

# PROPERTY COMPENSATION CONSULTATION 2013

For the London-West Midlands HS2 route

Consultation summary

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September 2013



## Department for Transport

High Speed Two (HS2) Limited has been tasked by the Department for Transport (DfT) with managing the delivery of a new national high speed rail network. It is a non-departmental public body wholly owned by the DfT.

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# Introduction

This document is a summary of the proposals for property schemes relating to Phase One of HS2 that are included in the Government's 'Property Compensation Consultation 2013' consultation document.

The Government is consulting on a package of measures that could include:

- **express purchase** for qualifying owner-occupiers within the safeguarded area;
- a **long-term hardship scheme** for owner-occupiers who have strong personal reasons to move but cannot do so, other than at a significant loss, because of HS2;
- a **sale and rent back scheme** or an alternative approach to renting properties back to their former owners; and

within a 'rural support zone':

- a **voluntary purchase scheme**; or
- a **property bond scheme**.

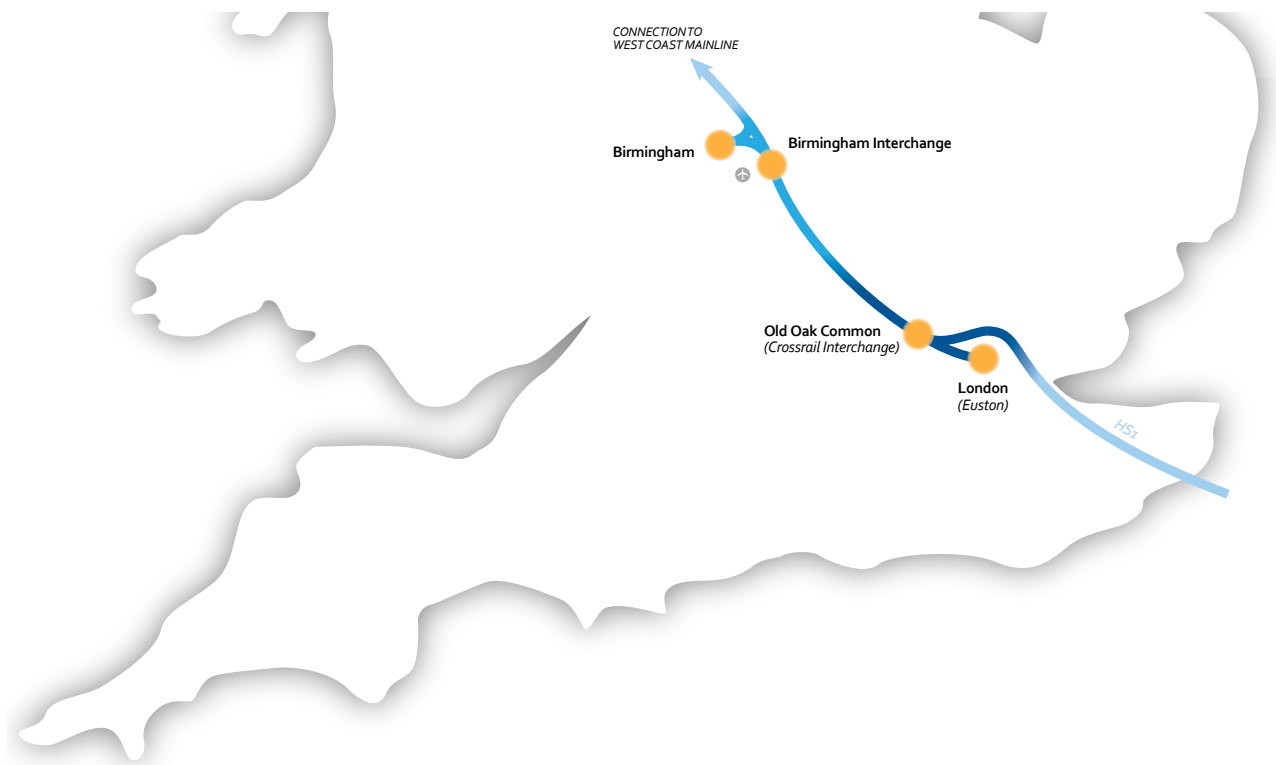
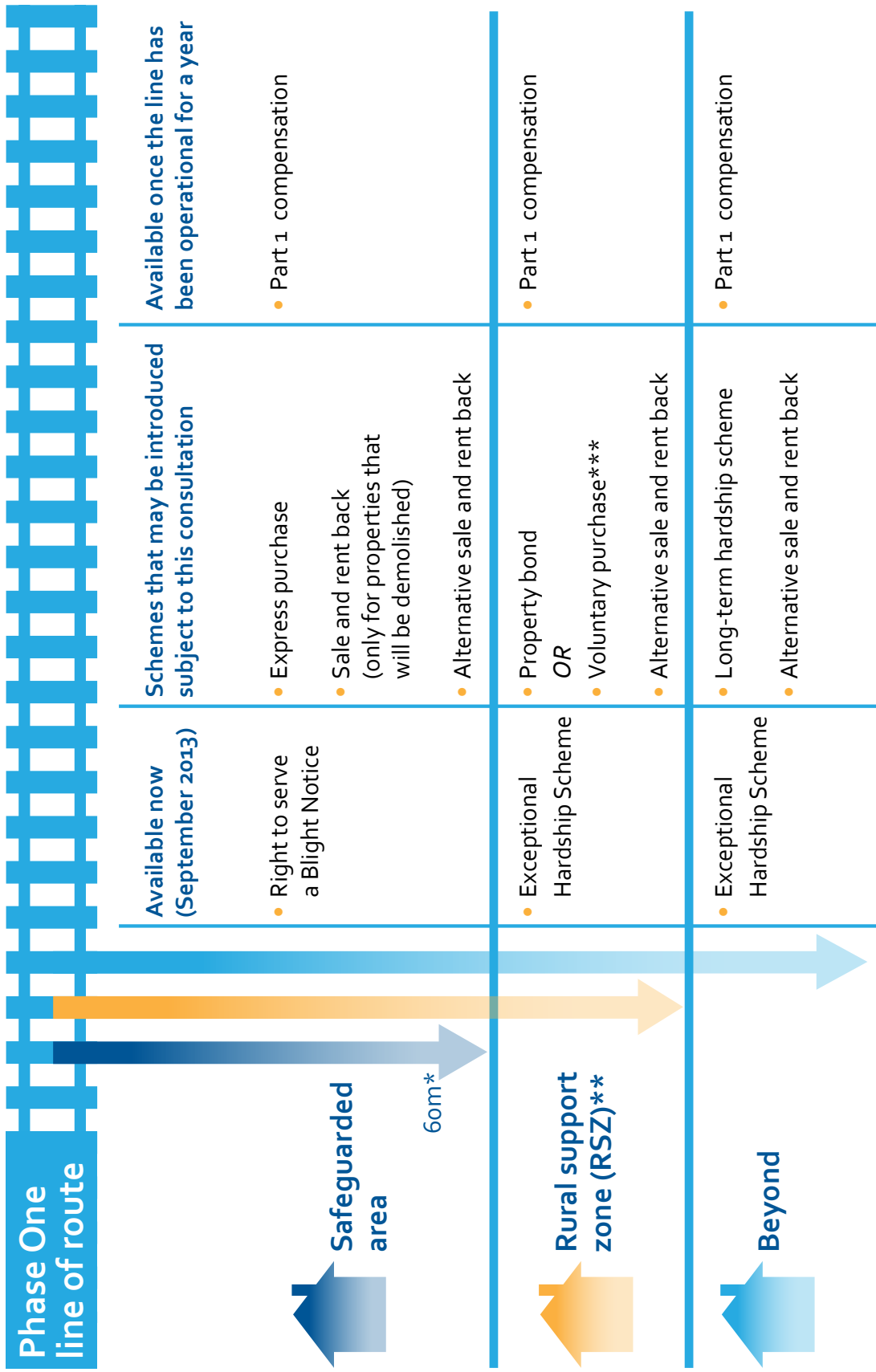


Figure 1 | Phase One of the High Speed Two (HS2) rail network



\* The safeguarded area is typically 60m either side of the line of the route; however, in some areas this varies.

\*\* In rural areas only. Boundary to be determined following the current consultation.

\*\*\* We propose to introduce one or other of these options, but not both.

