

# Final stage impact assessment

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**Department or agency:** Ministry of Housing, Communities & Local Government

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Prior to measures being laid in Parliament you should prepare the final stage impact assessment (also known as the regulatory impact assessment) to be laid alongside. All sections should be updated and finalised, including the scorecard and evidence base, quantifying impacts where appropriate and proportionate to do so. **This impact assessment is expected to be published and sensitive material, which may include the long list and summary table, should be removed prior to publication.**

# Contents

1. Summary of approach .....	5
2. Summary of proposal .....	7
3. Strategic case for proposed regulation .....	10
4. SMART objectives for intervention .....	36
5. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives .....	39
6. Summary of considered options and alternatives .....	56
7a. Summary of Non-Regulatory Measures Outside the Scope of the Better Regulation Framework .....	59
7b. Summary of Regulatory Measures Within the Scope of the Better Regulation Framework .....	73
Part A: Overall and stakeholder impacts of regulatory measures .....	73
Part B: Impacts of regulatory measures on wider government priorities .....	76
Declaration .....	77
Summary: Analysis and evidence .....	78
Evidence base .....	80
<b>Final stage impact assessment - On-Street Micromobility Regulatory Framework .....</b>	<b>84</b>
1. Summary of proposal .....	84
2. Strategic case for proposed regulation .....	90
3. Why is government action needed? The rationale for intervention .....	102
4. SMART objectives for intervention .....	104
5. Measurable and specific objectives .....	106
Positively-defined objectives (maximising benefits) .....	106
Negatively-defined objectives (limiting disbenefits) .....	107
6. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives .....	109
Theory of Change Model for an On-Street Rental Licensing Framework .....	110
7. Summary of long-list and alternatives .....	111
8. Description of shortlisted policy options carried forward .....	113
9. Regulatory scorecard for preferred option .....	128
Part A: Overall and stakeholder impacts .....	128
Part B: Impacts on wider government priorities .....	134
8. Monitoring and evaluation of preferred option .....	135
9. Minimising administrative and compliance costs for preferred option .....	136
Summary: Analysis and evidence .....	138
Evidence base .....	140

<b>Final stage impact assessment – Community Right to Buy .....</b>	<b>142</b>
1. Summary of proposal .....	142
2. Strategic case for proposed regulation.....	143
3. SMART objectives for intervention .....	147
4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives .....	148
5. Summary of long-list and alternatives .....	149
6. Description of shortlisted policy options carried forward .....	151
7. Regulatory scorecard for preferred option.....	153
Part A: Overall and stakeholder impacts .....	153
Part B: Impacts on wider government priorities .....	156
8. Monitoring and evaluation of preferred option.....	157
9. Minimising administrative and compliance costs for preferred option .....	157
Summary: Analysis and evidence .....	159
Evidence base.....	162
<b>Final stage impact assessment – Sporting Assets of Community Value .....</b>	<b>179</b>
1. Summary of proposal .....	179
2. Strategic case for proposed regulation.....	180
3. SMART objectives for intervention .....	182
4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives .....	183
5. Summary of long-list and alternatives .....	184
6. Description of shortlisted policy options carried forward .....	186
7. Regulatory scorecard for preferred option.....	187
Part A: Overall and stakeholder impacts .....	187
Part B: Impacts on wider government priorities .....	189
8. Monitoring and evaluation of preferred option.....	191
9. Minimising administrative and compliance costs for preferred option .....	192
Summary: Analysis and evidence .....	193
Evidence base.....	196
<b>Final stage impact assessment – Upwards Only Rent Review Ban .....</b>	<b>212</b>
1. Summary of proposal .....	212
2. Strategic case for proposed regulation.....	213
3. SMART objectives for intervention .....	215
4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives .....	216
5. Summary of long-list and alternatives .....	217

6. Description of shortlisted policy options carried forward .....	219
7. Regulatory scorecard for preferred option.....	220
Part A: Overall and stakeholder impacts .....	220
Part B: Impacts on wider government priorities .....	221
8. Monitoring and evaluation of preferred option.....	223
9. Minimising administrative and compliance costs for preferred option .....	224
Summary: Analysis and evidence .....	225
Evidence base.....	227

# 1. Summary of approach

The English Devolution and Community Empowerment Bill ('the Bill') contains a high number of linked measures. Due to the number of measures and the links between them, we have presented them in one overarching impact assessment (IA). We have covered all the measures included within the Bill up to the regulatory scorecards. For the purpose of these sections, we have grouped measures where they broadly fall under the same 'theme' and target their intervention in the same area. These themes are:

1. Devolution Structures
2. London
3. Duties and Powers
4. Strategic Authority Reforms
5. Local Government Structures and Accountability
6. Communities

A limited number of measures within the Bill are in scope of the Better Regulation Framework (BRF) and so require full IAs, while other Bill measures are not in scope of the BRF because they do not have a direct impact on business.

The BRF is the system Government uses to manage the flow of regulation and understand its impacts. The BRF applies to regulatory provisions – if something is not a regulatory provision, it is not in scope. A regulatory provision is defined as a 'statutory provision' that relates to a 'business activity' which does at least one of the following:

- a) imposes or amends requirements, restrictions or conditions, or sets or amends standards or gives or amends guidance, in relation to the activity
- b) relates to the securing of compliance with, or the enforcement of, requirements, restrictions, conditions, standards or guidance which relate to the activity.

A 'statutory provision' is:

- a) a provision of an Act
- b) a provision of subordinate legislation made by a Minister of the Crown
- c) any other provision which has effect by virtue of the exercise of a function conferred on a Minister of the Crown, or independent regulator that has agreed to sign up to the BRF, by or under an Act.

'Business activities' means activities carried on:

- a) by a business for the purposes of the business
- b) by a voluntary or community body for the purposes of the body.

To note, business activities does not include a business or body which is controlled by a public authority or acting on behalf of a public authority.

Notwithstanding the above definition, provisions and their impacts are also out of scope where they are in connection with:

- a) imposing, abolishing, varying or in connection with any tax, duty, levy or other charge

- b) procurement
- c) grants or other financial assistance by or on behalf of a public authority
- d) commencement orders.

For each of the measures in scope of the BRF, a full IA has been conducted. For those outside of the BRF, we have discussed their impact at a high level within the overarching IA.

Where measures would have required a full individual IA, we have met this requirement by completing the remaining sections, with regulatory scorecards completed for individual measures in scope of BRF. The individual IAs have been copied below the overarching sections. For some measures in scope, further, more detailed information on rationale has been included in the evidence sections for individual IAs, in addition to the high-level summary in the strategic case for proposed regulation.

A full list of the measures, whether they are in scope of BRF and which grouping they fall under is included in the section summarising the description of the proposed intervention options. This table also summarises which of the overall Bill objectives that the measure helps meet and how.

## 2. Summary of proposal

England is one of the most centralised countries in the world and has some of the highest levels of geographic inequality.<sup>1</sup> These two things are linked. Westminster does not have the local knowledge, capacity and flexibility needed to take advantage of every opportunity available in every place. Simultaneously, we face a long-term decline of trust in our politics. Too many people feel like they do not have control over the things that matter most to them, from housing to healthcare. In 2024, polling found that over 69% of people in England believed public services had got worse, and there was significantly net negative satisfaction on areas like council housing, support for children and young people, and employment and skills support for adults.<sup>2</sup>

The local government sector is also facing acute challenges. The way the sector is funded is outdated, inefficient, and poor value for money, whilst the demand for and costs of statutory services have risen. A reset in the relationship between central and local government is needed. In addition, there is a growing sense of decline within local communities. Only 11% of people believe their area has got better to live in over the last two years, and 29% say that it has got worse. This sits alongside a wider feeling of disempowerment and distrust at a local level. Whilst 50% of people say it is important that they feel able to influence decisions affecting their local area, just 23% feel able to do so.<sup>3</sup>

Devolution across England is fundamental to achieving the change the public expect and deserve and addressing these challenges by delivering growth, more joined-up delivery of public services, and politics being done with communities, not to them. The evidence shows that:

- On growth, devolution to capable local leaders at strategic scales has been linked to higher productivity<sup>4</sup>, meaning more money in people's pockets.
- When it comes to trust in politics, directly elected Mayors are the most recognisable local political figures, and people think more power should come down from national government.<sup>5</sup>
- In other developed countries that introduced greater devolution, people were more satisfied with public services<sup>6</sup>.

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<sup>1</sup> MHCLG analysis of OECD (2020), Enhancing Productivity in UK Core Cities: Connecting Local and Regional Growth, OECD Urban Policy Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/9ef55ff7-en>.

<sup>2</sup> [Ipsos UK \(2024\) Public Services Face Crisis of Confidence as Election Looms](#) | Ipsos

<sup>3</sup> DCMS (2024) [Community Life Survey 2023/24 annual release – GOV.UK](#)

<sup>4</sup> OECD (2021) A comprehensive approach to understanding urban productivity effects of local governments: Local autonomy, government quality and fragmentation, available at: <https://dx.doi.org/10.1787/5ebd25d3-en> pp.38

<sup>5</sup> Centre for Cities (2024) [Metro mayors are the most recognisable local political figures in their area, polling finds](#)

<sup>6</sup> See Espasa, Marta et al. "Is Decentralization Really Welfare Enhancing? Empirical Evidence from Survey Data (1994-2011)." *ERN: Other Macroeconomics: Employment* (2017); or Durmuş, Veli. ["Does the healthcare decentralization provide better public health security capacity and health services satisfaction? An analysis of OECD countries."](#) *Journal of health organization and management* (2024)

The English Devolution and Community Empowerment Bill will deliver on the Government's manifesto commitment to transfer power out of Westminster, by giving local leaders the tools to deliver growth, fixing the foundations of local government, and empowering communities.

Already there has been progress in rolling out devolution in England, with the proportion of the population covered by devolution reaching 61% in 2024, just over 34 million people. However, the previous “devolution by deal” approach created an inconsistent patchwork of powers, coverage and accountability. Over 90% of the North of England is covered by a devolution arrangement, yet in the South of England this is at just 46%<sup>7</sup>. As a result of the deal-based approach, the powers Mayors hold to effect change also vary between places. The Bill will introduce a systematic approach – ending one-off deals and putting into statute a devolution framework, so that Mayors are given a consistent and coherent set of functions. This will both deepen the devolution settlements of existing Combined and County Combined Authorities (CAs/CCAs) and widen devolution to more areas, encouraging local authorities to come together and take on new powers. By completing the map, the Government will oversee the rebalancing of power from central government so that local leaders can take back control and all of England can benefit from devolution.

Local government, as the foundation of devolution, will itself be given a firmer foundation, restored to being fit, legal, and decent. We will fix the malfunctioning local audit system by establishing a Local Audit Office, which will support the wider reset of local authority finances, placing them on a stronger footing, ensuring they are able to best serve their communities and meet their duties. We will also reform the structures of local government, mandating the cabinet model of governance to provide efficient, clear and consistent governance to English local authorities. The Bill will introduce a requirement on all local authorities in England to establish effective neighbourhood governance, to move decision making closer to residents, empowering ward councillors to address the issues most important to their communities at a local level. Communities will also be given greater rights to be involved in their local issues, through a strengthened Community Right to Buy, and the introduction of a new type of Asset of Community Value – the Sporting Asset of Community Value (SACV) aimed at increasing the number of sporting assets under community ownership, thereby protecting them against redevelopment. And we will ban Upwards Only Rent Review clauses, to drive growth and avoid vacant and unused properties which too often blight town centres and high streets.

The English Devolution and Community Empowerment Bill incorporates a wide range of measures designed to deepen and widen devolution across England, reform the local government sector and empower communities. These measures are split into six categories:

- 1. Devolution Structures** – The Bill will introduce a new devolution architecture for England, establishing a more consistent and simpler model of devolution which can be delivered quicker than the current legislation allows. This will include measures to introduce the category of ‘Strategic Authorities’ (SAs), organisations designated by Government which will have responsibility for strategy development and programme delivery over larger functional economic areas. This role will be fulfilled by:
  - a. (Mayoral) Combined Authorities (CAs), e.g., Greater Manchester Combined Authority;

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<sup>7</sup> Counting the South West, South East, London and East of England NUTS1 regions



- b. (Mayoral) Combined County Authorities (CCAs), e.g., East Midlands Combined County Authority;
- c. The Greater London Authority (GLA); and
- d. In some cases, single local authorities.

The Bill will also establish a devolution framework in statute and grant the Government the power to add to or change the powers in the framework. In addition, the Bill will facilitate the goal of universal coverage of devolution in England. This will include measures to streamline the process for establishing Strategic Authorities, and a ministerial power to mandate the creation of a new SA, or expansion of or provision of a mayor on an existing SA, where local leaders in that region have not been able to agree how to access devolved powers (in each case, commencing on regulations). The Bill will also introduce measures to facilitate the transfer of Police and Crime Commissioner (PCC) and Fire and Rescue Authority (FRA) functions to Mayors.

2. **London** – The Bill will set out arrangements for the Greater London Authority (GLA) within the devolution architecture, ensuring that the GLA’s devolution arrangements are as closely aligned as possible to arrangements for the rest of England. The Bill will also empower the Mayor of London to decide on the sale or long-term lease of TfL land, by removing the current requirement for the Secretary of State for Transport’s consent.
3. **Duties and Powers** – The Bill will set out the specific functions and their voting and governance arrangements that Strategic Authorities will receive at each level of the enhanced devolution framework, including duties for Mayors to produce a Local Growth Plan, establish and coordinate a Key Route Network, and powers to manage development. The Bill will also define statutory competencies (e.g. broad thematic areas of activity) for Mayors, under which they will be able to request further powers. In addition, all areas in England will be given new powers to license shared e-bike schemes in their areas, to maximise their benefits and minimise negative impacts.
4. **Strategic Authority Reforms** – The Bill will allow Mayors to appoint commissioners to deliver against one or more specific areas of competence, such as transport, for the Strategic Authority. It will also allow Strategic Authorities to pay an allowance to constituent council members in respect of duties and responsibilities undertaken in service of the authority; prevent Mayors from sitting as MPs simultaneously; and standardise the governance arrangements for the setting of CA or CCA budgets and transport levies. In addition, the Bill will revert all Mayoral and Police and Crime Commissioner elections back from First Past the Post to the Supplementary Vote System.
5. **Local Government Structures and Accountability** – The Bill will introduce new measures to improve local government structures and accountability, including measures to ensure the process for Local Government Reorganisation supports the ambition in the White Paper, mandating the cabinet governance model and measures on neighbourhood governance, and the introduction of a new statutory body to oversee local audit.

- 6. Communities** – The Bill will deliver on Government's manifesto commitment to introduce a new Community Right to Buy, giving community groups first refusal of the sale of Assets of Community Value. It will also introduce new protections for sports stadiums and end Upwards Only Rent Review clauses in commercial leases.

### 3. Strategic case for proposed regulation

Like the whole of the UK, all regions in England have the raw ingredients to ignite growth. They have high quality research institutions, innovative economic clusters, some of the most successful start-up hubs in Europe, and a hard-working and highly skilled workforce.

The Government's Green Paper, *Invest 2035: the UK's modern Industrial Strategy*, sets out that these strengths, and the opportunities they create, are distributed across the country<sup>8</sup>. That is why we see burgeoning clusters like:

- Life sciences in places like Cambridgeshire and Peterborough and Liverpool City Region
- Financial services in places like West Yorkshire and London
- Advanced manufacturing in places like Greater Manchester, the West Midlands, the North East, and South Yorkshire
- Clean energy and green industries in places like the North East, the East Midlands<sup>9</sup>, the West Midlands<sup>10</sup>, Tees Valley, York and North Yorkshire<sup>11</sup>, and around the Humber
- Digital industries in the West of England
- Defence, with two-thirds of UK's defence spend outside London and the South East<sup>12</sup>.

Despite these clearly visible strengths, opportunity is being stifled. We have an economy that hoards potential, and a politics that hoards power. It is no wonder that our economy has flatlined, with UK GDP per capita lower than pre-pandemic levels. This has undermined living standards. As the 2024 Autumn Budget set out, if the UK economy had grown at the average rate of Organisation for Economic Co-operation and Development (OECD) countries over the past 14 years, GDP would have been £171bn larger.<sup>13</sup> Working people have paid the price through stagnating living standards and higher taxes.

Harnessing our growth potential across the UK is fundamental to turning this around. For too long we have failed to make use of the untapped strengths we see in towns, cities and counties across the country. The economic gains are potentially huge – if English cities outside of the capital met their productivity potential compared to similar cities in other countries, national economic output could be £34bn-£55bn larger per year<sup>14</sup>. Low UK total public investment is driven by our low level of local government investment. Although UK central government investment matches the OECD average, at 2.2% GDP, UK local

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<sup>8</sup> DBT (2024) [Invest 2035: the UK's modern industrial strategy](#) - GOV.UK

<sup>9</sup> East Midlands Hydrogen (2024) [The UK's largest inland hydrogen cluster | East Midlands Hydrogen](#)

<sup>10</sup> West Midlands Growth Company, [Tyseley Energy Park | Invest West Midlands](#)

<sup>11</sup> BioYorkshire, [Home | BioYorkshire](#)

<sup>12</sup> MOD (2023) [MOD regional expenditure with industry 2022/23](#) - GOV.UK

<sup>13</sup> HMT (2024) [Autumn Budget 2024 \(HTML\)](#) - GOV.UK

<sup>14</sup> MHCLG analysis of OECD (2020), *Enhancing Productivity in UK Core Cities: Connecting Local and Regional Growth*, OECD Urban Policy Reviews, OECD Publishing, Paris, <https://doi.org/10.1787/9ef55ff7-en>. £34bn if the workforce and sectoral composition of the Core Cities matched the UK average and £20bn if these cities experienced agglomeration effects in line with second cities in France or Germany.

government investment, at 0.8% GDP against an OECD average of 1.4%, ranks 30<sup>th</sup> out of 38 OECD countries – the lowest in the G7. If our subnational investment matched the OECD average rate, we would invest an extra £19bn per year – a further 0.6% of GDP. This would put the UK in the top 50% of OECD countries for total public investment<sup>15</sup>.

That is why the Government is committed to fixing the foundations of the economy and has begun a decade of national renewal, with growth as its central mission. And whereas some places are held back by infrastructure, others are by skills. So to drive change, dedicated local knowledge, leadership and interventions are needed, led by strong and empowered institutions<sup>16</sup>.

Devolution to Scotland, Wales and Northern Ireland from 1998 laid the foundation for a new approach to governing, with new legislatures and governments making a reality of the principle of democratic self-government and recognising the political and cultural distinctions within the UK. The historic devolution that created the Greater London Authority in 1999 showed the potential of a Mayor across a city region, delivering on priorities and being directly accountable to the public. And the introduction of legislation for Combined Authorities in 2009 showed the path for English devolution outside of the capital, building on the strengths of local authorities.

The case for change is clear:

- Devolution means policy can be tailored to local situations, based on a deep understanding of England's regional economies. Places should not have to constantly re-work competitive bids to deliver the Government of the day's priority. While ministers and civil servants strive to serve, those making national decisions have competing incentives, limited capacity and less localised information. Devolution enables more decisions to be made by those who know their areas best, leading to better outcomes and a more efficient use of resources.
- Devolution enables coordinated action in a place. Policies across skills, innovation, and infrastructure are much more effective when used to complement each other<sup>17</sup>. We have already seen the difference that can be made when local leaders and Mayors work together in the interests of the local population. It creates the right mix of local intelligence and capacity with strategic vision.<sup>18</sup>
- Devolution gives communities a greater say in decisions that affect them. When policy is made at a national level, even the best intentions can fall short and invite public objection if the communities who should benefit are left powerless in the decision-making process.
- Devolution done right drives innovation, enabling different leaders to trial different methods, and learn from what works to ultimately deliver more for citizens.

By pushing more power out of Whitehall, this Government is undertaking major structural reform to deliver better democratic and economic outcomes for people and places across England. With more power devolved in England, people will see the following changes.

- Priorities for their area set locally, with policies tailored to needs and circumstances.

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<sup>15</sup> MHCLG analysis of [OECD Data Explorer • Subnational government investment](#) (last updated, 01 October 2024), accessed 15.11.2024. 2022 data.

<sup>16</sup> Stansbury, A. Turner D. and Balls, E. (2023) *Tackling the UK's regional economic inequality: Binding constraints and avenues for policy intervention*, available at: [198\\_AWP\\_final.pdf](#) pp.4.

<sup>17</sup> See e.g. the analysis in Freedman, S. (2024) "[Public Service Reform and Devolution](#)" — [Labour Together](#)

<sup>18</sup> Institute for Government (2023) [How can devolution deliver regional growth in England?](#) pp.14

- Easier commutes through a single transport system, with pay-as-you-go fares and joined-up services to access more opportunities faster.
- Skills and employment provision that are more relevant to local jobs.
- More houses that are matched with new infrastructure.
- Support from public services that talk to each other and understand what support people need.
- Fewer but more empowered leaders who can be directly held to account. 83% of people in Greater Manchester recognise the Mayor<sup>19</sup> – we want this kind of recognition and direct accountability across the country.
- Local government, as the foundation of devolution, restored to being fit, legal, and decent. Councillors will play an important role as the delivery arm of this project, with the respect and resources they need to get the job done.

