

Title: Local Land Charges IA No: BIS LR003 RPC Reference No: RPC-BIS-3126(1) Lead department or agency: HM Land Registry Other departments or agencies:	Impact Assessment (IA)			
	Date 19 February 2018			
	Stage: Final Proposal Stage			
	Source of intervention: Domestic			
	Type of measure: Secondary legislation			
Contact for enquiries: Allison Bradbury				

Summary: Intervention and Options	RPC Opinion: Not Applicable
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Cost of Preferred (or more likely) Option

Total Net Present Value	Business Net Present Value	Net cost to business per year (2017/18 prices)	One-In, Three-Out	Business Impact Target Status
£13.4m	£20.1m	-£1.5m	Not in scope	Not a regulatory provision

What is the problem under consideration? Why is government intervention necessary?
 There is a lack of a single standardised customer experience for the Local Land Charges service nationally, with the customer paying a different price depending on the local authority in question and receiving a greatly varying level of service that is more expensive, slower and less user-friendly than it could be. Government intervention is necessary to remove local variation aspect and significantly improve the quality of the service to customers.

What are the policy objectives and the intended effects?

- A lower, standardised fee for an official LLC search
- A faster, standardised turnaround time for processing an official LLC search
- A consistent and standardised customer experience
- A resilient service using digital data
- Support the Government's 'digital by default' agenda.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Do nothing - Service would remain fragmented with differing prices and levels of service.
 Preferred Option - HM Land Registry builds new national LLC service, digitising and migrating charges from local authorities and implementing over 5-7 years. An initial Phase 1 working with approximately 26 local authorities to deliver greater certainty about programme assumptions and improve digitisation and migration process
 Other options considered - A 'do minimum' approach where each local authority would continue to provide the service but would digitise records at their own expense.
 HM Land Registry becoming a 'hub' provider.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 01/2021

Does implementation go beyond minimum EU requirements?	N/A			
Are any of these organisations in scope?	Micro Yes	Small Yes	Medium Yes	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: Nil		Non-traded: Nil	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Chief Executive:  Date: 19 February 2018

Summary: Analysis & Evidence

Preferred Policy Option

Description: Creation of central LLC register; digitisation and migration of local authority registers to central register

FULL ECONOMIC ASSESSMENT

Price Base Year 2017/18	PV Base Year 2018	Time Period Years 15	Net Benefit (Present Value (PV)) (£m)		
			Low: £-25.1m	High: £49.2	Best Estimate: £13.4

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	£134.3m	7	£1.9m	£141.1m
High	£163.0m		£2.4m	£171.3m
Best Estimate	£148.7m		£2.2m	£156.2m

Description and scale of key monetised costs by 'main affected groups'

Main affected groups are HM Land Registry, local authorities and NLIS. HM Land Registry bears a total transition cost of £148.6m (constant price), which includes the creation of a national Local Land Charges service and the digitisation and migration of local authority registers.

NLIS and other search intermediaries may incur familiarisation costs, mostly related to updating IT systems, expected to be £0.3m (constant price).

Other key non-monetised costs by 'main affected groups'

New burdens on local authorities constitute part of a separate future assessment. Potential TUPE costs were not monetised at this stage. Consultation uncovered potential costs on local authority software providers and potential familiarisation costs to conveyancers (such as staff training) but based on consultation responses these were estimated not to be significant and have not been monetised.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	£51.9m	7	£9.7m	£146.1m
High	£67.6m		£12.7m	£190.3m
Best Estimate	£60.2m		£11.3m	£169.6m

Description and scale of key monetised benefits by 'main affected groups'

The main monetised benefit is derived from lower fees paid for official Local Land Charge searches under the preferred policy option compared to the counterfactual scenario. This benefit is £169.6m (constant prices) in the best estimate scenario.

Other key non-monetised benefits by 'main affected groups'

Consumers: Sustainable service for the future.

Conveyancers: Standardised results, which will make interpretation easier and quicker (currently the format of results can vary between local authorities).

Personal search companies: Time saving accruing through easier access and more efficient processing of LLC data.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
The official search fees across England fall by around 45% on average in the long run from current (weighted) average of c£27 to a standard £15 fee. Sensitivity analysis presents the robustness of the project net present value vis-a-vis changes in the number of official searches conducted via the new service.		

BUSINESS ASSESSMENT (Preferred Option)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: £0m	Benefits: £1.5m	Net: £1.5m	
			N/A

1 Introduction

Legal Background

This final proposal stage Impact Assessment (IA) updates the consultation stage version IA, which was dated 27 October 2015 and published in May 2016, when HM Land Registry launched its draft Local Land Charges Rules consultation. It takes into account:

- Responses received to the LLC Rules consultation.
- Targeted research undertaken with a cross section of conveyancers, Personal Search Companies (PSCs) and channel providers to address the points raised by the Regulatory Policy Committee (RPC) in their opinion dated 8 January 2016
- Research conducted by Ipsos MORI in 2016 and 2017.

The Infrastructure Act 2015 provides for the transfer of responsibility for Local Land Charges (LLC) from local authorities to HM Land Registry. This primary legislation is already in force but will not come into effect until the secondary legislation, the LLC Rules referred to above, is in force and notice has been served by the chief land registrar on an individual local authority.

This IA relates to LLC under the Local Land Charges Act 1975 as amended by the Infrastructure Act 2015 which applies to England and Wales. However, the costs and benefits identified for the preferred option only relate to England. This is due to the pricing regime currently found within Wales as fee setting powers are held centrally by the Welsh Government. The digitisation and migration of the data within the 22 local authorities, as they are currently structured within Wales, will be dealt with as a separate piece of work.

The IA also relates to the Local Land Charges Fees (England) Rules 2018 Statutory Instrument to be laid before Parliament. The LLC Fees Rules 2018 set out the fees to be charged and methods of payment. Although it covers other LLC fees (for example those relating to Light Obstruction Notice applications), the overwhelming majority (an estimated 99%+) of impacts and fees income to HM Land Registry is expected to come from fees for official LLC searches.

First phase of migration

The Infrastructure Act 2015 relates to England and Wales, and the LLC Rules 2018 and LLC Fees (England) Rules relate to England. Therefore, this IA relates to the overall policy intention that it will ultimately affect all 326 local authorities in England and that roll out will be incremental.

In order to de-risk the delivery of the programme, HM Land Registry has developed a time and cost limited 15 month first phase, which will be known as Phase 1. This will test HM Land Registry's assumptions around take up of the official search product, programme costs and data quality before proceeding further with any subsequent phases of the programme. Phase 1 will include approximately 26 local authorities representing a range of data types, including all of the remaining local authorities with completely paper LLC registers and some with long turnaround times. This option would bring approximately 8% of the national market into the central register and roughly halve the average cost of a search for over 125,000 customers annually. This option would establish the foundations of a national LLC Service and provide the maximum learning for the future. The learning from Phase 1 around costs, product take up and data quality may lead to changes in costings for future phases.

This work is already underway.

What is a LLC?

A LLC is an obligation, prohibition, restriction on a particular parcel of land, which is binding on successive owners or occupiers of that piece of land. These matters would not normally be revealed within the title deeds to registered or unregistered land.

These charges are legally extant under the Local Land Charges Act 1925 and Local Land Charges Act 1975 and arise under various national and local statutes. Common matters protected as LLCs include (but are not limited to):

- Conditions imposed in a planning permission – these form the majority of charges
- Listed Buildings;
- Conservation Areas;
- Tree Preservation Orders;
- Improvement/Renovation Grants; and
- Smoke Control Zones.

LLCs are created by either local authorities or other bodies with the powers to do so. These are the originating authorities.

Each of the 326 single tier or lower tier local authorities across England are legally required to maintain a register of the existence of the LLCs that affect land within their jurisdiction. These 'notice' registers are made up of paper records (including those on microfiche), electronic or digital records, or a mixture of the three.

Property buyers undertake LLC searches to ensure they are aware of the charges affecting the property prior to exchange of contracts. Searches are carried out as due diligence as part of the conveyancing process. The solicitor or licensed conveyancer acts on behalf of the property buyer, and interacts with the relevant local authority either directly or indirectly through a PSC or search intermediary.

How are LLC searches conducted?

The conveyancer can apply directly to a local authority for an official search using a Form LLC1. This results in an official result back from the local authority, which may take several days and attracts a fee paid directly to the local authority. The result comes with individual assurance or insurance from the local authority.