Figure 2 | Proposals for property compensation for Phase One of HS2

# Express purchase

## Background

Following consultation, the Secretary of State for Transport has issued safeguarding directions under Articles 16(4), 25(1) and 29(6) of the Town and Country Planning (Development Management Procedure) (England) Order 2010<sup>1</sup> that cover the majority of the Phase One route. The safeguarded area is generally 60 metres each side of the centre line of the track. You can view maps of the safeguarded area on the HS2 Ltd website: <http://www.hs2.org.uk/safeguarding>

Where a property is within the safeguarded area, owner-occupiers who meet the qualifying criteria and who wish to move house may serve a Blight Notice on the Secretary of State. The Government proposes to exercise its discretion in how the statutory blight provisions will work for HS2 by accepting blight notices from eligible property owners:

- without regard to whether the property would be needed for the construction or operation of the railway, provided the property is wholly within the safeguarded area; and
- without requiring the owner to demonstrate reasonable endeavours to sell their property.

'Eligible property owners' refers to all those with a qualifying interest under section 149 of the Town and Country Planning Act 1990 – i.e. residential owner-occupiers; owner-occupiers of small business premises with an annual rateable value not exceeding £34,800; and owner-occupiers of agricultural units.

For eligible property owners whose properties are only partially within the safeguarded area, we are proposing to consider each Blight Notice on a case-by-case basis, but also to limit the issuing of Counter-Notices to exceptional circumstances.

We propose to pay the full entitlement for the property in question as per the compensation code, which comprises:

- the full un-blighted open market value of the property, (that is, the value of the property if there was no HS2) valued as set out in Annex A of the consultation document; plus
- a further 10% up to a maximum of £47,000 (for residential properties), known as the 'Home Loss Payment'; plus
- reasonable costs of moving.

This policy would not normally apply to properties where safeguarding had been put in place to protect land above deep-bored tunnels or other sub-surface works.

Maps showing the safeguarded area are available on the HS2 website at: <http://www.hs2.org.uk/safeguarding>. They will also be available at public events during this consultation.

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<sup>1</sup> 2010/2184.

## Long-term hardship scheme (LTHS)

The Government is proposing to introduce a long-term hardship scheme (LTHS) for Phase One to assist owner-occupiers outside the safeguarded area and the rural support zone who will suffer hardship if they are unable to sell their homes, but are not eligible for the other schemes discussed in this document.

Successful applicants would have their property purchased by the Government at 100% of its un-blighted, open market value using the process outlined under 'voluntary purchase scheme option' later in this document.

Applications would be judged against five published criteria:

**Property type:** Applicants must have a 'qualifying interest' in the property. This means that they must be an owner-occupier of the property as defined under Section 149 of the Town and Country Planning Act 1990.

**Location of property:** Consideration of applications would take account of whether a property is in such close proximity to the route that it would be likely to be substantially adversely affected by the construction or operation of the new line. Each property would be considered on a case-by-case basis and there is no fixed distance within which a property must be situated in order to satisfy this criterion.

**Effort to sell:** Applicants will need to prove that HS2 is the reason their property has not sold, despite them making all reasonable efforts to sell. The property should have been on the market for at least six months prior to the application, with no offers received within 15% of its realistic, un-blighted asking price (the price that a recognised estate agent would advise to be a realistic asking price for the property were there no HS2).

**No prior knowledge:** Applicants will not be eligible for the LTHS if, at the time they bought their property, they could reasonably have been expected to be aware of the proposals for HS2.

**Hardship:** The Government believes applicants should be able to show that they will suffer hardship if they are not able to sell their property.

Hardship may originate from situations including, but not at all limited to:

- a need to sell due to changed family circumstances;
- a need to relocate to take up a new or different job outside reasonable commuting distance;
- external financial pressure that necessitates a sale;
- a medical condition; or
- the winding-up of the estate of a deceased person.

Where an applicant does not have an immediate need to sell their property, but will need to sell in the near future (generally within three years) to avoid suffering hardship, it should be possible to accept that this criterion has been met without waiting for that need to become urgent.

