
Technical Improvements to Compulsory Purchase Powers

Department for Communities and Local Government

RPC rating: fit for purpose

Description of proposal

The Department proposes a package of changes aimed at making the compulsory purchase of land and property clearer and faster. The Department will introduce changes across seven areas:

- 1) Streamlining of Government Processes
- 2) Powers of entry for survey purposes.
- 3) Reforming High Court challenges.
- 4) Entry to take possession of acquired land.
- 5) Advanced payments of compensation.
- 6) Extend to all acquiring authorities the right to override easements and restrictive covenants.
- 7) Harmonising procedures for settling disputes about material detriment.

Impacts of proposal

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

The Department explains that only the change to advance payments will have a material financial impact on the respective parties. The Department provides sufficient narrative on potential costs and benefits of the other changes, and why

they are unlikely to be more than negligible. The IA provides a commentary from the consultation where the majority of responses support the assumptions made by the Department.

The cost of earlier payments will fall on the acquiring authorities. This cost represents the increased cost of borrowing, or the cost of the return forgone. The beneficiaries of earlier payments are the claimants. They benefit from reduced borrowing costs and reduced financial risk as a result of no longer having to incur costs before receiving compensation.

Quality of submission

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 38 CPOs where the acquiring authority is a business and the claimants are not, and 25 CPOs, where the acquiring authority is not a business and the claimants are. For the first set of CPOs, the proposed changes will increase costs to business. The second set will provide benefits for business from reduced costs.

The Department assumes both parties face the same cost of capital 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. The Department can therefore net off the 25 cases where businesses will benefit against the 38 where they will not. This leaves an expected 13 more examples of CPOs where businesses will face higher costs. The Department considers only these cases as being relevant for calculating the net cost of the proposal.

The Department explains that it has been unable to identify supportable evidence on the value of CPOs as this data is not currently recorded. In the absence of such data, the Department held a seminar with industry and local authority stakeholders to enhance the information from the consultation responses. As a result of such discussions, the Department has assumed on average each CPO is the equivalent to the price of 15 average houses. Average house prices in the UK are currently £261,000 (2013), giving the total value of 13 CPOs as £51 million. Applying standard assumptions on the cost of capital produces an estimated annual net cost to business of approximately £0.8 million. This is equivalent to £0.6 million when expressed in 2009 prices and discounted to 2010.

Other comments

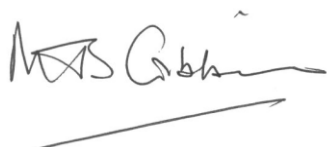
The Department calculates its equivalent annualised net cost to business (EANCB) figure by discounting to 2010 and using 2009 prices. For this parliament EANCBs should be presented using 2014 prices and discounted to 2015. Doing this gives an EANCB of £0.79 million. The RPC validates this figure. The SaMBA is sufficient. The Department explains that small and micro business would only ever be claimants. Therefore any exemption or mitigation would be against the interests of small and micro firms.

Initial departmental assessment

Classification	IN
Equivalent annual net cost to business (EANCB)	£0.6 million (2009 prices / 2010 present value)
Business net present value	-£6.9 million
Societal net present value	£0 million

RPC assessment

Classification	IN
EANCB – RPC validated	£0.79 million (2014 prices / 2015 present value)
Small and micro business assessment	Sufficient



Michael Gibbons CBE, Chairman