

Planning circular 36/1997: compulsory acquisition of land

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The Chief Executive Local Authorities Our ref: PGB/2/1 Copy to: The Directory of Planning 17 October 1997

Dear Sir/Madam

Compulsory acquisition of land (land compensation rate of interest)

1. This Circular provides revised advice on the determination of the rate of interest payable on compensation in respect of land acquired compulsorily by public authorities and other organisations, or land affected by public works. It expands and replaces the advice given in SODD Circular 24/1995 which is cancelled.

Background

2. The rate of interest payable is prescribed by Regulations made by HM Treasury under Section 40 of the Land Compensation (Scotland) Act 1963.

The regulations

3. Until the end of 1995 the interest rate payable was specifically prescribed in a series of Statutory Instruments. With effect from 31 December 1995 a new method of determination was prescribed by the Acquisition of Land (Rate of Interest After Entry) (Scotland) Regulations 1995 (SI1995 No.2791). This does not set a specific rate but instead sets out a formula by which authorities may calculate the payable rate for any period or periods after the new Regulations came into force.

The payable rate

4. The payable rate for any period is set at bank base rate less 0.5% on the appropriate reference day. The base rate is defined as the rate quoted by the seven largest banking institutions which quote a base rate in sterling on a reference date and are authorised by the Bank of England under the Banking Act 1987 (the reference banks).

5. Normally the reference banks will quote the same base rate but, if different rates are quoted, the rates quoted by the reference banks must be ranked in descending order and the fourth in that sequence, used to obtain the standard rate. Where one or more reference banks quote more than one base rate on a reference day, the rate used is the last quoted on that day.

6. Each prescribed rate of interest applies for the relevant period(s) following entry on the land (or the date of claim or disturbance, as appropriate) during which compensation remains unpaid. Where interest is due over two or more periods in

which different interest rates apply, each payable rate will be applied in the appropriate period. Interest is not compounded.

7. Details of the prescribed rates in recent years, and the periods over which they are relevant, are set out in the table at the end of this Circular.

The reference days

8. The payable rate takes effect on each reference day and applies until the next reference day. Where the base rate is the same on consecutive reference days the payable rate will remain the same. The Regulations define the reference days as:

31 December - for the period 31 December to 30 March

31 March - for the period 31 March to 29 June

30 June - for the period 30 June to 29 September

30 September - for the period 30 September to 30 December.

9. Where an authority enters the land on a reference day, the standard rate to be used is the rate that will apply at the end of that reference day. Where the relevant reference day is not a business day, for example because it is a weekend or a public holiday, the payable rate will continue to apply until the next business day, at which time the payable rate will be re-determined.

General

10. Acquiring authorities and others responsible for calculating the interest rate(s) payable on compensation should make suitable arrangements to enable them to calculate the appropriate rates. Details of base rates are published in a number of economic and financial journals. Where, exceptionally, authorities or claimants are unsure of the prescribed rate for any particular period the Department may be able to confirm the correct payable rate. However, it is not the function of the Department to provide this information as a matter of course.

Enquiries

11. Further copies of this Circular and confirmation of the payable rate applying in any period may be obtained from Miss Kelly Wood, The Scottish Office Development Department, Planning Division, Room 2-H, Victoria Quay, Edinburgh (Telephone 0131-244-7066).

12. General questions about the substance of the Regulations or the manner in which the rate is prescribed should be addressed to HM Treasury, Room 102/1, Parliament Street, London, SW1P 3AG, Telephone 0171-270-4764.

Yours faithfully

M T Affolter
Acquisition of land (Rate of Interest after Entry) Regulations

Table 1

SI Number	Period	Prescribed Rate %	Number of days in force
1987/397	03.04.87-03.06.87	11.25	62 days
1987/890	04.06.87-15.11.87	10	165 days
1987/1842	16.11.87-06.06.98	11	204 days
1988/875	07.06.88-22.12.88	9.25	199 days
1988/2093	23.12.88-30.10.89	11.875	312 days
1989/1840	31.10.89-29.12.91	13	790 days
1991/2733	30.12.91-09.01.93	11.5	377 days
1992/3225	10.01.93-22.03.94	9	437 days
1994/469	23.03.94-30.12.95	6.5	648 days

Table 2

SI Number	Reference Day	Payable Rate %	Number of days in force
1995/2791	30.09.95 (nominal date as first reference date 31.12.95 was a Sunday).	6.25	3 days (31.12.95, 01.01.96 and 02.01.96).
	03.01.96	6	89 days
	01.04.96	5.5	91 days
	01.07.96	5.25	91 days
	30.09.96	5.25	92 days
	31.12.96	5.5	91 days
	01.04.97	5.5	90 days
	30.06.97	6	92 days
	30.09.97	6.5	