# Options for sale and rent back

## The sale and rent back scheme

The sale and rent back scheme would enable eligible homeowners to sell their homes to the Government and remain as tenants until the property is needed for construction. In summary:

- The scheme would apply to those who are eligible to serve a blight notice and whose homes need to be demolished to build and operate the railway. It would not apply to homes outside the safeguarded area.
- Before accepting an application for sale and rent back the Government would first need to run a value for money test.
- A bespoke form of tenancy would be created to service rent back.
- A home-loss payment would be paid at the moment of sale and reasonable moving costs would be paid when the tenant moved to another property.

## Value for money test

Once an eligible homeowner's Blight Notice has been accepted, they would be asked whether they would like to take up the sale and rent back option. If they would, assessments would be made to establish:

- the un-blighted open market value of the property as would be the case under the statutory blight procedure;
- the cost of any repairs or improvements that might be needed to bring the property up to the legal letting standard; and
- the market rent, net of management costs, once those repairs had been completed.

These potential costs mean that before accepting an application for sale and rent back the Government would first need to run a value for money test. This would ensure that accepting the property onto the scheme would be an appropriate use of public money. For example, spending more on repairs and other associated costs than could potentially be recouped on rent before the property needed to be demolished would not represent good value for public money.

## Alternative approach

We are also consulting on an alternative approach to renting back properties to their former owners, under which the principle would apply to all homes purchased by Government through an HS2 property purchase scheme. In summary:

- It would enable eligible homeowners to sell their homes to the Government and remain in residence as tenants.
- Before accepting an application for sale and rent back the Government would first need to run a value for money test.
- We would use standard assured shorthold leases, rather than introduce the additions proposed above to tenancy contracts.
- Home loss payments and reasonable moving costs would be payable only if the owner-occupier was eligible to serve a Blight Notice.



## Establishing a rural support zone (RSZ)

The Government is consulting on alternative discretionary scheme options for rural areas that would be available to people who live within a specified distance of the proposed line, but outside the safeguarded area. This region, or 'zone', would be called the 'rural support zone' (RSZ).

Subject to the outcome of this consultation, a RSZ would be brought in as soon as possible and remain in operation until one year after Phase One of HS2 became operational. Once the railway had been open for one year, eligible property owners would be able to make a claim for Part 1 compensation payments under the Land Compensation Act 1973, as set out in the Annex A of the consultation document.

No RSZ will be created beyond the West Coast Main Line junction at Handsacre, past Water Orton on the approach to Birmingham, or within the urban area of Greater London.

### Options for providing assistance in the rural support zone

We are considering two options for providing support to property owners within the proposed RSZ. These are:

- establishing a discretionary voluntary purchase scheme available to people who live up to 120m from the centre of the proposed line but outside the safeguarded area; or
- establishing a property bond scheme operating within a distance-based boundary set with reference to further assessment of costs and benefits.

# Voluntary purchase scheme option

One option for the RSZ is to introduce a voluntary purchase scheme, whereby eligible owner-occupiers of property within the rural support zone would be able to ask the Government to purchase their property at 100% of its un-blighted open market value.

By 'eligible property owners', we mean all those with a qualifying interest under section 149 of the Town and Country Planning Act 1990 – i.e. residential owner-occupiers; owner-occupiers of small business premises with a rateable value not exceeding £34,800; and owner-occupiers of agricultural units. These are the same categories of property owners who, if they were within the safeguarded area, would be eligible to serve a Blight Notice.

## Setting a boundary

We propose that under a voluntary purchase scheme, the RSZ would extend up to 120m either side of the line, where the land had not already been safeguarded. The safeguarding area typically extends 60m either side of the line, but with adjustments to take account of local geography and construction needs.

In proposing a distance of 120m for the RSZ, the Government does not mean that all properties within 120m of the line will be blighted in reality, or that all properties further away will not be blighted. The boundary has been selected to balance the burden on the taxpayer with the Government's intention to be more generous than the law requires and in recognition that blight is more likely to be felt in rural, as opposed to urban areas. This approach follows the precedent set by High Speed One, where a 'voluntary purchase zone' was established, within which voluntary purchase operated.

We propose to consider properties that are only partly within the RSZ, on a case-by-case basis, but we are likely to favour acceptance. For example, if you are the owner-occupier of a typical residential property and a significant part of your garden is within the RSZ, we would be likely to accept your application to sell your property to the Government. We would, however, be likely to contest applications where only a small part of a much larger property lies within the RSZ.