**The English Devolution and Community Empowerment Bill aims to spread the benefits of devolution and deepen the powers that local leaders have at their disposal, with a reformed local government sector and empowered communities.**

### **Rationale for intervention: issues with existing devolution and local government legislation, and how Bill measures will address these**

#### **1. Devolution Structures**

The current legislation on devolution is not adequate to deliver the scale of ambition set out by Government. The processes set out the Local Democracy, Economic Development and Construction Act 2009, the Levelling Up and Regeneration Act 2023, and the Cities and Local Government Devolution Act 2016 only facilitate piecemeal devolution of functions with a lengthy implementation process. They are also centrally driven in terms of what is on offer while relying heavily on the local appetite of local authorities to engage with that offer. Further legislation is required to embed the principle of each part of England having an authority, such as combined and combined county authorities, with strategic responsibility to drive local economic development, and to streamline the process of establishing new bodies and empowering local areas to gain the powers they need to deliver for their communities. This will drive powers out of Westminster and into the control of local leaders on behalf of their communities, resetting the relationship between central and local government in England.

The Government is keen to speed up, widen and deepen devolution to generate wealth and prosperity across the country by freeing up more powers for exercise at the local level. This is in addition to the aim of creating a more consistent and simpler model of devolution across England.

#### **Designation of Strategic Authorities**

To deliver this scale of reform, primary legislation is needed to establish the category of 'Strategic Authorities' (SAs) – organisations positioned between local authorities and national government, which will typically be a CA, CCA, or the GLA – that will have responsibility for strategy development and programme delivery across specific areas of policy competence over larger functional economic areas, with corresponding functions set out in a statutory

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<sup>19</sup> Centre for Cities (2024) [Place over politics: What polling tells us about how successful devolution has been to date | Centre for Cities](#)

devolution framework. These functions will enable SAs to drive forward economic growth and improve social and environmental outcomes for those who live and work in their area.

By operating across strategic economic geographies, SAs will be well placed to take strategic decisions and design and deliver policies and investment that span multiple local authority areas. SAs will play a role in drawing up specific strategies and plans for their areas, considering factors across a broader area to inform, for example, the development of Local Growth Plans. Specific functions and duties, including strategies and plans SAs are responsible for, will be set out in the devolution framework. These functions are distinct from those exercised by local authorities which are focused on service delivery and activity within their boundaries. Existing devolution and local government legislation is inadequate for defining this new type of institution, its role, and relationships within the local government system in England.

The Bill will establish three levels of SA, to which different functions will be assigned: Foundation, Mayoral, and Established Mayoral. All non-mayoral CAs and CCAs will be Foundation SAs, while all mayoral CAs and CCAs will be designated as Mayoral SAs. The Secretary of State will be able to designate an individual local authority as a Foundation SA. The Secretary of State will also have the power to designate Mayoral SAs as Established Mayoral once they have met the eligibility criteria set out in the Bill.

Without intervention, there would not be a standard tier of governance between national and local government. That risks missing the opportunities of devolution, and a confusing picture for residents. Devolution could continue to be delivered for more areas in England under existing legislation and processes, including the establishment of new (mayoral and non-mayoral) CA and CCAs, and devolution agreements with single local authorities. Importantly, however, this would continue to be on a locally-led, place-by-place basis. This would not deliver clear or consistent devolution across England, would risk people in parts of England not benefitting fully from devolution, and would not clearly define the role for CA/CCAs as SAs within the local government system with broader and deeper devolved capabilities.

### **Powers via the Devolution Framework**

The new devolution model includes the development of a statutory framework that will set out powers and functions available to SAs depending on whether they have a Mayor and on their track record of delivery. The framework is structured around an SA's areas of competence. The framework will confer powers to these institutions automatically, moving away from the current piecemeal and bespoke process of conferral to areas via secondary legislation.

There are currently eleven Combined Authorities and four Combined County Authorities, with more due to be established before the Bill receives Royal Assent. The Greater London Authority was established separately through the Greater London Authority Act 1999. Over the course of the last decade, CAs and CCAs have been established through individual negotiations and area-specific Statutory Instruments (SIs), which has led to inconsistencies between areas across their functions and the governance arrangements of these functions.

The process to date was slow and cumbersome. The negotiation of a devolution deal commonly lasted many months, sometimes more than a year, and not unusually taking more than one attempt to build local consensus, often driven by a lack of clarity about how good a 'deal' an area could secure from the Government. Much of the negotiation of devolution deals

was taken up considering questions around governance arrangements and specific functions. The bespoke nature of each devolution deal has generated a confusing and opaque proliferation of legislation, with different provisions applying in different areas. This makes it harder for residents to hold their leaders to account.

The time from agreeing a devolution deal to laying legislation implementing it varied considerably, but averaged around 12 months. It typically requires a local proposal, local consultation, consideration of statutory tests, drafting of bespoke legislation, statutory consents and a statutory report for public authority functions, and affirmative procedure in Parliament.

Putting the devolution framework on a statutory footing will:

- a. Provide maximum clarity to areas on what functions they will receive at each 'level' of devolution, and ensure a more consistent application of the framework across all institutions in contrast with the more patchwork conferral of functions that currently exists – giving clarity to residents on what their local leaders are responsible for delivering;
- b. Support quicker roll-out of devolution, in tandem with other Bill measures, supporting the objective to expand devolution; and
- c. More firmly embed CA and CCAs in the local government system and the wider UK constitutional arrangements.

The Government intends to introduce a presumption of 'devolution by default' and a standardised devolution offer for each new local area that comes forward to seek Government agreement to legislate for a new SA.

However, there may still be limited circumstances under which there will need to be the option to delay or bring forward conferral of particular functions in the framework for an individual area. In addition, some areas may require that a specific function has different governance arrangements.

For example, an agreement was made in the East Midlands Combined County Authority (EMCCA) to ensure the ongoing smooth operation of Nottingham's trams, which means some elements of transport delivery across the area will run concurrently between constituent councils and the CCA for longer. Without such Secretary of State discretion to delay or prevent powers being conferred on SAs and to set up bespoke arrangements, SAs may end up with powers that are operationally unmanageable, for example where councils own key assets such as bus companies or trams. EMCCA is an example of this: if EMCCA were to be given sole transport powers, then Nottingham City Council would be in breach of its contractual arrangements resulting in significant financial penalties and operation of the city's trams ceasing. Bespoke conditions are therefore necessary, but will only be considered where there is a tangible operational impact.

Other solutions have previously been considered. A tiered devolution framework was set out under the previous administration in the Levelling Up White Paper, but not in legislation, in order to clarify the offer to areas. Despite this, there was still significant scope for locally-led design and specific consent requirements from participating local authorities that has resulted in disparities between different CAs/CCAs' powers, funding, and governance arrangements.

## **Expanding the Devolution Framework**

Primary legislation is needed to implement the new devolution architecture, including providing for new powers to amend the devolution framework in future and enabling some Mayors to request additions and amendments to the framework, ensuring it remains adaptive and responsive to future need and policy developments.

The framework in the Bill represents a level of Government agreement on the scale of devolution at a particular point in time, with the expectation that it will expand to include additional functions over time. Any additions should have the same status in primary legislation as the rest of the devolution framework.

Without the power to update the framework (e.g., without intervention), further primary legislation would be required every time Government wished to confer additional powers to SAs.

The Bill will also introduce the ability to pilot specific functions in certain areas ahead of adding them to the framework. Without this power, more innovative and radical forms of devolution would not be able to be tested for suitability.

### **Streamlining the Establishment of Strategic Authorities**

The ambition of the English Devolution and Community Empowerment Bill is to implement a more consistent and simpler model of devolution across England that can be delivered more quickly than under existing legislation. The Government wants to ensure universal coverage of devolution in England, which would allow all areas in England to access the benefits of devolution.

To achieve this, the Bill will include powers that will give ministers the tools they need to deliver devolution for all of England, and streamline the processes to facilitate this.

Streamlining processes for establishing new devolved institutions, and changing existing ones, can only be implemented via primary legislation. An effort was made previously to streamline the procedure for establishing CAs set out in the Local Democracy, Economic Development and Construction Act 2009 (the 2009 Act), through the Levelling Up and Regeneration Act 2023 (the 2023 Act). This removed the need for local authorities across an area wishing to establish a CA having to undertake a governance review or scheme, instead submitting a proposal based on their devolution agreement. Despite this, it can still take a year – and often longer – after agreement with Government to establish an organisation with devolved functions.

Streamlining will simplify processes for both establishing new CA/CCAs and making changes to existing CAs/CCAs. Streamlining will reduce the consent requirements, simplify the statutory test, ensure a consistent link to the new framework, and allow the consultation requirements to be more flexible around who is consulted. Where appropriate, it will also include changing boundaries where this is needed and dissolving or merging organisations — all of which help to achieve the objective of universal coverage of devolution that was set out in the Government's White Paper. It also includes streamlined provisions for the election of a Mayor, helping broaden access to mayoral devolution institutions.

The process for conferring functions will also be amended. Further detail on this process can be found below under 'Duties and Powers'.

This streamlining will assist in delivering devolution in a quicker and more efficient way.

### **Mandating the Creation of Strategic Authorities**

The Bill will also create a ministerial power to enable the MHCLG Secretary of State to mandate the creation of new Strategic Authorities or add councils to or provide for a mayor for existing Strategic Authorities without the consent of the relevant councils, and (if applicable) the relevant Mayor or CA/CCA, in areas where devolution has not been achieved or agreed locally. These powers will commence on regulations. Our commitment to working in partnership holds firm, and so the government will limit its use of this power to instances when other routes have been exhausted and local leaders in an area have not been able to agree how to access devolved powers. We will ensure that the new ministerial power is used to conclude the process where there is majority support, or the formation is essential in completing the roll out of Strategic Authorities in England.

Primary legislation is needed to equip the Secretary of State with the powers to move away from a system based purely on voluntary and locally-led agreement and implementation, if Government is to achieve its objective of universal coverage of SAs in England. Government will be able to create Strategic Authorities in any remaining places where local leaders in that area have not been able to agree how to access devolved powers, preventing a single council in an area from blocking all others from accessing the benefits of devolution. The existence of these powers does not remove the option for areas to voluntarily form a Strategic Authority, and the expectation is that the majority of areas will self-organise and collaborate ahead of this.

### **Converting Combined County Authorities (CCAs) into Combined Authorities (CAs) following Local Government Reorganisation (LGR)**

The Bill will create a power for a CCA to be converted into a CA following LGR. This is necessary because in areas where LGR means unitary local government is implemented, this reorganisation would result in any CCAs in the area no longer meeting the constituent member requirements under the 2023 Act, as they will no longer contain a county council. The CCA would no longer be able to function if this status was maintained.

This power will enable the conversion, as well as any other changes to the establishing order that are necessary to ensure the functioning of the authority, as well as the continuity of matters and duties through the conversion process (i.e. changes to voting and quorum provisions). The relevant body corporate will continue to exist; but will be recognised in law as a CA rather than a CCA. This means that there is no need to transfer across property, staff or functions.

This power is necessary so that strategic bodies can be maintained through the local government reorganisation process. Without this power, the reorganised CCAs would need to be abolished and replaced with a new CA over the same geographical footprint. This is expensive, time-consuming, and more complicated to achieve than the new process of converting to a CA via amending the establishment order.

### **Altering Police and Crime Commissioner (PCC) and Fire and Rescue Authority (FRA) boundaries on transfer to Mayors, and allowing one Mayor to be PCC for multiple police areas**



Under current legislation, transferring PCC or FRA functions to a Mayor can only occur where the mayoral area is coterminous with the police force or FRA area. Currently, mayoral geography in some parts of England is prohibitive to transfers as it is not coterminous with the force or FRA area. As a result, in these areas, local residents cannot enjoy the benefits of a mayoral model in which a Mayor joins up a range of local public services to improve outcomes holistically.

The overarching intent of the measures in the Bill is to enable more Mayors to take up PCC and FRA responsibilities. Mayors have broader local powers than PCCs, and conferring PCC and FRA functions onto them enables them to join up local services and take a holistic approach to improving local outcomes. These measures enable local residents to reap the benefits of coterminosity of public services, and support greater alignment of public safety and mayoral boundaries.

The White Paper outlined that where mayoral geographies align with police force and fire and rescue authority geographies, Mayors will be, by default, responsible for exercising PCC and FRA functions. This is with a view to increasing the number of Mayors who exercise these functions. To fulfil this aim, the Bill will allow Mayors to exercise PCC functions over more than one police force area, where those forces, when taken together, are coterminous with the mayoral CA/CCA. This is already legally possible for FRAs. Where a mayor does exercise PCC functions, the Bill will ensure that they appoint a Deputy Mayor for Policing and Crime for each force area in which they exercise those functions.

The Bill will allow the relevant Secretary of State to alter police and fire boundaries incidentally on the transfer of PCC and FRA functions to combined authority Mayors. Both powers to alter police boundaries and transfer PCC functions already exist separately and can be used sequentially by the Home Secretary, though as part of a two-part process. The measure included in the Bill will consolidate this process.

## **2. London**

### **The GLA as a Strategic Authority**

The Government's intention is that, as far as possible, the Greater London Authority (GLA) is treated as an Established Mayoral Strategic Authority. However, given that the governance arrangements and existing devolved functions of the Greater London Authority (GLA) differ from other SAs, separate London provisions will be included within the Bill, which will confer functions on the GLA in an equivalent way to CAs/CCAs as far as practicably possible, where they do not currently have them through other means (e.g., the GLA Act 1999). In addition, the Bill will introduce a power for the MHCLG Secretary of State to confer new functions on the GLA. It will also provide for the MHCLG Secretary of State to have a power to amend, repeal, revoke or otherwise modify existing legislation in order to secure the effective operation of new GLA functions. This is to mitigate the risk that other legislation, particularly the GLA Act 1999, prevents Government from devolving functions to the GLA.

There is currently no power for the Secretary of State to devolve new functions on the GLA via statutory instrument, where that power does exist for other strategic authorities. There is a risk that this leaves the GLA behind, with further powers being devolved to other SAs via the devolution framework. Therefore, there is a need for a power for the Secretary of State to confer new functions on the GLA. Taking a power to amend existing legislation will also serve this purpose, allowing the Secretary of State to remove legislative blockers to

deepening the GLA's powers over time. Previously, powers have been devolved to the GLA via amendments to the GLA Act. In recent years, devolution has been led by 'deals' with places. There has not been a 'deal' with London, in part because to do one would require amending primary legislation.

### **Transport for London operational land disposal**

Transport for London (TfL) and its subsidiaries own operational land for facilities including stations, track and sidings used for running its railway and tramway services. Under current legislation, TfL requires Transport Secretary consent to sell or long-term lease land that has been operational during the previous five years. This creates an unnecessary administrative obstacle to TfL releasing land for development for housing or other purposes. The Bill will significantly reduce this obstacle by devolving consenting power for TfL operational land disposals to the Mayor of London. In certain limited circumstances TfL will be required to consult with rail bodies before applying to the Mayor for consent. This will mitigate the risk of unintended impacts on wider rail operations outside TfL's remit.

This legislative change will support growth and housing delivery in the capital by making it quicker and more straightforward for land with potential for development or other beneficial uses to be released and repurposed.

Without intervention, the requirement for TfL to seek Transport Secretary consent will remain in place and continue to complicate and lengthen the process of developing land for housing and other uses. Maintaining a role for the Government in decision making about TfL land would run counter to HMG's stated aims on devolution.

## **3. Duties and Powers**

### **Mayoral Powers of Competence**

Currently Mayors of Combined and Combined County Authorities do not have the legal ability to effect change beyond the bounds of their authority's functions. The Government want to empower Mayors, support their soft convening and leadership power, and provide them with the capacity and mandate to drive growth, collaboration and improvements in place. This is the underpinning rationale for the implementation of the new Mayoral Powers of Competence (MPC), enabling Mayors to deliver beyond the strict functional remit of their powers and engage local partners in delivery for residents. The MPC includes the General Power of Competence (GPC), a mayoral power to convene (and corresponding duty for local partners to respond), and a duty to collaborate (a formal mechanism for collaboration between neighbouring mayoral strategic authorities).

This power is supplemented by a power for Established Mayoral Strategic Authorities to request further powers to be devolved, reflecting their ability to identify what more is needed beyond their current powers to better serve their residents.

Without intervention, the Government would not be able to implement the new MPC or right to request for Mayoral Strategic Authorities as envisaged. These enabling powers are designed to empower Mayors and embed a principle of devolution by default, shifting the power dynamic between central government and local leaders and driving more powers out of Westminster to better address local need and circumstance.

## **Devolution Framework**

Previously, the government and places have negotiated the powers and funding available to a Strategic Authority through individual devolution deals in different parts of England (e.g. in Greater Manchester or the West Midlands). This has led to inconsistency in powers between places. To change this, the bill will introduce devolution by default via a standardised Devolution Framework.

This part of the Bill includes measures to legislate for the statutory content of the devolution framework, i.e. the functions that Strategic Authorities will be able to exercise at different levels of the framework, and their associated voting and governance arrangements.

Strategic Authorities will have the ability to exercise functions in the following areas:

- Transport and local infrastructure
- Skills and employment support
- Housing and strategic planning
- Economic development and regeneration
- Environment and net zero
- Health, wellbeing and public service reform
- Public safety.

These are referred to as Strategic Authorities' "areas of competence" and they set a framework for the functions, funds, and partnership arrangements that Strategic Authorities have and could have in the future. The exact functions and duties a Strategic Authority will have, and the governance arrangements they must operate within, are specified in the Bill or in other Acts.

Without intervention, the piecemeal devolution of functions with lengthy implementation processes would continue. The Devolution Framework provides a route to creating a more consistent and simpler model of devolution across England.

## **Duty to cooperate with the Local Government Pension Scheme (LGPS)**

The LGPS for England and Wales is the UK's largest pension scheme, which protects the benefits of millions of staff working to provide local services who have devoted careers to supporting local areas. It includes 79 local pension funds in England, which invest through the LGPS asset pools. The pools have the local networks and capability to invest in projects which support local areas, while generating an appropriate return as a pension investment. However, in many places we know that a local or regional pipeline of investments is lacking, meaning that the significant potential of the LGPS to invest in growth-supporting projects is hampered.

The Government will introduce requirements on the LGPS and on Strategic Authorities to work with each other to develop such opportunities. This Bill includes the requirement placed on Strategic Authorities, and a reciprocal requirement will be placed on the LGPS funds and pools via the Pension Schemes Bill. If the Pension Schemes Bill does not go through parliament as planned, there is a risk this duty would only apply to Strategic Authorities, with no reciprocal duty on the LGPS. This would be sub-optimal, although a one-way duty could

still ensure that Strategic Authorities engage with the LGPS, which they do not always do at present.

The policy intent of the measure is to ensure that Strategic Authorities and the LGPS, including its asset pools, are working together to develop investable local opportunities with beneficial impacts. The LGPS pools and funds are the largest regional investors in most regions, with assets currently in the range £25-65bn. The new duty is vital to ensuring that LGPS investment is mobilised in support of local and regional growth. The Government does not therefore consider non-legislative options such as guidance to local partners to be sufficient and intends to put in place reciprocal and equal legal duties on both the LGPS and on Strategic Authorities.

### **Duty to produce a Local Growth Plan**

Despite existing strengths and latent potential for growth, opportunity is spread unequally and UK GDP per capita remains lower than pre-pandemic levels. Currently, approaches to foster growth vary in different parts of the country. Some places are held back predominantly by their transport infrastructure, while other places lack the necessary skills base. Similarly, energy or digital infrastructure, housing supply or quality, ill health, commercial space and innovation support are all known to be key constraints to growth in different parts of the country. Finally, as outlined above, levels of investment by UK local government remain below the OECD average whilst public investment and subsidies – when provided – has historically skewed towards London.<sup>20</sup>

To address areas' specific challenges and unlock growth, the Bill will create a new duty that will apply to all Mayoral Strategic Authorities (MSA) and Established Mayoral Strategic Authorities (EMSA), except the Greater London Authority. The duty will require them to each produce a Local Growth Plan (LGP); a locally led, long-term plan for the purposes of supporting local economic growth. This will include a requirement to agree 'shared local growth priorities' for economic growth with the government and for these to be included as part of the LGP. In London, the existing and well-established duty to produce an Economic development strategy for London (s.333F of the Greater London Act 1999) will play a similar role.

This duty will apply to the authority itself, rather than the Mayor. It will include a power for the Secretary of State to issue guidance on the production, content, alteration and replacement, and interpretation of LGPs. Once in place, an LGP should then provide high-level strategic direction that informs other wider plans the authority produces, and their actions to implement these plans (we expect to set this out in guidance, rather than the Bill itself). In this way, the duty will help empower authorities to deliver against long-term growth aims.

