



Department
for Transport

High Speed Two (HS2) Property Price Support Scheme Technical Consultation

Moving Britain Ahead



High Speed Two (HS2) Property Price Support Scheme Technical Consultation

Presented to Parliament
by the Secretary of State for Transport
by Command of Her Majesty

May 2018



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Foreword



High Speed 2 (HS2) is one of the largest infrastructure projects in Europe. It will create a step change in capacity and connectivity between the UK's major cities and will become the new backbone of our national rail network. It will provide a catalyst to rebalance the national economy, and generate jobs, skills and economic growth.

Communities and businesses along the line of route of HS2 are at the heart of everything the Government does. It is right therefore that the Government has an exceptional support package for those whose properties are affected by the project. A range of statutory and non-statutory financial support schemes have already been rolled out in full in the three phases of HS2: Phase One, Phase 2a and Phase 2b.

A property bond, or in industry parlance, a property price support scheme (PPSS) for HS2 attracted support in past property compensation consultations, including the most recent Phase 2b property consultation period. In its response, the Government committed to re-examine the case for a PPSS, taking into account the benefits and risks of introducing such a scheme for those affected by HS2¹.

The next step in the process is this technical consultation. We need to reassess how a PPSS for HS2 could operate and the issues and risks that should be taken into account. We are therefore seeking evidence in a variety of areas including the type of PPSS that could be introduced for HS2 and how to model the impact it would have.

I am pleased therefore to invite you to participate in this consultation which offers the opportunity to assist the Government to undertake a meaningful reassessment of the benefits and risks of a PPSS for the HS2 project.

A handwritten signature in black ink, appearing to read 'N Ghani', written in a cursive style.

Nusrat Ghani MP

Parliamentary Under Secretary of State for Transport

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/629394/high-speed-two-phase-2b-crewe-to-manchester-west-midlands-to-leeds-and-beyond-property-consultation-response-web-version.pdf

1. Purpose of consultation

The purpose of the consultation

- 1.1 The purpose of this consultation is to gather up-to-date evidence on the suitability, benefits and risks of introducing a PPSS for HS2. Please see the definition of PPSS on page 6.
- 1.2 While the consultation is not focussed on the form of the PPSS itself, comments on this specific point will be considered as part of the overall consultation.
- 1.3 The key issues this consultation seeks evidence on are:
 - The effect of a scheme on housing markets close to HS2.
 - Any scheme of this type would be a major intervention on the private property market and so it is crucial that the Government understands the broad effects a scheme would have on local housing markets.
 - The effect of a scheme on cohesion in communities affected by HS2.
 - One of the objectives of the non-statutory schemes introduced for HS2 is to maintain community cohesion in areas affected by plans for the railway. The Government must consider how a scheme would affect local communities.
 - The financial risk to Government in introducing a scheme.
 - A key part of any assessment will be whether a scheme can provide value for money to the tax payer. It will be important to understand the potential cost exposure of a scheme and how we can reliably forecast this cost.
 - The operation of a scheme.
 - The impact of a scheme on the property market and communities along the route could vary according to the way the scheme operates. The Government will therefore need to understand the variable effects of different operational models in order to identify an optimal model.
 - The eligibility requirements of a scheme.
 - As well as having a bearing on the effect of a scheme, the Government would need to ensure that any eligibility requirements developed are fair, in line with the Government's objectives for the non-statutory schemes, as set out on pages 8-9.

Next steps following consultation

- 1.4 The responses received to this consultation will inform the next steps to be undertaken as part of the Government's consideration of a PPSS for HS2. The Government will publish its decision on the consultation exercise later in 2018.

2. Definition of Property Price Support Scheme, Generalised and Statutory Blight

Property Price Support Scheme

- 2.1 A PPSS is seen as a tool that provides eligible property owners with a mechanism that ensures that no financial loss is suffered as a result of generalised blight. A PPSS therefore has the potential to help support the normal functioning of the property market by re-assuring property owners and mitigating generalised blight.
- 2.2 There is not a single type of PPSS. There are varying assumptions on how a scheme could operate and the costs associated with it. A PPSS usually only operates during the planning or development phase of an infrastructure project. Any effects felt after the development phase are addressed separately².
- 2.3 Although a PPSS has not yet been tested for HS2, they have been implemented on other infrastructure projects in the UK. Examples of types of PPSS are provided at pages 10-12. In the context of HS2, a PPSS could potentially take the form of a non-statutory compensation scheme whereby the Secretary of State would guarantee either to purchase a blighted property in full, or make up the difference between the blighted and unblighted price (as if HS2 had not been proposed and no blight had occurred).
- 2.4 The Government has previously consulted on a property bond in relation to HS2, but this consultation uses the term PPSS throughout. The two terms effectively describe the same tool, but PPSS is a term more widely used in relation to infrastructure projects.