Alternatively, the conveyancer can approach a PSC. The PSC can either do an official search, as per the process above, or may send an agent into a local authority. If they send an agent into the local authority they are allowed to examine the appropriate records at the local authority, at no cost to the agent, and compile a 'non-official' result for the conveyancer. Whilst the agent pays nothing for the data itself, they are free to charge the conveyancer any fee of their choosing. The results offered by PSCs by the personal search process are commonly covered by insurance policies. Personal and self-serve LLC searches are free of charge under the Environmental Information Regulations 2004 (EIR).

In addition to PSCs there are also a number of other search intermediaries (for example NLIS and TM Group) that play a role in the market. Search intermediaries operate as a virtual single source by receiving requests for all searches required for a property transaction and passing those requests on to the various search providers. These channels send the search request to the local authority electronically and in most cases the reply will be done online. Requestors may have to pay a fee to the hub and the channel provider, but in some cases the local authority charges a lower fee via NLIS to compensate.

2 Problem under consideration

The LLC Register is currently characterised by records being held in a range of formats including paper, microfiche, electronic and digital and a reliance on the 'local knowledge' of local authority officers.¹ There are approximately 26 million individual LLCs in England, held disparately by 326 local authorities. Many customers of this service currently experience a disappointing level of service that is inconsistent, more expensive, slower and less digitally accessible than it could be. HM Land Registry research conducted by Ipsos MORI has highlighted a number of 'pain points' with the LLC service, including:

- Solicitors and conveyancers are unsure how much to charge client for searches, due to inconsistent pricing structures

¹ Appendix 1 contains further detail about the background to the Local Land Charges service.

- Lack of communication from local authorities and therefore customers are unsure if request submitted properly or when to expect search results
- Uncertainty over when results will be returned and possible impact on purchase timelines and decision
- Inconsistent search result formats
- Human errors can mean that searches have to be repeated
- Difficulties in following up search results where further information is required, since in some cases information not readily available.

In particular, customers experience the following problems with the LLC service.

Turnaround times

Programme research and engagement with local authorities has indicated that customers of the current LLC service experience turnaround times between 1 and 50 days, depending on which local authority is processing them. With significant levels of manual intervention frequently required, turnaround times can fluctuate significantly within any given local authority depending on the volume of searches they need to process and the associated availability of staff. The current mean committed average for local authority turnaround is 8 days.

Price

There is a large variance in local authority fees for the LLC service at present, from £3 to £76 for a residential search. The current weighted mean fee charges by local authorities is c£27.

The lack of a standard fee in England makes it difficult for conveyancers to supply quotes to potential clients. In informal consultations in the past we have been told how important this is for them. It also results in disparity between local authority areas.

HM Land Registry's research² suggests there is also little correlation between those local authorities who offer the fastest turnaround time and those who charge the lowest fee.

External drivers

Delays in the conveyancing process are frequently cited by consumers as their most frequent frustration. A 2011 survey by 1st Property Lawyers found that 55% of homebuyers' most significant complaint was the length of time the whole process took.

In their November 2016 White Paper, 'Modernising the Home Moving Process'³, The Conveyancing Association report that there are three areas of concern to home movers and industry. These are:

- Lack of transparency;
- Lack of certainty; and
- Delay.

Local authority searches are identified as a direct constraint to reducing delay in the process. The time taken to acquire searches and resolution of additional enquiries are specifically noted as causes of delay. The report notes that local authorities do not have the resources to invest to digitally capture all of the relevant datasets and that due to the variable costs and delays in obtaining local authority searches, many conveyancers opt to use personal searches instead but that there are issues associated with the acquisition of data from local authorities.

High profile global reports also provide a focus on improving the conveyancing process. The annual World Bank 'Ease of Doing Business' Report assesses the ease with which a local entrepreneur, in the 183 economies of the world, can open and run a small to medium-size business by complying with the relevant obligations. This covers a variety of factors including regulations that enhance or constrain business activity, and includes the ease and speed of property. In the 2016 report, the UK's overall

² HM Land Registry's own research with 237 local authorities for whom both fee and committed turnaround time data is available.

³ <http://www.conveyancingassociation.org.uk/wp-content/uploads/2016/11/Modernising-the-Home-Moving-Process-White-Paper1.pdf>

ranking – which is based upon a suite of indicators, such as the ease of starting a business, obtaining a credit facility and enforcing contracts – was 6th out of 183 economies. On the ease of registering a property, the UK ranked 45th out of 183 economies. In the 2017 report, the UK was ranked 7th overall, with the registering a property ranking of 47th.

A national LLC service will be a step towards improving the UK's performance in completing transactions and registering properties.

International comparators suggest that jurisdictions that serve the conveyancing market through electronic land administration systems, with comprehensive sets of information and a breadth of interlinked government data, meet their customer needs better and ease the way they do business.

3 Rationale for government intervention

(i) Equity Failure

Equity failure is the central rationale. Consumers receive a vastly different service, at a significantly different price, at the moment depending on which local authority area they are buying a property in. There is clear evidence that neighbouring local authorities often provide a dramatically different level, type and price of service.

There is no standardised format, turnaround time or price of the LLC service at present. There is a large variation in the service across the 326 responsible local authorities and removing this equity failure is therefore the primary rationale for intervention.

The lack of a standard fee in England makes it difficult for conveyancers to supply quotes to potential clients.

In addition, making the process for buying property clearer, easier and quicker has economic benefits. Delays in the process increase the likelihood of transactions falling through. Both buyers and sellers place receiving a faster service from the solicitor/conveyancer as being an important improvement to make to the current process.

In addition to the economic and customer experience benefits of the intervention, this proposal also supports government aims around home ownership, digital by default and open data.

(ii) Sustainability of LLC data

LLC data is held in disparate ways in different local authorities and in some cases held in paper format, this is deteriorating and will continue to do so. A national LLC service with all data held digitally would eliminate deterioration and standardise how the data is held. Digitisation is a prerequisite for further improvements to the LLC service, which will support government aims to improve the conveyancing process.

4 Policy objectives

The national LLC service will seek to provide a greatly improved customer experience for the LLC service across England, irrespective of location. This will be achieved through five key objectives, detailed below.

A reduced and standardised fee for an official LLC search

There will be a reduction in the fee charged to customers for an official LLC search, from the current weighted average of c£27 across local authorities in England to £15. This fee will be standardised, so that there are no longer any variations, depending on the local authority area in which it is carried out. £15 is a lower price than 84% of local authorities in England currently charge and when set at this level would enable recovery of the project costs within the proposed appraisal period (see section 6).

A faster and standardised turnaround time for processing an official LLC search

Customers will receive completed official search results within a faster timescale than they currently do. The majority of LLC searches will be dealt with almost instantly through online access.

A consistent and standardised customer experience

A digital service for England with 100% of searches available online with spatial mapping.

An LLC service that is available when customers want to use it, without the delays often experienced at the moment.

A resilient service using digital data

Existing data will be verified by the local authority and digitised by our partners before being transferred to the national LLC service. New data will be kept up to date using a brand new system developed around user needs.

All customers, whether obtaining an official LLC search or accessing data to compile a personal search, will have easier access to the information they require.

Support wider Government priorities

'Digital by Default' sets out how the Government will fulfil the commitments made in the Civil Service Reform plan. It is underpinned by the goal of providing digital services that are "so straightforward and convenient that all those who can use them will choose to do so whilst those who can't are not excluded". HM Land Registry will provide Assisted Digital support to those who require it and this will be tested as part of our Government Digital Service assessment.

Since the introduction of the Infrastructure Act of 2015, which gave HM Land Registry statutory responsibility for keeping a register of LLCs, the government has investigated problems⁴ in the housing market and made further commitments to address them, including speeding up and simplifying conveyancing. The Housing White Paper, "Fixing our Broken Housing Market" (February 2017) committed HM Land Registry to become the world's leading land registry for speed, simplicity and an open approach to data. HM Land Registry is embracing this challenge; it will be modernised to become a digital and data-driven registration business within the public sector and in doing so contributing to the Government's wider 2017 manifesto pledge to modernise the home buying process. This is central to achieving genuine transparency on land ownership and control and will help unlock relevant UK productivity.

The 2017 Budget Statement expressed a commitment for the UK to lead in the development and deployment of digital technologies. To maximise the growth of the digital economy and consolidate the UK's position as the best place to start and grow a digital business, the government will establish a new Geospatial Commission to provide strategic oversight to various public bodies who hold this type of data.

