



Hornsea Project Four: Compulsory Acquisition

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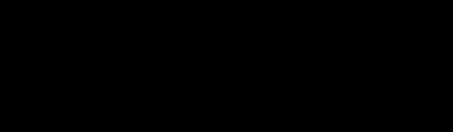
Property Cost Estimate Report

Client: Orsted Hornsea Project Four Limited

Project: Hornsea Project Four Offshore Wind Farm
(Generating Stations)

Date: 20th August 2021

Project Name:	Hornsea Project Four Offshore Wind Farm (Generating Stations)
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Introduction

Background

This Property Cost Estimate (PCE) has been produced to inform the Funding Statement in accordance with instructions from **Orsted Hornsea Project Four Limited** (the ‘Applicant’) in respect of **Hornsea Project Four Offshore Wind Farm (Generating Stations)** (The “Project”).

The Project is a new offshore wind farm that the Applicant is proposing to develop in the North Sea, off the Yorkshire coast. It involves a new offshore and onshore cable route to connect into the National Grid at a proposed new substation at Creyke Beck, Cottingham in East Riding of Yorkshire.

During construction the onshore cable corridor will have a typical width of 80 metres if HVAC technology is used and 60 metres if HVDC technology is used. The corridor may be wider in certain locations due to complex crossings, obstructions, or storage areas, along the c. 40km onshore cable route. This equates to a total area required for construction in the region of 450 hectares including an allowance for severed areas. The width of the area over which permanent rights will be required for the onshore cables is typically 60 metres for HVAC technology and 40 meters for HVDC technology. This PCE has been based on the use of HVAC technology as that will result in the maximum liability.

The advice relates to compensation arising from the compulsory acquisition of land and rights and imposition of restrictions, together with other statutory claim liabilities arising out of the Project and is based on a detailed assessment of anticipated claims.

Project Experience

Dalcour Maclaren (‘DM’) has represented the Project since our instruction in 2017. Consultations and negotiations with landowners, tenants and occupiers affected by the onshore cable route, the onshore substation and construction compounds have been ongoing since 2018. The DM team has an excellent working knowledge of the proposed cable route and associated sites and all plots have been assessed against the Funding Statement requirements.

Authors Experience

I am a member of the Royal Institution of Chartered Surveyors. I have been working in the utilities and infrastructure sectors since 2008 and have acted for and on behalf of numerous statutory undertakers and offshore wind farm developers since then, having been employed by DM since 2012.

During this time, I have provided strategic advice to clients relating to Compulsory Purchase Orders (CPO) and Development Consent Orders (DCO) under the Planning Act 2008. I have also taken a leading role in securing voluntary agreements for rights associated with large scale projects including Option Agreements, Deeds of Grant of Easement, Lease Agreements, and Freehold Acquisitions with a broad spectrum of land interests including owners, occupiers and third parties.

During the course of my professional career, advice has been provided to multiple offshore wind farm projects, including:

Project Description	Location	Approximate Length (km)
Hornsea Project Two	Lincolnshire	40
Hornsea Project One	Lincolnshire	40
Triton Knoll	Lincolnshire	60
Burbo Bank Extension	Denbighshire	11
Rampion	East Sussex	24
Navitus Bay	Dorset	40
Walney 1 and 2	Lancashire	8
Humber Wind	East Riding of Yorkshire	24
Westermost Rough	East Riding of Yorkshire	24

Limits or Exclusions of Liability

To the best of our knowledge, all information provided within this report is accurate and has been based on information provided by the Applicant and the land take required for all plots contained within the DCO application, as well as areas temporarily and permanently impacted adjacent to the DCO plots. Should any of the information we have used to form our opinions or the scope of the work change then we reserve the right to revisit our assessment. The PCE will remain under constant review and will be updated if and when new information becomes available that suggests values may change.

Consideration has been given to any impact that the ongoing global pandemic may have on the PCE and no further funding is expected to be required as a result.

The PCE provides an indication of the compensation for the entire cable route on a holistic basis. Given the nature of the information available and enquiries made, this estimate should not be relied upon to inform the valuation of individual interests or for the purposes of negotiation.

A precautionary approach has been taken in the assessment of the required funding in light of the requirement for the Applicant to demonstrate that adequate funding is likely to be available to enable the compulsory acquisition within the time period authorised in the DCO.