Generalised and Statutory Blight

- 2.5 The term generalised blight is typically used to describe the actual or assumed depreciation in value of property which may be attributable to a proposed infrastructure scheme. Depreciation in property values may arise because of the perceived risk that the property will be acquired for the scheme and/or because of the perceived risk that the use of the works may have an adverse effect on the property, its surroundings or any business carried on in it.

² For example, a year after the HS2 railway has been fully operational, owner-occupiers may be eligible to make a compensation claim for any reduction in the value of their property as a result of the physical effects of the operation of the railway under Part 1 of the Land Compensation Act 1973 (part of the statutory compensation code).

- 2.6 Generalised blight varies over time. It is likely to be more acute during the early stages of a project, when there is most uncertainty about the impacts of the project, but generally decreases over time.
- 2.7 Statutory blight refers to the depreciation in property value of a known probable future intention to acquire an interest in the property by compulsion. It is defined by reference to properties falling within one or more of the specified classes in Schedule 13 to the Town and Country Planning Act 1990. These classes recognise the adverse effects that a future intention to compulsorily acquire an interest in property may have on the ability of a landowner to sell the land.
- 2.8 Broadly, regulations provide that, once a formal indication has been given that an infrastructure project will happen, certain types of owner-occupier may serve a 'blight notice' on the relevant authority. If accepted, a blight notice requires the relevant authority to purchase the claimant's interest in the land. Compensation is then assessed and payable as if the interest were being acquired compulsorily (i.e. on an unblighted basis).
- 2.9 The key difference of statutory blight, as opposed to generalised blight, is that the detriment suffered by property owners is measurable and unequivocally attributable to the development in relation to which compulsory purchase powers may be used.

3. Reassessment of the benefits and risks of a Property Price Support Scheme

Overview

- 3.1 The Government is re-examining the benefits and risks of a PPSS for HS2. It will consider evidence on whether and how a PPSS could become part of the package of non-statutory property compensation schemes.
- 3.2 The Government previously considered and rejected the introduction of a PPSS (then referred to as a property bond) for HS2. The bond that was examined comprised of a legal agreement that committed the Secretary of State over the life of the scheme to purchase a property if a market sale at an unblighted value could not be achieved within a reasonable timescale.
- 3.3 Having carried out extensive work to investigate this option, including a detailed assessment by PWC Ltd³, the Government concluded that the introduction of a PPSS could not guarantee sufficient benefits to outweigh the risks of the scheme and the significant commitment of resources that it would warrant. As a result, it was not possible to be confident that the type of PPSS assessed would provide assurance to buyers of properties around the HS2 route.
- 3.4 It is right, however, that the Government keeps its statutory and non-statutory compensation schemes under review including giving consideration to enhancements to those schemes or the introduction of new schemes themselves. While the evidence that informed the previous decision will be considered within the re-assessment, the Government enters this policy consideration with an open mind.
- 3.5 In assessing any proposal for a PPSS, the Government will have regard to the five overarching objectives for the HS2 non-statutory schemes, set out below.
 - **Fairness** – the Government should ensure that owner-occupiers whose properties (and property values) are most directly affected by the proposals of HS2 are eligible for compensation; and that those eligible for compensation receive fair and reasonable settlements reflecting the location and circumstances of their property.
 - **Value for money** – the Government should ensure that HS2 property schemes are likely to offer satisfactory value for money to the taxpayer, are affordable, do not involve disproportionate expense and that any risks relating to the costs of property schemes can be effectively managed within HS2’s long-term funding settlement.

