
Compulsory purchase reform (Phase 2)

Department for Communities and Local Government

RPC rating: fit for purpose

Description of proposal

Compulsory purchase powers are seen as an important tool for securing the use of land needed to help deliver social, environmental and economic change. A number of changes have already been made in recent years to improve the system. Consultation on a Phase 1 package of additional measures identified the need for more changes. Therefore, the Government will now consult on a Phase 2 package of reforms aimed at making the system clearer, faster and fairer. The proposal involves a large number of technical changes, as well as some key reforms with a potential impact on business including:

- allowing acquiring authorities to use compulsory purchase powers to use land temporarily;
- ensuring that valuations disregard any change in land value caused by the proposed land use scheme by codifying the principle of the 'no scheme world';
- increasing compensation for minor tenants¹;
- changing the division of compensation between owners and occupiers of land to be compulsorily purchased;
- introducing penal rates of interest on late compensation payments; and
- raising the maximum rateable value below which owners of business properties affected by statutory blight are able to require authorities to purchase their property on compulsory purchase terms. For example, a business property included in a development plan or set aside for safeguarding purposes may be entitled to compulsory purchase if its rateable value falls below a threshold. The current threshold (£34,800) effectively excludes most London business premises, for which a higher threshold is proposed.

The Department intends to use the consultation to provide evidence on the expected impacts of the proposals making up the package.

Impacts of proposal

¹ Tenancies of a year or less

The Department identifies two groups that will be directly affected by these changes. These are (i) authorities seeking to acquire or use land or property, and (ii) claimants whose land or property is being used or acquired. The IA explains that both groups will contain businesses either in their own right or in collaboration with local authorities.

The Department uses data provided by the National Planning Casework Unit to estimate the number and of types of compulsory purchase orders (CPOs) used each year. It estimates that there will be 54 CPOs where compensation will be paid *to* private businesses and 48 CPOs where compensation will be paid *by* businesses (paragraph 109). The Department assumes both parties face the same capital costs and that the average values of CPOs are equal. As such the average costs and benefits are treated as being the same between the two sets of CPOs, which in any case overlap to some degree.

The Department expects that the majority of the impacts will be small with no significant impact on business and provides evidence to support this assumption. In some instances, there will be changes in the level of compensation paid by acquiring authorities to claimants and/or changes in the number of claims. Additional statutory claims under the proposed higher rateable value threshold will by definition exceed the current average value for such claims. In aggregate, these impacts could be significant. At this stage, the Department is unable to monetise any of the impacts as there are no comprehensive sources of information on either the steps taken once the order process has been confirmed or the levels of compensation paid (paragraph 9). While the Department believes it is disproportionate to collect comprehensive information, it will seek to quantify the likely level of impact of through consultation (paragraph 11).

Quality of submission

The proposals aim to reform the compulsory purchase system, building on earlier reforms. This is in response to views from stakeholders that compensation should be simpler and reflect more accurately and transparently economic losses to affected parties. The Department has therefore developed a further package of technical improvements that should provide a clearer, fairer and faster system.

As the impacts are at this stage unclear, the Department should use the consultation to gain evidence to monetise the impacts within the final stage IA. This should include gathering evidence relating to the likely impacts on the number and cost of CPOs and the number and size of claims. In addition, the Department should also explore the degree of variability in the number of CPOs from year to year and the

change in the number of claims made as a result of increasing the statutory blight threshold.

In addition, the Department should test whether there will be any familiarisation costs for professional advisors (paragraph 13). The final stage IA should clearly distinguish the costs and benefits to business, private individuals and the public sector.

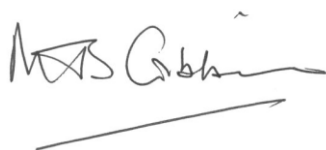
While the Department intends to use non-regulatory approaches wherever possible, some elements of the proposed package can only be delivered through primary and secondary legislation. The Small and Micro Business Assessment appears sufficient at this stage of the proposals. The Department expects that small and micro businesses are more likely to benefit from the changes as they are expected to be the commercial occupiers of affected properties that would attract increased compensation. The Department should use the consultation to confirm this position.

Departmental assessment

Classification	Qualifying regulatory provision (IN)
Equivalent annual net cost to business (EANCB)	Not monetised
Business net present value	Not monetised
Societal net present value	Not monetised

RPC assessment

Classification	Qualifying regulatory provision (IN)
Small and micro business assessment	Sufficient



Michael Gibbons CBE, Chairman

Note: Committee member, Jeremy Mayhew, did not participate in the scrutiny of this case to avoid a potential conflict of interest.