

Briefing

Seven things all property owners need to know about EPCs



EPC legislation changed on 1 April 2018 – what do I need to know?

Legislation was introduced in 2008 stating that an Energy Performance Certificate (EPC) must be produced before any commercial or residential property can be purchased, supplied by the vendor. This legislation changed in April to prevent properties with an EPC rating below level "E" (so, an "F" or "G" rating) from being let to new tenants.

The rules apply to all new lettings (commercial or residential) in England and Wales from 1 April, and to existing leases in England and Wales from April 2023.

These changes open up a number of questions:

1

Should I delay getting an EPC, as it will then remain valid for longer and defer any improvement costs?

If there is currently no tenant occupying the property, this is fine - but beware of what could appear to be a financial saving that could in fact lead to substantial lost revenue.

If the property was purchased since 2008, or has had a new tenant since 2008, then there should be an EPC in place and the SIPP or SSAS could be penalised for not having this.

⋮ An EPC remains valid for 10 years, following which a replacement one will need to be obtained.

If a new lease to a new tenant is to be entered into, this could be delayed as an EPC will need to be completed before this could happen, and any improvement work that must be carried out might only then come to light.

There is also a concern that the criteria applied to properties when calculating their EPC rating will continue to become more stringent, which means that it may be more difficult to achieve an 'E' rating as the April 2023 deadline approaches for existing leases.

2

The EPC states that the property is rated “F” or “G” – what do I need to do?

If the SSAS or SIPP-held property is rated “F” or “G”, it is now no longer possible to let this to a new tenant without undertaking the work detailed in the Recommendation Report, which would have been provided with the EPC. It will also not be possible to continue the existing tenancy after April 2023, unless measures have been carried out to improve the property’s rating to at least an “E”. If you do not have a copy of the Recommendation Report, you may be able to retrieve it, via the online [Non-Domestic EPC Register](#).

The cost of obtaining a report from the national EPC Provider that we have an agreement with, (GreenRock Energy), is between £299 and £1,945, depending on the floor area of the property. For properties up to 1,000m², the maximum cost is £465.

Properties that do not conform to EPC standards will soon be unlettable - and we need to ensure that you are aware of this and have taken any associated costs into consideration.

Quotes should be obtained for carrying out the work and you should factor these costs in to your decision on whether to proceed with the purchase or not. Failure to act is also likely to adversely affect both the value and marketability of the property.

3

The EPC states that the property is rated “F” or “G”, but is located in Scotland – what do I need to do?

If the property has an overall area of greater than 1,000m² then the SSAS or SIPP will have to comply with ‘Section 63’ of the Climate Change (Scotland) Act 2009. This requires the preparation of an ‘Action Plan’, which must be provided to any new tenants, or the purchaser of the property.

If the property is less than 1,000m² then there is no additional requirement, regardless of the EPC rating.

4

I don’t have an EPC, but the property is located in Scotland. Do I need to get an EPC?

If the property was bought since 2008, or has had a new tenant since 2008, then there should be an EPC in place and the SIPP or SSAS could be penalised for not having this.

As stated in Question 3, if the property has an overall area of greater than 1,000m² then the SIPP or SSAS will have to comply with ‘Section 63’ of the Climate Change (Scotland) Act 2009. This requires the preparation of an ‘Action Plan’, which must be provided to any new tenants and/or the purchaser of the property, if and when the property is sold or let.

If the property is less than 1,000m², however, then there are no additional requirements, regardless of the EPC rating.



5

How do I know if my property is exempt and so does not require an EPC?

Exemptions from the 'minimum energy efficiency standards' (MEES) regulations are available if the property meets one of the following criteria;

- Buildings which are [not legally required to have an EPC](#)
- Buildings let on leases or tenancies under six months OR over 99 years
- If certain wall insulation systems cannot or should not be installed
- If all relevant improvements don't improve the rating above an "F" or "G"
- If no improvements can be made to achieve an "E" rating or better
- If the improvements do not meet the 'seven year payback' rule within the Recommendation Report
- If you cannot get consent to make the improvements
- If the improvements will devalue the property by more than 5%
- If you have been a landlord for less than six months

The exemptions are registered on a 'self-certification' basis, and most are valid for five years. You should obtain guidance from your own adviser/solicitor that an exemption does apply, and then provide us with suitable evidence for the exemption, prior to registering it on [The PRS Exemptions Register](#).

Once the five year period expires, you would either have to attempt to improve the property again, or re-apply for another exemption, but there is a possibility that the criteria for exemptions could change in the interim.

6

My property already has a valid EPC in place – do you need a copy?

Yes please. Please forward a copy of the EPC to ourselves, if it has not been provided already. This should be sent to either the SIPP EPC mailbox sipp.epc-request@barnett-waddingham.co.uk or the SSAS EPC mailbox epcrequests@bwssas.co.uk

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How can Barnett Waddingham help me?

We have an agreement in place with a national EPC provider for producing an EPC and the associated Recommendation Report. If you would like to take advantage of this service, please contact your usual Client Manager to arrange for a quote to be provided.

Some final thoughts

- The requirement for Commercial Property to have an EPC on construction, sale, or rent was introduced from April 2008.
- If the property was bought or has been let to a new tenant since that date, it should currently have an EPC in place.
- The penalties for not complying with the legislation will range from a minimum penalty of £5,000 to a maximum penalty of £150,000.
- If the property you wish to purchase has an EPC rating of "F" or "G", you should consider the findings of the Recommendation Report to determine the amount of work that will be required to improve the rating before proceeding with the purchase.

Please contact your Barnett Waddingham consultant if you would like to discuss any of the above topics in more detail. Alternatively get in touch via the following:

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