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/327755/hs2-property-bond-cost-report.pdf

- **Community cohesion** – the Government should maintain as far as practicable the stability and cohesion of communities along the route, for example by enabling existing residents to remain in their homes where possible; by minimising the potential adverse effects of significant population turnover associated with multiple short-term tenancies; by ensuring that there is the best understanding about the likely effect of the railway on the enjoyment of properties; and by compensating those most affected by the project on a fair and reasonable basis.
- **Feasibility, efficiency and comprehensibility** – the Government should devise clear and easily explained rules so that homeowners can readily understand their entitlements and the Government can predict how costs will be determined in any individual case. It is important also to have assurance that any scheme can be administered efficiently and effectively to provide good customer service for those whose property is affected by the railway.
- **Functioning of the housing market** – the Government should enable local residential property markets to function as normally as possible during the development and construction phases of the project.

4. Examples of types of PPSS

- 4.1 Below are a number of examples of types of PPSSs that are either time or value based. A time-based PPSS scheme is where the qualifying owners are offered the full unblighted price for their property if they fail to sell the property within a set time frame. By contrast, a value based PPSS scheme offers to pay the difference between the unblighted price and the actual sale price of a property.
- 4.2 The Government, as part of its consideration of the benefits and risks of a PPSS for HS2, will be undertaking further work to understand how these schemes performed and what learning from them could be applied to HS2.

Property Market Support Bond and Home Owner Support Schemes

- 4.3 In its White Paper, The Future of Air Transport (December 2003), the Government asked airport operators to produce a non-statutory voluntary scheme to protect the properties located next to an airport against the potential reduction of property values arising from future airport development plans. As a result, in 2005 the then British Airports Authority (BAA) developed the Property Market Support Bond (PMSB) scheme for people with property on the land that would be safeguarded for any new runway, and the Home Owner Support Scheme (HOSS) for people living outside the potential expanded airport boundary, but who would be newly exposed to medium-to-high levels of noise.

Property Market Support Bond (PMSB)

- 4.4 In order to support the local property market in the years before eligible property owners could receive any statutory support, the PMSB aimed to ensure that properties in the area where land would be needed for any new runway development could be bought and sold at a pre-airport expansion plan market value before any development took place.
- 4.5 Under the PMSB scheme, homeowners whose properties fell within a potential new expanded airport boundary would be able to sell their property to the airport operator, who would guarantee to buy their properties at an unblighted price (as if no runway development had been proposed and no blight had occurred). In addition to the bond price, the airport operator would pay a disturbance cost, home-loss payment (equivalent to 10% of the property's value) and reasonable moving fees, which would only be made if planning permission was granted for a new runway.
- 4.6 In the case of Heathrow Airport, the PMSB scheme was stopped in 2010 as planning permission for a third runway was ruled out by the then government. BAA however continued to consider buying properties from applicants who previously met the eligibility criteria under the PMSB scheme for a short period to compensate for the

long periods of uncertainty. The PMSB was also adopted by Global Infrastructure Partners (GIP) who have since acquired Gatwick and Edinburgh airports.

Home Owner Support Scheme (HOSS)

- 4.7 The aim of the Home Owner Support Scheme (HOSS) was to maintain confidence in the local property market before a new runway development took place. Gatwick Airport offered property owners the HOSS which had previously been used successfully at Stansted Airport from 2005-2010 and some 300 properties were acquired.
- 4.8 Under the HOSS, the airport operator offered to buy properties from homeowners at an unblighted price if they were unable to sell their property within 15% of the market value. In cases where property owners were able to sell their properties within 15% of the market value, the airport would offer property owners up to 5% of the sales price to assist with moving costs.
- 4.9 To qualify for the scheme, properties had to be subject to noise above a 66dB threshold from the proposed airport extension and this agreement was fully transferable to subsequent buyers. The HOSS option was available once Gatwick announced its intention to proceed with construction.

EDF Energy PPSS

- 4.10 EDF offered to pay eligible homeowners within a specified boundary around Hinckley Point nuclear power station the difference between the value of a property with, and without, the proposed development of 'Hinckley Point C', upon completion of the sale. In addition, EDF also offered homeowners a sum of £5,000 to help with moving costs.
- 4.11 In cases where homeowners were unable to sell their properties as a result of the Hinckley Point C site on the open market, and after a period of actively marketing the property, EDF offered to buy their properties as a last recourse.
- 4.12 The PPSS was available to qualifying homeowners upon the receipt of the Development Consent Order and remained in place until the construction of the Hinckley Point C site.
- 4.13 According to EDF, the scheme worked effectively in a discrete, boundary-drawn area, helped by low population density. The bond has helped EDF gain wider public acceptance and contributed to the functioning of the housing market.

