

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Twelfth Delegated Legislation Committee

DRAFT LAND REGISTRY TRADING FUND
(EXTENSION AND AMENDMENT) ORDER 2018

Monday 19 March 2018

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The Committee consisted of the following Members:

Chair: SIR DAVID CRAUSBY

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|---|---|
| † Campbell, Mr Ronnie (<i>Blyth Valley</i>) (Lab) | † Killen, Ged (<i>Rutherglen and Hamilton West</i>) (Lab/
Co-op) |
| † Charalambous, Bambos (<i>Enfield, Southgate</i>) (Lab) | Morris, Grahame (<i>Easington</i>) (Lab) |
| † Clark, Colin (<i>Gordon</i>) (Con) | † Robinson, Mary (<i>Cheadle</i>) (Con) |
| † Costa, Alberto (<i>South Leicestershire</i>) (Con) | † Shelbrooke, Alec (<i>Elmet and Rothwell</i>) (Con) |
| † Davies, Glyn (<i>Montgomeryshire</i>) (Con) | Shuker, Mr Gavin (<i>Luton South</i>) (Lab/Co-op) |
| † Esterson, Bill (<i>Sefton Central</i>) (Lab) | † Smith, Nick (<i>Blaenau Gwent</i>) (Lab) |
| † Gyimah, Mr Sam (<i>Minister for Universities, Science,
Research and Innovation</i>) | † Trevelyan, Mrs Anne-Marie (<i>Berwick-upon-Tweed</i>)
(Con) |
| † Hair, Kirstene (<i>Angus</i>) (Con) | Yohanna Sallberg, Dan Schlappa, <i>Committee Clerks</i> |
| † Harris, Rebecca (<i>Lord Commissioner of Her
Majesty's Treasury</i>) | |
| † Hill, Mike (<i>Hartlepool</i>) (Lab) | † attended the Committee |

Twelfth Delegated Legislation Committee

Monday 19 March 2018

[SIR DAVID CRAUSBY *in the Chair*]

Draft Land Registry Trading Fund (Extension and Amendment) Order 2018

4.30 pm

The Minister for Universities, Science, Research and Innovation (Mr Sam Gyimah): I beg to move,

That the Committee has considered the draft Land Registry Trading Fund (Extension and Amendment) Order 2018.

It is a pleasure to serve under your chairmanship, Sir David. Her Majesty's Land Registry is a trading fund that was established under the Land Registry Trading Fund Order 1993. It plays a critical role in supporting the Government's housing and infrastructure objectives. As the Committee might know, the trading funds are a means of financing the revenue-generating operations of a Department. They set their charges in accordance with "Managing public money".

In 2003 the Land Registry Trading Fund Order was extended for the first time to include the consultancy and advisory services included in the Land Registration Act 2002. The Land Registry's operations were further extended by the Infrastructure Act 2015 to provide for the transfer to it of responsibility for the local land charges register, and to extend its powers in relation to the consultancy or advisory services about land to include other property and services relating to documents or registers. The draft order will ensure that the revenues generated through the extended activities form part of the Land Registry's trading fund revenues.

I will turn now to the detail of the draft order. As a trading fund, the Land Registry is required to ensure that its income from fees covers its expenditure under normal operating conditions. All Land Registry revenues are part of its funded activities, except for revenues generated through the activities conferred by the Infrastructure Act. Therefore, an extension and amendment to the existing trading fund order is required. The draft order has been agreed with the Treasury.

In conclusion, the Infrastructure Act gave the Land Registry powers to expand its operations. Consequential amendments to the Land Registry Trading Fund Order are therefore required to take account of the additional revenues. Without the draft order, revenue from local land charges and wider activities would not form part of the Land Registry's activities as a trading fund. I commend the draft order to the Committee.