Methodology

Valuation of Property Interests

For the purposes of providing this assessment we have relied on the following general methodology:

- The acquisitions of all property interests are progressed under the powers of compulsory acquisition and the Compensation Code will apply.
- Compensation is payable in accordance with the Compensation Code which includes the rules set out in Section 5 of the Land Compensation Act 1961 and other applicable legislation and case law.
- The Valuation Date for all estimates is August 2021.
- Government guidance on the compulsory purchase process, which was updated in 2020, provides guidance to acquiring authorities and sets an expectation that compulsory purchase should only be used as a last resort. This encourages negotiation of property interests by agreement in advance of compulsory purchase. The Applicant will demonstrate its progress in this regard during the Development Consent Order process.
- Any property or interests acquired in the shadow of compulsory acquisition could still attract compensation payments and costs should be similar whether acquisition is before or after the award of compulsory acquisition powers.

Value of the Land Taken

The PCE assesses the required funding associated with the acquisition of land and rights and imposition of restrictions using extensive experience of other similar projects.

DM has advised the Applicant on the compensation arising from the compulsory acquisition of land and rights and the imposition of restriction and is based on a detailed assessment of anticipated claims. Whilst that detailed advice is confidential, the approach is explained within this report.

This report sets out an estimate of the total contingent liability for the acquisition of land and rights to be acquired and restrictions imposed by the Project for the purpose of delivering the onshore works element. This assessment outlines the likely Heads of Claim associated with a project of this nature, if land and rights are acquired via compulsory acquisition in the event that voluntary negotiations are unsuccessful and the associated financial figure that may be required as payment to all landowners, tenants, occupiers and third parties affected by the Project.

The following claim items will be considered in this assessment:

- Acquisition of freehold land and land rights (and imposition of restrictions)
- Compensation arising from survey works and temporary works
- Injurious Affection and Severance
- Blight
- Loss of Development
- Claims arising under Section 10 of the Compulsory Purchase Act 1965
- Claims arising under Part 1 of the Land Compensation Act 1973
- Claims arising under Section 152(3) of the Planning Act 2008
- Business Loss Claims
- Third party Professional Fees

The relevant legislation covering the claim items listed above has also been considered in this assessment including Compulsory Purchase Act 1965, Land Compensation Act 1961 and 1973 and the Planning Act 2008.

Any figures for the above claim items are based on professional judgement and experience of similar schemes.

The values provided represent a current view, rather than a projected view, and allow for existing use values and, where relevant, potential development values.

Acquisition of Freehold Land

It is proposed that the freehold of plots will be acquired for the Substation, Energy Balancing Infrastructure, to include any landscaping and mitigation land. The value of those plots has been assessed by reviewing the market value of the land in its existing use but disregarding the fact that the land is being compulsorily acquired. Consideration has been given as to whether any development value and hope value might exist. Disturbance costs associated with the freehold acquisitions have also been included.

Acquisition of Land Rights

It is proposed that permanent rights will be acquired to install, access, inspect, maintain, repair, alter, renew, replace the cables and associated apparatus. Permanent rights will also be sought for certain mitigation land and utilities required to service the substation. Restrictions will also be imposed on the land so as to ensure that the rights can be exercised without impediment. Disturbance costs associated with the acquisition of Land Rights have also been included.

Compensation arising from Survey Works and Temporary Works

This comprises a number of Heads of Claims including:

- Compensation for loss or damage will arise as a consequence of survey works and temporary occupation of land for the undertaking of temporary works for the cable installation, substation construction, and other associated works including use of accesses, visibility splays, environmental mitigation measures and drainage.
- The compensation is assessed having measured the extent of the Order Land over each holding, the nature of the works involved and the existing land uses.
- The estimate covers loss of crops, business losses, losses associated with above ground structures, reinstatement costs and extra field workings, temporary site compounds, claimants justified time and loss of subsidies and grants. Loss of subsidies includes all losses associated with the Basic Payment Scheme (BPS), and future replacement schemes, being the governments rural grants and payments in support of the farming industry
- Our understanding of the likely impact on individual businesses is still incomplete due to minimal evidence being presented to date and, in consequence, general assumptions have been made and an assessment has been included in the PCE.
- The assessment includes allowances for run off claims, following completion of the survey temporary works.
- The assessment does not include the cost of any physical mitigation works which will be undertaken by the Applicant.

Injurious Affection

Injurious affection is the depreciation in the value of the land retained by the owner as a result of the proposed construction on, and use of, other land acquired from that owner for the Project. It is the impact of the whole of the proposed scheme that is to be considered not just the effect on the area acquired from the owner. Compensation is claimable potentially both for the construction of the works and their subsequent use.

An assessment has been made where the project may depreciate the value of property, which includes residential properties close to the substation and energy balancing infrastructure. The valuation takes into account the market value of the relevant property and the estimated depreciated value caused directly by the Project.