Horizon Property Price Support Plan (PPS plan)

- 4.14 Run by Horizon Nuclear Power and currently operating, the Property Price Support is a support plan for residents living within approximately 1km of the power station site who wish to move away but cannot achieve a reasonable market price on the sale of their property due to the Wylfa Newydd project.
- 4.15 The PPS plan offers eligible residents who wish to sell their residential property the difference between the value of the property with, and without, the power station proposals, plus a sum of £5,000 towards moving costs. Those wishing to benefit from PPS must submit an application form, including evidence to show that the property

meets the eligibility criteria and evidence on the loss of value⁴. The PPS plan came into effect in April 2015 before planning permission was obtained. The scheme is expected to remain in place until construction of the power station is completed.

Property Protection Scheme (PPS)

- 4.16 Central Railway introduced the PPS to prevent the uncertainty faced by property owners in advance of the project and to address the potential blight caused by a proposed new freight railway network connecting the Channel Tunnel, London and the Midlands.
- 4.17 The PPS intended to enable qualifying property owners to sell their property with the guarantee that if the railway was built, the value of the property would be protected. It gave the owner the right to sell their property to Central Railways at an agreed unblighted price once construction had started. The agreement was automatically transferable with the property, so if an owner sold the property then this option was passed to the new owner. The PPS was intended to last up to 21 years and property owners were able to decide when to exercise the agreement. In addition, the homeowner was also offered an allowance to help with moving costs.
- 4.18 When Central Railway published the scheme in 2004, 1,100 homeowners offered to take up the PPS agreement with Central Railway. However, the Central Railway project did not go ahead and no properties were acquired by Central Railway under the PPS scheme.

⁴ <https://www.horizonnuclearpower.com/our-sites/wylfa-newydd/neighbourhood-support-scheme>

5. HS2 property price support scheme: consultation questions

Introduction

Thank you for taking the time to read this consultation and respond to the questions. Your answers will help us to assess the suitability, benefits and risks of introducing a property price support scheme (PPSS) for HS2.

Please submit your consultation response by 2300 on 9 July 2018.

Please note: this consultation is separate to the petitioning process associated with the High Speed Rail (West Midlands to Crewe) Bill and a response to this consultation will not be linked to any petition you may have submitted.

Confidentiality and data protection

The Department for Transport (DfT) will act as the 'data controller' for your personal information and look after it in line with data protection law. Visit [our website](#) for information on how to contact the Data Protection Officer, how to exercise your rights in relation to your personal data, and how to complain. If you would prefer to receive this information by post or telephone, let us know.

The purpose of this consultation is to gather up-to-date evidence on the suitability, benefits and risks of introducing a PPSS for HS2. It is carried out in the public interest to inform public policy.

As part of this consultation we request the following information:

- The first part of your post code – we need this minimum level of geographical information to inform our research.
- Your name, email address, phone number and postal address – we request this in case we need to ask you follow up questions regarding any of your responses.

You don't need to provide your contact details and are under no obligation to do so, but it will help us if you do, for the reasons explained above.

If you do provide your contact details, we will share this information with a UK-based company called Steer Davies Gleave, which we have contracted to analyse the responses we receive to the consultation. They may contact you with follow-up questions.

If you provide your contact details you consent to DfT or Steer Davies Gleave using it *only for the purposes set out above*. All your personal data will be deleted within one year of collection. You can withdraw your consent at any time by emailing PropertyBondTechnicalConsultation@dft.gsi.gov.uk

We will not share your personal information with any other organisation or individuals without seeking your explicit permission, or use it for any purpose other than that set out above. We will not transfer your personal details outside the UK. Only anonymised data will feature in any reports produced as a result of this consultation.

Organisation or individual response

1. Are you responding:

on behalf of an organisation? (Go to Question 4 – Organisation details)

as an individual? (Go to Question 2 – Personal details)

Personal details

2. Your contact details. If you want to provide your contact details this will allow us to get in touch if we have any questions about your response. If you provide your details you consent to us using them for that purpose only.

Full name

Email address

Phone number

3. Your address and postcode

Organisation details

4. Organisation details. If you want to provide your contact details this will allow us to get in touch if we have any questions about your response. If you provide your details you consent to us using them for that purpose only.