5 Policy options

Option 0 - Do nothing option

The 'Do Nothing' option assumes the local authority LLC service will continue to operate as it does today.

Whilst local authorities continue to experience severe financial pressures and with some experienced staff leaving or retiring from the LLC service, this trend is highly likely to continue. A literal 'Do Nothing'

⁴ The 2016 Budget contained a commitment to look at improvements in the home buying process and the June 2017 Queen's Speech said government would "look at ways we can streamline home buying so it is cheaper, faster and less stressful".

option is therefore likely to see a continued pattern of decline in the local authority LLC service, which is already not meeting citizen's expectations and causing frustration and delay in the conveyancing process, as evidenced from the Ipsos MORI research and Conveyancing Association White Paper.⁵

Whilst 'Do Nothing' would continue the current status quo, and therefore have no transition risks associated, it would not represent a risk free option. There have been an increasing number of incidents of service failure being reported around England where the strains on the service indicated above have led to unacceptable delays in providing a LLC service. Examples include problems in Dorset⁶ and a service suspension in Darlington.⁷

Preferred Option – Option 1 – HM Land Registry becomes sole registering authority for LLC

Under the preferred option, HM Land Registry will build a new national LLC service, migrating charges from local authorities.

Under this option, HM Land Registry will replace the English local authorities as the LLC registering authority. The Local Land Charges Act 1975 was amended by the provisions in the Infrastructure Act 2015, which take this option forward.

The migration of LLC registers from local authorities to HM Land Registry will happen incrementally, with each local authority following a standard approach. During the migration local authorities will work alongside HM Land Registry and its partners to prepare and move data onto the national LLC service.

Why the implementation option was chosen

This is an IA for secondary legislation delivering what was intended by the primary legislation. Non-regulatory and non-legislative approaches were considered and ruled out at the point of Royal Assent of the primary legislation, as detailed below. The preferred option was selected after detailed multi-criteria decision analysis of various project objectives, including strategic fit, market feasibility, organisational achievability, end user acceptability, legal requirements and technical feasibility.

Other options considered

A number of options have previously been considered to address the problem under consideration.

First, we considered standardisation of the local authority LLC service. Under this '**do minimum**' approach, each local authority would continue to provide the service, but would be required to digitise their records at their expense, with legislation used to secure adherence to a common set of data and interface standards, service levels and pricing structures. However, it would be impossible for HM Land Registry to become involved without the prospect of recovering our investment via LLC fees and we would not be permitted to pay to digitise local authority records out of registration fee income.

Second, it was considered whether **HM Land Registry** could become a **hub provider** like NLIS. This would have been undesirable because it would confuse customers and bring nothing new to the market. It would place HM Land Registry in direct competition with experienced and specialised companies, because we would be providing exactly the same service. It would be unlikely to improve the service, achieve digitisation or standardise fees, nor does it align with central government economic and digital strategies.

In selecting the Phase 1 approach outlined in section 1, HM Land Registry also considered other options for this stage of the programme. These options included a group of 37 local authorities selected for their readiness to migrate, which was discounted due to the protracted timescales and the need to rely on local authorities to undertake work prior to migration. The second option was based on only digitising

⁵ <http://www.conveyancingassociation.org.uk/wp-content/uploads/2016/11/Modernising-the-Home-Moving-Process-White-Paper1.pdf>

⁶

http://www.dorsetecho.co.uk/news/13588022.HOUSE_SALE_CRISIS_Problems_in_planning_department_cause_sales_to_collapse_and_are_putting_developments_on_hold/

⁷ <http://www.darlington.gov.uk/environment-and-planning/land-charges/>

and migrating paper and electronic records, however this option would restrict learning on other data types and only included small search volumes. The final option was to migrate a group of approximately 26 local authorities with the highest search volumes that would yield the greatest financial return for HM Land Registry, however this option would also restrict learning and customer impact as most of the local authorities are already digital.

Key changes resulting from the consultation proposals

Additional research and consideration has been undertaken to ensure that the quality and quantity of information migrated from existing LLC registers and entered onto the national LLC service will meet the needs of customers.

6 Summary of costs and benefits

Consumers and businesses on the whole will benefit from this policy by paying a lower fee for official LLC searches. The savings from lower fees – which fall to both consumers and businesses – are the key benefit expected of the policy. Importantly, it should be noted that, while businesses are expected to benefit from this proposal, it is not a regulatory provision, and the business impact should not be scored against the Business Impact Target.

The table below sets out the costs and benefits of the preferred option over the appraisal period considered. In accordance with guidance in the Treasury Green Book, we have included optimism bias in costs.⁸

This is a large scale digital project, transition costs will occur in the first 7 years of the project, up until 2023/24, whereas benefits only gradually increase as more and more local authority registers transition to HM Land Registry. The NPV of the entire project is negative after 10 years, breaks even sometime during year 14 and is positive in year 15. There is no end point to this project, hence the true NPV of the entire lifecycle is positive and will be significantly higher.

The NPV values presented herein reflect results of economic analysis which along with considering costs and benefits from a different point of view also discounts future values different from financial analysis. Thus, the changed values compared to previous versions of the IA are not indicative of significant changes to the policy or the data but represent a different approach to estimating costs and benefits. Appendix 4 contains further details on differences between economic and financial analysis.

The transition and ongoing costs are borne by HM Land Registry, which as a trading fund is to set fees so that it recovers its costs in the longer term. In light of this fact, there is a possibility that in the longer term LLC search fees might further be reduced, to reflect lower operating costs, thus increasing benefits to consumers.

Benefits accrue to consumers and this is driven by the fact that the new centralised LLC service, provided by HM Land Registry is a more cost-effective solution and on the whole brings savings to consumers. After the transition period all LLC searches will be subject to a £15 fee, which is lower than the weighted average of c£27 currently charged by local authorities. Therefore, after the transition is complete, an official LLC search will provide a saving of £12 compared to the counterfactual 'do nothing' scenario. During the transition period there might be deviation from this £12 per LLC search saving depending on the mix of local authorities being transitioned in any given phase. This is because some years might transition local authorities which, on the whole, charge more or less than the average c£27.

The significant cost areas are digitisation and migration (D&M) of the data which will be mainly outsourced to several suppliers so until contracts are awarded these costs remain commercially sensitive. Programme management and a new burdens assessment on local authorities, for which an assessment is still under development, also represent significant cost elements.

⁸ Optimism Bias of 23.3% included for Capital Expenditure and 15.3% for Works Duration costs. For more detail, see Annex 5

Work with the local authorities in Phase 1 will enable us to evaluate in detail the ways in which digitisation and migration of data can be achieved efficiently.

Local authorities are all being categorised based upon the state of their data and a readiness assessment in respect of people and process. Data is held in a variety of formats from digital to paper with the majority of local authorities holding a hybrid of both. Early market engagement has been undertaken to assess capability and capacity of the market to migrate the data from 326 local authorities.

This version of the IA reflects a smoother pricing strategy in which the official search fee is £15 from the start, rather than an initial higher fee that reduces after a number of years, as was previously proposed. This will allow consumers to benefit from the policy change sooner.

Each local authority will continue to charge its own fee until the national LLC service and LLC paid for search goes live for their area, after which the standard £15 official search fee will be charged.

Best Estimate 15 Year Profile of Economic Costs and Benefits.

