

Explanatory Memorandum to The Home Loss Payments (Prescribed Amounts) (Wales) Regulations 2025

This Explanatory Memorandum has been prepared by the Local Government, Housing, Climate Change and Rural Affairs Group of the Welsh Government and is laid before the Senedd Cymru in conjunction with the above subordinate legislation and in accordance with Standing Order 27.1.

Cabinet Secretary's Declaration

In my view, this Explanatory Memorandum gives a fair and reasonable view of the expected impact of the Home Loss Payments (Prescribed Amounts) (Wales) Regulations 2025.

Jayne Bryant MS

Cabinet Secretary for Housing and Local Government

03 February 2025

1. Description

These Regulations will increase the maximum and minimum amounts, as well as the flat rate amount of home loss payments that are payable under the Land Compensation Act 1973 ("the Act").

2. Matters of special interest to the Legislation, Justice and Constitution Committee

None.

3. Legislative background

These Regulations are made under section 30(5) of the Act.

- a) Home loss payments are payable under the Act to owner-occupiers and other occupiers of dwellings, as compensation for being displaced by compulsory purchase or other circumstances specified in section 29 of the Act. The payments are made by the acquiring authority.

They are paid to:

- (a) an owner-occupier at a rate of 10% of the market value of their interest in a dwelling, subject to maximum and minimum thresholds; and
- (b) other occupiers at a flat rate equal to the minimum payment to an owner-occupier.

The current maximum threshold is £62,000 and the minimum threshold is £6,200. The current flat rate is also £6,200 and these amounts were set in 2020, by the Home Loss Payments (Prescribed Amounts) (Wales) Regulations 2020 (S.I. 2020/340 (W.77)) ("the 2020 Regulations") which came into force on 27 April 2020.

The functions of the Secretary of State under section 30 of the Act were, so far as exercisable in relation to Wales, transferred to the National Assembly for Wales by the National Assembly for Wales (Transfer of Functions) Order 1999 SI 1999/672, article 2 and Schedule 1. By virtue of section 162(1) of, and paragraph 30 of Schedule 11 to, the Government of Wales Act 2006, the functions of the National Assembly for Wales under section 30 of the Act transferred to the Welsh Ministers.

These Regulations follow the negative resolution procedure.

4. Purpose & intended effect of the legislation

These Regulations will increase the maximum and minimum amounts of home loss payments and increase the flat rate payment.

Given the increases in the Office for National Statistics' (ONS) mix-adjusted house price index for the UK during the period since the 2020 regulations were made, the maximum and minimum amounts, as well as the flat rate amount, need to be increased to ensure they remain in line with inflationary pressures. The UK Government has also updated their regulations regularly, with the most recent being the Home Loss Payments (Prescribed Amounts) (England) Regulations 2023 (S.I. 2023/ 803), which came into force on 1 October 2023. These had the effect of increasing the maximum and minimum amounts to £81,000 and £8,100 respectively and the flat rate to £8,100, in England.

Taking into account the increase in the ONS' mix-adjusted house price index (HPI) for Wales during the same period, as well as in 2024, the Welsh Ministers have decided to increase the maximum and minimum amounts to £82,000 and £8000 respectively and the flat rate amount to £8000.

The ONS HPI for Wales shows a higher rate for Wales than England in April 2021, 2022, and 2024. This has resulted in a convergence of prices. This means that uprating the home loss payments using the Welsh index will result in a considerable increase since the last uprating exercise in 2020. However, in view of the time that has elapsed since 2020, the increase is not considered unreasonable, as it reflects the current market conditions.

These Regulations implement the changed payment amounts. The current amounts prescribed by the 2020 Regulations will continue to apply in relation to displacements before 5th March 2025.

5. Consultation

These Regulations prescribe the maximum and minimum amounts and flat rate amount of home loss payments in line with the latest ONS house price index in Wales. Therefore, no formal consultation has been undertaken in this instance, as the increase is governed by a predetermined formula and similar changes are made on a reasonably regular basis.

6. Publicity

The Welsh Government will inform Local Authorities and Registered Social Landlords of the increased thresholds and flat rate when these Regulations are laid before Senedd Cymru.

7. Regulatory Impact Assessment

The Regulatory Impact Assessment Code for Subordinate Legislation was considered in relation to these Regulations. The Regulations increase a statutory fee by a predetermined formula and as such, it has not been considered necessary to undertake a Regulatory Impact Assessment.

8. Competition Assessment

Not appropriate.

9. Post implementation review

Home loss payment thresholds are reviewed annually alongside the mix-adjusted house price index for England and Wales.