Your name

Your role in organisation

Email address

Phone number

5. Postal address and postcode

How could a PPSS work?

6. How could a property price support scheme (PPSS) support the functioning of the housing market in areas affected by HS2?

Explain the reason for your answer and include any evidence to support your view.

7. How could a PPSS lead to a reduction or eradication of generalised blight in an area?

Explain the reason for your answer and include any evidence to support your view.

8. Would a PPSS influence owner-occupiers' willingness to remain in their properties in areas where HS2 may have an impact? And if so how?

Explain the reasons for your answers and include any evidence to support your view.

9. **How can demand for a PPSS and the potential cost to the government be accurately forecast? How can we have confidence in this forecast?**

Explain the reason for your answer and include any evidence to support your view.

Options for a PPSS

10. **Would a value or a time based PPSS be most appropriate for HS2? Value based PPSS – this requires the government to pay a ‘top up’ (difference between sale price and unblighted value) in the event that an ‘unblighted’ price cannot be achieved by the owner. Time based PPSS – this requires the government to acquire qualifying property at the ‘pre-impact’ price if the property is not sold in the open market within a defined timeframe.**

Explain your reason for selecting either time or value PPSS and include any evidence to support your view.

11. **We know that blight could change over time and at different stages of the project, including: after route announcement but before details of the environmental impact are known; after the announcement of details of the environmental impact but before the start of construction; from the start of construction until the start of operation of the railway. Do you believe that a PPSS should apply for all the stages above?**

Explain the reason for your answer and include any evidence to support your view.

- 12. Should the scheme be different for each stage or should a single scheme cover all stages above? Tick the relevant boxes below and explain the reason for your answer and include any evidence to support your view.**

| | Value-based PPSS | Time-based PPSS |
|--|-------------------------|------------------------|
| Post route announcement but before environmental impact details are known. | | |
| After the announcement of environmental impact details but before the start of construction. | | |
| The start of construction up until the start of operation of the railway. | | |

Explain the reason for your answer and include any evidence to support your view.

- 13. Is there a risk that a scheme with a defined boundary will indicate that blight exists and so spread further blight?**

Explain the reason for your answer and include any evidence to support your view.

- 14. If you believe there is a risk that a scheme with a defined boundary could spread further blight as described above, how could this risk be prevented or mitigated?**

Explain the reason for your answer and include any evidence to support your view.

15. Should a PPSS only be introduced as a responsive tool in specific areas where blight has been identified?

Explain the reason for your answer and include any evidence to support your view.

16. The following are potential methods to determine geographical eligibility for a PPSS:

- **No boundaries – where a resident is able to self-identify that their property value has been affected by HS2.**
- **Existing boundaries – set by the current suite of HS2 non-statutory schemes: 120m (Rural Support Zone) and 300m (Homeowner Payment) from the line in rural areas.**
- **Fixed boundaries outside this area – if you support this approach please indicate the suggested boundary and the rationale for this boundary.**
- **Variable boundaries based on physical environment, which could include a blight ‘map’.**
- **An assessment of impact akin to the ‘Need to Sell’ location criterion.**

What do you think are the advantages and disadvantages of each approach?

Explain the reason for your answer and include any evidence to support your view.

PPSS criteria

- 17. When considering a PPSS, should the following criteria be included? Tick Yes or No for each criterion and explain your answers below.**

| | Yes | No |
|---|-----|----|
| The homeowner should have a compelling reason to sell. | | |
| Evidence that the homeowner had no knowledge of HS2 prior to purchasing the property. | | |
| The PPSS should expire once the railway is operational. | | |
| The owner-occupier choosing to sell should have to accept any reduction in value. | | |
| The PPSS bond should be transferable upon sale of the property. | | |

Explain the reason for your answer and include any evidence to support your view.

PPSS model

- 18. What do you think will be the best PPSS model for HS2?**

Explain the reason for your answer and include any evidence to support your view.

- 19. How can we ensure that any PPSS can be easily understood by residents?**

Explain the reason for your answer and include any evidence to support your view.

20. What could be the potential impact of introducing a PPSS for HS2 on the equality and diversity of communities living along the HS2 route?

Explain the reason for your answer and include any evidence to support your view.

21. In general, what advantages and disadvantages do you see in having a PPSS for HS2?

22. Add any further comments below regarding introducing a PPSS for HS2.

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