It is considered that the most likely claims for injurious affection may arise from those residential properties which are in close proximity to the substations at Creyke Beck, this assessment relates to properties where land and rights are to be acquired, where no land and rights are to be acquired, they are detailed under heading, " Claims arising under Section 10 of the Compulsory Purchase Act 1965 and Part 1 of the Land Compensation Act 1973". A review of these properties has been undertaken and a general assessment made of potential impacts on a graduated basis dependent on the distance.

A review has also been undertaken of businesses which are affected, an assessment has also been made in relation to possible claims.

Severance

Severance occurs when the land, or land over which rights are to be acquired, contributes to the value of the land which is retained so that, when severed from it, the retained land loses value. In this instance, the majority of land along the route is agricultural and, once the underground cables are installed, it is considered that there should be no permanent severance of land.

An assessment has been made where land is severed either permanently or temporarily as a direct result of the Project, in particular around the proposed substation. The valuation takes into account the market value of the relevant property before and after any permanent severance.

An allowance has been made for temporary severance as a result of the Project and is included as part of the disturbance compensation figure.

Blight

Blight claims allow a qualifying interest to call for their land to be acquired early i.e., before the acquiring authority would otherwise take it.

For a blight notice to be accepted and compensation to be payable, it must be supported by evidence that the claimant has made reasonable endeavours to sell the land or property in question and that the claimant has been unable to do so or could do so only at a price substantially lower than that for which it might reasonably have been expected to sell.

Throughout the course of consultations and negotiations with all landowners and occupiers along the route, we have not been made aware of:

- any attempts to sell any of the affected land or property that has resulted in the land or property only being able to be disposed of at a significantly lower value or
- any parties intending to serve a Blight Notice.

To ensure that the funding assessment caters for any 'blight risk' properties, we have included a contingent liability for Blight claims. However, our assessment suggests the likelihood of blight claims being received is nil.

Loss of Development

It is acknowledged that certain land parcels may have development potential and the implementation of any such development (upon grant of permission under the Town and Country Planning Act 1990) may be prevented or restricted as a result of rights granted and restrictions imposed under the DCO. For the avoidance of doubt development in this context may include but is not limited to residential, commercial or mineral extraction.

Where the compulsory acquisition of rights and imposition of restrictions pursuant to the powers in the DCO restricts or prevents such development potential, any proven and mitigated loss of development value will be compensable.

We have assessed compensation for loss of development and minerals on a worst-case scenario basis, for the purposes of the funding statement.

Claims arising under Section 10 of the Compulsory Purchase Act 1965 and Part 1 of the Land Compensation Act 1973

Section 10 of the Compulsory Purchase Act (CPA) 1965 provides an entitlement to compensation, subject to meeting certain criteria, to the owners of a property interest who suffer damage to their property interest as a result of the execution of works. This entitlement arises where no land is acquired from the owner and equates to a restricted form of nuisance claim. Claimants can include those whose rights or easements over land are interfered with as a result of the works (for example, a right of way over land being occupied for the Project). The basis of valuation is as set out in this report under the heading, General Assumptions.

Based on the information provided to date, we are only aware of a small number of rights which might give rise to a valid and quantifiable claim. We recognise that, even with detailed referencing information, no absolute guarantee can be given that there are no other rights which could be affected in such a way as to give rise to a justified claim. It is further recognised that, should rights exist, they may be interrupted during construction, e.g. a restriction or temporary interruption to a designated right of way, and as such a claim for temporary injurious affection could arise. However, it is assumed that, as far as possible, alternative arrangements will be made to mitigate the impact on any rights.

The view taken, therefore, is that the likelihood of valid and sustainable claims being made under s10 CPA 1965 is moderately low. We do, however, provide an allowance for such costs as a contingency within the PCE.

Responsible authorities may be liable, under Part 1 of the Land Compensation Act 1973, to pay compensation for the depreciation in the value of an interest in land which is attributable to the use of public works where no land has been taken from the claimant. Compensation is limited to depreciation in the market value of the qualifying interest caused by the use of the land or works but only in so far as that depreciation is attributable to “physical factors”.

It is our opinion that the likelihood of successful or substantial claims is low based on the particular physical factors which will arise from the use of the works and the distance of the works from potential claimants.

Whilst the risk of such claims remains low, we have provided an allowance for such costs as part of the contingency within the PCE.

Business Loss Claims

It is acknowledged that certain business may be disrupted as a consequence of the Project. Any claims which are accepted by the Applicant will have to demonstrate that they are a natural and reasonable consequence of the Project, with the claimant evidencing they have used reasonable endeavors to mitigate their proven losses.

An assessment has been made of the businesses which could be impacted by the Project.

Third Party Professional Fees

Claimants are entitled to reimbursement of professional costs incurred in connection with the claim for compensation and transfer of their interest to the acquiring authority. Our figures include an allowance for the costs of surveyors and solicitors representing the claimants. This may vary on a case-by-case basis, but overall a 10% contingency has been applied to cover possible additional costs.