This measure will also help raise investment where it is most needed by ensuring that places have a plan for how they will invest and support growth and by setting out an investment pipeline to guide public and private investment. LGPs will provide a link between central government, the Growth Mission, the UK Industrial Strategy, and Strategic Authorities, cementing mayoral CAs' position in the architecture of devolution and economic growth

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<sup>20</sup> In England, spend per head in 2023-24 was highest in London. [Country and regional analysis: November 2024 - GOV.UK](#)

policy. LGPs will guide other, more detailed strategic plans at the regional and local level (e.g. Local Transport Plans, Spatial Development Strategies).

Other options considered include encouraging Strategic Authorities to produce a Local Growth Plan, using policy incentives alone rather than legislation. Separately, we considered a duty to deliver or support economic growth. This was deemed at an early stage to be difficult to define and inappropriate for a duty, given the multiple inputs that influence economic growth, many of which are outside the control of Strategic Authorities.

Without this statutory duty, the authorities would likely continue to produce 'Economic Assessments' and similar plans in relation to economic growth. However, this would likely continue to be inconsistent between places and may not be properly coordinated and aligned with national levers. Additionally, without intervention, Government would have less certainty (or ability to ensure) that Local Growth Plans are produced and when in place, that they are consistent, tangible plans for other strategic plans or other actors to engage with.

To give greater effect to these Local Growth Plans, the Bill will also create a new duty that applies to relevant non-departmental public bodies (NDPBs), with these NDPBs to be named in secondary legislation (regulations). This duty will require those named NDPBs to have regard to the 'shared local growth priorities' agreed between each authority and the government, however, it will not require a specific course of action to be taken. While the Greater London Authority will not have a duty to produce a Local Growth Plan, it will have the option of separately agreeing 'shared local growth priorities' with the government and, if the Mayor of London publishes these, this duty on NDPBs will apply to their 'shared priorities' as for other MSAs and EMSAs. The duty will apply to NDPBs in specific circumstances, namely, when the NDPB is preparing a bid for public funding; when it is developing a plan or strategy related to one or more shared priorities; or when an MSA or EMSA prompts the NDPB to have regard to one of its own 'shared priorities', for example as part of related engagement.

Other options included developing a Code of Practice or alternative non-legislative approaches such as guidance. These were deemed by officials and ministers to be less effective than a statutory duty. In order to ensure the duty is not overly onerous and does not cut across other statutory duties or responsibilities of NDPBs, it will not require a specific course of action to be taken.

Without this statutory duty, the 'shared priorities' could be overlooked by important NDPBs who otherwise may be able to facilitate progress on these priorities. For example, a shared priority on transport may not only require action by the authority and the government, but also from NDPBs involved in transport. This approach will ensure necessary attention is paid to the priorities agreed at both a local/regional level and a national level, while reflecting the degree of independence afforded to NDPBs.

### **Duty to have regard to Local Transport Plans**

As the Local Transport Authority, Strategic Authorities will have a duty under the Transport Act 2000 to produce a Local Transport Plan (LTP) setting out their local transport policies and how they will implement them. Under the Act, metropolitan district councils that are constituent members of a Strategic Authority have a duty to implement the Strategic Authority's LTP when carrying out their functions. This is intended to primarily relate to metropolitan districts councils' functions as the highway authority and traffic authority. This

duty does not generally apply to constituent members of CAs or CCAs who are county councils or unitary councils.

The English Devolution and Community Empowerment Bill will standardise this duty so that all constituent members of a Strategic Authority (metropolitan district councils, county councils, unitary councils, and non-metropolitan district councils) have a duty to implement the Strategic Authority's LTP. Without intervention, the duty would apply unevenly to different constituent members of Strategic Authorities. This could create inconsistency between the Strategic Authorities' local transport policies set out in their LTP and the highways and traffic policies of their constituent members. This inconsistency would also create confusion among members of the public or among local authorities.

Alternative options considered included using the secondary legislation that will be needed alongside this Bill to create specific new Strategic Authorities to include a duty on constituent members to implement the Strategic Authorities' LTP. However, this would not address the inconsistencies between existing Strategic Authorities where some constituent councils do not have this duty.

### **Duty to establish a Key Route Network and Power of Direction**

Mayoral CA/CCAs can designate their most important local roads as a Key Route Network (KRN). Establishing a KRN can help facilitate efficient travel, often across multiple local authorities. Currently, the roads within the KRN are managed by local highway authorities (e.g., individual local authorities), but which roads are included in the KRN is agreed by a CA/CCA. Some places have taken steps towards harmonising standards or maintenance across their KRN.

The Bill will introduce a requirement for all Mayors outside of London to designate a KRN as well as a duty to publish the KRN which means that the public will have a greater understanding of the roads which the CA/CCA has oversight of. The Bill will also provide Mayors of CAs or CCAs with a Power of Direction (PoD) over the KRN, enabling them to instruct local highway authorities to use their powers on the KRN. Whilst local authorities will retain ownership and asset management over KRN within their regions, Mayors will have the power to direct them to implement particular schemes or use their powers as highway authorities. This will streamline decision making and reduce bureaucracy, improving the efficiency of road management with positive impact users' travelling experience.

Introducing a requirement to have a KRN and the PoD will help develop a more consistent approach to KRN across England, ensuring that all mayoral CAs/CCAs have the potential to provide the same high levels of service and infrastructure. These measures have been previously consulted on in 2021, when Government consulted on proposals to give Mayors and mayoral CAs/CCAs more decision-making powers and accountability for the management of their KRN. There was support from the public (76%) for the PoD.

Several alternatives have been considered to address the management of KRN:

- The first option is to retain the status quo, where only two mayoral authorities have the PoD. This approach would not standardise mayoral powers across England, leading to inconsistencies in how KRN are managed.

- The second alternative involves stripping the PoD from the two existing mayoral authorities. While this would create consistency, it would not be a logical solution for improving transport within Strategic Authorities.
- The third option considered extending the KRN to the strategic road network. However, this could complicate management and dilute national oversight.

The preferred solution is to legislate for a requirement for all Mayoral CA/CCAs to designate a KRN and grant Mayors the PoD. This approach standardises mayoral powers and ensures that Mayors can effectively manage and improve local transport networks.

Without the PoD, Mayors would be unable to fully realise their commitments under local transport plans or other agreed strategic documents. This would lead to missed opportunities for ensuring that these documents are effectively delivered and have the greatest impact. The absence of a standardised approach across mayoral CAs/CCAs may also result in further disparities in highways interventions across the country, undermining public confidence in local governance and transport planning.

Ultimately, the measures aim to reduce congestion, ensure coherence across mayoral CAs/CCAs, and empower Mayors to deliver on their Local Transport Plans. The intended outcomes include reduced travel times, increased journey time reliability, and positive impacts on public transport and active travel; and examples of success indicators are faster delivery of major transport projects, reduced journey time and variability, and potential positive impacts on CO2 emissions. Monitoring these indicators will help gauge the effectiveness of the PoD. The English Devolution White Paper commits to a review of these powers after two years, and these indicators will be considered at that point.

### **On-Street Micromobility Regulatory Framework**

Shared micromobility schemes, including cycles, e-cycles, and e-scooters, have grown rapidly, and can offer greener, healthier, and more convenient transport options. However, integrating these vehicles into existing street space presents challenges, such as obstructive parking and antisocial behaviour. Local authorities lack the necessary powers to manage these schemes effectively, leading to negative impacts on public perception and in the use of public spaces.

Government intervention is needed to address the imbalance of power between operators and local authorities, ensuring that shared rental schemes are managed in a way that benefits whole communities, as well as the users of these schemes.

The preferred intervention option involves licensing shared micromobility schemes by local authorities. The regulatory framework will be developed and implemented through secondary legislation and supported by guidance.

Licensing schemes locally will empower local leaders to integrate micromobility into wider transport networks and access operator data, enabling better management of schemes and ensuring that operators adhere to agreements. This will allow schemes to be shaped to meet local needs, ensuring micromobility is an attractive option for journeys, including wider geographical coverage. It will also help mitigate negative externalities such as poor parking and antisocial behaviour, and facilitate the promotion of equitable geographic coverage of micromobility services.

The policy aims to create a regulatory framework that balances consistency and local adaptability, ensuring safe operation and integration into transport networks. Expected impacts include improved safety, reduced pavement clutter, better public perception, and enhanced accessibility to transport options. Further analysis of the impacts of micromobility licensing, including alternative options that have been considered, can be found in the full regulatory Impact Assessment below.

### **Bespoke Health Improvement and Health Inequalities Duty**

The Bill will introduce a new health duty on CAs and CCAs requiring them to 'have regard' to the need to i) improve the health of the people living in their areas and ii) reduce health inequalities between the people living in their areas, in the exercise of their functions. This will bring consistency across Strategic Authorities with each being subject to a health duty that is complementary and specific to the particular organisation type.

The duty is intended to support CA/CCA action on the wider determinants of health through the delivery of their existing functions, to promote a 'health in all policies' approach in line with this Government's Mission approach, and to give CAs/CCAs a statutory locus to be active leaders for health. It will make real the Government's ambition to embed long-term planning to ensure there is health in all policies and make sure this aligns with the responsibilities of local government. It will support delivery of the Government's health mission in England which will focus on addressing the social determinants of health, with the goal of halving the gap in healthy life expectancy between the richest and poorest regions in England.

There is inconsistency across the country in terms of the Strategic Authorities that have a health duty. Local authorities are subject to a health improvement duty (s.2B(1) of the NHS Act 2006 as inserted by the Health and Social Care Act 2012). Currently, CAs and CCAs (mayoral and non-mayoral) have the option of seeking conferral of the local authority health improvement duty and to date two have had this conferred on them (Greater Manchester Combined Authority and East Midlands Combined County Authority). The Greater London Authority is subject to a duty to have regard to health improvement and health inequalities under the Greater London Authority Act 1999.

The new duty will mean all Strategic Authorities will now have a statutory locus to be leaders for health and will support CAs and CCAs engagement with wider health and care system partners on matters related to health improvement and tackling of health inequalities. Without legislative change, it would not be possible to introduce a new duty, and there would remain inconsistencies in the Strategic Authorities that are subject to health duties, potentially widening the gap in health inequalities due to regional variation of population health measures.

We have considered maintaining the current approach whereby CAs/CCAs have the option of seeking conferral of the local authority health improvement duty, but this is not our preferred option going forward. The local authority duty was framed for a specific set of functions, including additional direct health delivery functions that were being transferred, along with resources, from the NHS to local authorities. We have also considered the approach of offering conferral of this duty on CAs and CCAs as a way of furthering the Government's ambitions in relation to health within the existing legislative framework. However, such an approach is sub-optimal and inconsistent with the new approach to the English Devolution Framework included in the Bill which will see all authorities at each level



of the framework automatically eligible for specific functions, with all those functions being automatically conferred to authorities at this level.

### **Mayoral Community Infrastructure Levy**

Local planning authorities (LPAs) in England can charge a Community Infrastructure Levy (CIL) in respect of development in their area to fund the infrastructure needed to support development. London is the only place in England where the strategic tier authority (the Mayor) can charge CIL (referred to as 'MCIL') in addition to the LPAs.

The Bill will extend the ability to charge MCIL to other Mayors providing that they have a Spatial Development Strategy (SDS) in place and a charging schedule has been approved by a simple majority of the members of the relevant authority who vote on it. Granting this power requires primary legislation.

A few alternative options have been considered:

- Rather than enabling Mayors to charge an MCIL, the Government could explore means of supporting LPAs to pool their individual CIL receipts to fund strategic infrastructure. Whilst this may be effective in some areas, it has weaker strategic alignment with Government's commitment to give Mayors strong powers to drive growth and regeneration for their areas.
- The Government could give Mayors the power to charge MCIL without the need to have an SDS in place. This would forego an opportunity to ensure a strong link between the Government's devolution and strategic planning agendas, which would otherwise provide assurance that Mayors have a comprehensive understanding of the local and strategic infrastructure needed across the area and how this aligns with housing need and growth opportunities.
- The Government could mandate that Mayors raise an MCIL, rather than give them the choice to do so. But Mayors may decide that it is not cost effective to raise MCIL given local market conditions, or would otherwise not benefit their areas due to other factors.

Without intervention, there would be a continued imbalance of devolved powers between London and other strategic mayoral authorities and no strategic Land Value Capture mechanism to fund cross-boundary, growth-supporting infrastructure.

### **Mayoral Development Management Powers**

Since the abolition of regional spatial strategies in 2011, London has been the only area in England with a functioning strategic planning framework: the Mayor of London has a duty to prepare a Spatial Development Strategy (the 'London Plan', which has been in place since 2004) and several strategic development management powers, including powers to intervene on applications of potential strategic importance and the power to make Mayoral Development Orders.

The Government is committed to reintroducing a strategic planning tier across England. The Planning and Infrastructure Bill will require Mayors (leading CAs and CCAs) in areas outside of London to prepare a Spatial Development Strategy for their area. The English Devolution and Community Empowerment Bill will extend the Mayor of London's development management powers to these Mayors. Together, these reforms will enable Mayors to shape the strategic direction of development in their area to support housing and economic growth.

Specifically, the development management powers that will be extended to Mayoral CAs/CCAs by the Bill will include:

- A duty on local planning authorities to consult the Mayor on applications of potential strategic importance – which the Mayor can then intervene on by either directing a refusal of the application, or taking over and determining the application themselves. The procedure and definition for potential strategic importance (PSI) will be set out in regulations.
- The power to make a Mayoral Development Order, where the Mayor can grant upfront planning permission for a strategic development in their area (similar to the power available to local planning authorities to make Local Development Orders).

The experience in London has demonstrated that the Mayor of London has used these development management powers effectively to support the practical implementation of the London Plan – for instance, by securing appropriate levels of affordable housing on strategic residential developments and ensuring the right development occurs around new stations, such as those on the Elizabeth Line. Without these powers, the Spatial Development Strategy would be less effective as a strategic plan.

It would not be possible, given the nature of planning legislation, for Mayors to shape the strategic direction of development in their area to the same extent if they only could prepare a Spatial Development Strategy. The alternative would be for them to become merely a statutory consultee for strategic development applications (which can be achieved through existing planning secondary legislation), but this is a less powerful tool and would mean that Mayors outside of London have fewer powers to do things like ensure appropriate levels of affordable housing, or new homes. Additionally, this would only allow them to make representations to the relevant local planning authority that would need to be considered, albeit the local planning authority could go against this advice and grant planning permission to applications which do not accord to the Spatial Development Strategy.

#### **4. Strategic Authority Reforms**

##### **Commissioners**

The Bill will enable Mayors to nominate ‘commissioners’ to lead on delivering against the CA and CCA ‘areas of competence’. These commissioners would not be CA or CCA members, but instead would be independent appointees, made by and accountable to the Mayor. A commissioner would be given one specific area of competence to lead on, such as transport. The commissioners would act as extensions of the Mayor, supporting the Mayor to deliver for residents on their specific policy area. Commissioners would not replace elected members. Areas will have the freedom to use a combination of commissioners and elected members to lead on different areas depending on what works best for them.

In the majority of CAs, it has become convention that the leaders of the constituent councils, who make up the board, are each given a ‘portfolio’, such as adult skills policy. This means that they will effectively be the policy lead on that area. Some elected members have a single area, some have multiple. In practice, this often does not work optimally. Constituent council leaders are very busy with work for their own council, which are significant organisations with powers and responsibilities in their own right. In the case of the new powers over

development management, experience from London has shown that delegating this function is vital not just to manage a significant workload but because the Mayor is sometimes a party to a decision and will need to be recused, making the commissioner role fundamental to executing the new function.

To introduce commissioners, legislation is required. Without intervention, Mayors will have limited options to bring in additional support as the Government is expanding their role and responsibilities. Giving Mayors the option to appoint commissioners will enable them to bring in external expertise and full-time resource to help deliver key priorities where members do not have the capacity to do so.

### **Remuneration**

The Bill will enable CAs and CCAs to pay an elected member of a CA or CCA a ‘special responsibility allowance’ for work done in service of the CA.

Being a board member for a CA/CCA is a vital strategic role and can involve holding an important portfolio such as adult skills alongside other commitments. Currently, elected members who are portfolio holders cannot be remunerated by the CA/CCA – instead, they can only be remunerated by their constituent council. Currently, the question of allowances to CA or CCA members is dealt with in each of the SIs establishing individual CAs or CCAs.

If this measure is not taken forward, then members of CAs/CCAs would still be able to take on portfolio roles as they do currently, but they would have less incentive and capacity to fully deliver.

### **Preventing Mayors from simultaneously holding elected office in a UK legislature**

The Bill will prevent Mayors of Strategic Authorities (SAs) from simultaneously holding that office after being elected to the House of Commons, Scottish Parliament, Northern Ireland Assembly, or the Senedd. Currently they are able to do this provided that they are not also the PCC.

The office of Mayor is a vital strategic role that requires the postholder to represent their area and advocate for its best interests. This position is compromised when individuals have another potentially contradictory obligation to represent their constituents (over a different smaller geography) as an MP. Moreover, being a Mayor requires significant commitments in terms of time and effort, which would not be possible for an individual holding dual positions to provide.

Government intervention is required because to introduce an enforceable rule that Mayors cannot also be MPs, we need to introduce new legislation.

### **Mayoral Precept**

Currently, in CAs and CCAs, revenue for the mayoral precept can only be used for mayoral functions set out in legislation, which is a limited subset of the full range of mayoral CA/CCA functions. This means the revenue cannot be used on the full range of functions, often including vital growth levers like bus services and adult skills. Legislating to correct this will raise the value for money of this existing power. Without intervention, we cannot enable Mayors to use this revenue against their full range of functions.

### **Power to Borrow**

The Bill will confer a power to borrow to all mayoral CAs/CCAs for all purposes relevant to their transport, fire and policing functions upon creation of the institution. The power to borrow will also be conferred to mayoral CAs/CCAs for any other functions, with a requirement that they must obtain consent from the Secretary of State before exercising for the first time in respect to those other functions.

Existing mayoral CAs/CCAs already have borrowing powers for all their functions in order to invest in economically productive infrastructure and maximise their delivery capabilities for their respective areas, in line with local authorities' existing power to borrow.

However, this power is only conferred to CAs upon creation for transport functions and it is not conferred at all for CCAs. This means that, under the current legislation, the Secretary of State is required to confer the power to borrow to each CA/CCA for all their functions via a separate bespoke statutory instrument once the CA/CCA is established.

Without intervention, the current burdensome requirement of doing bespoke statutory instruments would be maintained.

### **Budget voting arrangements**

We want to standardise the governance arrangements for the setting of CA and CCA budgets and transport budgets. CA and CCA budgets and transport budget proposals should be approved by a simple majority vote of members, including the Mayor.

Currently, the voting arrangements on CA or CCA financial matters are different in each CA or CCA. Some areas require a majority of members to vote in favour to pass a budget, while others require a unanimous vote. Most areas exclude the Mayor from the vote.

This arrangement is not ideal for three reasons:

- a) Unanimous budget voting arrangements, which several CA/CCAs have, encourage an even spread of spending amongst constituent areas rather than targeted, strategic investment. A majority vote would be preferable because the Mayor would not have to appease all constituent members when passing a budget.
- b) The Mayor often does not have a vote. This means the person elected directly by the residents of the area does not have the ability to vote on budget setting.
- c) We want to move away from a bespoke set of arrangements, towards a standard model, so that residents can hold their local leaders to account. Standardising budget voting arrangements is part of that.

Government intervention is required because Budget voting arrangements are set out in the Orders or Regulations that establish each CA and CCA. To change this and create a standard model across all CAs and CCAs, primary legislation is required.

Without introduction of the new duty, the inconsistent approach to CA/CCA budget voting would be maintained, leaving some areas with voting systems that discourage making big choices and exclude the Mayor.

### **Supplementary Vote**

The Bill will revert the voting system for electing people to single executive roles back to the Supplementary Voting (SV) system from the First Past the Post (FPTP) system. The aim of

the change is to give a broader range of support for the person elected through using a system which requires the winner to have a majority of votes.

While elections to councils and parliaments using FPTP provide an opportunity for the electorate to select a range of candidates to take office and create a body where differing views and policies are represented, the same benefits do not apply when electing to a single-person executive position.

This system was in place for all mayoral and Police (Fire) and Crime Commissioner polls prior to May 2024. Any change to the voting system for these polls must be made via primary legislation.

Without intervention, the FPTP electoral system for Mayors would remain in place.

## **5. Local Government Structures and Accountability**

### **Local Government Reorganisation (LGR)**

The Bill will facilitate the Government's ambitious plan for local government reorganisation. Reorganisation concerns two-tier areas, and unitary councils where there is evidence of failure, or where their size or boundaries may be hindering their ability to deliver sustainable and high-quality public services. It may therefore include replacing two-tier local government with unitary structures or merging existing unitaries to create more sustainable councils.