4.32 pm

Bill Esterson (Sefton Central) (Lab): It is a pleasure to serve under your chairmanship, Sir David. In 2014 and in 2016, the Government brought forward proposals to privatise the Land Registry. They seem to do that every two years, and we are another two years on, so forgive us if we sense another opportunity for the Government to privatise—or to put out for consultation

to privatise—the Land Registry. My question to the Minister is therefore this: is the draft order part of fattening the calf for slaughter? Is it a chance for the Government to prepare the Land Registry for another go at privatisation? I will explain why that matters before turning to the detail.

The consultations of 2014 and 2016 revealed wholesale opposition and the Government backed down. The reason for the wholesale opposition was, whether for share trading or for buying or selling the family home, the importance of having a trusted, impartial register that is apparent to everyone—to every individual, to everyone in the legal profession, and to everyone in the property profession and across commerce, with the exception, of course, of those who stood to benefit from taking over the highly successful Land Registry itself. There was great interest from the venture capital sector in doing that. Proof of title—proof of ownership—is vital to everyone, as is having trust in that title, which is why it was so important to so many people that privatisation did not go ahead then, and why it is so important that it does not go ahead now.

I mentioned venture capital. The firms that showed an interest on the previous two occasions were venture capital firms in offshore tax havens. That was a cause of great concern, because their interests may well have lain in asset stripping, rather than in ensuring the integrity of our Land Registry system.

Let us look at just what an attractive proposition the Land Registry was. According to his own figures, the then Secretary of State for Communities and Local Government, the right hon. Member for Bromsgrove (Sajid Javid), thought that the sale would generate £1.2 billion, yet at the time the Land Registry was bringing in a surplus of up to £100 million a year. I will not do the calculation in my head, but that is a return of something like 8% or 9%. In comparison, interest payments on the national debt lie somewhere under 3%—in 2016-17 they were 2.4% gross and 1.8% net—so selling the Land Registry really does not look like a good way of paying down the national debt, because it would mean turning down a long-term income stream to pay down something with a much lower cost of interest. The financials did not add up: going through with the sale would have meant taking an incoherent approach to economics. Happily, the Government backed down. The question is whether they intend to have another go, either now or in the future.

The Library briefing for the Infrastructure Bill, as it was in 2015, showed that the predicted cost of centralising the local search system was £48.5 million against a projected income of £134 million. It would therefore be highly profitable, and it would increase the attractiveness of the Land Registry to the venture capital sector for a potential sale, hence my comment about whether it amounts to fattening the calf for slaughter.

Turning to the proposal to centralise activities connected to local land searches, an amendment was tabled to the Infrastructure Bill in Committee in the Lords, calling on the Government to produce an implementation plan for making those activities central rather than local and to demonstrate the impact on local authorities. That amendment was withdrawn, but perhaps the Minister can tell us, with a little help from his friends, what the

Government's assessment is of how this measure will be implemented and what the impact will be on local authorities.

The same Library briefing suggests that 850 members of staff are engaged in local land charge activities up and down the country. There are often only two or three in each local authority, but what will happen to them? What will happen to the resources that local authorities currently rely on? What will happen to enable the Land Registry to carry out that work? Will 850 staff be transferred, or will the work be carried out by existing staff? Will fees and charges remain the same? Is this measure going to be cost-neutral, or will it generate the surplus suggested by the figures I quoted—£134 million income against £48.5 million costs—which on the face of it is sizeable? Perhaps the Minister can explain some of those points, look at the analysis and see how this is going to work in practice. Also, is it the case that at present the fees cover costs anyway, or will there be a detrimental effect on local authority budgets as a result? All those points were made in the Library briefing on the Infrastructure Bill.

Perhaps the Minister will give us the answers; in order to understand exactly what is going on, an explanation from him of the business case for moving from the local system to a centralised system will help. As he does so, perhaps we will reach our own conclusions, in addition to whatever answer he gives to my initial question, about whether the draft order is part of a longer term plan to move the Land Registry from the public sector to the private sector.

