
LOCAL LAND CHARGES – ADJUSTMENT OF FEES

Responsible Cabinet Member - Councillor Stephen Harker, Resources Portfolio

Responsible Director - Paul Wildsmith, Director of Corporate Services

SUMMARY REPORT

Purpose of the Report

1. To seek authority to vary the level of fees charged by the local land charges service.

Summary

2. The scale of fees for local land charges were previously revised with effect from 12 November 2007. As a result of a change in the law Local authorities had been required to undertake a fee setting exercise and adjust the fees charged to ensure that they did not exceed the cost of providing the service. As a result of a review of the fees charged, the fee for full searches was reduced from £129 to £82. An assumption was made that there would be a 10% reduction in transactions for the balance of the year 2007/2008 and on this basis the service would be provided on a break even basis.
3. Since the summer of 2008, the state of activity in the housing market has deteriorated and the volume of transactions has very significantly reduced. The total number of full searches carried out in 2007/2008 was 1709. On current predictions the estimated number of total full search transactions for the year 2008/2009 is 856. This represents a very significant shortfall in transactions and also in revenue. If fees remain unchanged there will be a deficit of £86,583 by the financial year end.
4. Given the very significantly reduced number of transactions and the current state of the market it is not considered realistic to increase the level of fees to a level that would be at break even point. A consequence of doing this may well result in personal search companies taking greater market share rather than an increase in revenue. What is therefore proposed is that the charges for full searches are increased from £82 to £129. There will still be a shortfall of £15,716 against the budget but £74,333 against the cost of providing the service. It is proposed to carry forward to the next financial year. If market conditions improve and the volumes of transactions return to 1,700 for personal searches in the year 2009/2010 most of this will be recovered during the course of the year. Any remaining deficit will be carried forward again to the financial year 2010/2011. The level of fees has therefore been adjusted to take account of the longer term view.

5. It is felt that the increase in the full search fee still represents value for money at £129. Within the region while the full search fee varies, the revised fee is within the range of what other authorities charge. Currently Hartlepool Borough Council charge £137.65, Newcastle City Council charge £139.50, Redcar and Cleveland Borough Council charge £112 and Stockton Borough Council charge £96. A slight discount is normally made for searches that are dealt with electronically via the National Land Information Service and it is proposed that the fee for electronic searches will be increased from £80 to £127.

Recommendation

6. It is recommended that Members approve the revised local land charges fees as set out in this report.

Reasons

7. The recommendation is supported to enable the local land charges service to revise the scale of fees to reflect the current state of the market and changes in transactions.

Paul Wildsmith
Director of Corporate Services

Background Papers

No Background papers were used in the preparation of this report.

Luke Swinhoe : Extension 2055

S17 Crime and Disorder	There are no issues arising directly from this report that relate to crime and disorder.
Health and Well Being	There are no issues arising directly from this report that relate to health and well being.
Sustainability	There are no sustainability issues.
Diversity	The content of this report impacts equally across all groups
Wards Affected	All wards equally affected
Groups Affected	All groups equally affected
Budget and Policy Framework	Impact on budget as set out in the report
Key Decision	Not a key decision
Urgent Decision	Not an urgent decision
One Darlington: Perfectly Placed	This report has no particular impact on the sustainable Community Strategy

MAIN REPORT

Information and Analysis

8. The current scale of fees, which were previously revised with effect from 12 November 2007 have been subjected to further review. Prior to the changes that were made in November 2007 the fee for a full search was £129. As a result of an exercise, based on transactions and the cost of provision the fee for a full search was reduced from £129 to £82. An assumption was made that there would be a 10% reduction in transactions for the balance of the year 2007/2008 and on this basis the service would be provided on a break even basis.
9. In setting fees for local land charges, local authorities are required to set them on the basis of the cost of provision and should therefore aim to make neither a loss nor a profit. Guidance on fee setting was issued by the Department for Constitutional Affairs on the 31st January 2007. The guidance does not prescribe a methodology to be followed, but recommends that authorities should calculate the cost of providing the services and then work out the unit cost of those services.
10. The general market conditions have deteriorated very significantly since the summer of 2008. The Royal Institute of Chartered Surveyors in their October 2008 housing market survey noted that nationally there is a stock of unsold property on estate agents books, which depresses prices, while new buyer activity and newly agreed sales continued to fall overall. Completed sales per surveyor fell to their lowest level per month since records began to be held in 1979. In the North, for October 2008, 100% of surveyors were reporting falling house prices.
11. This financial year the volume of full search transactions has been very significantly down compared to previous years. The cause is not only the general state of the housing market but also because of the advent of Home Information Packs (HIPs) and the growth of personal search companies. When the fees were previously reviewed in November 2007 they were based on a predicted volume of full searches being 1,780 in the financial year 2007/2008. As it turned out the actual figure was 1,709 for the year. So far for the year 2008/2009 the number of full searches undertaken for the period April to October 2008, inclusive is 551. Projecting forward over the remainder of the year, allowing for less transactions in the lead up to Christmas and then an increase in transactions for 2009 (all be it reduced in volume because of market conditions when compared to previous years) the current estimate of total full search transactions for the year is 856.
12. The change in the volume of transactions has had a very significant impact on the income generated by the local land charges service. Given the reduced volume of transactions if the fees remained unchanged then the local land charges services would make a loss of £86,583 by the financial year end and show a loss of £26,798 against the budget.
13. In revising the level of fees consideration needs to be given to the impact that a significant rise in fees may have on consumers in deciding between a personal search and a full local authority search. Because of this an intermediate approach has been adopted, that is the level of fees has been increased but not by the full amount that would enable the deficit to be cleared in the current financial year. It is felt that to do otherwise in the current market conditions may well be counterproductive and may well result in personal search companies