The Bill will establish a new route for merging to align with the process for unitarisation. Currently, a merger of single-tier areas can only be done using Section 15 of the Cities and Local Government Devolution Act 2016, which requires the consent of all authorities involved in the merger. The new pathway will align the process for merging single-tier areas with the process for reorganising two-tier areas into single unitary tiers, to ensure a clearer and more consistent approach. Proposals will be submitted by the local areas themselves in response to an invitation or direction, and will not require consent. The Secretary of State will then be able to decide whether to implement the proposal after consulting affected local authorities that have not made the proposal and such other persons considered appropriate.

The Bill re-introduces a power of direction to allow the Secretary of State to direct a council to develop and submit proposals for local government reorganisation, to ensure better outcomes for residents in areas that have not been able to make progress on reorganisation.

To assist with filling the devolution map, the Bill will make further amendments to the Local Government and Public Involvement in Health Act 2007 to streamline interactions between devolution and LGR. A measure being introduced will enable the establishment legislation for the legal status of CCAs to be converted to a CA following local government reorganisation to prevent CCAs from needing to dissolve. . The Bill also makes provision for abolishing CAs or CCAs for the purpose of implementing a proposal in connection with a structural or boundary change, arising from any change to a single tier of local government. This power can only be used where an order makes provision for a single tier of local government for an area that comprises or includes the area of a combined authority or combined county authority.

The Bill also includes a measure to ensure that, following Local Government Reorganisation (LGR) in an area, the order which confers functions on a new local authority can also provide that, during the transitional period, those functions are no longer held by the existing (or

‘predecessor’) local authority. This is for functions in relation to a Combined Authority (CA) or Combined County Authority (CCA), such as the function to prepare and submit proposals (including consenting) to the establishment or changing of the boundaries of a CA or CCA.

### **Mandating Cabinet Governance Model**

Principal local authorities in England may operate under one of three governance models: executive arrangements with a leader and cabinet or with a directly elected Mayor and cabinet, or the committee system. A local authority can change its governance model by a council resolution; this may be preceded by a referendum, which in turn may be preceded by a petition of local electors triggering a referendum on governance arrangements to be held.

The English Devolution White Paper included a commitment to consider which governance models available to local authorities across the sector will best support their decision making. The White Paper also committed to a policy that single local authorities cannot become mayoral strategic authorities; instead, the Secretary of State would be empowered to designate single local authorities as non-mayoral foundation strategic authorities.

Directly elected Mayors of CAs or CCAs continue to be a prerequisite for significant devolution of powers and funding: it is at this strategic level that the single focal point of leadership for the area and direct electoral accountability works best. In this context, the continued existence of new directly elected local authority Mayors risks confusion.

The committee system is a poorer form of governance for local authorities, particularly the larger, unitary councils. It suffers from more opaque and potentially siloed decision making, a lack of clear leadership and accountability, with decisions taking longer to be arrived at.

Therefore, the committee system model of local authority governance will be withdrawn by the Bill, with all councils currently operating under it to adopt new constitutions featuring leader and cabinet arrangements as the sole form of governance. This change will increase efficiency of decision making and clarity of responsibility, both at local authority level and across the strategic authority area of which those local authorities are constituents. In addition, while local authorities with a mayor and cabinet may retain that governance model, the option to move to mayor and cabinet (whether by resolution or by referendum (including the arrangements for petitions)) will be withdrawn.

The current governance options are set out in primary legislation. Therefore, primary legislation is required to ensure that all principal councils in England operating under the committee system move to the leader and cabinet governance model. It is possible that many councillors currently involved in committees will not want to see that part of their role move to cabinet portfolio holders. Therefore, we need to take a non-voluntary approach to enacting this shift in local authority governance models.

### **Effective Neighbourhood Governance**

The English Devolution White Paper confirmed that “local government plays an essential role in convening local partners around neighbourhoods to ensure that community voices are represented and people have influence over their place and their valued community assets.” In the context of local government reorganisation, the White Paper also set out Government’s expectation that new councils take a proactive and innovative approach to neighbourhood involvement and community governance so that citizens are empowered.

The Bill will empower communities to have a voice in local decision by introducing a requirement on all local authorities in England to establish effective neighbourhood governance. The requirement for local authorities to have effective neighbourhood governance will empower ward councillors to take a greater leadership role in driving forward the priorities of their communities. This will help to move decision-making closer to residents, so decisions are made by people who understand local needs. Additionally, developing neighbourhood-based approaches will provide opportunities to organise public services to meet local needs better.

Effective neighbourhood governance will help strengthen the ability of local people to influence decisions made by their local authority across the country. There is a clear appetite for greater say at a neighbourhood level, with only 23% of people feeling they can personally influence decisions affecting their local area, despite 50% believing it is important (2023/24 Community Life Survey).

Greater community engagement can improve the reach of services into communities through mobilising wider communities and leveraging local relationships and trust to improve access to services across disadvantaged or marginalised groups. Evidence from the National Lottery Community Fund has highlighted that public services that are open to citizen participation and which actively encourage and create meaningful opportunities for it are likely to work better for people and be trusted more.

Involving communities in decision making can also build legitimacy and confidence in the outcomes of decisions made. Regular and meaningful engagement with diverse groups of people on local issues that affect their lives most can provide an opportunity for impactful democratic participation where citizens gain a better understanding of and greater trust in decision-making processes.

We also explored alternative options of (1) setting an expectation that local authorities have due regard for community partners in local decision making or (2) mandating a specific approach to neighbourhood governance on the face of the Bill. The first option would not provide strong enough expectations for local authorities to embed neighbourhood working structures in order to lead to increased levels of community engagement in decision making. The second option was not chosen in order to allow for the department to work closely with the sector to draw on their expertise and best practice to set out the core requirements of effective neighbourhood governance. The decision to require local government to have effective neighbourhood governance, and to set out the detail of that in further regulations, provides the right balance of setting strong expectations and enabling different models that can work effectively for different places.

## **Local Audit Reform**

The financial accounts of 400 'Category 1' local bodies in England – including local government, police, fire, transport, and similar bodies – are subject to external audit. Local audit should be the bedrock of local accountability and transparency, of trust and confidence that taxpayers' money is being used wisely. Local audit also supports MHCLG in its stewardship role and provides assurance to the many users of local bodies' accounts.

However, the local audit system is broken, exemplified by an unprecedented audit backlog. By September 2023, there were 918 outstanding audits. Only 1% of audited accounts for

financial year 2022/23 were published by the original deadline. This backlog has also been a central factor in the disclaimed audit opinion issued on the Whole of Government Accounts for 2022/23. The Government, working with key system partners, has taken decisive action to clear the backlog, including by setting statutory backstop dates for the publication of audited accounts.

The measures implemented to clear the backlog are important, but do not address the deeper systemic shortcomings which produced it. These are particularly evident in the following areas:

- **Capacity.** There is a severe lack of auditors, with a limited number of audit firms operating in the sector, as well as capacity issues for account preparers.
- **Co-ordination.** Multiple organisations oversee and regulate audit, across various sectors and countries, and with responsibilities for different frameworks. There is no clear ownership. This limits the ability to align incentives and establish a single vision.
- **Complexity.** Financial reporting and audit requirements are disproportionately complex and beyond the system's capacity. Standards are largely modelled on corporate audit. This inadvertently incentivises firms to be risk averse, and to allocate resources to areas of less relevance to accounts users.

Despite best efforts by existing organisations, local bodies' finance teams and auditors, these weaknesses are inherent to the current system and cannot be simply rectified. Without significant intervention (which requires legislation), the current malfunctioning system would continue to fail, and with it there is a clear risk that the backlog would reoccur. This would continue to undermine transparency and accountability. It would also heighten the risk that the Whole of Government Accounts would continue to be disclaimed.

To meet this challenge, the Bill will overhaul the local audit system. The new Local Audit Office (LAO) will radically simplify the system and bring crucial functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.

The Government's changes, including the creation of a new central body, align with the recommendations of independent reviews, including the Kingman Review (2018) and the Redmond Review (2019). Similar conclusions have also been reached by the previously constituted Housing, Communities and Local Government Committee and the Public Accounts Committee.

Local government and most health bodies are governed by the same legislation and share the same Code of Audit Practice; the two audit systems are strongly aligned with the same auditors working across both. Whilst the audit of local NHS bodies functions better than the system for 'Category 1' bodies without the backlog of outstanding audits, there are challenges in respect of capacity and increased regulatory pressures. This has led to some NHS audits missing deadlines contributing to delays in the annual report and accounts of the Department of Health and Social Care (DHSC), NHS England (NHSE) and the Consolidated Provider



Accounts (NHS providers such as acute hospitals, mental health trusts, community health trusts and ambulance trusts). As such, DHSC is committed to working with MHCLG and key stakeholders to deliver the reforms needed to address systemic issues.

In addition, there are over 10,000 smaller authorities (such as town and parish councils) which are subject to a limited reporting and assurance regime and will be subject to some elements of these reforms. In the longer term, the LAOs' appointment and contract management function will expand to include the smaller authorities' appointment and assurance framework to minimise fragmentation in the system and share good practice.

## **6. Communities**

### **Community Right to Buy**

The Bill will introduce a Community Right to Buy which will replace the current Community Right to Bid policy introduced in the Localism Act 2011. The existing policy has been criticised by community stakeholders and the Communities and Local Government Select Committee as insufficient at bringing assets into community ownership.

The Government committed to introducing Community Right to Buy in the King's Speech in July 2024. This requires amendments to the Localism Act 2011 and new measures through primary legislation. Provisions in the Bill introduce a Right of First Refusal, granting community groups greater powers to purchase Assets of Community Value (ACVs) at a negotiated or market value price within a 12-month moratorium period from the point of listing for sale. Asset owners can request a review and termination of the Right to Buy at the six-month point.

The policy will impact asset owners by delaying sales due to the extended moratorium period and restrictions on selling on the open market. However, an appropriate compensation scheme is proposed to offset this impact. The policy aims to bring significant benefits to communities by protecting and maintaining valued local assets.

The current Community Right to Bid allows community groups to nominate buildings or land as ACVs and trigger a six-month moratorium if the asset is put up for sale. However, this policy has been criticised for not providing sufficient powers to bring ACVs into community ownership:

- The current policy does not provide guarantee of purchase to community groups who could raise the funds;
- The current six-month moratorium is often an unfeasible timeframe for the community to organise and raise the necessary funds;
- The definition of an ACV is too narrow, limiting the scope of assets that can be registered; and
- Community groups do not have access to an appeals process to contest the local authority's decision not to list their nominated asset.

Community assets are vital for social cohesion and the vitality of high streets and town centres. Without intervention, the loss of ACVs will continue - with the associated social, and often economic, decline this can create in local communities. Strengthening the powers through Community Right to Buy will empower communities and align with broader

Government priorities. Further analysis of the impacts of Community Right to Buy, including alternative options that have been considered, can be found in the regulatory Impact Assessment below.

## **Sports Stadiums**

Sports grounds and their facilities are vital community assets that foster local pride, encourage physical activity, and strengthen social bonds. Despite the introduction of Asset of Community Value (ACV) provisions in 2011, fewer than 100 sports grounds of over 6000 in England have secured protection. This leaves many grounds at an enhanced risk of loss or closure, and makes it harder for communities to take ownership of them.

This low uptake likely reflects a lack of community awareness and capacity to enlist grounds as ACVs, or a lack of suitability with the current ACV legislation. This leaves grounds at a heightened risk of redevelopment when put up for sale by their freehold owner and leaves communities without a clear ownership pathway. Without government intervention to create a more streamlined and accessible protection framework specifically designed for sporting assets, more communities risk losing these essential spaces that contribute to local wellbeing, community cohesion, and sporting heritage. A more robust and tailored approach is needed to ensure these vital community resources can be preserved for future generations.

The English Devolution and Community Empowerment Bill will therefore introduce a new type of Asset of Community Value – the Sporting Asset of Community Value (SACV). SACV status will be conferred on all eligible sports clubs to protect them against redevelopment and enhance the ability of communities to take on their freehold ownership. To achieve this, the Bill will:

- facilitate the automatic registration of all sports grounds in England into the SACV category.
- indefinitely ascribe protected status to listed assets so long as certain conditions are met.
- expand the eligible footprint to allow facilities that support the functioning of a sports ground to be indefinitely listed as Assets of Community Value e.g. car parks.

The SACV provisions in the Bill are vital to address gaps in the current ACV legislation and deliver the Government's commitment to enhancing protections for, and increasing community ownership of, cherished community assets. SACV status will ensure the full range of sports assets are protected, encompassing facilities that support the functioning of sports grounds. Further analysis of the impacts of SACV, including alternative options that have been considered, can be found in the regulatory Impact Assessment below.

## **Removal of Upwards Only Rent Reviews**

Upwards Only Rent Review (UORR) clauses are common clauses in commercial leases. At pre-agreed points within a lease (normally every 5 years), the rent will be reviewed, and UORR clauses ensure the new rent can only increase or stay the same, even if the market has declined. UORR clauses ensure rent changes always favour landlords, regardless of market conditions.

UORR clauses lead to a number of market inefficiencies including higher rents during economic downturns leading to lower profits for tenants; supernormal profits for landlords which do not reflect innovation on their part causing property price and rent inflation; and potentially higher consumer prices.

The sector has historically regulated itself via industry-approved Codes of Practices<sup>21</sup>. However multiple research studies have found this self-regulation approach to commercial leasing in England and Wales is not working well as the Codes have been largely ignored<sup>22</sup> and stakeholders generally agree that UORR clauses remain standard in commercial leases that exceed five years. Stakeholders report that UORR clauses are artificially inflating commercial rents and ultimately pricing out small businesses from town centres.

The Bill will ban UORR clauses in new commercial leases in England and Wales. The ban will also apply to renewal leases where the tenant has security of tenure under Part II the Landlord and Tenant Act 1954. The provisions will help removing potential landlord manipulation of the market, with the aim of making commercial leases fairer for tenants, the market more efficient, and ultimately contribute thriving highstreets and economic growth. Further analysis of the impacts of banning UORR clauses in new commercial leases, including alternative options that have been considered, can be found in the regulatory Impact Assessment at below.

**These issues with current local government and devolution legislation underpin the rationale for government intervention.**

The Bill will give local leaders across the whole of England the powers they need to drive growth and prosperity in their areas whilst recognizing the importance of an organized community voice. Without the Bill, the problems identified above with existing legislation would persist, and devolution would continue to develop in an ad-hoc, piecemeal manner, without a clear route to deepening and standardising the powers of Mayors.

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<sup>21</sup> Royal Institution of Chartered Surveyors, *Code of Practice for Commercial Leases* (RICS, 1995); (RICS, 2002); (RICS, 2007); (RICS 2020)

<sup>22</sup> Crosby, N., (2006) *Small business lease reform - can the UK learn from the Australian experience?* Working Papers in Real Estate & Planning. 14/06. Working Paper. University of Reading;  
Adams, J.E. (2000) 'Failure of Commercial Leases Code?', *Conv.*, pp. 372-375;  
Reading University (2005) *Monitoring the 2002 Code of Practice for Commercial Leases*. Office of the Deputy Prime Minister, February;

## 4. SMART objectives for intervention

The English Devolution and Community Empowerment Bill is the primary legislative vehicle for delivering the Government's agenda to reset the relationship with local and regional government and empower local leaders and Mayors to make the right decisions for their communities. It has five main objectives:

**Objective 1. Facilitate progress in widening coverage of Strategic Authorities across England.** The intended outcome is to increase the coverage of SAs in England by incentivising councils to form an SA through enhanced powers and greater control over local decision making. We will streamline the process for both the establishment of SAs and changing the boundaries of existing SAs.

**Objective 2. Deepen the powers of local leaders.** The intended outcome is for new functions and duties for local leaders to be established in law, deepening existing settlements and granting powers to new SAs, and by introducing a new 'right to request' for Mayors to request additional powers.

**Objective 3. Hardwire devolution into local government.** The intended outcome is to make devolution by default the norm for Government. This will be achieved primarily through putting the new devolution framework on a statutory footing, providing clarity on the powers and standardising governance arrangements at each level of the framework with the expectation that it will grow over time due to suggestions from Strategic Authorities and the 'right to request'. It will also hardwire devolution into Government through statutory duties for Local Growth Plans and providing Mayors with powers to convene local stakeholders.

**Objective 4. Ensure that local and regional government is fit, legal and decent.** The intended outcome is to improve accountability in the local government sector by reforming audit, by mandating the cabinet governance model, and via measures on neighbourhood governance. In addition, reforms to Strategic Authorities will improve the operation of the sector and ensure it is fit for purpose by allowing the appointment of commissioners and remuneration of Members; preventing Mayors from also serving as MPs simultaneously; and standardising governance arrangements for the setting of budgets.

**Objective 5. Empower communities to have a voice in local decision making.** The intended outcome is for communities to have greater rights to be involved in important local issues.

Through these objectives, the Bill will shift power out of Westminster and into England's regions, strengthening the ability of local leaders and communities to take decisions over local public services and act strategically to grow the local economy.

The Bill aligns with several of the Government's missions and the Department's strategic priorities:

- **Kickstart economic growth** – Mayors, with the right strategic powers over transport, planning, housing and skills, are able to use their clear democratic mandate and platform to take the difficult decisions needed to drive economic growth. As set out in the overarching strategic case, there is a growing body of evidence which indicates the impact devolution can have on growth, and case

studies of how existing Mayors are driving growth in England are detailed in the English Devolution White Paper.<sup>23</sup>

- **Safer Streets** – Measures within the Bill will allow more Mayors to take on PCC functions in future. Mayors have broader local powers than PCCs, and conferring policing functions onto them enables them to join up local services and take a holistic approach to improving local outcomes.

It also directly supports MHCLG's strategic priorities to drive growth across the country and ensure a strong and sustainable local government sector with resilient, connected and integrated communities.

To note, the impact on small and micro businesses has been considered as part of the impact assessment. More detail on this can be found within Section 6.

### **Potential indicators to monitor progress**

The department has started to consider potential indicators that could be used to monitor both the outcomes and progress made by Government in delivering the objectives. Work is at a very early stage and there are a number of choices that still need to be made. However, examples of these, by objective and outcome, are outlined below (please note that this list is not exhaustive).

#### **Objectives 1, 2 and 3:**

Increase coverage of SAs in England:

- The number of new SAs established by Government; the number of proposals brought forward by local authorities for new SAs; the length of time taken for establishment of the institutions.

Deepen powers of Mayors:

- Increased participation in relevant pension pools.

Hardwiring devolution into local government:

- Reviews of the relationship between SAs and central Government departments and ALBs.
- Number of times the 'right to request' is exercised by Mayors; number of SAs that are designated as 'Established' MSAs.

#### **Objective 4:**

Impact of new audit body on the sector:

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<sup>23</sup> [English Devolution White Paper](#), pp. 40, 42, 56-57, 68.

- Reduction in the audit backlog.
- Speed up the length of time taken for accounts to be audited; greater capacity in the sector.

**Objective 5:**

- Number of assets of community value which are purchased by communities (or consortia of community and partner organisations) as a result of the Community Right to Buy.
- Number of sporting assets of community value which are purchased by communities (or consortia of community and partner organisations).

## **5. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives**

Preferred option: Primary legislation is required to deliver the preferred option. It is only by changing the law that we could deliver the reform required to hardwire devolution into local government. This option will ensure that Government can fully deliver its commitments to deepen the powers of local leaders across England, reform local government and hand back control to local communities.

The Bill contains a number of reforms to facilitate further and deeper devolution, reform local government and empower communities, which are grouped into sets of measures, as set out under the following headings: Devolution Structures; London; Duties and Powers; Strategic Authority Reforms; Local Government Structures and Accountability; and Communities. The table below at Figure 1 sets out the full list of measures included in the Bill and how they meet the objectives.

As the Bill draws together a wide range of reforms aimed at meeting the distinct objectives set out in Section 4, the vast majority of which are out of scope of the BRF, we have not set out within the overarching narrative IA a logic model or theory of change for the Bill overall. Further detail on the logical change process for the individual measures in scope of the Better Regulation Framework can be found in the individual regulatory IAs below.

