



**SCOTTISHPOWER
RENEWABLES**

East Anglia TWO Offshore Windfarm

Funding Statement

**Annex 3 Property Cost
Estimate Statement from
Dalcour Maclaren**

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**Applicable to
East Anglia TWO**



**DALCOUR
MACLAREN**

Property Cost Estimate Report

Client: Scottish Power Renewables
Project: East Anglia TWO Offshore Wind Farm
Date: 1st March 2021

Project Name:	East Anglia TWO Offshore Wind Farm
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Introduction

Background

This Property Cost Estimate (PCE) has been produced for Funding Statement purposes in accordance with instructions from **East Anglia TWO Offshore Wind Farm Limited** (the ‘Applicant’) in respect of **East Anglia TWO Offshore Wind Farm** (The “Project”).

The Project is a new offshore wind farm that the Applicant is proposing to develop in the North Sea, off the East Norfolk coast. It involves a new offshore and onshore cable route to connect into the National Grid a proposed new substation at Friston in Suffolk.

During construction the onshore cable corridor will have a standard working width of 32 metres that may be wider in certain locations due to complex crossings, obstructions or storage areas, along the 9km onshore cable route. This equates to a total area required for construction in the region of 180 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 20 metres.

The advice relates to compensation arising from the compulsory acquisition of land and rights, 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 has represented the Project since our instruction in early 2018. Consultations and negotiations with land interests affected by the onshore cable route, the onshore substation and Construction Compounds have been ongoing throughout this period. The Dalcour Maclaren 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.

Limits or Exclusions of Liability

This report is confidential to the party to whom it is addressed for the specific purpose to which it refers and no responsibility whatsoever is accepted to any third parties.

To the best of our knowledge, all information provided within this report is accurate and has been based on the technical and construction information provided by the Applicant and the land take required for all plots contained within the DCO application. 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 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 cautious approach has been taken in the assessment of the required funding in light of the requirement to justify that the Applicant is capable of meeting the financial needs of the project.

Update 23rd October 2020

This report has been updated on 23rd October 2020 to check that the funding requirements can still be met following some minor changes to the red line boundary. Having undertaken a reassessment of the required funding, it is not considered that the overall estimation of required funds has changed. Consideration has also been given to any impact that the ongoing global pandemic may have on the property cost estimate and, again, no further funding is expected to be required as a result.

The Property Cost Estimate will remain under constant review and will be updated if and when new information becomes available that suggests values may change.

Update 1st March 2021

During the course of recent negotiations and consultations with landowners, occupiers and third parties affected by the Project, further commercial information has been made available about cropping values and losses which could be associated with the temporary works. Previously claimants were understandably cautious about releasing commercially sensitive information to others, including Dalcour Maclaren. However, in now doing so it has enabled more accurate analysis of the potential crop loss liability which could arise as a result of the Project.

Whilst the methodology for calculating crop loss compensation remains unchanged, Dalcour Maclaren have benefitted from the provision of additional detailed landowner specific information with regards to crop rotations and crop values associated with crops being grown over the Order Limits. Following the completion of this subsequent assessment, the estimated value under the heading 'Compensation arising from Temporary Works' has been revised.

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 purchase and the Compensation Code will apply.

- Compensation is payable in accordance with the Market Value Rules as established by the Code and set out in Section 5 of the Land Compensation Act 1961.
- The Valuation Date for all estimates is October 2020, excluding the update to 'Compensation arising from Temporary Works' as updated of 1st March 2021.
- Government guidance on the compulsory purchase process, which was updated this year, 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. It will be beneficial for the Applicant to demonstrate its progress in this regard during the Development Consent Order process.
- Any property acquired in the shadow of compulsory purchase should still attract compensation payments and costs should be similar whether acquisition is before or after the CPO.

Value of the Land Taken

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

Dalcour Maclaren has advised the Applicant on the compensation arising from the compulsory acquisition of land and rights and is based on a detailed assessment of anticipated claims. Whilst that 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 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 rights are acquired via the grant of DCO should voluntary negotiations be unsuccessful and the associated financial figure that may be required as payment to all landowners, occupiers and third parties affected by the Project.