Appraisal year	Year	HM Land Registry Official Searches in thousands	Transition and ongoing costs in (£m)	Total fee savings to customers (£m)	Savings to businesses (£m)	Cumulative total NPV (£m)	Cumulative Business NPV (£m)
1	2017/18	0	11.23	0.00	0.00	-11.23	-0.27
2	2018/19	2	14.57	0.01	0.00	-25.30	-0.26
3	2019/20	150	25.59	1.56	0.19	-47.73	-0.09
4	2020/21	503	35.28	6.47	0.78	-73.71	0.61
5	2021/22	916	25.98	13.13	1.58	-84.91	1.98
6	2022/23	1,305	23.24	18.23	2.19	-89.12	3.83
7	2023/24	1,624	12.76	20.84	2.50	-82.55	5.86
8	2024/25	1,669	4.08	21.20	2.54	-69.09	7.86
9	2025/26	1,669	4.04	21.20	2.54	-56.06	9.79
10	2026/27	1,669	4.04	21.20	2.54	-43.46	11.66
11	2027/28	1,669	4.04	21.20	2.54	-31.30	13.46
12	2028/29	1,669	4.04	21.20	2.54	-19.54	15.20
13	2029/30	1,669	4.04	21.20	2.54	-8.18	16.89
14	2030/31	1,669	4.04	21.20	2.54	2.79	18.51
15	2031/32	1,669	4.04	21.20	2.54	13.39	20.09

The above table summarises the costs and benefits of the project over the appraisal period. The transition costs until 2024/25 are estimated at £148.4m (current prices) and £133.3m (present value). Ongoing costs are estimated at £32.3m (current prices) and £22.6m (present value). Costs were estimated using a bottom up approach with detailed cost estimated produced for transitioning each of the 326 local authorities' LLC registers. Some of these costs are already contracted out and the rest were estimated based on informal discussions with local authorities and suppliers. For the best cost estimates suppliers' high cost estimates were taken and an additional optimism bias applied (see Appendix 5 for more information on optimism bias) in order to account for the potential upside risk.

7 Impact analysis

Impact of the Preferred Option

7.1 Local Authorities (England)

7.1.1 Transition

HM Land Registry is responsible for all transitional costs. This includes all programme, legislation and IT costs. It also includes the cost of digitisation and migration of existing data held by local authorities into the format required by HM Land Registry. The Phase 1 work will explore options to ensure that the most appropriate solutions for digitisation and migration are explored.

A New Burdens Assessment will be undertaken to assess funding for any additional work required to be undertaken by local authorities in preparation for the transfer of the LLC service to HM Land Registry.

7.1.2 Fee income

Local authorities are currently able to set their own fees for official searches. They are required to do no more than breakeven on the LLC service over a three year period. Therefore we have assumed there are no lost profits for local authorities as they will no longer receive fee income but will no longer be required to hold the LLC register, produce official searches or make their LLC register available for personal searches.

7.1.3 Live service

HM Land Registry will provide both a user interface and an application programming interface to enable local authorities to apply to register, vary and cancel charges once the national LLC service is live in their area. In some cases this will result in a change of current practice in a local authority, however not a change of statutory duty. Local authorities are currently required to register, vary and cancel charges in their own LLC register and this change will standardise the way this will be done in future.

When the national LLC service is live in their area, there will be no fee payable by local authorities to register, vary or cancel charges.

7.2 Customers

In all but a small proportion of cases, conveyancers will make searches on behalf of their clients (typically, homebuyers). They pass on the cost of this as a 'disbursement'.⁹ Thus the benefits expected under the preferred option will be passed on to consumers and businesses.

Searches of the national LLC service will be made electronically via HM Land Registry Portal or Business Gateway, or via GOV.UK. Most conveyancers already have HM Land Registry Portal or Business Gateway accounts and where they do not, there are no charges for setting up an account. As it is likely they will be using an existing system, we do not believe there will be any significant familiarisation costs to conveyancers. Conveyancers who do not have access to Portal or Business Gateway will be able to apply for searches through GOV.UK. Customers will also still have the option of obtaining searches via a PSC, as they do now.

Any postage and paper savings associated with the preferred option are expected to be near-zero. Currently, when requesting LLC information from local authorities, conveyancers can email a 'LLC1' form to local authority LLC offices, where this facility is available. Approximately, 90% of conveyancers choose to use such electronic submission in those local authority areas (for instance, Doncaster and Wakefield) where it is available¹⁰. This submission – whether done electronically or by conventional mail - is usually done in parallel with the submission of a CON 29 form. Therefore, any postage and paper costs that conveyancers are required to incur currently, where the option to submit electronically is available, are low. PSCs usually make personal visit to local authority offices, and so currently bear no postage and paper costs.

Under the preferred option, those conveyancers that currently submit search requests by paper will not realise a saving on postage costs, as they will still have to submit a CON 29 form to local authorities. However, there will be a paper saving, because conveyancers will be required to submit LLC search requests electronically to HM Land Registry, under the LLC Rules 2018. However, it is equally important

⁹ That is charges by third parties for many services associated with conveyancing, which are passed on at cost by solicitors

¹⁰ Source: HM Land Registry research with local authorities.

to note, HM Land Registry will provide an Assisted Digital route for people who need to use the national LLC service but don't have the skills or access to do so on their own.

For illustrative purposes, if 10% of conveyancers currently submit paper LLC1 applications to the local authority, the drivers of the saving will be as follows:

- There are c2.1 million searches per annum of the national LLC service.
- 22% (or 462k) of these are conducted by PSCs, and so have no associated paper savings.
- 78% (or 1.6m) of per annum searches are expected to be submitted by conveyancers under the preferred option.
- Of this 1.6m, if all applications are submitted electronically, this will involve a paper saving
- The LLC1 form is composed of one sheet of A4, and so the paper saving associated with the preferred option would be a minimum of approximately 160k sheets of A4 paper per annum.
- We have deemed this saving to be negligible, and so it is not quantified in this IA.
- There would be associated printing costs (black copier ink and the time required for a legal assistant to print the LLC1 form). Again, this associated cost has been deemed to be negligible, and so it is not quantified in this IA

Alongside the consultation on the LLC Rules, HM Land Registry has undertaken targeted research with conveyancers and PSCs in response to specific points raised by the RPC. Further details of this research are contained in Appendix 3 of this IA.

In the targeted stakeholder research a variety of reasons were offered by conveyancers explaining why the proposal contained under the preferred option would not involve significant familiarisation and 'one off' costs to their business. These included:

- There will be a need to conduct some light staff training, which could be absorbed into business-as-usual training on HM Land Registry products at negligible cost.
- No additional costs, if HM Land Registry offer LLC data via existing electronic channels (which is the policy intention).
- There will be no need to make significant alteration to case management systems (used by larger conveyancing firms to allocate and manage case workload across conveyancers), and therefore no significant additional cost required to integrate case management systems with HM Land Registry channels, such as Portal or Business Gateway.

7.2.1 Reduced cost

We would not proceed with the proposal if we could not offer the service at a reduced cost (and, therefore, official search fee). We have assumed productivity improvements will lead ultimately to a greatly reduced fee. It is important to note that the fall in fee from the current average of c£27 to the expected £15 – which gives rise to consumer and business savings – is a result of the efficiency gains, the reduced requirement for human intervention in providing LLC data delivered by the national LLC service under the preferred option.

The fee level of £15 will enable recovery of financial investment costs by 2027/28 and the repayment of HM Land Registry reserves. Once HM Land Registry's transition costs have been recovered, there is the potential to reduce fees further in future, to a cost recovery level for the ongoing service. As a Trading Fund, HM Land Registry is expected to recover its costs in accordance with Managing Public Money guidance, as it does for all of its services.

It is also important to note that approximately 12% of registered titles in the land register are owned by companies, charities or industrial and provident societies. We have assumed that business are as likely as non-businesses to conduct LLC searches and thus assume that 12% of all searches of the national LLC service under the preferred option will be conducted on behalf of business. This is illustrated in the table in section 6. In turn, therefore, businesses can expect to save £14.8m (undiscounted) in fees over the first 10 years and £27.6m over the first 15 years. Overall, these savings are the key benefit of the preferred option and fall to both consumers and business. Reduced 'disbursements' passed on by the conveyancing firms acting on their behalf in land and property transactions will result in these savings.

The table shows that as more local authorities (and thus official searches) migrate over to the national LLC service, LLC fee savings increase over time. This includes the consumer plus business and business-only savings. Additionally, it is important to note that the figures in the above table have been generated from a highly detailed LLC costs and revenues modelling exercise, which has been undertaken by and on behalf of HM Land Registry. The fee savings presented are calculated by multiplying the forecast volume of search applications processed by HM Land Registry by the per transaction fee saving for a given year. The average fee saving will vary during the transition period because the fee saving in each local authority area will be different, reflecting that the current search fees vary from local authority to local authority. Once all local authorities have migrated to the national LLC service, the average fee saving will be £12 per search - this is the difference between the current weighted average fee of c£27 and the proposed new fee of £15.

As shown in the table in section 6, as the number of local authorities (and hence each of their associated volume of official searches) migrate to the national LLC service, the annual fee income increases along with the savings achieved until they reach a steady level of savings from 2024/25 onwards, at an average of £12 per local authority. This version of this IA reflects a smoother pricing strategy in which the official search fee is £15 from the start, rather than an initial higher fee that reduces after a number of years, as was previously proposed.