**Figure 1: Full list of English Devolution and Community Empowerment Bill measures**

Measure	In scope of BRF?	How the measure is meeting the objectives				
		Objective 1. Facilitate progress towards universal coverage of Strategic Authorities across England.	Objective 2. Deepen the powers of local leaders.	Objective 3. Hardwire devolution into local government.	Objective 4. Ensure that local and regional government is fit, legal and decent.	Objective 5. Empower communities to have a voice in local decision making.
A. Devolution Structures						
<p><b>1. Designation of Strategic Authorities for the Devolution Framework</b></p> <p><i><b>Description:</b> This measure will establish SAs, including all CAs, CCAs and the GLA. All SAs will be assigned to one of three levels in the devolution framework; Foundation, Mayoral and Established Mayoral. The Secretary of State will have the power to designate principal authorities as Foundation Strategic Authorities, and to designate mayoral CA and CCAs as Established Mayoral SAs.</i></p>	No	By allowing for there to be various ‘levels’ of SAs, the Government is ensuring that there is not a ‘one size fits all approach’ to devolution, while providing for consistency at each level of the framework. For instance, this enables places which have not yet decided to adopt a Mayor to be established as a non-mayoral SA (Foundation SA). The Secretary of State will also be able to designate individual local authorities as Foundation SAs.	By allowing for SAs with different levels of devolution, we expect that more SAs will be created, as some areas will not be immediately ready for mayoral devolution and will prefer Foundation level devolution initially. By allowing MSAs to be designated as ‘Established’, institutions will be able to deepen their devolution settlements as they mature.	By legislating for different ‘levels’ of SAs, the Government will allow for areas to easily understand the powers and duties they will be conferred with, whilst also reducing the legislative time it takes to establish a new SA or transition an SA from one ‘level’ to another.	N/A	N/A
<p><b>2. Providing Powers via the Devolution Framework</b></p>	No	Providing powers via the framework and moving away from reliance on individual statutory instruments	Rooting powers in primary legislation puts the powers of local leaders on a stronger footing. The	Putting the framework into primary legislation effectively hardwires devolution into the local government landscape		



<p><b>Description:</b> This part of the Bill will establish a devolution framework, allowing for a clear and consistent list of functions to be conferred on SAs at each level of devolution.</p>		<p>will speed up the process of new areas becoming SAs, and facilitate greater coverage of SAs. Putting it in primary legislation also puts the organisations and their functions on a stronger footing.</p>	<p>framework will also expand the powers areas already have.</p>	<p>and gives assurances to local areas that they are enshrined in law.</p>		
<p><b>3. Expanding the Devolution Framework</b></p> <p><b>Description:</b> This part of the Bill will establish how the devolution framework can be expanded over time, by adding new functions or changing the way functions operate.</p>	No	<p>By allowing for an expansion of the framework and increased powers over time, this measure incentivises areas to become SAs.</p> <p>By allowing certain exceptions where Secretary of State consent is still required, this makes the proposal workable for areas where bespoke arrangements are necessary.</p>	<p>This measure allows for areas to expand over time the powers in the framework, directly deepening the powers of local leaders.</p>	<p>By allowing areas to expand their powers over time, this measure provides a route for continually hardwiring devolution into the way government works. Areas can ask for new powers where they need them, and new powers can be given to local areas rather than delivered through central government as default.</p>	<p>Expanding the devolution framework is key to ensuring local government is fit to meet the needs of a modern state. This measure will ensure we manage the process effectively. By allowing exceptions where Secretary of State consent is required, we can manage the process to ensure local and regional government is holding the right powers.</p>	N/A
<p><b>4. Streamlining Establishment of SAs</b></p> <p><b>Description:</b> This part of the Bill would establish a new and simplified process for establishing new CA and CCAs.</p>	No	<p>Streamlining the existing processes for establishing new SAs or changing existing ones will enable universal coverage to be achieved at a faster pace, with fewer legislative hurdles to overcome. This will assist towards universal coverage of</p>	<p>Universal coverage of devolution institutions, which the streamlining amendments will assist with, gives local leaders more powers, as SAs typically will have greater devolved powers than local authorities.</p>	<p>Universal coverage of devolution institutions, which the streamlining amendments will assist with, coupled with the new framework, will hardwire devolution into local government across England.</p>	N/A	N/A

		devolution (including mayoral devolution) across England.				
<b>5. Mandating the creation of SAs</b>  <b>Description:</b> This measure will introduce new ministerial powers to mandate the creation of new SAs or add councils to existing SAs without consent in England. This power will only commence on regulations.	No	Where local leaders have not been able to agree a route to devolution, the new ministerial powers will enable the Secretary of State to prevent, for example, a situation where progress on devolution is held up by a single local authority. In doing so, this will facilitate universal coverage of SAs (including mayoral SAs) across England.	Universal coverage of devolution institutions, which the power will assist with, gives local leaders more powers, as SAs typically will have greater devolved powers than local authorities.	Where local leaders have not been able to agree a route to devolution, the new ministerial powers will enable the Secretary of State to prevent, for example, a situation where progress on devolution is held up by a single local authority. In doing so, this will hardwire devolution into local government across England.	N/A	N/A
<b>6. Converting SAs following Local Government Reorganisation</b>  <b>Description:</b> This part of the Bill will ensure there is a clear and streamlined process for converting CCAs to CAs following local government reorganisation.	No	CCAs and CAs will be designated as an SA by default. Following local government reorganisation, CCAs will no longer meet the constituent member requirements to maintain CCA status under the 2023 Act. Conversion will ensure these authorities can become CAs, therefore maintaining SA status.	N/A	Conversion will allow the Secretary of State to change the status of an authority from CCA to CA via a negative procedure, ensuring areas can continue to access devolved powers through an SA.	Conversion will ensure that local authorities remain fit, legal and decent by ensuring areas can continue to access devolved powers through an SA, by enabling the necessary constitutional changes to continue functioning under CA status.	N/A
<b>7. Enabling a single Mayor to hold Police and Crime Commissioner functions over more</b>	No	N/A	This measure would enable a Mayor to become the PCC for two or more police force areas which sit wholly within the SA	N/A	N/A	N/A

<p><b>than one police force area</b></p> <p><b>Description:</b> This measure would allow a Mayor to become PCC for two or more police force areas which sit wholly within the Strategic Authority's area.</p>			<p>area, allowing more Mayors to become PCCs. Mayors have broader local powers than PCCs, and conferring policing functions onto them enables them to join up local services and take a holistic approach to improving local outcomes.</p>			
<p><b>8. Alter police and fire boundaries incidentally on the transfer of PCC and/or FRA functions to the Mayor of a Strategic Authority</b></p> <p><b>Description:</b> This measure would amend s.107F of the Local Democracy, Economic Development and Construction Act 2009 to give the Home Secretary the power to alter police and fire boundaries incidentally on the transfer of PCC and/or FRA functions to the Mayor of a Strategic Authority. This will be considered on a case-by-case basis to ensure the continued efficiency and effectiveness of PCC and FRA functions.</p>	No	N/A	<p>This measure would allow more Mayors to take on PCC functions in future. Mayors have broader local powers than PCCs, and conferring policing functions onto them enables them to join up local services and take a holistic approach to improving local outcomes.</p>	N/A	N/A	N/A
<b>B. London</b>						

<p><b>9. Arrangements for the GLA in the new devolution architecture</b></p> <p><b>Description:</b> This part of the Bill will set out how the devolution framework, areas of competence and mayoral powers of competence will apply to the GLA, and how new functions can be conferred on the GLA. The measure will ensure the GLA's devolution arrangements are as closely aligned as possible to arrangements for the rest of England.</p>	No	N/A	These measures will ensure that the GLA can deepen its powers over time. It will provide the Secretary of State with a new power to confer functions on the GLA via Statutory Instrument, which is not currently the case.	By giving the GLA the 'right to request', we are hardwiring the GLA into the new devolution structures, enabling it to request further powers over time.	N/A	N/A
<p><b>10. Mayor of London consenting power for TfL land disposals.</b></p> <p><b>Description:</b> This measure will allow the Mayor of London to decide on the sale or lease of TfL land, by removing the current DfT Secretary of State consent requirement.</p>	No	N/A	This measure will improve local ability to manage TfL assets and enable more rapid decision making about the sale and leasing of TfL land for development by empowering the Mayor of London to consent to TfL land disposals.	N/A	N/A	N/A
<b>C. Duties and Powers</b>						
<p><b>11. Mayoral Powers of Competence</b></p> <p><b>Description:</b> The Bill will confer a suite of powers onto the</p>	No	N/A	The powers of the MPC will deepen the power of local leaders. The power to convene and duty to collaborate are held	The suite of powers within the MPC will codify strategic authority mayors' soft powers, enabling mayors to better drive growth, collaboration and	N/A	N/A

<p>mayors of strategic authorities. The Mayoral Powers of Competence (MPC) is made up of: the General Power of Competence (GPC); a mayoral power to convene and corresponding duty for local partners to respond; and a formal mechanism for collaboration between neighbouring mayoral strategic authorities.</p>			<p>by the mayors of a strategic authority, whilst the GPC is held jointly by both the mayor of the strategic authority and the authority itself.</p>	<p>improvement across their geographies.</p>		
<p><b>12. Statutory competencies</b></p> <p><b>Description:</b> There will be seven new areas of competence which all SAs have a mandate to act in. Mayors will also hold new powers, enabling them to convene and compel stakeholders to respond on these new areas of competence.</p>	No	<p>The seven areas of competence are broad categories covering elements such as economic development and regeneration. The scope of the competencies, as well as the Mayoral Powers of Competence (MPC), ensure that an SA receives comprehensive powers. The scope of these powers is likely to incentivise the establishment of SAs.</p>	<p>The thematic areas of the competencies, and the MPC, will ensure that local leaders have access to new powers which have not previously been available. Established Mayoral SAs and Mayoral SAs will have access to the full General Power of Competence, a power CA and CCA leaders have been requesting from Government (local authorities already have access to the GPC).</p>	<p>Each 'area of competence' will essentially act as the headings for the functions that will be included in the statutory framework. The Secretary of State will be able to add new functions to the framework or amend the framework. Established mayoral SAs will also be able to request the addition of functions via a 'right to request' provided the function falls under an 'area of competence.'</p>	<p>The competencies will provide the basis by which powers and functions are conferred onto SAs. These competencies will define responsibilities and duties of an SA and guarantee they are able to fulfil them.</p>	N/A
<p><b>13. Devolution Framework</b></p> <p><b>Description:</b> The Bill will establish the content and structure of the statutory elements of the devolution framework, including what</p>	No	<p>The Bill will set out in statute the functions that SAs will receive at each level of the framework, incentivising the formation of new SAs</p>	<p>The Bill will include new powers and duties which were committed to in the English Devolution White Paper and will deepen the</p>	<p>The Bill will ensure that the powers SAs receive are on a statutory footing, providing clarity on the powers and governance arrangements available at each level of the</p>	N/A	N/A

<p><i>specific functions SA will receive at each level, and the governance arrangements associated with that particular function for Combined Authorities.</i></p> <p><i>Strategic Authorities will have the ability to exercise functions in the following areas:</i></p> <ul style="list-style-type: none"> <li>• <i>Transport and local infrastructure</i></li> <li>• <i>Skills and employment support</i></li> <li>• <i>Housing and strategic planning</i></li> <li>• <i>Economic development and regeneration</i></li> <li>• <i>Environment and net zero</i></li> <li>• <i>Health, wellbeing and public service reform</i></li> <li>• <i>Public safety.</i></li> </ul>		with a new suite of powers with a clear set of expectations for their role.	settlements of existing institutions. The Devolution Framework also acts as the core set of functions and powers which can be expended over time. (See 3. Expanding the Devolution Framework).	framework with the expectation that it will grow over time, for example following suggestions from Strategic Authorities themselves.		
<p><b>14. Local Growth Plans</b></p> <p><b>Description:</b> <i>This part of the Bill will introduce a duty for Mayoral SAs to produce a Local Growth Plan.</i></p>	No	N/A	The measure will introduce a new duty for Mayors to produce a Local Growth Plan, with 'shared priorities' agreed with Government, which MSAs will be able to direct activity towards.	A duty will be placed on relevant ALBs and NDPBs to have regard to the shared priorities, so that Government bodies take the priorities of MSAs into account.	N/A	N/A
<p><b>15. Standardise requirement for constituent authorities</b></p>	No	N/A	N/A	Constituent authorities will be required to carry out their functions with due	N/A	N/A

<p><b>to carry out their functions with regard to the Local Transport Plan</b></p> <p><i><b>Description:</b> This part of the Bill will standardise requirements on constituent authorities, requiring all constituent authorities to carry out their functions with regard to the Local Transport Plan - for example, where they are using their powers over local roads.</i></p>				<p>regard to their SA's Local Transport Plan, supporting better join-up of transport policy between tiers of local government.</p>		
<p><b>16. Requirement to establish a Key Route Network on most important local roads</b></p> <p><i><b>Description:</b> This part of the Bill will introduce a requirement that Mayoral Strategic Authorities will set up and coordinate a Key Route Network on behalf of the Mayor.</i></p>	No	N/A	<p>The requirement to establish a KRN will include a power of direction for the Mayor, granting them deeper power over key roads in their area.</p>	<p>Putting the requirement to establish a KRN in statute will standardise the duty and power of direction across SAs.</p>	N/A	N/A
<p><b>17. Bespoke Health Improvement and Health Inequalities Duty for SAs</b></p> <p><i><b>Description:</b> This part of the Bill will introduce a new duty to have regard to health improvement and health inequalities for SA.</i></p>	No	N/A	<p>This measure will bring consistency across SAs with each being subject to a health duty that is complementary and specific to the particular organisation type. The duty is intended to support CA/CCA action on the wider determinants of</p>	<p>The measure will hardwire a responsibility for public health into SAs as they carry out their functions, and ensure clarity and consistency in responsibilities across different SAs.</p>	N/A	N/A

			health through the delivery of their existing functions, to promote a 'health in all policies' approach in line with our Mission Government approach and to give CAs/CCAs a statutory locus to be active leaders for health.			
<b>18. Mayoral Community Infrastructure Levy (MCIL)</b>  <b>Description:</b> This part of the Bill will introduce a power for Mayors to raise a MCIL to support the delivery of strategic infrastructure projects.	No	This measure will provide greater control of funding at a local level, incentivising local authorities to work together and form an SA.	London is currently the only place in England where the Mayor can charge a CIL in addition to the Local Planning Authorities. This measure will extend the ability to charge MCIL to Mayors of other SAs, providing they have a Spatial Development Strategy in place.	This measure will mean that all MSAs have the power to raise MCIL, ensuring clarity and consistency.	N/A	N/A
<b>19. Mayoral Development Management powers</b>  <b>Description:</b> This part of the Bill will grant Mayors development management powers which will be broadly the same as the Mayor of London currently has.	No	N/A	This measure will deepen the power of Mayors over development, granting them greater say over key planning decisions which take place within the Strategic Authority area.	This measure will ensure that all Mayors have access to development management powers, providing consistency across different SAs.	N/A	N/A
<b>20. Local Government Pension Scheme (LGPS) co-operation</b>	No	N/A	This measure would foster collaboration between Strategic Authorities and the	N/A	N/A	N/A



<p><b>Description:</b> This part of the Bill will introduce a duty on strategic authorities to work with the LGPS to develop suitable local investment opportunities.</p>			LGPS pools, which are institutional investors ranging in size between £23bn and £65bn, enabling greater investment in the right projects to empower and regenerate local areas.			
<p><b>21. On-Street Micromobility Regulatory Framework for powers to regulate shared micromobility schemes.</b></p> <p><b>Description:</b> This part of the Bill will introduce powers to regulate micromobility shared schemes which will be devolved to Strategic Authorities where they exist and highways authorities elsewhere.</p>	Yes	N/A	This measure would deepen the powers of Mayors and local transport authorities by introducing powers for them to regulate shared micromobility schemes (e.g. dockless e-bikes) in their area.	N/A	N/A	N/A
<b>D. Strategic Authority Reforms</b>						
<p><b>22. Allow Mayors to appoint 'commissioners'</b></p> <p><b>Description:</b> This measure will enable Mayors to nominate independent 'commissioners' to deliver against one or more specific areas of competence, such as transport, for a CA and CCA. The overarching aim is to</p>	No	N/A	The appointment of commissioners will support the Mayor in their delivery of key functions.	N/A	The ability to appoint commissioners increases local government capacity, as under the current system, leaders of constituent members (who often take on portfolio responsibilities for the Mayor) have to balance running their own LA with managing a portfolio for the SA.	N/A

support the Mayor, on their sizeable and growing portfolio.						
<b>23. Remunerating Combined Authority and Combined County Authority 'Members'</b>  <b>Description:</b> Measure would enable Combined Authorities (CAs) and Combined County Authorities (CCAs) to remunerate members – instead of only allowing them to be remunerated by their constituent local authority.	No	This measure makes it more feasible for leaders of constituent authorities to be part of an SA without diluting their focus on their own LA.	N/A	N/A	This measure will permit the remuneration of commissioners to reflect the important work done in service of a CA or CCA.	N/A
<b>24. Preventing Mayors from simultaneously holding elected office in a UK legislature</b>  <b>Description:</b> This measure would prevent all Mayors of SAs, not just those who are currently the Police and Crime Commissioner for their area, from simultaneously holding office as an MP in the House of Commons, MSP in the Scottish Parliament, MLA in the Northern Irish Assembly or MS in the Senedd.	No	N/A	N/A	N/A	The post of Mayor is a significant role at the forefront of delivering change. This position could be compromised when individuals have another potentially contradictory obligation to represent their constituents as an MP. 'Dual hatting' can also lead to real or perceived conflicts of interest and the likelihood that neither role is carried out effectively. The post of Mayor demands the full attention of any post holder, thus this measure will limit individuals from holding office as an MP and Mayor simultaneously.	N/A

<p><b>25. Mayoral Precept</b></p> <p><b>Description:</b> This part of the Bill will allow Mayors to spend their existing precept on all their functions.</p>	No	N/A	<p>The measure will provide Mayors with greater flexibility in how they use their precept income, as at present they can only spend the revenue on Mayoral functions which means that they cannot spend it on all of their policy areas – often excluding key growth areas such as skills or buses.</p>	<p>Including this measure in the Bill will mean all SAs can use the precept on the full range of policies they work on.</p>	N/A	N/A
<p><b>26. Power to Borrow</b></p> <p><b>Description:</b> This part of the Bill will grant SAs borrowing powers for all of their functions upon creation of the institution.</p>	No	N/A	N/A	<p>The measure will allow CA/CCAs to borrow for all of their functions from the establishment of the institution, removing the requirement for Secretary of State regulations to confer the functions on a case-by-case basis and bringing CA/CCAs in line with local authorities, thereby hardwiring CA/CCAs into local government.</p>	N/A	N/A
<p><b>27. Budget Voting Arrangements</b></p> <p><b>Description:</b> This measure would standardise the governance arrangements for setting Combined Authority and Combined County Authority budgets and transport levies.</p>	No	N/A	<p>The current budget voting arrangements are inconsistent across CAs. They often require unanimous approval from members and several areas exclude</p>	N/A	<p>The measure will standardise the governance arrangements to ensure consistently in the voting arrangements for key strategic decisions.</p>	N/A

			<p>the Mayor from decision making.</p> <p>By empowering the Mayor and moving away from unanimous voting we will empower Mayors to spend strategically and create growth in their area – which aligns with the Government's core mission.</p>			
<p><b>28. Supplementary Vote System</b></p> <p><i><b>Description:</b> Measure would revert all Mayoral and Police and Crime Commissioner elections back to the Supplementary Vote System from First Past the Post.</i></p>	No	N/A	<p>Use of the Supplementary Vote (SV) system will mean that Mayors have a broader mandate for the people they are representing.</p>	N/A	<p>Single executive elected roles benefit from being filled through a system where the winner has a majority of votes – evidencing a broader range of support from the electorate.</p>	<p>The majority basis for SV gives the local electorate an increased voice in deciding who takes a Mayoral or PCC role.</p>
<b>E. Local Government Structures and Accountability</b>						
<p><b>29. Local Government Reorganisation</b></p> <p><i><b>Description:</b> This part of the Bill establishes a new route for merging to align with the process for unitarisation, and reinserts a directive power to allow the Secretary of State to direct local areas to develop proposals for local government reorganisation. The functions of</i></p>	No	<p>The new unitary authorities may become part of a CA/CCA (which will automatically be designated as an SA) or could be designated as an SLA in the future.</p> <p>Consent disapplication when applied will prevent predecessor</p>	N/A	<p>Consent disapplication when applied will prevent predecessor councils from potentially holding up devolution and in doing so hardwire devolution into local government across England.</p>	<p>Local Government Reorganisation can enable the creation of suitably sized local government structures for an area that can achieve efficiencies and improve capacity and creates opportunities for service transformation.</p>	<p>Unitary councils provide local people with a clearer picture of who is accountable for service delivery and local decisions.</p>

<i>predecessor councils can also be disapplied for matters relating to CA/CCAs where areas are undergoing local government reorganisation and shadow authorities are in place and have been conferred such functions.</i>		councils from potentially holding up devolution and therefore facilitate universal coverage of SAs across England.				
<b>30. Mandating the Cabinet governance model for Local Authorities</b>  <b>Description:</b> This measure would mandate local authorities operating the committee system to adopt the 'leader and cabinet' governance model and remove the option to move to the 'mayor and cabinet' model.	No	N/A	N/A	N/A	Provides for more efficient decision making and clarity of responsibility and accountability for those decisions through a model of cabinet governance.	N/A
<b>31. Effective neighbourhood governance</b>  <b>Description:</b> This would empower communities to have a voice in local decision making via a requirement on all local authorities in England to establish effective neighbourhood governance.	No	N/A	This measure will empower remaining local councillors to have a greater role in leading improvements in their area.	We expect this measure to further embed devolution principles by pushing decision making and service delivery to an area-based level with local councillors working closely with partners to pool resources and work together to improve the area.	Establishing effective neighbourhood governance will help authorities become fit, legal and decent, as decisions and services will be designed and delivered with input from those most affected by them. This measure will give ward councillors a stronger role in shaping the decisions made by the council, helping local authorities act more responsively to the priorities of their communities.	The measure will improve local democratic engagement. It will help devolve power right down to the neighbourhood level, ensuring that appropriate local decisions can be made closer to people in their own neighbourhoods.