## Valuing properties

Property values would be assessed using two independent valuers, chosen from a pool of valuers familiar with the local area and property type. The Government would pay for these valuations.

We do not propose to offer property owners who sell under voluntary purchase any additional compensation payments on top of the un-blighted open-market value of their property. That is because this is a voluntary scheme and it is very unlikely that any of the properties within the RSZ will need to be compulsorily purchased.

# Property bond option

Under a property bond scheme, instead of making general commitments to groups of property owners (as is the case with other schemes proposed in this consultation), the bond scheme operator would make specific commitments, backed by the Government, to individual property owners at an early stage.

The Government is considering whether, as an alternative to the voluntary purchase scheme, to introduce a property bond with the following design features:

- Owner-occupiers who acquired residential dwellings before 10 March 2010, within an area up to a specified distance from the centre line of the proposed railway (or within any safeguarded land outside this corridor) in rural areas, may apply for a bond. The Government does not have a view at this stage about which distance would be most appropriate.
- Bonds would also be available on the same basis to any persons entitled to serve a Blight Notice relating to property within the areas safeguarded for the scheme (this would include eligible owners of smaller business premises and owner-occupiers of agricultural units).
- The bond issued would state a 'base bond price', reflecting either an actual price paid for the property within the 12 months before 10 March 2010, or an independent professional assessment of the property's value on that date.
- The price set by the bond would be kept adjusted, through indexation, to reflect subsequent changes in average property values in the relevant area. Bond prices would also be adjusted to reflect any significant changes in the size, configuration or condition of the property.
- The bond would transfer to the property's new owners in the event of a sale, inheritance, mortgage repossession or other transfer of the property.
- Any extant bonds would expire one year after Phase One of HS2 became operational, at which point property owners would instead be able to pursue claims under Part 1 of the Land Compensation Act 1973.
- If a holder of a bond for a property within a designated safeguarded area wishes to redeem the bond and sell their property to the bond scheme operator, they may do so on request, subject to any necessary re-inspection or revaluation to confirm a bond purchase price, and would also be eligible for a home loss payment and a disturbance payment.
- If a holder of a bond for a property within the remaining bond scheme area wished to sell their property, they would notify the bond scheme operator. The operator would inspect the property and confirm the bond purchase price. The property would then be marketed by the owner for six months. If, within that time, the property did not sell at a price at or above the bond purchase price, it would then be purchased by the bond scheme operator for that price. The bond scheme operator would pay estate agents' fees if they were able to arrange a sale at or above the bond purchase price. No other payments would be made to the bond holder.

# How to respond

The consultation closes on Wednesday 4 December 2013. Emails and online responses can be submitted until 23:59 hrs on the final day of the consultation. Paper responses must be posted on or before the final day of the consultation.

If you would like further copies of this consultation document or the consultation response form, you can download them at [www.hs2.org.uk](http://www.hs2.org.uk). Alternatively, you can order a hard copy by calling 0300 123 1102.

## How to respond

You can respond to the consultation in the following ways:

- **Online:** you can respond online at [www.hs2.org.uk](http://www.hs2.org.uk)
- **Response form:** these are available online at [www.hs2.org.uk](http://www.hs2.org.uk) or can be requested by contacting 0300 123 1102
- **Email:** you can email your response to [2013hs2propertyconsultation@dialoguebydesign.com](mailto:2013hs2propertyconsultation@dialoguebydesign.com)
- **Post:** you can post your response and additional material to the following FREEPOST address. You do not need to use a stamp.

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If responses are sent to other addresses, HS2 Ltd and the Department for Transport cannot accept responsibility for ensuring their inclusion in the consultation.

All responses must include your name (and the name of your organisation, if applicable). If you are responding on behalf of an organisation please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

If you have any queries, you can contact us at: [HS2Enquiries@hs2.org.uk](mailto:HS2Enquiries@hs2.org.uk) or on 0207 944 4908.

## Events

We are holding a series of consultation events to provide further information about the issues described in this document. Visitors to these events will have an opportunity to speak with members of HS2 staff, collect consultation documents and view maps relevant to the local area. Further information on these events is available at [www.hs2.org.uk](http://www.hs2.org.uk) or by contacting 0207 944 4908.

**Consultation responses will not be accepted at events. Please send these via the dedicated channels described above.**