In the consultations on the primary legislation and secondary legislation, a number of local authorities and some conveyancers highlighted additional burdens on business if the LLC and CON 29 service were split. We envisage that there will not be any additional burden in ordering LLC searches via HM Land Registry centralised database, and this has been confirmed by the targeted research with conveyancing firms. As mentioned above, access to the national LLC service will be through existing – and already-heavily used – HM Land Registry channels (Business Gateway and Portal) or GOV.UK, and so could be combined with the other necessary enquiries made of HM Land Registry, such as official copies of the land register. Also a lot of conveyancers currently order all their searches from search intermediaries (for example NLIS/TM) and so they should see no change in their service, other than their LLC search being faster for migrated authorities.

7.2.2 Speed

We intend the system to operate with minimal manual intervention. The service standard will be set at 2 days to align with other similar HM Land Registry services. However, it is planned that most customers should receive LLC search results almost instantly through online access.

In 2016/17, 98.8% of preliminary services applications were received through HM Land Registry's online services.

7.3 Personal Search Companies

PSCs have had three opportunities to comment on the HM Land Registry proposal for LLC: PSCs were included in the consultation on the primary legislation and the consultation on the draft LLC Rules, and targeted research with PSCs has been undertaken by HM Land Registry, as detailed in Appendix 3. Stakeholder comments were carefully considered, and we do not believe the current proposals will adversely affect the business of the PSCs, for the reasons set out below:

- PSCs will continue to be allowed free-of-charge access to the data necessary to compile search reports. The national LLC service will allow PSCs to access LLC information from a remote terminal, but they may still need to visit local authority offices to conduct CON 29 searches
- There is some evidence that an online personal search service is attractive to PSCs. Dartford Borough Council became the first council to use the IDOX Public Access for Land Charges System in 2012. They introduced an online compiled personal search for a fee of £5 as an alternative to PSCs having to attend offices in person to get access to LLC data for free. Now 70% of PSCs use the £5 compiled search in Dartford. Clearly PSCs have taken the view that it is worth their while to get the result electronically in these circumstances.
- PSCs also offer other additional searches which are not affected by the current proposals, such as, drainage and water, environmental, mining, chancel repair, transport, utility and information about the locality.

The reasoning outlined above was further tested in the more recent targeted research and Appendix 3 contains more details information on this research. During this targeted research, PSCs confirmed the following:

- Access to LLC data via a national LLC service would improve data access, if access continues to be offered free of charge under Environmental Information Regulations. It is the intention of HM Land Registry to offer free access via GOV.UK and electronic access to paid for official searches via existing HM Land Registry channels (for instance Business Gateway and Portal).
- Environmental (reduced CO₂ footprint) and financial (reduced overheads) benefits will be negligible because of the continuing need for PSCs to visit local authority offices for CON 29 data gathering. However, there will be a significant (unquantifiable) service improvement, given that local authorities can currently take up to a maximum of 20 days to provide access to LLC data. Under the preferred option, PSCs would have electronic access to LLC data via GOV.UK and HM Land Registry channels.
- An expectation that the preferred option proposal would not enforce a switch to requesting official searches of the national LLC service for a fee; rather, PSC firms would continue to be able to access LLC data free of charge under Environmental Information Regulations. This access will be via GOV.UK.

Importantly, none of the secondary legislation consultees expressed concerns about a potential detrimental impact on PSC business from the preferred option proposal. Some of their comments from the targeted research are bulleted above.

7.4 NLIS and other intermediaries

NLIS will be able to route their requests to HM Land Registry but their customers (mostly conveyancers) are likely to have HM Land Registry Portal accounts. It is expected that NLIS would still have the advantage of being a one-stop shop for local searches and recent research on behalf of HM Land Registry by Ipsos MORI Loyalty has indicated that customers would continue to use NLIS channels to obtain searches. HM Land Registry will link the national LLC service to NLIS via an application programming interface so that customers will not see any change to their search ordering process.¹¹

We do not think that the current proposals, to offer LLC searches only, will affect these businesses. Indeed as they will be offering a combined service, which customers will not be able to get from either local authorities or HM Land Registry, the competitive advantage of NLIS and other intermediaries will be maintained.

TM Group, a property search and services provider, say that there would be costs for them in integrating their systems with any one offered by HM Land Registry, as has been the case for them in the past. We estimate the transition costs for hub providers, such as TM Group, to be in the region of £265,000.¹²

7.5 HM Land Registry

The development cost of the national LLC service is expected to be small at c£10m but there will be a higher cost for the digitisation and migration of the data from the existing LLC registers held by local authorities, these costs are recovered through the £15 official search fee. The national LLC service will be built by HM Land Registry to enable LLC data to be held spatially and for updates and searches to be completed electronically.

Under the preferred option, the total fee income for HM Land Registry over the appraisal period is estimated at £267.8m (undiscounted) (see section 6).

Certain costs which appear in the financial case do not form part of the economic case, in accordance with the Treasury Green Book. These include:

¹¹ Research by Ipsos MORI comprising 20 face to face interviews and 400 telephone interviews with property developers, solicitors, conveyancers and personal search companies, between June and August 2017.

¹² This is based on (inflation adjusted) costs supplied when a previous major system update was required.

- “sunk costs” not accounted for here- expenditure incurred by the project before the full business case gives the formal go-ahead
- irrecoverable VAT
- return on capital employed, and notional interest earned on project expenditure.
- redundancy costs under TUPE (Transfer of Undertakings if relevant)

Some local authorities have contracted out their LLC service to third parties. We are uncertain of whether there will be costs involved in relation to contracted out LLC searches at this stage and will continue to investigate this. Our research suggests four local authorities have these arrangements in place and none of these local authorities are included in Phase 1.

7.6 Unemployment Costs

There is a wider consideration of whether TUPE will apply to local authority staff who undertake LLC related activities at present and could be eligible for transfer to HM Land Registry once the service transitions. The programme’s initial assessment is that TUPE will not apply. The intended service provision by HM Land Registry is to create a national LLC service and fully automate the delivery of official search results. The new service by HM Land Registry will be significantly different from that currently provided by local authorities. Local authority staff will continue to apply to register, vary and cancel LLC register entries.

While HM Land Registry can make its own assumption about the likelihood based on professional understanding, in the event of dispute, only a relevant court (employment tribunal) could determine the outcome. An initial assessment of potential costs related to TUPE has been made. These costs reflect the resource effort required to determine the TUPE position within each local authority, the likely numbers of transferees, and the estimated costs associated with any transferring local authority staff. When the service is migrated, the potential for a legal challenge remains a risk, and a judicial finding against HM Land Registry has the potential to increase these costs significantly.

HM Land Registry and Local Government Association have been in discussion to explore a collaborative approach to people and workforce matters. This has resulted in a framework agreement that outlines the principles by which we will gather data to inform consideration of potential workforce implications. It is intended that detailed work with each individual local authority will take place as part of the process of migrating them to the national LLC service, to ensure that any assessment is up to date.

7.7 DIY Conveyancers

A small number of people do their own conveyancing rather than employ a professional. These form a small segment of the market (less than 5%) and will have access to the national LLC service via GOV.UK. Citizens’ needs have been considered as part of the national LLC service build and the national LLC service has successfully passed the Government Digital Service ‘Alpha’ Assessment on the citizen element.

7.8 Local Authority Software Suppliers

Many local authorities use proprietary software to manage LLCs and some consultation respondents said that this would affect their business. We received replies from the two largest software suppliers, who represent three-quarters of the market. Although initially against the proposals, they do not appear to have identified any costs to their business. As we have developed the national LLC service, we have worked collaboratively with incumbent local authority software suppliers, enabling them to contribute their expertise as the service is built. We intend to continue this relationship as we progress with Phase 1 of the migration.

8 Assumptions

8.1 Search volumes

Our assumptions about volumes in England are set out in the table in section 9. They are based on two variables – overall housing market variations, where there is more or less housing transaction activity due to wider economic reasons (which, in turn, are based upon HM Land Registry forecasts), and changes in demand for official searches.

Previous versions of the IA have estimated the official search market is 67% of total LLC searches.¹³ However the programme has undertaken extensive subsequent research with customer representatives since the outline business case. As a result of Ipsos MORI research in 2017, an extract of which is set out below, the estimated demand for official searches is 78% of respondents (those who said ‘definitely would’ and ‘probably would’) would purchase an official search when there is a £15 price point.