<b>32. Reforming Audit</b>  <b>Description:</b> These measures would create a new statutory body to oversee local audit, alongside wider reforms.	No	N/A	N/A	N/A	The Local Audit Office (LAO) will transform the local audit system and bring as many audit functions as possible under a single organisation with a focus and expertise. The LAO will also support and enable wider measures to address pressing challenges.	N/A
<b>F. Communities</b>						
<b>33. Community Right to Buy</b>  <b>Description:</b> Replace the current Community Right to Bid with a Right to Buy Assets of Community Value, giving community groups first refusal on their sale and extending the current 6-month moratorium period to allow groups sufficient time to raise funding and develop their bids.	Yes	N/A	N/A	N/A	N/A	This measure will empower communities to take back control of beloved local assets.
<b>34. Protections for Sports Stadiums</b>  <b>Description:</b> Enhance protections against redevelopment for sports grounds that are not owned by their clubs through the creation of a new Sporting Asset of Community Value (SACV) classification.	Yes	N/A	N/A	N/A	N/A	Empowering communities to take back control of beloved sporting assets in their local area.

<p><b>35. Upwards Only Rent Reviews</b></p> <p><b>Description:</b> <i>End the use of Upwards Only Rent Reviews (UORRs) in new commercial leases (including renewal leases when security of tenure is held), a mechanism which protects landlords by ensuring rent will only ever increase or stay the same rather than be determined by the market.</i></p>	Yes	N/A	N/A	N/A	N/A	By moving bias in commercial leases away from landlords, this measure gives more local people opportunity to access commercial property in their community.
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## **6. Summary of considered options and alternatives**

Alternative options to legislation have been considered but are unable to deliver the change required. Whilst existing legislation allows for the creation of and conferral of powers on individual Combined and Combined County Authorities via Statutory Instrument, the process is slow and cumbersome, and has led to differences in both the powers which Combined and Combined County Authorities exercise and how they exercise them. Primary legislation is required to establish a clear and consistent approach to devolution, put the new devolution framework on a statutory footing, amend existing primary legislation relating to local government to bring about reform, and introduce new powers for communities. At the individual measure level, some non-regulatory options were considered before regulatory options were chosen – more information can be found in the individual regulatory IAs.

The Government has been very clear through both its manifesto commitment and subsequent statements that shifting power out of Whitehall to the regions is a key priority and will support their mission to deliver economic stability through ensuring local leaders have the powers they need to make a difference in their area – particularly on transport, skills and planning – and that they are publicly accountable for their powers.

For the Bill as a whole, several approaches have been considered: no changes to legislation, strengthening guidance and working within the existing legislative framework; and the preferred option of inclusion of all legislative measures to achieve the stated policy goals set out in the Government's manifesto and the Devolution White Paper. As such, we have not set out separate long-list and short-list of options for delivering the policy intent of the Bill as a whole; this has been consolidated into a single summary. Specific options appraisal has been completed below for measures in scope of the Better Regulation Framework, using a HMT Green Book consistent approach. These options can be found in the individual regulatory IAs.

### **1. Business as usual (do nothing) – no changes to legislation**

The 'do nothing' option would not deliver the Government's manifesto commitment to grant more powers to Mayors over transport, skills, housing and planning and introduce a Community Right to Buy. It would not deliver a simplified and consistent process for conferring powers on Strategic Authorities; nor standardise the functions and the appropriate governance arrangements that SAs have access to at different levels of the framework; or place devolution in England on a clear statutory footing.

Key local government reforms including transforming the broken local audit system, measures on neighbourhood governance, and mandating the cabinet governance model for local authorities, as well as key reforms to Strategic Authorities could also not be delivered without primary legislation. Inaction could lead to a continued decline in trust in politics, and significant regions in England being held back from accessing the benefits of devolution. This does not support the Government's ambition to grow the economy. It fails to provide the architecture to shift power out of Westminster which the Government has committed to. This option was therefore removed from consideration.



## **2. Do minimum – continue with existing piecemeal approach to devolution with further guidance on the approach.**

Under this option, there would be no changes made to the existing processes for devolution – the Government would continue to confer functions on authorities via individual statutory instruments. Government could take a firmer line on the powers and voting arrangements within statutory instruments as a policy decision, to ensure standardisation for future deals, but would not be able to amend the existing arrangements in mayoral CAs without the consent of each individual constituent authority and CA. It would not be possible to confer new functions on the Greater London Authority via this route. It would also not be possible to create new powers and duties for Mayors.

In addition, the reforms to local government and Strategic Authorities could not be delivered merely through guidance. Reforms to the audit system including the establishment of a Local Audit Office require legislation. Whilst strengthened guidance may lead to more local authorities adopting the cabinet governance model, legislation is required to mandate it. This option would not deliver on Government's commitments including collectively agreed policy set out in the Devolution White Paper.

## **3. Legislate for all measures included in the Bill**

Under this option, all measures listed in the above table at section 5 would be legislated for. It meets all the Bill objectives and is the preferred option. Within each measure in scope of the Better Regulation Framework, further analysis using a HMT Green Book consistent approach) has been completed to determine the preferred scope, delivery, and implementation to achieve these objectives in the best possible way. Together, these measures will deliver a faster and more streamlined process for devolution in England. It will ensure that local government is fit, legal and decent, and give more powers to communities to have their say on the local issues which matter to them.

### **Small and Micro Business Assessment (SaMBA)**

When preparing the Bill, and working through the options process, there was consideration of how small and micro businesses would be impacted. For the non-regulatory measures, there are no impacts to small and micro businesses. Overall, for the regulatory measures considered, we anticipate that the costs to businesses will be roughly in proportion to their assets, so are unlikely to disproportionately impact small and micro businesses. Some of the non-monetised benefits are likely to disproportionately flow to smaller businesses. Exempting small and micro businesses from the measures would undermine the aims of the policies. More information on the individual measures is available in the detailed final stage IAs below.

There are specific costs discussed within this impact assessment that are understood to potentially have disproportionate impacts on small and micro businesses. For example, the cost of a delay in asset sales under the Community Right to Buy, where an earlier release in funding could be invested elsewhere. Smaller businesses may be disproportionately impacted by this where their access to credit is likely to be more limited than a larger business and therefore, they are less likely to be able to counteract this cost by borrowing. As well as this, small and micro businesses are understood to be more likely to be impacted by the interventions discussed relating to the banning of Upwards Only Rent Review (UORR)

clauses, as these businesses are the mostly likely to have UORR clauses in their leases. The individual impact assessment below describes a cost to landlords as a result of lost rental revenue, where this is understood to depend on the number of properties within a portfolio. It is therefore expected that smaller landlords with a larger number of commercial units would experience a greater loss than those with less. More detail on the specific impacts on small and micro businesses from regulatory interventions can be found within individual impact assessments below.

## 7a. Summary of Non-Regulatory Measures Outside the Scope of the Better Regulation Framework

Conducting a full impact scorecard for the Bill measures outside of the scope of the Better Regulation Framework is not proportionate. Instead, the table below summarises their expected impacts on key stakeholders, interactions with other measures, and rationale explaining why the measures have been judged to be non-regulatory.

Measure	Qualitative Impact	Rationale for being deemed non-regulatory
<b>A. Devolution Structures</b>		
<b>1. Designation of Strategic Authorities for the Devolution Framework</b>  <i><b>Description:</b> This measure will establish SAs, including all CAs, CCAs and the GLA. All SAs will be assigned to one of three levels in the devolution framework; Foundation, Mayoral and Established Mayoral. The Secretary of State will have the power to designate principal authorities as foundation Strategic Authorities, and to designate mayoral CA and CCAs as established mayoral SAs.</i>	<p>CAs, CCAs and the GLA will be automatically conferred with SA status. The statutory designation of SAs will require an authority to be categorised under one of three 'levels': foundation, mayoral and established mayoral.</p> <p>Depending on its 'level' the SA will have access to the relevant corresponding functions and responsibilities from the statutory framework. The measure itself will not have impact on key stakeholders until the SAs make use of the powers and duty conferred on them. In line with existing legislation, when making use of their functions, SAs will be required to have due consideration to the impact on key stakeholders and those with protected characteristics.</p> <p>We expect that impacts will depend on the 'level' and the powers and duties an SA holds, with established mayoral SAs having the most impact, by virtue of having access to the greatest number of powers and duties, whilst foundational SAs will have the least. However, detailed analysis of qualitative impacts is not needed at this point.</p>	<p>As this measure allows the designation of authorities as Strategic Authorities, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>
<b>2. Providing Powers via the Devolution Framework</b>  <i><b>Description:</b> This part of the Bill will establish a devolution framework, allowing for a clear and consistent list</i>	<p>SAs will be provided with powers through the Devolution Framework. The framework will apply automatically to SAs. Secretary of State powers will be required in some cases to stop the conferral of certain functions.</p> <p>SAs will better be able to achieve their goals as they will have new powers, and clarity over which powers they have. This will</p>	<p>As this measure places in statute the devolution framework for Strategic Authorities, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>

<i>of functions to be conferred on SAs at each level of devolution.</i>	be more relevant for areas at a higher 'level' of the devolution framework.	
<p><b>3. Expanding the Devolution Framework</b></p> <p><b>Description:</b> <i>This part of the Bill will establish how the devolution framework can be expanded over time, by adding new functions or changing the way functions operate.</i></p>	SAs will gain greater powers over time, improving their ability to deliver on their local priorities.	As this measure allows the devolution framework for Strategic Authorities to be expanded over time, there is no direct impact on business activity and the <b>measure is therefore non-regulatory.</b>
<p><b>4. Streamlining establishing new and changing existing SAs</b></p> <p><b>Description:</b> <i>This part of the Bill would establish a new and simplified process for establishing new CA and CCAs and making changes to existing CA and CCAs.</i></p>	<p>Streamlining the establishment of new SAs and the process of changing existing devolution institutions will reduce the number of steps required under the existing legislative process.</p> <p>This will mean more devolution institutions in place more quickly, and with less burden on both the local authorities and the Government.</p> <p>This streamlining will work in tandem with the framework; streamlining will ensure devolution institutions in as many areas of England as quickly as possible, while the framework will ensure a more consistent, clear and deepened devolution package.</p>	As this measure simplifies the process of establishing new SAs and changing existing SAs, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b>
<p><b>5. Mandating the creation of SAs</b></p> <p><b>Description:</b> <i>This measure will introduce new ministerial powers to mandate the creation of new SAs or add councils to existing SAs, without consent. This power will only commence on regulations.</i></p>	<p>The new ministerial powers will enable the Secretary of State to prevent, for example, a situation where progress on devolution is held up by a single local authority, facilitating universal coverage of SAs across England.</p> <p>Local government could be impacted by these powers, as an SA could be created over an area, or a council be moved into an existing SA, without consent. This is intended to be a last resort and if the conditions are met (including a statutory test being fulfilled) and the power is used, will enable the Secretary of State to create SAs in any remaining places where local leaders in that area have not been able to agree how to access devolved powers, preventing a single council in an area from blocking all others from accessing the benefits of devolution.</p>	As this measure introduces a new ministerial power relating to the creation of new SAs and adding councils to, or providing a mayor for, existing SAs, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b>
<b>6. Converting SAs following Local Government</b>	Conversion of SAs from CCA to CA will not have a strong qualitative impact on local authorities, as it simply allows the	As this measure simplifies the process of converting CCAs into CAs following local government reorganisation, there is

<p><b>Reorganisation</b></p> <p><i><b>Description:</b> This part of the Bill will ensure the process of converting from a CCA to a CA, following local government reorganisation, is streamlined.</i></p>	<p>existing CCA to be re-categorised to a CA, to ensure it can continue to function, on the go-live date of the new unitaries.</p> <p>The conversion provisions within the Bill ensure that any functions, duties and obligations that are held by the CCA will be transferred to the new CA at the point of conversion.</p> <p>This means that beyond adjustments to constitutional matters such as voting and quorum provisions (with changes limited to only those necessary to ensure that the authority continues to function), the new CA will continue to perform the duties of the previous CCA.</p> <p>Stakeholders should therefore not experience any unexpected changes to services or democratic functions delivered to them by the new governing body directly as a result of conversion.</p>	<p>no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>
<p><b>7. Enabling a single Mayor to hold PCC functions over more than one police force area</b></p> <p><i><b>Description:</b> This measure would allow a Mayor to become PCC for two or more police force areas which sit wholly within the Strategic Authority's area,</i></p>	<p>Mayors of Strategic Authorities who exercise PCC powers have access to a broad range of levers to help prevent and tackle crime in a holistic way. This measure will enable the creation of more Mayors with PCC functions across England, allowing more members of the public to benefit from this model.</p>	<p>As this measure aims to integrate PCC into Mayoral Strategic Authority, it is a governance change. There is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>
<p><b>8. Alter police and fire boundaries incidentally on the transfer of PCC and/or FRA functions to the Mayor of a Strategic Authority</b></p> <p><i><b>Description:</b> This measure would amend s.107F of the Local Democracy, Economic Development and Construction Act 2009 to give the Home Secretary the power to alter police and fire boundaries incidentally on the transfer of PCC and/or FRA</i></p>	<p>Mayors of Strategic Authorities who exercise PCC and/or FRA powers have access to a broad range of levers to help prevent and tackle crime. This measure will enable the creation of more Mayors with PCC and/or FRA functions across England, allowing more members of the public to benefit from this model.</p>	<p>As this measure aims to facilitate the integration of PCC and FRA into Mayoral Strategic Authority, it is a governance change. There is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>

<p><i>functions to the Mayor of a Strategic Authority. This will be considered on a case-by-case basis to ensure the continued efficiency and effectiveness of PCC and FRA functions</i></p>		
<p><b>B. London</b></p>		
<p><b>9. Arrangements for the GLA in the new devolution architecture</b></p> <p><i><b>Description:</b> This part of the Bill will set out how the devolution framework, areas of competence and mayoral powers of competence will apply to the GLA, and how new functions can be conferred on the GLA. The measure will ensure the GLA's devolution arrangements are as closely aligned as possible to arrangements for the rest of England.</i></p>	<p>The GLA will be provided with powers within the devolution framework and will be able to gain greater powers over time.</p> <p>The GLA will be better able to achieve its goals with new powers, and clarity over which powers they have.</p>	<p>As this measure sets out the arrangements for the GLA within the new devolution architecture, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>
<p><b>10. Mayor of London consenting power for TfL land disposals.</b></p> <p><i><b>Description:</b> This measure will allow the Mayor of London to decide on the sale or lease of TfL land, by removing the current DfT Secretary of State consent requirement.</i></p>	<p>The Mayor of London will be empowered to consent to TfL disposing of operational land. This would devolve a power that currently sits with the Transport Secretary and remove an impediment to development of underutilised land in London, including for housing.</p>	<p>As this measure devolves a consenting power on the sale or lease of TfL land from the Transport Secretary of State to the Mayor of London, it is a governance change. <b>There is no direct impact on business activity and the measure is therefore non-regulatory.</b></p>
<p><b>C. Duties and Powers</b></p>		
<p><b>11. Mayoral Powers of Competence</b></p> <p><i><b>Description:</b> The Bill will confer a suite powers on to the mayors of strategic authorities. The Mayoral</i></p>	<p>The MPC consists of three powers:</p> <ul style="list-style-type: none"> <li>• The General Power of Competence – enabling mayoral strategic authorities, and their mayors, to do anything an individual can do in relation to their areas of competence;</li> </ul>	<p>As this measure relates to the conferral of general mayoral powers upon the mayors of a Strategic Authority, there is no impact on business activity and <b>the measure is therefore non-regulatory.</b></p>

<p><i>Powers of Competence (MPC) is made up of: the General Power of Competence (GPC); a mayoral power to convene and corresponding duty for local partners to respond; and a formal mechanism for collaboration between neighbouring mayoral strategic authorities.</i></p>	<ul style="list-style-type: none"> <li>• A power to convene and a duty to respond – enabling mayors to convene local partners to address local challenges; and placing a duty on local partners to respond to a mayor's request when they make use of the power to convene.</li> <li>• A duty to collaborate – ensuring that mayors of neighbouring Strategic Authorities have a formal process by which they can enter into collaboration with one another.</li> </ul>	
<p><b>12. Statutory competencies</b></p> <p><b>Description:</b> <i>There will be seven new areas of competence which all SAs have a mandate to act in. Mayors will also hold new powers, enabling Mayors to convene and compel stakeholders to respond on these new areas of competence.</i></p>	<p>The competencies of a SA are the broad areas in which an SA will have responsibilities and duties to act in i.e. skills and employment support. Principally these 'areas' serve as the categories under which a function must have scope in order to be included within the Bill's statutory framework.</p> <p>The areas of competency on their own do not have a direct impact upon key stakeholders, but their facilitation for the conferral of powers upon an SA does.</p>	<p>As this measure relates to the areas of competence in which SAs have a mandate to act, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>
<p><b>13. Devolution Framework</b></p> <p><b>Description:</b> <i>This part of the Bill will establish the devolution framework in statute, setting out the specific functions SA will receive at each level, and the governance arrangements associated with that particular function for Strategic Authorities.</i></p> <p><i>Strategic Authorities will have the ability to exercise functions in the following areas:</i></p> <ul style="list-style-type: none"> <li>• Transport and local infrastructure</li> <li>• Skills and employment support</li> <li>• Housing and strategic planning</li> </ul>	<p>SAs will be provided with powers through the Devolution Framework. The framework will apply automatically to SAs. Secretary of State powers will be required in some cases to stop the conferral of certain functions.</p> <p>SAs will better be able to achieve their goals as they will have new powers, and clarity over which powers they have. This will be more relevant for areas higher up the devolution framework.</p> <p>The standardisation of governance arrangements for SA functions will create a standard playing field for all SAs and unblock strategic decision making. This will allow Mayors and SAs to take difficult decisions for the good of their whole area.</p> <p>The powers conferred by the Devolution Framework will empower SAs to deliver improvements for their areas. For example, rolling out housing and strategic planning powers to all SAs will enable them to directly address acute issues in strategically important locations. They could do this by using</p>	<p>As this measure puts the devolution framework into statute, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>

<ul style="list-style-type: none"> <li>• <i>Economic development and regeneration</i></li> <li>• <i>Environment and net zero</i></li> <li>• <i>Health, wellbeing and public service reform</i></li> <li>• <i>Public safety.</i></li> </ul>	<p>their powers to acquire land, develop it and provide housing for example.</p>	
<p><b>14. Local Growth Plans</b></p> <p><b><i>Description:</i></b> <i>This part of the Bill will introduce a duty for mayoral SAs to produce a Local Growth Plan</i></p>	<p>MSAs (including Established MSAs) will be required to develop a Local Growth Plan (LGP) for their area, which should guide and inform a number of other plans and strategies developed by the MSA.</p> <p>Developing the LGP will have resource requirements for the authority, through collaborative work with the Government in order to reach a set of ‘shared’ local growth priorities, as well as developing an investment pipeline and their full LGP. We expect much of the evidence base underpinning each LGP will be pre-existing.</p> <p>This will also require some Arm’s Length Bodies to have regard to the ‘shared’ local growth priorities in certain circumstances. We expect this will be included as part of routine consultation and engagement undertaken by the ALB.</p>	<p>The duties included as part of this measure apply only to public bodies and there is no direct impact on business activity. The measure is therefore non-regulatory.</p> <p>The investment pipeline developed as part of each Local Growth Plan (LGP) will help to direct investment, and this and the LGP as a whole may make it easier for businesses to identify opportunities for investment activity.</p>
<p><b>15. Standardise requirement for constituent authorities to carry out their functions with regard to the Local Transport Plan</b></p> <p><b><i>Description:</i></b> <i>This part of the Bill will standardise requirements on constituent authorities, requiring all constituent authorities to carry out their functions with regard to the Local Transport Plan - for example, where they are using their powers over local roads.</i></p>	<p>Constituent authorities of a Strategic Authority will have a duty to have regard to the Combined Authority’s Local Transport Plan when carrying out their functions.</p> <p>The intended outcome of this measure is that local authorities with responsibility for transport within an SA work strategically and efficiently together to deliver the agreed Local Transport Plan.</p>	<p>As this measure only affects constituent authorities of Strategic Authorities, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>