4.41 pm

Mr Gyimah: I thank the hon. Gentleman for those questions. Having heard him speak in the House a number of times, I know of his usual scepticism about the private sector. My view, however, is that there are great organisations in both the public sector and the private sector; we need both to run our economy.

On the hon. Gentleman's specific question about whether the draft order is part of a plan for privatisation, the 2016 autumn statement confirmed that:

"Following consultation the government has decided that HM Land Registry should focus on becoming a more digital data-driven registration business, and to do this will remain in the public sector."

The Law Society welcomed that announcement. Its then chief executive, Catherine Dixon, said:

"This decision responds to the representations we, and other Land Registry users, made as to the risks of privatisation, and puts the public interests in this important institution first. We look forward to working with the Land Registry to assist it in delivering its ambitious modernisation plans."

There is therefore no plan for privatisation, but it still makes sense to improve and modernise this fantastic organisation, which is why we need the draft order. As I mentioned in my earlier remarks, the Infrastructure Act gave the Land Registry powers to expand its operations, so consequential amendments to the trading fund are needed to take account of the additional revenues.

The hon. Gentleman asked a number of questions about the local land charges services and about implementation. The 1 March 2018 formal response to the consultation on local land charges rules marked a significant milestone and provides an exciting opportunity

to modernise the service. In the first phase, the Land Registry is working with 26 local authorities in England to migrate their local land charges records to the national local land charges digital register service. It is also anticipated that the Land Registry will be able to launch a live service later this year for those 26 local authorities. With regard to how that will be implemented, the Land Registry is building the foundations for a national land charges register, which will happen over the coming year. It will be working with more than 30 local authorities in England to migrate local land charges records to a centralised digital register, which will launch in 2018-19, benefiting up to 125,000 home buyers.

The first phase of migration will establish the foundations for the national local land charges service and help the Land Registry better understand how it can make further migration of more local authorities' land charges and how to do that more simply and faster, using data more effectively. In the meantime, local authorities are still expected to undertake activity to keep the register up to date.

The hon. Gentleman asked whether any powers have been extended to support the future privatisation of the Land Registry. The answer is simply no. I hope that satisfies him.

Bill Esterson *rose*—

Mr Gyimah: Clearly not, so I will take an intervention.

Bill Esterson: I asked about the impact on staff numbers. I quoted figures indicating that there are 850 staff across England and Wales. How many staff does the Minister anticipate will be needed in the Land Registry, and what will be the impact on staff in local authorities? Will fees stay the same or change? Does he accept the figures in the Library briefing, which indicates that this measure will cost £48.5 million and generate £134 million of income?

Mr Gyimah: Of course, as I said, the trading fund will have to ensure that its income from fees covers its expenditure under normal operating conditions. The hon. Gentleman asks about the number of staff and what exactly will happen to them. As I wait for inspiration on that point, I will expand on some of the other points that he raised. Local authorities will receive a new burdens payment to assist with this migration so that they are not negatively affected financially, and we are working with new businesses to assess how it will be implemented. *[Interruption.]* The inspiration seems to have arrived just at the right moment. On average, there will be a reduction in the fee for consumers, and we do not expect this to impact on staff increases at all. I hope he is satisfied—

Bill Esterson *rose*—

Mr Gyimah: Clearly not, so I will take another intervention.

Bill Esterson: I think I heard the Minister say that there will be an impact on local authority budgets because there will be an interim period during which

[Bill Esterson]

there will be support. Is he saying that local authorities will have their budgets cut as a result of this move? Also, there are on average two to three affected staff in each local authority. Will they lose their jobs, or will they transfer to the Land Registry? It would be really helpful to know whether the Land Registry will take on additional staff or use existing staff, because 850 people's livelihoods are at stake.

Mr Gyimah: No, there are no planned budgetary cuts, and we expect local authority staff to remain in local authorities to keep the register up to date. I hope that, at his third time of asking, I have satisfied the hon. Gentleman's legitimate curiosity about the draft order, and I commend it to the Committee.

Question put and agreed to.

4.48 pm

Committee rose.

