on 3rd November 2009. In light of the extent of previous consultation, no consultation on the Regulations was undertaken.

### **5. Equality Impact**

- 5.1. There was limited data to allow a meaningful analysis of the impact of the policy on the various Section 75 groupings to be carried out. Using the SAP rating as a measure of the energy efficiency of dwellings suggests that properties occupied by older people are least energy efficient and therefore would benefit most from the scheme.

### **6. Regulatory Impact**

- 6.1. Not applicable.

### **7. Financial Implications**

- 7.1. The precise cost of the scheme will depend on take up. It is anticipated that take up will be low for the zero-carbon element of the scheme and

there are currently no zero-carbon dwelling-houses in Northern Ireland. It is estimated that the cost of the low-carbon element of the scheme will be in the region of £315,000 over the 3 year period (2010 -2013). This figure was calculated by estimating that 2% or approximately 130 of the new houses built each year will meet low-carbon standards. There will also be an initial £30K spent on IT changes to enable the Department to run the scheme and an administration cost of £5K per annum. This puts the total cost of the scheme in the region of £350K.

## **8. Section 24 of the Northern Ireland Act 1998**

8.1. It is the view of the Department that these Regulations are compatible with section 24 of the Northern Ireland Act 1998.

## **9. EU Implications**

9.1. Not applicable.

## **10. Parity or Replicatory Measure**

10.1. There are no directly equivalent GB Statutory Instruments. However many of the elements of the LCHS are modelled on the Stamp Duty Land Tax (Zero-Carbon Homes Relief) Regulations 2007 (S.I. 2007/3437 as amended by S.I. 2008/1932) which provide for relief from Stamp Duty Land Tax for purchasers of new zero-carbon homes.

## **11. Additional Information**

11.1. Not applicable