<p><b>16. Requirement to establish a Key Route Network (KRN) on most important local roads and Power of Direction over KRN</b></p> <p><i><b>Description:</b> This part of the Bill will introduce a requirement that mayoral combined (county) authorities will set up and coordinate a Key Route Network on behalf of the Mayor.</i></p>	<p>All Mayors outside of London will be required to designate a KRN and publish the KRN which means that the public will have a greater understanding of the roads which the CA/CCA has oversight of. Mayoral Strategic Authorities will also have a Power of Direction (PoD), enabling them to direct local highway authorities on key decisions regarding Key Route Network roads. This will improve the efficiency of road management and strengthen mayors' ability to deliver their Local Transport Plan, with positive impacts for users' travelling experience.</p>	<p>As this measure only affects Strategic Authorities, there is no direct impact on business activity and the measure is therefore non-regulatory.</p>
<p><b>17. Bespoke Health Improvement Duty and Health Inequalities for SAs</b></p> <p><i><b>Description:</b> This part of the Bill will introduce a new duty to have regard to health improvement and health inequalities for SA.</i></p>	<p>A new health duty on CAs and CCAs requiring them to 'have regard' to the need to i) improve the health of the people living in their areas and ii) reduce health inequalities between the people living in their areas, in the exercise of their functions.</p> <p>This will bring consistency across Strategic Authorities with each being subject to a health duty that is complementary and specific to the particular organisation type.</p> <p>The duty is intended to support CA and CCA action on the wider determinants of health through the delivery of their existing functions, to promote a 'health in all policies' approach in line with our Mission Government approach and to give CAs/CCAs a statutory locus to be active leaders for health. It will make real the Government's ambition to "embed long-term planning to ensure there is health in all policies" and to "ensure this flows through to local government". It will support delivery of the Government's aim to "tackle the social determinants of health, halving the gap in healthy life expectancy between the richest and poorest regions in England".</p>	<p>As this measure relates to a duty on Strategic Authorities to be considered in the delivery of their other functions, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>
<p><b>18. Mayoral Community Infrastructure Levy (MCIL)</b></p> <p><i><b>Description:</b> This part of the Bill will introduce a power for Mayors to raise a MCIL to support the delivery of strategic infrastructure projects.</i></p>	<p>The Community Infrastructure Levy (CIL) is a charge which can be levied on new development. Landowners are ultimately liable for the levy, but anyone involved in a development may take on the liability to pay.</p> <p>The charging authority should specify in their charging schedule what types of development are liable for the levy and the relevant rates for these development types. Levy rates are expressed as pounds (£) per square metre.</p>	<p>This measure allows Mayors to raise a levy on new development; however, the power is discretionary. Therefore, it falls outside of the Better Regulations Framework. Additionally, as Mayors will set the rate of the levy via their charging schedule, it is not possible to quantify the costs to developers, which will vary between SAs. As such, no regulatory impact assessment has been conducted for this measure.</p>

	<p>When deciding the levy rates, an authority must strike an appropriate balance between additional investment to support development and the potential effect on the viability of developments. This balance is at the centre of the charge-setting process.</p> <p>Charging schedules should be consistent with, and support the implementation of, Spatial Development Strategies.</p> <p>It will be the responsibility of mayors when preparing their charging schedules to collaborate with local planning authorities, the local community, developers and other stakeholders, to create realistic and viable charging schedules. The charging schedule must also be approved by a simple majority of the members of the relevant authority who vote on it.</p>	
<p><b>19. Mayoral Development Management powers</b></p> <p><i><b>Description:</b> This part of the Bill will grant Mayors development management powers that are broadly similar to the development management powers the Mayor of London currently has. This measure also covers amendments to Mayoral Development Orders.</i></p>	<p>The objective of this measure is to give Mayors in CAs/CCAs the same development management powers as the Mayor of London to support the implementation of their Spatial Development Strategies (which will be conferred onto them as part of the Planning and Infrastructure Bill).</p> <p>These powers include the right to be consulted on applications for development of potentially strategic importance (PSI), potentially take over the decision making, or direct refusal of them.</p> <p>The power to make Mayoral Development Orders will also give Mayors the opportunity to proactively plan for strategic development in their area, such as new commercial development opportunities to attract inward investment. By doing so, it is envisaged that the Mayors will be able to ensure a strategic approach is taken to strategic developments which recognises their contribution to the wider economic, social and environmental well-being of the area. This means that, like in London, Mayors could be more willing to make positive decisions which support the area's economic development where there is local opposition.</p>	<p>As the Mayor of London's development management powers add further procedures into the decision making for PSI applications, the extension of these powers to other Mayors could be seen to have a regulatory impact on developers bringing forward these applications. The scale of this impact will depend on the PSI definition adopted in planning regulations: it is likely to be different to the definition for London and there could be some local variation to reflect local circumstances. We will prepare an Impact Assessment for these regulations.</p> <p>The experience in London indicates developers have broadly supported the Mayor's intervention powers: while it has added further procedures to decision making, the relative impact on decision timescales has been limited and there have been more positive outcomes: since 2017, 17 of the 29 cases where the Mayor has taken over a PSI application and granted permission have been in response to proposed refusals by the LPA planning committee which would result in delays (as the refusal would have gone to appeal which would take 12-18 months compared to 4-9 months for the Mayor's decision) and possibly the cancellation of projects.</p>

<p><b>20. Local Government Pension Scheme (LGPS) co-operation</b></p> <p><i><b>Description:</b> This part of the Bill will introduce a duty on strategic authorities to work with the LGPS to develop suitable local investment opportunities</i></p>	<p>There are expected to be beneficial impacts of this duty as this should increase local and regional investment.</p>	<p>As this measure only affects local authorities and bodies which are controlled by a public authority (the asset pools), <b>there is no direct impact on business activity and the measure is therefore non-regulatory.</b></p>
<p><b>D. Strategic Authority Reforms</b></p>		
<p><b>21. Allow Mayors to appoint ‘commissioners’</b></p> <p><i><b>Description:</b> This measure will enable Mayors to nominate independent ‘commissioners’ to deliver against one or more specific areas of competence, such as transport, for a CA and CCA. The overarching aim is to support the Mayor on their sizeable and growing portfolio.</i></p>	<p>Commissioners will free up decision-making capacity for Mayors and local authorities, bringing in external expertise and full-time resource to help deliver key priorities.</p>	<p>The ability to appoint commissioners does not directly affect business activity and <b>the measure is therefore non-regulatory.</b></p>
<p><b>22. Remunerating Combined Authority and Combined County Authority ‘Members’</b></p> <p><i><b>Description:</b> Measure would enable Combined Authorities (CAs) and Combined County Authorities (CCAs) to remunerate members – instead of only allowing them to be remunerated by their constituent local authority..</i></p>	<p>The ability to pay an allowance to members and commissioners will enable CAs to run themselves more effectively. It will increase CA capacity.</p> <p>We hope that members feel more valued, and can take their work for the CA more seriously as they are now being remunerated for it.</p>	<p>Remunerating members and commissioners does not affect businesses and <b>the measure is therefore non-regulatory.</b></p>
<p><b>23. Preventing Mayors from simultaneously holding elected office in a UK legislature</b></p>	<p>Preventing Mayors from being MPs will stop CAs from being in the situation where it appears their Mayor has a conflict of interest, or unmanageable demands on time and availability. This should increase the legitimacy of the Mayor in the eyes of the public and the constituent members. It should also give the</p>	<p>There is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>

<p><b>Description:</b> This measure would prevent all Mayors of SAs, not just those who are currently the Police and Crime Commissioner for their area, from simultaneously holding office as an MP in the House of Commons, MSP in the Scottish Parliament, MLA in the Northern Irish Assembly or MS in the Senedd</p>	<p>Mayor more time to make decisions for the CA, meaning more effective governance.</p>	
<p><b>24. Mayoral Precept</b></p> <p><b>Description:</b> This part of the Bill will allow Mayors to spend their precept on all their functions.</p>	<p>The ability to spend the precept across functions will allow Mayors to invest more money in their areas, on more things than previously. This could positively affect a range of local stakeholders.</p>	<p>As this measure allows the Mayoral precept to be spent on a wider range of functions, there is no direct impact on business activity and the measure is therefore non-regulatory. The measure also relates to taxation so would fall outside the scope of the Better Regulations Framework.</p>
<p><b>25. Power to Borrow</b></p> <p><b>Description:</b> This part of the Bill will grant SAs borrowing powers for all of their functions upon creation of the institution</p>	<p>The ability to borrow across all of their functions from the establishment of the institution will allow SAs to invest in economically productive infrastructure.</p>	<p>As this measure allows CA/CCAs to borrow across all their functions, <b>there is no direct impact on business activity and the measure is therefore non-regulatory.</b></p>
<p><b>26. Budget Voting Arrangements</b></p> <p><b>Description:</b> This measure would standardise the governance arrangements for setting Combined Authority and Combined County Authority budgets and transport levies.</p>	<p>This measure would standardise the governance arrangements for setting Combined Authority and Combined County Authority budgets and transport levies. This will allow a mayor to pass the budget that they want more easily. For the citizens of the CA, it should increase the number of larger strategic projects that receive investment in their area.</p>	<p>There is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>
<p><b>27. Supplementary Vote System</b></p> <p><b>Description:</b> Measure would revert all Mayoral and Police and Crime Commissioner elections back to the</p>	<p>Reverting the voting system to Supplementary vote will give a broader range of support for the person elected through using a system which requires the winner to have a majority of votes. This measure will better support the democratic mandate of people elected to such positions and, more widely, better supports the move to greater strategic devolution.</p>	<p>As this measure sets the voting system for elections Mayors and PCCs in legislation, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>

Supplementary Vote System from First Past the Post.		
<b>E. Local Government Structures and Accountability</b>		
<p><b>28. Local Government Reorganisation</b></p> <p><i><b>Description:</b> This part of the Bill establishes a new route for merging to align with the process for unitarisation, and reinserts a directive power to allow the Secretary of State to direct local areas to develop proposals for local government reorganisation.</i></p>	<p>Establishing a new route for merging to align with that for unitarisation, and allowing the Secretary of State to direct councils in single tier and two-tier areas to develop proposals, will have qualitative impacts on stakeholders.</p> <p>Local authorities may be required to develop proposals for reorganisation. This process can create additional resource and time pressures for councils. Measures will be in place such as enabling certain councils to delay local elections, allowing them to focus on reorganisation. The government has provided funding to support the process. MHCLG is and will continue to work closely with the Local Government Association (LGA), the District Councils Network, the County Councils Network and other local government partners to plan how best to support councils.</p> <p>In situations where there is not full consensus between local authorities on which specific reorganisation proposal shall be implemented, this will not be a barrier to progress, as it is for the Government To decide which proposals to take forward, and to consult affected local authorities that have not made the proposal and such other persons considered appropriate.</p> <p>The Government views unitarisation as an opportunity to strengthen local leadership, improve local services, and improve local accountability. It can save significant money which can be reinvested in public services, supporting better outcomes for local residents.</p>	<p>As this measure simplifies the process for merging existing unitary areas, there is no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>
<p><b>29. Mandating the Cabinet governance model for Local Authorities running the committee system; withdrawing availability of change to mayor and cabinet.</b></p>	<p>Provides clarity of responsibility for local government decision making and leadership by preventing the creation of new mayors at local authority level.</p> <p>Leads to clearer and more efficient decision making where local authorities are moved from the committee system, to a leader with a cabinet of defined portfolio holders.</p>	<p>This measure changes the availability of certain models of governance arrangements for principal local authorities; this has no direct impact on business activity and <b>the measure is therefore non-regulatory.</b></p>

<p><b>Description:</b> This measure would mandate all local authorities currently running the committee system to adopt the 'leader and cabinet' governance model and withdraw the option to move to the mayor and cabinet system.</p>		
<p><b>Effective Neighbourhood Governance</b></p> <p><b>Description:</b> This would empower communities to have a voice in local decision via a requirement on all local authorities to establish effective neighbourhood governance structures.</p>	<p>This measure would ensure fairer opportunities for communities to have their needs represented and move decision making closer to residents. through their democratically elected representatives. The final details of what it will require of local authorities will be set out in regulations at a later date. However, we expect that the impacts will be as follows:</p> <ul style="list-style-type: none"> <li>• Local authorities will be required to ensure that structures compliant with regulations are in place to enable effective neighbourhood governance.</li> <li>• Ward councillors will be given a greater role in driving forward the priorities of their communities, leading to public service provision by local authorities that is more responsive to local need.</li> <li>• By ensuring that all local authorities have clear and consistent neighbourhood governance in place, this measure will improve public satisfaction with the way their local council works. Residents should have a greater sense control over what happens in their area and all should see visible improvements.</li> </ul>	<p>There is not direct impact on business activity and the measure is therefore non-regulatory.</p>
<p><b>30. Reforming Audit</b></p> <p><b>Description:</b> These measures would create a new statutory body to oversee local audit</p>	<p><b>The Local Audit and Accountability Act 2014 established a system in which 100% of local audits are delivered by private firms.</b></p> <ul style="list-style-type: none"> <li>• For the 'Category 1' audit regime (which applies to local government, police, fire, national park, transport and similar bodies above a size threshold), there are 6 firms in the market resourcing c.500 contracts. Currently, the process of appointing auditors, setting fees and contract management for Category 1 bodies is almost exclusively overseen by Public Sector Audit</li> </ul>	<p><b>While audit firms are businesses, they deliver functions of a public nature which are funded by local and NHS bodies and subject to statutory requirements and regulations.</b> This makes it difficult to apply business principles that might apply in the context of a normal commercial market.</p> <ul style="list-style-type: none"> <li>• There is a statutory requirement for Category 1 and NHS bodies to have their accounts externally audited, and for Category 2 bodies to receive a limited assurance review. The framework for what</li> </ul>

	<p>Appointments Ltd (PSAA) - an independent company owned by the Improvement and Development Agency within the Local Government Association. PSAA covers 99% of the market for Category 1 bodies (c.4 bodies appoint their own auditors).</p> <ul style="list-style-type: none"> <li>• There are over 100 <b>NHS bodies</b> subject to some elements of the local audit system. All 6 firms which conduct Category 1 audits, plus a further 3 firms, audit NHS bodies. NHS bodies all appoint their own auditors.</li> <li>• Bodies which would fall under the Category 1 regime but don't meet the income/expenditure size threshold and have not elected to receive full audits are 'Category 2' bodies. Non-exempt Category 2 bodies receive a limited assurance review rather than a full audit. There are over 10,000 of these bodies and four firms resourcing these contracts. Auditor appointments for opted-in Category 2 bodies are overseen by Smaller Authorities' Audit Appointments Ltd (SAAA) - an independent, not for profit, limited company established to procure external audit services and appoint external auditors for Category 2 bodies.</li> <li>• Audit fees for all bodies are paid by the body being audited.</li> </ul> <p><b>The impact of these measures on the audit firms primarily relates to them being subject to a streamlined standards, commissioning and oversight regime- i.e. a transfer of functions from several existing bodies into the Local Audit Office (LAO). The reforms will also include an element of public audit provision to supplement the private market.</b></p> <ul style="list-style-type: none"> <li>• Responsibility for setting the Code of Audit Practice will transfer from the Comptroller and Auditor General (C&amp;AG) to the LAO, as will the power to issue statutory guidance. The C&amp;AG has previously determined that the International Standards on Auditing (ISAs) should form the regulatory underpinning for local audit, creating regulatory alignment with corporate audit. The LAO will have the power to deviate from the FRC's standard UK interpretation of ISAs where required for local audit.</li> </ul>	<p>work is required as part of an audit and under what timeframe is set in legislation, and further specified by a statutory Code of Audit Practice which is currently drafted by the NAO and approved by Parliament.</p> <p><b>MHCLG regularly engages with firms and their representative bodies and has a strong understanding of the issues facing the market.</b></p> <ul style="list-style-type: none"> <li>• Channels include regular meetings of the Local Audit Advisory Group which firms and regulatory organisations attend, meetings with firms' representative bodies (particularly the Institute of Chartered Accountants in England and Wales (ICAEW) and the Chartered Institute of Public Finance and Accountancy (CIPFA)), and direct individual engagement with firms.</li> <li>• The proposals incorporate recommendations from independent reviews including the Kingman Review (2018), the Redmond Review (2020), the previously constituted HCLG Committee and Public Accounts Committee. Each of these were based on engagement across the sector including with audit firms.</li> <li>• A number of measures in the bill were subject to consultation, which received 15 responses from audit firms and professional accountancy bodies (including all firms in the Category 1 market). While the core proposals were not consulted upon, these responses nevertheless suggested strong support for the LAO to play a coordination and oversight role for the system, and most firms supported the reintroduction of public provision.</li> <li>• ICAEW and CIPFA have attended the Local Audit Liaison Committee (a key decision-making forum) since its establishment in 2021 and will be fully represented on cross-system transition boards set up to manage the transition to the LAO.</li> </ul> <p><b>Elements of these proposals, including new commissioning and contract management</b></p>
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	<ul style="list-style-type: none"> <li>• Responsibility for audit quality oversight will transfer from the FRC to the LAO. We expect the LAO to take a holistic approach which focusses on provider-led improvement, with direct quality oversight to be used proportionately and where other levers have failed.</li> <li>• Currently, two financial thresholds determine a) which bodies are subject to a full audit and b) which Category 1 bodies are subject to quality oversight by the FRC (which is considered to be more demanding and to carry higher reputational risk). These thresholds have not risen in line with inflation, and the Government has committed to raise them to ensure that requirements are proportionate, in advance of the Bill.</li> <li>• Through provisions in the Bill, the Government intends to move away from audit regimes based solely on financial thresholds and give the LAO the power to decide the appropriate regime for bodies to ensure a risk-based and proportionate approach which could include general exemptions for types of bodies.</li> <li>• The reintroduction of public provision reflects that current capacity is barely sufficient to respond to the needs of the local audit system. A small number of local authorities do not have an auditor and some NHS bodies have struggled to appoint an auditor. The Government has committed to working with firms and other system partners to ensure that additional provision achieves overall growth in public sector auditors without reducing private sector capacity.</li> <li>• Responsibility for commissioning, fee setting and contract management will transfer to the LAO, immediately for Category 1 bodies and will be considered following consultation at a later point in time for Category 2 bodies.</li> </ul>	<p><b>arrangements, relate to procurement and so are ruled as non-regulatory by section 2.3 of the Better Regulation Framework.</b></p> <p><b>The impact of these measures (described in the ‘qualitative impact’ column) is not expected to result in a very significant net cost for firms.</b></p>
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## 7b. Summary of Regulatory Measures Within the Scope of the Better Regulation Framework

The analysis in the following tables aggregates and summarises the costs and benefits from the four individual measures which have regulatory impacts on businesses. These are the measures in scope of the BRF. The four measures are the On-Street Micromobility Regulatory Framework, Community Right to Buy, the Sports Stadium Right to Buy and the Upwards Only Rent Review Ban. More detail on these individual regulatory measures is provided in the individual IAs.