Response to service take-up at £15	Definitely would	Probably would	Might or might not	Probably would not	Definitely would not	Don't know
% Responses	56.00%	21.75%	6.75%	4.00%	8.75%	2.75%

8.2 Official search fees

8.2.1 Fees in Do Nothing Option 0 (the counterfactual fee)

HM Land Registry has figures for the average price of a LLC search from 2009 to 2016. The fee has nominally increased by around 0.5% during this time. So although the future path of the price movements in the fees local authorities may charge is uncertain, evidence from previous years suggests there would not be a significant increase. Therefore, over the appraisal period, we are assuming no real terms increase or decrease in the counterfactual fee (the fee in the Do Nothing option).

The economic assessment is based on a weighted (by volume) average fee of all 326 local authorities of c£27.

The benefits generated under the preferred option are driven by the difference in the fee charged by HM Land Registry for searches conducted via the national LLC service and the average fee currently charged for the same official search undertaken via a local authority. This difference in fee, when multiplied by the number of searches conducted via the national LLC service over the appraisal period, generates the total benefit of the policy.¹⁴

8.2.2 Fees under the preferred option

Our fee assumptions for a HM Land Registry operated system are that the fee will fall in cash terms from the current c£27 average charged by local authorities to a single fee of £15. This fee will apply once a local authority area is live on the national LLC service.

9 Preferred option sensitivity analysis

9.1 Key uncertainties

The net benefit of the proposed policy depends on the realisation of both benefits and costs. On the benefit side this is dependent on the official search volumes. As personal searches do not incur a fee, it is only official searches, for instance through conveyancers and hub providers, which will bring fees to HM Land Registry. Therefore, the proportion of official searches to total searches as well as the overall size of the LLC search market are the two driving factors on the benefit side. Uncertainty in the future size of both has been modelled in the sensitivity analysis by treating the official search proportion as a ‘catch all’ variable which captures any variability in both of these factors.

¹³ This is based on the figures supplied to us by the Local Land Charges Institute. They ran a survey of authorities in October 2013, which found 1.2 million searches (67%) out of a total marked of 1.8 million were official.

¹⁴ Given the cost recovery model that the LLC function will operate under, where all project costs are recovered via the fee charged by HM Land Registry, it generates the total net benefit of the policy.

On the cost side, owing to the complexity of moving local authority LLC registers to a centralised, standardised database there are inherent uncertainties in these costs. In order to model this, various cost scenarios have been modelled which include a delay in the transition (of around 2-3 years), as well as cost decreases (-10%) and cost increases (+10% and 20%).

9.2.1 Official search volumes

The per annum number of official searches impacts upon the revenue generated under both the 'Do Nothing' and the preferred option, and, therefore, the net present value of the latter.

The Environmental Information Regulations 2004 (EIR) allow both businesses and consumers to access local authority-held LLC data free of charge (personal and 'self-serve' searches of the LLC Register).¹⁵ As mentioned above, HM Land Registry will be required to provide continued free access, once it assumes responsibility for the national LLC service.

As occurs under the Do Nothing option, it is anticipated that some PSCs and conveyancers will request free access to LLC data.

The Local Land Charges Institute survey of local authorities in October 2013 found that, of a total of 1.8 million searches conducted annually in the preceding year, 67% were official and 33% were personal searches.

As detailed in Appendix 1, currently official searches are those searches undertaken by local authority staff, where the search request is made directly to the local authority. Personal searches are typically those searches undertaken by PSCs, to whom local authority-held LLC data is made available without charge under the EIR.¹⁶

Personal searches also include 'self-serve' searches, which are those undertaken directly by conveyancing firms and consumers. The EIR require that LLC data will continue to be made available without charge to those undertaking personal searches, under the preferred option. The continuing scope for personal searches under the preferred option generates uncertainty around future volumes of official searches, which generate LLC fee income for HM Land Registry. The greater the number of personal searches made of the national LLC service, the fewer the number of official searches, relative to the baseline estimate of official searches.

9.2.2 Land and property market transactions

Clearly, the total volume of LLC searches and, therefore, the number of official searches, in any given year is contingent upon the number of transactions in land and property markets.

The high degree of uncertainty around forecasts of transactions in land and property markets, therefore, introduces further uncertainty into estimates of future official search volumes. This is in addition to that introduced by the scope for personal searches to be made of the national LLC service under the preferred option.

Thus, search volumes for official searches could vary for two reasons:

- Overall housing market variations, where there is more or less housing transaction activity due to wider economic reasons; and
- Changes in demand for official searches.

In terms of the impact on the programme's benefits, the effect of either of these two reasons is the same. Lower demand for searches means the benefits to customers from a lower average price are reduced, irrespective of whether this is caused by lower housing market activity or reduced demand for the official search product.

¹⁵ The EIRs can be accessed at <https://ico.org.uk/for-organisations/guide-to-the-environmental-information-regulations/>

¹⁶ Personal search companies do not get an official search result, but rely on a personal inspection of the local land charges register. This model is supported by personal search companies taking out indemnity insurance instead, so they can themselves pay compensation to the person requesting the search, if similar losses are incurred. It is understood that very few compensation payments need to be made in practice.

It is important to note that the programme naturally helps mitigate variations in the overall housing market. A digital service is more resilient for variable demand services. Backlogs are less likely to result from periods of higher demand, and lower fixed costs are comparatively helpful in times of lower demand.

Total market volumes:

- *Base case:* HM Land Registry's overall market forecast – 2,291,649 searches;
- 27 year average¹⁷ – 1990/91 – 2016/17 – 2,646,089;
- 5 year average – 2012/3 – 2016/17 – 2,202,252;
- 8 year average – 2009/10 – 2016/17 – 2,110,447; and
- 27 year average – 1990/91 – 2016/17 (excluding any years of over 3m searches per annum) – 2,212,684.

The figures above are based on data for England and Wales, however modelling in this document is based on data for England only, to reflect the scope of the policy. The base case forecast for England only is 2,146,775.

The numbers above indicate that the HM Land Registry market forecast is with fair deal of certainty in the correct range. For the base case housing market scenarios, the following proportions of official searches have been applied for the sensitivity analysis:

- *Base case:* 78% representing the anticipated volumes based on Ipsos MORI research in 2017;
- 67% representing the March 2017 position;
- 87% representing a scenario in which there is a greater number of official searches.

The base case figure is based on the level that market sounding has indicated a £15 fee would result in and the 2017 Ipsos MORI research. The March 2017 position was generated using information gathered by HM Land Registry's local authority engagement team in their enquiries of local authorities and a previous survey conducted by the Local Land Charges Institute in 2013, referred to above. The 87% figure is an estimate of a scenario in which there are a greater number of official searches than anticipated.

It should be noted that the work with the Phase 1 local authorities is intended to deliver more certainty on the LLC programme's customer take up assumptions.

9.2.3 Transition costs

Familiarisation costs to hub providers of about £265,000 are anticipated and based on the answers during consultation it is expected that overall transition and ongoing costs to business will not be significant and have therefore not been monetised.

The overwhelming burden of transition costs is borne by HM Land Registry. These transition costs can be grouped in two. Costs related to IT build, that is the creation of the digital infrastructure necessary to hold the national LLC register is estimated at around £10m. A large share of the remaining transition cost is related to digitisation and migration and is subject to uncertainty. The phased approach to transition and in particular the work with Phase 1 local authorities is being undertaken in part to help mitigate some of the cost-related risks. Our estimates of digitisation and migration costs are based on market testing and:

- Engagement with all 326 local authorities to understand their data sets
- Engagement with local authorities with data sets that are already digitised
- HM Land Registry costs in digitising data from Watford Borough Council during the prototype exercise

¹⁷ A 27-year average is used as this is the period for which HM Land Registry have equivalent data. This period starts in 1990. It therefore includes the early 90s and post 2008 financial crash recessions and only one of the periods of heightened activity that preceded those.

- Engagement meetings with potential suppliers, including the current software suppliers within local authorities.

In accordance with HMT guidance, a two-step process to incorporate risk and contingency within cost estimates for each option was undertaken. In step one, specific known risks that could directly impact on programme costs, have been incorporated. Within digitisation and migration supplier cost estimates, the upper bound of cost estimates from the most recent (summer 2016) round of market testing have been incorporated. This incorporates a significant risk premium from the median supplier cost estimates, and from indications from subsequent market engagement. In step two the extent to which generic risks have been mitigated by the programme to identify a residual level of optimism bias to be applied to capital expenditure and ‘works duration’ (resource or partly resource expenditure) was calculated and applied. This results in the cost estimates presented in the best estimate.

