

Funding

for house building & retrofits

Budgeting for a new build or retrofit might be a daunting process, but on the market, there is a variety of financial options to unlock the house building possibilities. The range of available mortgages, ecological incentives and policies or building grants and rewards schemes should be taken into account when planning the project.

Mortgages

The traditional mortgage is a lump sum released to purchase a particular property. However, on the market, there are self-build and renovation mortgages in which funds are released in stages accordingly to the project progress. The funds release stages are in conjunction with the main phases of the construction works, for instance, foundations, watertight, first fix, etc. The money can be received as an advance payment or arrears. Most common are the arrears mortgages where some funds (50-80%) are used to buy the plot or property for renovation, and the rest is released in stages when works commence. In both scenarios, the deposit is required or some savings to start off with works.

The advance financing is offered by BuildStore with the advanced accelerator mortgage, with the option to borrow 90 percent of the land/property costs and 90 per cent for building works. Funds are released ahead of the project, and often there is no need of the interim works valuations to assess the

works progress. This allows you to start off with the project having only 10 per cent for deposit. Sometimes lenders only offer mortgages on land which has detailed planning permission, while BuildStore has in their portfolio mortgage schemes for plots with only outline planning permission. BuildStore Mortgage Services works with some different mortgage lenders (the Hanley Economic Building Society, Bath Building Society and Melton Mowbray Building Society) to offer the range of mortgages with different rates.

The stage released mortgages can also be used for renovation projects and secured against the new property. First funds are released to purchase the property, with further funding at stages during the renovation project. In most scenarios, the payment steps and amounts released are based on valuations of the property during the work and lenders are releasing funds typically in four stages against increasing property value, rather than against the actual costs incurred. With the advanced mortgage, for instance, accelerator, the lender usually releases up to 85% of the purchase price of the property, then 85% of the costs, so the client is required to contribute 15% of own funds for the deposit. The funds for the purchase of the property and the build stages are released, at the beginning of each stage with 15% financed from savings. In this type of mortgage, the payments are based on projected costs, rather than the increasing value of the property.

Ecology mortgages

Ecology Building Society specialises in mortgages for self-build projects which meet specific

Energy Standard ratings or help promote sustainable living, currently focusing on self-build properties that are aiming for Passivhaus or EPC B (SAP rating 85+) or above. There are also mortgages for retrofit and conversion projects that improve the energy efficiency of the property and meet specific Energy Standard scores. For more information visit www.ecology.co.uk

Funds for Sustainable buildings

With the encouragement from Government to build more eco-friendly houses and more sustainable built environment there is the large availability of financial incentives or eco grants specifically designed for those wishing to retrofit the existing property or build a greenhouse. Home Energy Scotland offers free expert advice on what grants and loans you could benefit from in Scotland.

The Energy Saving Trust works with communities, businesses and governments to make built environment more energy efficient. EST offers financial products to support the energy saving retrofits:

1. Renewable Heat Incentive (RHI) which is a UK Government scheme set up to encourage uptake of renewable heat technologies. The domestic RHI provides financial support to the owner of the renewable heating system for seven years, with the quarterly payments. The scheme operates in England, Wales and Scotland and is directed mainly to off-gas households. Technologies supported by RHI are:

- biomass (wood fuelled) boilers
- biomass pellet stoves with integrated boilers providing space heating

- ground to water heat pumps
- air to water heat pump
- solar thermal panels (flat plate or evacuated tube only) providing hot water for your home

Air to air heat pumps, all log stoves, pellet stoves without back boilers and hybrid PVT are not supported by RHI.

Water source heat pumps can potentially be eligible for the Domestic RHI – they are included in the definition of a ground source heat pump.

Certain cooker stoves and certain high-temperature heat pumps may also be eligible.

The amount of funding depends on the kind of the technology installed and the latest tariffs. An estimate of how much money could be earned through RHI can be calculated using the Department for Business, Energy and Industrial Strategy's RHI, payment calculator.

To apply for RHI visit Ofgem's website. For more information about RHI payments visit www.energysavingtrust.org.uk

2. Feed-In Tariff (FITs) is a UK Government scheme introduced to encourage small-scale renewable and low-carbon electricity generation technologies like solar photovoltaic (PV), wind turbines, hydroelectricity system, anaerobic digesters, micro

CHP. Under the scheme, the money can be paid for the electricity generated if there is a suitable system installed in the property, for instance, solar PV, the wind or hydro turbine, micro CHP. The scheme is administered by Ofgem E-Serve and regulated by the UK Government's Department of Business, Energy and Industrial Strategy (BEIS). Visit Ofgem for a list of FITs licensed energy suppliers who handle FITs scheme applications and will make the FITs payments.

FITs payments can be in the form of generation tariff (fixed amount for each unit of electricity generated), export tariff (rate for each unit of energy exported) or energy bill saving. To estimate how much money can be saved through FITs visit the Energy Saving Trust's Solar Energy Calculator for solar PV or the Cashback Calculator for wind, hydro or micro CHP. For details on how to apply for FITs visit www.energysavingtrust.org.uk.

The Energy Company Obligation (ECO) is a government energy efficiency scheme in Great Britain designed to reduce carbon emissions and increase energy efficiency. Under the scheme, larger energy

suppliers have to deliver energy efficiency measures to homes in Great Britain through grants for installation of insulation or heating measures and support for the vulnerable consumer.

Carbon Emissions Reduction Obligation (CERO)

Carbon Saving Community Obligation (CSCO)

Home Heating Cost Reduction Obligation (HHCRO)

Home Building Fund

The government has created a £3 billion fund to increase the number of homes built in England. Applications can be made by a private sector business that builds new homes or prepares sites for housing developments, including builders, community builders, custom builders, regeneration specialists, developers. To make an initial enquiry, you can fill the form on <https://partners.hca-online.org.uk> ; call 0300 1234 500 (Monday to Friday, 9 am to 5 pm); email homebuildingfund@hca.gsi.gov.uk