The following claim items will be considered in this assessment;

- Acquisition of land rights (and imposition of restrictions) and freehold land
- Crop Loss
- Disturbance compensation arising from temporary works
- Third party Professional Fees
- Severance and Injurious Affection
- Blight
- Claims arising under Section 10 of the Compulsory Purchase Act 1965
- Claims arising under Part 1 of the Land Compensation Act 1973

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, to include any landscaping, mitigation and permanent accesses. The value of those plots has been assessed by reviewing the open 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 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 and land will be acquired to install, access, inspect, maintain, repair, alter, renew, replace the cables. Permanent rights will also be sought for certain mitigation land and utilities required to service the substation. New rights and land will be acquired on behalf of National Grid Electricity Transmission in relation to the diverted 400kV overhead line and NGET substation. Disturbance costs associated with the acquisition of Land Rights have also been included.

Compensation arising from Temporary Works

- Compensation for loss or injury will arise as a consequence of temporary occupation of land for the undertaking of temporary works for the cable installation, substation construction, overhead line diversion, and other associated works including road widening, visibility splays 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 compensation liability has been reassessed in October 2020 and in March 2021 to reflect alterations to the red line boundary. The March 2021 reassessment was also undertaken to reflect the provision by landowners of specific information with regards to crop rotations and crop values associated with crops being grown over the Order Limits.
- 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) being the governments rural grants and payments in support of the farming industry.
- A contingency sum of 10% has been added to allow for losses sustained after the Valuation Date.
- Our understanding of the likely impact on 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 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 substations and diverted section of overhead line. The valuation takes into account the open 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 Friston. A review of these properties has been undertaken and a general assessment made of potential impacts on a graduated basis dependent on the distance from the overhead line.

A review has also been undertaken of businesses which are affected and an assessment has also been made of possible sterilization / loss of development potential.

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 substations. The valuation takes into account the open 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 owner 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 low.

Stamp Duty Land Tax and VAT

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

No allowance is made for any VAT in this estimate.

Stamp Duty Land Tax is only payable where property is 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.

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 property who suffer damage to their property as a result of the execution of works. This entitlement arises where no land is taken 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.

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 phasing of the payments, compound interest has also been added at a rate of 2% per annum through to 2026, being the estimated timescale for construction.

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.

No allowance has been made for costs in the event of dispute resolution or for Upper Tribunal (Lands Chamber) costs.

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 under the terms of the DCO rather than by voluntary agreement. Associated disturbance is included. The 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.
- 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 Incentive Payments which would otherwise be payable for voluntary agreements (subject to meeting various criteria).
- Land values are based on open market land 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.
- No account has been taken in the estimate of the risk of sterilisation of Minerals which are potentially available for commercial extraction. The level of risk is considered to be low.
- 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 budget which the Applicant, as Acquiring Authority, have allocated for the likely property and land costs of implementing the Project under the DCO.
- The figures are inflated by 2% per annum for a period of 8 years through to 2026.
- A 10% contingency has been applied throughout.
- The Valuation Date for assessment of compensation is assumed to be March 2021. It should be noted that the figures stated in the estimate may require revision.

Exclusions

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

- Operational highways, railway, rivers and other infrastructure.
- Utility apparatus including but not limited to sub-stations, sewage treatment works, pumping stations, masts and tanks.
- Applicants professional fees
- Costs associated with surveys undertaken prior to the confirmation of the DCO.

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 compensation to secure the necessary 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	£3.354	£0.335	£0.508	£4.198
Acquisition of Land Rights	£1.072	£0.107	£0.162	£1.340
Compensation arising from Temporary Works	£5.441	£0.544	£0.825	£6.809
Severance & Injurious Affection	£2.145	£0.214	£0.325	£2.684
Third party Professional Fees	£0.738	£0.073	£0.112	£0.924
Blight	£0.045	£0.004	£0.001	£0.049
Claims arising under Section 10 of the Compulsory Purchase Act 1965	£0.135	£0.013	£0.020	£0.168
Claims arising under Part 1 of the Land Compensation Act 1973	£0.125	£0.012	£0.018	£0.155
Business Loss Claims	£0.033	£0.003	0.005	£0.041
TOTAL	£13.091	£1.305	£1.977	£16.40

In completing this Property Cost Estimate we have maintained a consistency throughout based on our methodology and valuation assumptions and exclusions. In light of the limited knowledge associated with the construction programme, we have included a contingency so that it can be stated that our estimate of property cost is **£16.40 million (Sixteen Million Four Hundred Thousand Pounds)**.



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