9.2.4 Combined costs and benefits sensitivity analysis

The below table summarises the outcome and NPV values of a number of cost and benefit scenarios based on the above estimates of LLC search market size, official search proportion and different cost profiles for the 15 year appraisal period.

NPV values over 15 year appraisal period under various cost and benefit sensitivities

Official Search proportion	Cost profiles	Best estimate	Delay in transition period (2-3 year)	Low cost (-10%)	High cost (+10%)	High cost (+20%)
	Low (67%)		-10.02	-10.51	5.07	-25.11
Best (78%)		13.35	12.91	28.49	-1.69	-16.78
High (87%)		34.12	18.93	49.20	19.03	3.94

The low cost option presented above represents a position whereby D&M supplier costs are 10% lower than anticipated. This scenario is not considered unrealistic, as significant risk premium (the high range and not the median of supplier estimates received during informal consultation was used) and optimism bias have been applied to best cost estimates. Therefore, realised costs might be lower than the estimated costs.

A 10% and 20% cost increase scenario to measure the potential impact of costs going over budget was also estimated. The 20% cost increase illustrates the impacts on NPV of very significant cost increases. It should be noted that even the NPV of the low official search proportion high cost (+20%) scenario turns positive over a longer appraisal period, in this case after around 22 years.

Owing to the fact that the best estimate scenario already contains cost estimates which take the high range provided by suppliers during informal consultation which is further uplifted by optimism bias estimates, it is considered that the +20% cost scenario is unlikely to materialise. Due to this reason, the NPV values on the summary pages capture the high and low estimates of a -10% cost decrease and a +10% cost increase but not the +20% cost increase scenario. Additional breakdown of costs and benefits in the various scenarios can be found in Appendix 6.

It should be noted that the work with Phase 1 local authorities is intended to deliver much more certainty on the LLC programme’s cost assumptions. Any subsequent roll-out will be phased and this approach will mitigate the risk of cost increase and also encourage competition amongst suppliers at each stage.

10 Specific Impact Tests

10.1 Small businesses

Some small businesses are involved in the purchase/transaction of land and property. There is no obvious negative impact on these businesses; indeed, they should benefit from lower fees and faster

turnaround of LLC searches during transactions. Similarly, small businesses which are intermediaries in the land and property sector, and which need to access LLC data, should find it quicker and cheaper to do so. The one sector that may be more widely impacted is PSCs (see section 10.1.2). The preferred option, as explained above in depth, is net beneficial. Importantly, given that no one off, familiarisation and recurring costs have been identified for PSC and conveyancing firms, and approximately 12% of LLC searches per annum are undertaken on behalf of businesses transacting for value in the markets for land and property, the preferred option is net beneficial for business.

Businesses of all sizes are expected to realise benefit from the preferred option, given that a LLC search is required in all land and property transactions for value.

Therefore, we might reasonably expect that the per annum 12% of LLC searches – and, therefore, the business benefit (the reducing fee) - would be evenly distributed across all business sizes, from micro-sized businesses (0-9 employees) to large business (249+ employees). Given that there are approximately 2.1m searches of the current LLC registers each year in England, we might reasonably expect that the searches would be distributed across firm sizes as follows¹⁸:

- Micro-sized (0-9 employees; 95.5% of the approximately 5.4 million businesses registered in the UK) – 2 million searches per annum;
- Small (10-49 employees; 3.8% of the approximately 5.4 million businesses registered in the UK) – approximately 80,000 searches per annum;
- Medium (50-249 employees; 0.6% of the approximately 5.4 million businesses registered in the UK) – approximately 13,000 searches per annum, and;
- Large (250+ employees; 0.1% of the approximately 5.4 million businesses registered in the UK) – approximately 2,000 searches per annum.

However, the true distribution of benefit to business across firm size is likely to be slightly skewed away from micro-sized business because the smaller the firm size the more likely it is that the business will be based in the home of the proprietor. In 2014, the proportion of businesses based in the home of the proprietor was as follows:

- Micro-sized – 37%;
- Small – 9%, and;
- Medium 4%.

Where businesses are based in the home of the proprietor, and where those premises are involved in a transaction for value requiring a LLC search, the benefit of the preferred option – the reduced fee – will be realised by the proprietor as a private consumer, rather than by the business which the proprietor owns. Regardless, given that micro-sized and small businesses make up over 99% of registered businesses in the UK, it would be perverse to exclude these smaller businesses from the proposal as happens for proposal that impose a net cost on business.

10.1.2 Personal Search Companies

Nearly all PSCs will be classified as small (10-49 employees) or micro (0-9 employees) firms.¹⁹ Small firms are more reliant than larger ones on local search income. So, if our proposals lead to a fall in sales volumes for the sector, then smaller firms are likely to be disproportionately affected. Balanced against this, though, is the possibility of small local PSCs upscaling their operations nationally, as more information becomes available online; however, many already combine their efforts to create national coverage. This is however a rapidly changing market. The Association of Independent Personal Search Agents have recently indicated that smaller PSCs may be looking to upscale their operations if there is a reduced cost associated with searching for information online.

There is some evidence from PSCs that they see an opportunity to expand their market share as HM Land Registry takes on responsibility for LLCs, as they can provide a single source of data for LLC and CON 29 for their customers. PSCs also offer other additional searches which are not affected by the current proposals.

¹⁸ Figures taken from Business Statistics, House of Commons briefing paper, December 2015, which is accessible at: <http://researchbriefings.files.parliament.uk/documents/SN06152/SN06152.pdf>

¹⁹ Trends Business Research ([op cit 2008](#)) interviewed eight firms, which had one to 14 employees.

Personal search companies will be more likely to use the EIR service to access free online data, reducing the need for them to travel to attend local authority offices in person, which could lead to cost savings for them. This is also considered in section 7.3.

10.1.3 NLIS and other intermediaries

Like the PSCs, NLIS has also had to reduce the scale of their operations in recent years, although TM Group has continued to maintain the scale of their operations somewhat.²⁰ We are uncertain how many are employed in this sector, although in 2013 TM Group employed 87 people and NLIS channel, Searchflow, employed 94.²¹

They will be able to route their requests via HM Land Registry but their customers are likely to have HM Land Registry Portal accounts, so may use HM Land Registry direct to avoid the hub and channel fees. Alternatively, present customers of local authorities may switch to NLIS, so they can order all their local searches in one go.

Even if the business conducted by NLIS and others did reduce, it would not necessarily infringe competition law because we do not believe HM Land Registry's market share would be so large as to engage the provisions of abuse of market position. We believe NLIS, TM Group and PSCs will retain their competitive advantage because they will be able to offer a service which includes both the LLC search and CON 29.

10.1.4 Conveyancers

Most conveyancing firms can be classified as small or micro firms. They are not directly affected by the level of fees for local searches, as this is a disbursement which is passed on to their clients. We therefore judge the impact of this proposal on conveyancers to be neutral.

10.2 Competition

Under British and European law, undertakings with a dominant position in a market may not abuse that dominant position to the detriment of trade within the UK.

Local searches have been the subject of Office of Fair Trading Reports; we are mindful of this in framing our proposals.

10.2.1 Personal search companies

The competition they have brought to the market, and their willingness to innovate, has certainly helped to reduce costs and completion times, and we would not wish to see them excluded from the market. A recent example of innovation is the Japanese Knotweed searches offered by several PSCs.

Local searches are a major component of their business. They represent about 30-50% of business for the five largest firms, but among small suppliers the proportion is closer to 70%. This makes all of them vulnerable, if they were to lose business. Also, we understand a significant proportion of their other business is reliant on 'getting customers through the door' for local searches.

The sector has contracted since 2010, falling from 181 firms at its height to about 99 firms (with individual franchises and their franchisees still operating).²² It is probable that this shakeout is not yet complete. In 2008, Trends Business Research estimated the number of employees in the sector to be about 1,300, and the contraction in their business has led to redundancies since then.²³

²⁰ According to NLIS parent, Land Data's, 2012 Annual report, they have reduced operating costs from £688,000 to £398,000. Presumably this has involved redundancies. In 2013 TM Group made an operating profit of £1.6 million on turnover of £49.5 million. Turnover has increased by 50% since 2011.