taking greater market share rather than an increase in revenue. There will still be a shortfall of £15,716 against the budget but £74,333 against the cost of providing the service which will be carried forward to the next financial year. Hopefully if market conditions improve and volumes of transactions increase most of this will be recovered during the course of 2009/10. If the market takes longer to recover then it will be carried forward again to the following financial year. The level of fees has therefore been adjusted to take account of the longer term view.

14. Having said this the charge set for full searches will need to rise significantly from £82 to £129 and from £80 to £127 for electronic searches, which are dealt with via the National Land Information Service.
15. It is felt that the increase in the full search fee still represents value for money at £129. Within the region while the full search fee varies, the revised fee is within the range of what other authorities charge. Currently Hartlepool Borough Council charge £137.65, Newcastle City Council charge £139.50, Redcar and Cleveland Borough Council charge £112 and Stockton Borough Council charge £96.
16. While undertaking this exercise, the charges for photocopying and faxing have also been reviewed in the light of a recent decision made by the Information Tribunal that considered the charges that can be levied for photocopies of documents falling within the scope of the Environmental Information Regulations. The case (Markinson v The Information Commissioner) essentially has decided that because the public are entitled to have access to environmental information that the costs of officer time in retrieving the material ought not to be included in photocopying costs. The Tribunal felt that photocopying costs ought therefore to be set at 10p per A4 copy. We have therefore revised the photocopying and faxing costs to bring them into line with this decision.

Proposed changes

17. It is proposed to vary the fees for other local land services relating to local land charges as set out in **Appendix 1** (Note – the fee for personal searches is set by statute and cannot be altered by the Council).
18. As can be seen from the table what is being proposed is a significant increase in the charge for full searches from £82 to £129. For electronic searches, which are dealt with via the National Land Information Service, it is proposed that the full search fee should be £127. The revised fees have been calculated on the assumption that the total personal search transactions for the year will be 856 for the year 2008/2009.
19. The charges for photocopying and faxing have been reduced from £15 as a flat rate charge to 10p per A4 photocopy. The impact of this change is not likely to have significant effect on revenue, so far this year total income from photocopying is £215.
20. It is proposed to implement the new scale of fees from 15 December 2008, which will allow sufficient time to publicise the revised fees.

Further review

21. Given the current economic conditions the level of income generated from fees will need to be kept under close review in order to make any further adjustments to the scale of fees as may be necessary.

Financial Implications

22. With the revised fees in place there will be a deficit against the possible income that could be charged given the cost of the service of £74,333 in the financial year 2008/2009. This reduction will have to be managed in the next review to the Council's Medium Term Financial Plan.

Outcome of Consultation

23. There has been no formal consultation undertaken with external persons or organisations.

Proposed scale of fees from 15.12.08

Standard Search	(dealt with by post or Dx)	£129.00 (£82.00)
	(dealt with electronically via the National Land Information Service)	£127.00 (£80.00)
Con 29 Required		
1 Parcel of Land	.....	£123.00 (£76.00)
Several Parcels of Land	.....	£123.00 (£76.00)
	1st Parcel of Land .	£123.00 (£76.00)
	Each Addition	£25.00
	
Con 29 Optional	.....	Each Printed Enquiry £10.00

Own Questions	.....	£20.00
Official Search – LLC1	.....	£6.00
	VIA NLIS (National Land Information Service)	£4.00
Expedited Search	.....	£170.00
Personal Search	.....	£11.00
Additional written enquiries received after a search has been completed ...		£20.00
Faxing Searches	10p per A4 photocopy	(£15.00)
Requesting photocopy of a search		10p per A4 photocopy (£15.00)
Copy Documents – (each)		10p per A4 photocopy (£15.00)

Note : where fees have changed former fee is indicated in brackets