The Applicant’s professional costs are not included in the PCE.

Stamp Duty Land Tax

The Applicant, as the Acquiring Authority, may be liable for any SDLT arising as a consequence of the property transactions.

Stamp Duty Land Tax is only payable where property or rights are acquired for a value in excess of £150,000. We have applied the prevailing rates of 2% for acquisition values between £150,000 and £250,000 and 5% on any balance over £250,000.

An allowance is included within the claim items above where SDLT may be payable.

Contingency and Interest

In view of the level of information available to us at this stage, a general contingency of 10% has been added to all items included in the estimate. Additionally, because of the deferment of the payments from the date of this assessment, compounded interest has also been added at a rate of 2% per annum through to 2030, being the estimated timescale for consenting, programming and construction, based on the upper estimate from the forecasted Consumer Price Index (CPI), published by the Office for National Statistics.

VALUATION ASSUMPTIONS AND EXCLUSIONS

General Assumptions

- The estimate has been prepared on the basis of current market value which would be payable in the event of the Applicant acquiring land and rights and imposing restrictions under the terms of the DCO rather than by voluntary agreement. Associated disturbance is included. The disturbance costs associated with surveys which will be undertaken on a voluntary basis and compensated prior to the DCO being confirmed are excluded from this assessment but includes surveys likely to be undertaken following confirmation of the DCO.
- The estimate relies on assessments of buildings from vantage points and internal property inspections have not been undertaken. In addition, further research has been completed via the internet, media, aerial and ground photography and from investigations into comparable local valuation evidence.
- No allowance has been made for any Early Signing Bonus Payments which would otherwise be payable for voluntary agreements (subject to meeting various criteria).
- Land values are based on market values in the region.
- We have not generally investigated planning history unless otherwise stated in this report. Our figures reflect existing use value rather than any other value although, where appropriate we have considered potential development values or values associated with potential alternative uses.
- We understand that there may be some closures and diversions of the public highway. No allowance has been made for any potential claims for compensation other than where there are associated losses caused to businesses.
- The assessment does not include the cost of any physical mitigation or reinstatement works which will be undertaken by the Applicant. These costs form part of the overall budget which the Applicant has allocated for the likely costs of implementing the Project under the DCO.
- A 10% contingency has been applied throughout.
- The figures, which includes the contingency, are inflated by 2% per annum for a period of 9 years through to 2030.
- The Valuation Date for assessment of compensation is assumed to be August 2021. It should be noted that the figures stated in the estimate may require revision.

Exclusions

Costs associated with the following property or interest types have not been included within the PCE:

- Operational highways, railways, rivers and other infrastructure
- Utility apparatus including but not limited to substations, pipes, cables, sewage treatment works, pumping stations, masts and tanks
- The Applicant's professional fees
- Costs associated with surveys undertaken prior to the confirmation of the DCO
- No allowance is made for any VAT in this estimate.

Conclusion

Property Cost Estimate

This is an estimate carried out using the information available to date as set out earlier in this report. If required, the estimate can be revised to maintain accuracy as more information becomes available.

It is our opinion that the likely costs to secure the necessary land, interests, rights and make payment of compensation is in accordance with the figures set out in the table below:

Item	Net Value (£m)	Contingency @ 10% (£m)	Interest (£m)	Total (£m)
Acquisition of Freehold Land	£0.747	£0.075	£0.160	£0.983
Acquisition of Land Rights	£7.790	£0.779	£1.672	£10.241
Compensation arising from Survey Works and Temporary Works	£10.904	£1.090	£2.340	£14.334
Injurious Affection & Severance	£1.728	£0.173	£0.371	£2.272
Blight	£0.275	£0.028	£0.059	£0.362
Loss of Development	£32.773	£3.277	£7.033	£43.083
Claims arising under Section 10 of the Compulsory Purchase Act 1965	£0.620	£0.062	£0.133	£0.815
Claims arising under Part 1 of the Land Compensation Act 1973	£0.217	£0.022	£0.047	£0.286
Business Loss Claims	£0.945	£0.095	£0.203	£1.243
Third Party Professional Fees	£1.961	£0.233	£0.428	£2.623
Option Grantors' Time	£0.505	£0.013	£0.101	£0.619
TOTAL	£58.466	£5.847	£12.547	£76.859

In completing this PCE we have maintained a consistency throughout based on our methodology and valuation assumptions and exclusions. For the reasons stated in this report, we have included a contingency so that it can be stated that our estimate of property cost is **£76.859 million (Seventy-Six Million Eight Hundred and Fifty-Nine Thousand Pounds)**.



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