²¹ Source: Annual Reports to Companies House.

²² 107 firms (compilers and retailers) and 91 franchisees are registered with the Property Codes Compliance Board, but not all deal with local authority searches.

²³ According to the latest company accounts, six of the seven large firms referred to above have a total of 349 employees.

PSCs would still have free access to the raw data necessary to complete their LLC search reports. Our research has shown, their customers are least likely to go elsewhere. Therefore, we judge the competition effects, as regards the PSCs, to be neutral.

10.3 Statutory Equality Duties

A separate Equality Impact Assessment is being prepared.

11 Implementation plan

The Phase 1 proposals will require the initial transfer of 26 LLC registers from Phase 1 local authorities to HM Land Registry. HM Land Registry will become the registering authority for these local authorities incrementally. Once the data of a local authority has been successfully migrated into the HM Land Registry digital service HM Land Registry will be responsible for the statutory register and the statutory LLC service for that local authority area.

HM Land Registry will develop an implementation plan for the remaining 300 local authorities at the relevant time, based on a range of factors, including the learning from Phase 1. This will also take into account wider factors such as data types and readiness for migration.

Work with the Phase 1 local authorities is already underway.

Appendix 1 - The legal background to Local Land Charges

Legal context

The Environmental Information Regulations (EIR)²⁴ provide public access to environmental information held by public authorities, including local authorities. The Regulations do this in two ways:

- Public authorities must make environmental information available proactively; and
- Members of the public can request environmental information from public authorities.

LLC Registers are therefore publicly available for inspection.

The effect of changes in the LLC Rules 2018

The LLC Rules 2018 are sufficiently broadly drawn to allow for determination of the format and content of search results by the national LLC service build team in line with any user research conducted which may inform the requirements. This work is ongoing. For example the “description of charge” is under consideration for the amount of detail which should be recorded in the register and revealed on search results.

The definition of local land charge is not being changed by the programme, so the nature of the interests being migrated from existing registers and those to be entered in future live service is the same. The LLC Rules make limited changes to the information to be held on the register as currently set out in the LLC Rules 1977. This is because the register will have to accommodate approximately 26 million charges already in existence as well as providing for charges to be registered in the new service. Some things which will change are:

- The current 12 parts of the register will be consolidated into a single register;
- All applications will need to be made using an electronic means of communication (except Light Obstruction Notices);
- All charges will be registered with an associated spatial extent;
- Full details of all charges will be held on the register, whereas the current Rule 7 allows for details to be held on other statutory registers, such as the Planning Register; and
- The format of search results will be standardised, rather than the variety of formats currently produced by local authorities.

LLC Fees Rules

The LLC Fees Rules will provide details of the fees payable for the services specified and the method of payment of those fees. Fees will be payable for official searches (by far the majority) and for applications relating to Light Obstruction Notices. No other applications or services will attract a fee.

Other Local Authority searches

In addition to the searches of the national LLC service, customers also submit CON 29 search enquiries to local authorities which are non-statutory forms used to make enquiries of a local authority to elicit general information about land or a property being searched. CON 29 enquiries fall into three main categories:

- Planning enquiries relating to the control of development under the Town & Country Planning Act 1990;
- Engineering enquiries relating to highways, railways and pipelines; and
- Environmental health enquiries relating to control of the physical environment.

²⁴ Environmental Information Regulations are part of European Law and therefore potentially subject to change as the United Kingdom leaves the European Union.

These datasets are more fluid and stored in a significantly more fragmented way than the LLC register. LLC registers are statutory whilst answers to the series of questions that form CON 29 searches are not. There are other searches that may be required or recommended to be obtained from other bodies (not local authorities) including water authority searches, environmental searches, and location specific questions for example about mining.

LLC searches are therefore on the critical path for conveyancing, but are not the only search to be so and other searches can often have slower turnarounds.

Appendix 2 - IA – IA development since January 2014

The basis for each document, and the prime changes between them, are described below:

IA since March 2015

This final stage version updates the consultation stage version, which was published in May 2016, when HM Land Registry launched its draft LLC Rules consultation. It takes into account:

- responses received to the draft LLC Rules consultation
- targeted research undertaken with a cross section of conveyancers, PSCs and channel providers to address the points raised by the RPC in their opinion dated 8 January 2016 summarised below:
 - PSCs or other search intermediaries will not be adversely affected- see section 7.3.
 - That there will not be any significant familiarisation costs to conveyancers and that there may be potential savings see section 7.2.
 - More evidence on the exact nature and extent of the impact on business see sections 7.2 and 7.3.

Previous versions of the IA

This document follows the following versions of the IA, available on GOV.UK.

Published 16 January 2014 – Consultation stage.

Published 16 June 2014 – Final stage

Published 29 October 2014 – Revised final stage

Published 20 March 2015 – Primary legislation enactment stage.

Appendix 3 - Personal search company and conveyancing companies targeted stakeholder research

HM Land Registry undertook detailed research for the targeted stakeholder research. This was undertaken with a representative sample of conveyancers, PSCs and channel providers from HM Land Registry's User Groups:

- 16 conveyancers, both residential and commercial, of different sizes and geographic locations (including London, West Yorkshire, West Midlands and the South West).
- 7 PSCs and channel providers, of different sizes and geographic locations offering nationwide coverage.

This consultation was in two stages:

- A Survey Monkey questionnaire was issued to stakeholders to ask their opinions on specific points relating to LLC. The survey results were anonymous.
- The responses to the Survey Monkey questionnaire were tested in focus group sessions, one with conveyancers and one with PSCs.

These responses have been taken into account in this IA.

Appendix 4 – Economic vs financial analysis

This IA presents the economic analysis of the policy proposal. The cost benefit analysis produced herein reflects the costs and benefits to society of the proposed policy using discounted values of future costs and benefits. Thus, the cost side includes the transition and ongoing costs incurred by HM Land Registry and these values are discounted. It is assumed that costs accruing to businesses and consumers are not significant. The benefits side includes the fee savings accruing to consumers, that is the difference between fees that would have been paid in the counterfactual and under the proposed policy. From an economic point fee payments are implicitly included as cost on the consumer side and benefit on the HM Land Registry side and these two sides cancel each other out.

The numbers presented in previous iterations of this IA presented a financial analysis view, therefore the changes in the estimates, especially NPV estimates are not an indication of significant change in policy or data, rather costs and benefits are appraised differently.

Appendix 5 Optimism Bias: additional details

As the second step to incorporate risks and contingencies into cost estimates, optimism bias estimates were produced and applied. In the first step, in accordance with Green Book supplementary guidance on optimism bias upper and lower bounds for works duration and capital expenditure for equipment & development were chosen. These upper and lower bounds are 54% and 10% for works duration and 200% and 10% for capital expenditure. As a next step mitigating factors for generic risks such as complexity of contract structure, poor contractor capabilities, degree of innovation in the project, environmental impacts, etc. were addressed.

For the preferred option it was estimated that a mitigation applicability of some 89% for works duration and 93% for capital expenditure can be achieved. The final optimism calculation took the following form: (OB upper bound – OB lower bound) x (1- mitigation applicability), This value is then added to the lower bound estimate.

Thus, for works duration, for instance this gives $(54\%-10\%) \times (1-88\%)=44\% \times 11\% = 5.28\%$ and therefore the optimism bias for works duration is 15.3% and using the same formula gives 23.3% for capital expenditure.

Appendix 6: Costs and benefits sensitivity analysis

Costs sensitivity analysis (all values in £m)

Official search proportion \ Cost profiles	Best estimate	Delay in transition period (2-3 year)	Low cost (-10%)	High cost (+10%)	High cost (+20%)
Low (67%)	-156.19	-156.68	-141.11	-171.28	-186.37
Best (78%)	-156.19	-156.68	-141.11	-171.28	-186.37
High (87%)	-156.19	-156.68	-141.11	-171.28	-186.37

Benefits sensitivity analysis (all values in £m)

Official Search proportion \ Cost profiles	Best estimate	Delay in transition period (2-3 year)	Low cost (-10%)	High cost (+10%)	High cost (+20%)
Low (67%)	146.17	146.17	146.17	146.17	146.17
Best (78%)	169.59	169.59	169.59	169.59	169.59
High (87%)	175.61	175.61	175.61	175.61	175.61