### Part A: Overall and stakeholder impacts of regulatory measures

(1) Overall impacts on total welfare		Directional rating
		Note: Below are examples only
<b>Description of overall expected impact</b>	The changes are likely to deliver net positive social benefits overall, but these depend on non-monetised benefits. The monetised costs are slightly higher than the benefits we have monetised.	<b>Uncertain</b>  Based on all impacts (incl. non-monetised)
<b>Monetised impacts</b>	<p>Total -£8.0m NPSV .</p> <p>Total benefits: £34.3m</p> <p>Total costs: £42.3m</p> <p>The benefits are summarised in more detail in the individual Impact Assessments below.</p> <p>The monetised costs included cover: administrative costs, costs to asset owners from delayed sales and lower rental incomes to landlords. Monetised benefits include lower rents paid by businesses, and volunteering and employment benefits.</p>	<b>Negative</b>  Based on likely £NPSV
<b>Non-monetised impacts</b>	<p>Unmonetised benefits include the reduced likelihood of a business going into insolvency due to high rents, welfare and wellbeing improvements within local communities, protections from asset stripping, greater regulatory certainty in the market, and revenue intake from increased ridership in existing schemes and new ridership in new schemes.</p> <p>Unmonetised costs relate to location specific familiarisation and administration costs, data collection and sharing costs, and increased operating costs. More details on unmonetised costs can be found in the On-Street Micromobility Rental Framework impact assessment below.</p>	<b>Uncertain</b>

<b>Any significant or adverse distributional impacts?</b>	This impact assessment suggests significant distributional impacts where powers are transferred from large business owners to smaller businesses and community groups. This can help reduce inequalities, particularly in disadvantaged areas.	<b>Positive</b>
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## (2) Expected impacts on businesses

<b>Description of overall business impact</b>	<p>Impacts on businesses are summarised in more detail in the individual Impact Assessments below. The individual costs include:</p> <ul style="list-style-type: none"> <li>Familiarisation costs for all measures</li> </ul> <p>From the community and sports stadia right to buy:</p> <ul style="list-style-type: none"> <li>Costs associated with a delay in asset sales to property owners</li> <li>Disparity in sale and counterfactual sales under the Right to Buy</li> </ul> <p>From the Upwards Only Rent Review Ban</p> <ul style="list-style-type: none"> <li>Loss of rental revenue to landlords</li> <li>Lower rents for tenants</li> <li>There are non-monetised benefits</li> </ul>	<b>Uncertain</b>
<b>Monetised impacts</b>	<p>Business NPV: -£24.4m</p> <p>This impact assessment foresees £24.4m worth of costs to businesses, where interventions aim to redistribute powers from large businesses to local communities and the households within them.</p>	<b>Negative</b>  <b>Based on likely business £NPV</b>
<b>Non-monetised impacts</b>	<p>Unmonetised benefits include the reduced likelihood of a business going into insolvency due to high rents greater regulatory certainty in the market, and revenue intake from increased ridership in existing schemes and new ridership in new schemes.</p> <p>Unmonetised costs relate to location specific familiarisation and administration costs, data collection and sharing costs, and increased operating costs. More details on unmonetised costs can be found in the On-Street Micromobility Rental Framework impact assessment below.</p>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	Distributional impacts are considered in more detail in the individual Impact Assessments below. There may be positive distributional impacts towards small business tenants who are more likely to benefit from UORR clauses. Under the Right to Buy, there is a possibility that smaller asset owners with less access to credit may see higher costs from a delay in sales. Overall, without further evidence, it is difficult to predict	<b>Uncertain</b>

	whether distributional impacts are more likely to be net positive or not.	
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### (3) Expected impacts on households

<b>Description of overall household impact</b>	<p>Impacts on households are summarised in more detail in the individual Impact Assessments below. The monetised benefits include:</p> <ul style="list-style-type: none"> <li>• Employment benefit</li> <li>• Volunteering uptake</li> </ul>	<b>Positive</b>
<b>Monetised impacts</b>	<p>Household NPV: £33.4m</p> <p>The benefits are summarised in more detail in the individual Impact Assessments below.</p>	<b>Positive</b> <b>Based on likely household £NPV</b>
<b>Non-monetised impacts</b>	<p>Non monetised impacts may include:</p> <p>From the community and sports stadia right to buy:</p> <ul style="list-style-type: none"> <li>• Protections against asset stripping</li> <li>• Welfare benefits relating to amenity value, an improved built environment in local areas and community cohesion</li> </ul> <p>From the On-Street Micromobility Regulatory Framework</p> <ul style="list-style-type: none"> <li>• Transport benefits including fewer pavement obstructions</li> <li>• Reduced externalities and safety improvements</li> <li>• Changes in journey times and journey reliability changes</li> <li>• Familiarisation and compliance costs associated with OSMRF and potential for longer trips</li> </ul> <p>From Upwards Only Rent Review banning</p> <ul style="list-style-type: none"> <li>• Wellbeing from improved high-street experience</li> </ul> <p>Overall, this impact assessment would suggest the probability of non-monetised benefits being realised is greater than it is for the costs and the overall impact of non-monetised factors is more likely to be positive.</p>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	<p>There are likely to be positive distributional impacts where an increase in community ownership of assets of community value should help reduce inequalities and bolster local economic growth particularly in disadvantaged areas.</p>	<b>Positive</b>

## Part B: Impacts of regulatory measures on wider government priorities

Category	Description of impact	Directional rating
<b>Business environment:</b>  <b>Does the measure impact on the ease of doing business in the UK?</b>	<p>Impacts on wider Government priorities are discussed in more detail in the individual Impact Assessments below.</p> <p>Overall there may be marginal impacts on the wider business environment in the UK, associated with higher barriers to entry and greater levels of regulation disincentivising foreign investment. There is also some uncertainty regarding the extent to which these impacts will be realised.</p> <p>There may equally be positive impacts on the wider business environment, where greater community ownership of assets of community value and rental interventions making it easier for businesses to set up may drive economic growth.</p>	<b>Uncertain</b>
<b>International Considerations:</b>  <b>Does the measure support international trade and investment?</b>	Regulatory certainty could attract foreign investment from businesses that have been reluctant to invest and set up shared micromobility schemes, however, the expansion and extension of schemes by existing operators is deemed more likely.	<b>Neutral</b>
<b>Natural capital and Decarbonisation:</b>  <b>Does the measure support commitments to improve the environment and decarbonise?</b>	Any impacts are likely to be negligible.	<b>Neutral</b>

# Declaration

Department:

Ministry of Housing, Communities and Local Government

Contact details for enquiries:

[englishdevobillmailbox@communities.gov.uk](mailto:englishdevobillmailbox@communities.gov.uk)

Minister responsible:

Minister of State for Local Government and English Devolution  
JIM MCMAHON OBE MP

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:



Date:

12 May 2025

## Summary: Analysis and evidence

For Final Stage Impact Assessment, please finalise these sections including the full evidence base.

Price base year:

2025

PV base year:

2025

This table may be reformatted provided the side-by-side comparison of options is retained	1. Business as usual (baseline)	3. Preferred way forward (if not do-minimum)
<b>Net present social value</b> (with brief description, including ranges, of individual costs and benefits)	The business as usual option is treated as the baseline for comparisons, therefore all changes in the preferred way forward are additional to this	<p>NPSV: -£8.0m</p> <p><b>Net costs: -£42.3m</b> to businesses: -£24.4m to local authorities: -£17.4m</p> <p><b>Net benefits: £34.3m</b> to households: £33.4m to local authorities: £0.9m</p> <p>Net transfers (landlords to tenants): £61.1m</p> <p>More detail, including breakdowns of costs and benefits can be found in the individual Final stage impact assessments below.</p>
<b>Public sector financial costs</b> (with brief description, including ranges)	The business as usual option is treated as the baseline for comparisons, therefore all changes in the preferred way forward are additional to this	<p>Total public sector NPV: -£16.5m</p> <p>Further breakdown of costs and benefits to local authorities and central government can be found in the individual Final stage impact assessments below.</p>

<p><b>Significant un-quantified benefits and costs</b> (description, with scale where possible)</p>	<p>The business as usual option is treated as the baseline for comparisons, therefore all changes in the preferred way forward are additional to this</p>	<p>Unmonetised benefits include the reduced likelihood of a business going into involuntary due to high rents, welfare and wellbeing improvements within local communities, protections from asset stripping, greater regulatory certainty in the market, and revenue intake from increased ridership in existing schemes and new ridership in new schemes.</p> <p>Unmonetised costs relate to location specific familiarisation and administration costs, data collection and sharing costs, and increased operating costs. More details on unmonetised costs can be found in the On-Street Micromobility Rental Framework impact assessment below.</p> <p>Greater detail on unmonetised costs and benefits can be found within the individual Final stage impact assessments below.</p>
<p><b>Key risks</b> (and risk costs, and optimism bias, where relevant)</p>	<p>Analysis of risks and sensitivities can be found in the individual Impact Assessments below.</p>	<p>Analysis of risks and sensitivities can be found in the individual Final stage impact assessments below.</p>
<p><b>Results of sensitivity analysis</b></p>	<p>Analysis of risks and sensitivities can be found in the individual Impact Assessments below.</p>	<p>Analysis of risks and sensitivities can be found in the individual Final stage impact assessments below.</p>

## Evidence base

### **Problem under consideration, with business as usual, and rationale for intervention**

The policy problem under consideration is discussed in greater detail within the strategic case in Section 3. Here it is discussed how political powers being hoarded at a higher level is obstructing the potential for growth within local authorities.

The case for change is clear:

- Devolution means policy can be tailored to local situations, based on a deep understanding of England's regional economies. Places should not have to constantly re-work competitive bids to deliver the Government of the day's priority. While ministers and civil servants strive to serve, those making national decisions have competing incentives, limited capacity and less localised information. Devolution enables more decisions to be made by those who know their areas best, leading to better outcomes and a more efficient use of resources.
- Devolution enables coordinated action in a place. Policies across skills, innovation, and infrastructure are much more effective when used to complement each other<sup>16</sup>. We have already seen the difference that can be made when local leaders and Mayors work together in the interests of the local population. It creates the right mix of local intelligence and capacity with strategic vision<sup>17</sup>
- Devolution gives communities a greater say in decisions that affect them. When policy is made at a national level, even the best intentions can fall short and invite public objection if the communities who should benefit are left powerless in the decision-making process.
- Devolution done right drives innovation, enabling different leaders to trial different methods, and learn from what works to ultimately deliver more for citizens.

By pushing more power out of Whitehall, this Government is undertaking major structural reform to deliver better democratic and economic outcomes for people and places across England. With more power devolved in England, people will see the following changes.

- Priorities for their area set locally, with policies tailored to needs and circumstances.
- Easier commutes through a single transport system, with pay-as-you-go fares and joined-up services to access more opportunities faster.
- Skills and employment provision that are more relevant to local jobs.
- More houses that are matched with new infrastructure.
- Support from public services that talk to each other and understand what support people need.



- Fewer but more empowered leaders who can be directly held to account. 83% of people in Greater Manchester recognise the Mayor<sup>18</sup> – we want this kind of recognition and direct accountability across the country.
- Local government, as the foundation of devolution, itself given a firm foundation, restored to being fit, legal, and decent. Councillors will play an important role as the delivery arm of this project, with the respect and resources they need to get the job done.

## **Policy objective**

Policy objectives are outlined in the strategic case in Sections 3 to 4 and individual Impact Assessments below.

## **Description of options considered**

Descriptions of policy options are outlined in Section 5 and individual Impact Assessments below.

## **Summary and preferred option with description of implementation plan**

The preferred option for intervention and implementation plan are outlined in more detail in the individual Impact Assessments below.

## **NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)**

As per the Green Book, all future monetised impacts are deflated to 2025 prices, using HMT's projections of the UK GDP Deflator. Future impacts are also discounted at an annual rate of 3.5%, as per the Green Book's Social Discount Rate. Discounted and deflated impacts are referred to as being net present value (NPV).

The Net Present Value for these interventions is calculated at £8.0m. Wider cost and benefits breakdown and sensitivity and risk analysis can be observed in greater detail in the individual Impact Assessments below. The monetised costs and benefits are as follows:

### **Monetised costs:**

- Administrative and familiarisation costs
- Costs to asset owners from delays in asset sales
- Lower rental incomes to landlords
- A disparity in sale price and counterfactual price under the Community Right to Buy

### **Monetised benefits:**

- Lower rents paid by businesses
- Volunteering uptake
- Employment benefits

There are also a number of unmonetised impacts considered, such as:

- Some location-specific familiarisation and administration costs
- Compliance costs associated with OSMRF

- Potential changes in journey times and journey reliability
- Costs related to data collection and sharing
- Increased operating costs to landlords
- Reduced likelihood of businesses going into insolvency due to high rents
- Welfare and wellbeing improvements within local communities
- Protections from asset stripping
- Greater regulatory certainty in the housing market
- Greater revenue intake from increased ridership in existing schemes
- Transport benefits including fewer pavement obstructions
- Reduced externalities and safety improvements

## **Costs and benefits to business calculations**

Costs and benefits calculations are outlined in more detail in the individual Impact Assessments below.

## **Impact on small and micro businesses**

Impacts on small and micro businesses are outlined in more detail in the individual Impact Assessments below and the strategic case in previous sections of this Impact Assessment.

## **Costs and benefits to households' calculations**

Costs and benefits calculations are outlined in more detail in the individual Impact Assessments below.

## **Business environment**

Impacts on the wider business environment are expected to be minimal. Potential impacts may include improvements to foreign investment due to more predictable long-term cash flows as a result of the UORR ban, greater high street occupation and reinvestments in high street businesses due to lower and fairer rents, and greater barriers to entry given compliance costs related to OSMRF.

These impacts are considered in greater detail within individual Impact Assessments below.

## **Trade implications**

This impact assessment considers any potential trade implications very minimal. There is the possibility that shared micromobility schemes may attract foreign investments from businesses that were previously reluctant to invest. Trade implications are broken down in more detail in the individual Impact Assessments below.

## **Environment: Natural capital impact and decarbonisation**

Impacts on the UK's natural capital are generally not expected, however, there are possible impacts in relation to noise pollution, greenhouse gas emissions and air quality where we anticipate changes to journeys related to the OSMRF. This is discussed further within the individual Impact Assessments below.

### **Other wider impacts (consider the impacts of your proposals)**

- This impact assessment considers costs to local authorities and central government. These costs are outlined in more detail in the individual Impact Assessments below.

### **Risks and assumptions**

This impact considers a variety of risks and assumptions to derive impacts. Risks and sensitivities are outlined in greater detail in the individual Impact Assessments below.

# Final stage impact assessment - On-Street Micromobility Regulatory Framework

## 1. Summary of proposal

### **The problem, and intended impact of the policy**

England's shared micromobility schemes have changed almost beyond recognition since Barclays Cycle Hire was introduced to London in 2010. Rapidly evolving technology, falling costs, and private equity investment have seen a huge expansion in the numbers and popularity of these schemes.

TfL now estimates there are tens of thousands of dockless rental bikes in London, and they are also in at least 26 other towns and cities in England. The types of vehicles available on our streets have also changed: with rental e-scooters available in the Government's e-scooter trials, e-cargo bike schemes, long-term cycle rental business models and small-scale cooperative bike-share schemes.

New business models are also competing for space on our highways and pavements, including pavement delivery robots and couriers looking to use new last-mile delivery carts.

All of this puts pressure on the street space, and particularly our pavements, with obstructive parking now causing serious accessibility issues for pedestrians, parents and disabled people; particularly in London where the schemes are most popular. Government have also received reports of anti-social use of micromobility vehicles such as pavement riding, riding at excessive speed and riding in a reckless way or any other way incompatible with the rules of the road, including drink driving.

For the most part, local authorities do not have the necessary powers to manage these schemes to tackle pavement obstructions or anti-social use, but also to realise the full potential benefits of green, active and integrated transport modes.

### **The proposed solution: licensing**

The proposal gives local transport authorities (Strategic Authorities where they exist and upper-tier local authorities where they don't) the power to issue licences for these schemes, to ensure they control who operates in their area and on what terms. It will be a criminal offence to operate without a licence, giving local authorities the power they need to negotiate with private businesses using the street space, to ensure they do so in a way that works for everyone and with local democratic consent.

Local authorities will be able to decide how many licences they wish to issue, to control the number of operators in their area, and DfT will set guidance for local authorities to inform this decision.

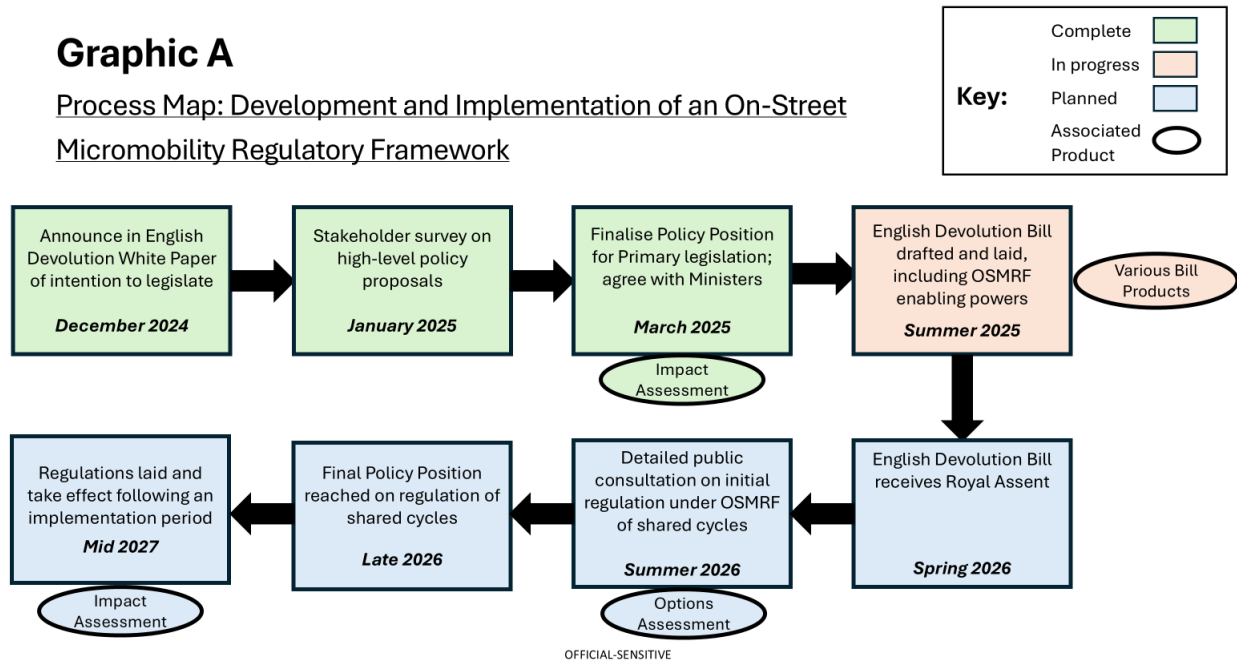
### **Implementing the policy**

This policy is designed to be a future-facing framework. Powers to regulate shared on-street micromobility schemes by type of vehicle and/or operation will be sought in primary

legislation. Specific types of schemes will then need to be regulated proactively through secondary legislation in the form of regulations following further in-depth consultation and a further Impact Assessment. Most of the impacts, and particularly the costs to businesses, of this policy will be determined by the decisions taken when setting the regulatory policy for each type of scheme through secondary regulations. This Impact Assessment therefore seeks only to set out the costs to business of the primary legislation and creation of the On-Street Micromobility Regulatory Framework, while also giving an indication of some potential costs associated with decisions to be taken as part of secondary legislation further down the line. **Graphic A** below sets out this implementation process in more detail.

## Graphic A

### Process Map: Development and Implementation of an On-Street Micromobility Regulatory Framework



OFFICIAL-SENSITIVE

## Defining the scope of the policy

The Government plans to define narrowly what types of schemes will require a licence. Powers to introduce a licensing regime will be created in primary legislation, and then supplementary secondary regulations will bring in a licensing regime which proactively designates the schemes captured by vehicle type and/or operating model.

### To be in scope of the primary legislation, a scheme will meet the following criteria:

- Journeys begin or end on public land, typically the road or pavement, or use the pavement for part or all of their journey;
- Must not be using a motor vehicle, as defined by the Road Traffic Act;
- Should not be a small scheme, with “small” to be defined in the subsequent secondary legislation for each specific licensing regime;
- Must be explicitly identified in secondary legislation, meaning no vehicle or scheme becomes “accidentally” in scope of the licensing regime.

In the first instance, the Government intends to use these powers to bring forward secondary legislation for a licensing regime for shared cycles. There will be further consultation, impact assessment and policy development before this secondary legislation is enacted, which may include additional vehicle specific exemptions, such as for docked schemes run by the authority or schemes run by registered charities.

The framework is specifically designed to allow for the regulation of shared e-scooter schemes, should the Government decide to legalise e-scooters as a vehicle type in future. However, a licensing regime for shared e-scooters could not be brought forward unless separate legislation is passed to make them legal to use on the road (outside of the current rental e-scooter trials). This is therefore considered out of scope for this impact assessment.

Following stakeholder engagement in January 2025, the framework is also intended to leave open the possibility of creating a licensing regime for pavement vehicles. For example, if Government chooses to legalise delivery vehicles which can operate on the pavement to help couriers reduce the number of vans used in urban delivery, the local authority should have control over where they go and who operates them. As these are already in widespread use internationally, it is reasonable to assume that a licensing regime may be needed for them.

### **Licence conditions**

For each licensing regime, defined through further secondary regulation, there will be a component of (1) minimum conditions, set by DfT which must be included in all licences, and (2) locally set conditions that allow local leaders flexibility to ensure schemes work for their area. There are no proposals to limit what additional conditions local leaders can specify, but there will be statutory guidance to consider. This is similar to how the e-scooter rental trials currently run and balances minimum safety standards with local flexibility.

There will be further consultation, impact assessment and policy development for each licensing regime, but illustrative examples of minimum conditions and bespoke conditions for rental cycles are below.

### **Illustrative minimum conditions:**

- Mandatory sharing of trip data with the local authority and DfT (where it is already collected by the operator)
- The operator must devise an anti-social behaviour plan and parking plan in conjunction with the police and local authority
- A unique identification number on each vehicle for easy reporting of poorly parked vehicles
- Appropriate levels of vehicle servicing and maintenance
- Appropriate training offered to users
- A statement of the expected vehicle standards, noting a vehicle must already be legal to use on the highway and a licence cannot be issued for illegal vehicles.

These may have some cost burden to business and passthrough costs to households although we expect that cost burden to be small and passthrough limited as set out in the regulatory scorecard below. Addressing the *illustrative minimum conditions* above:

- Data sharing costs from similar mobility DfT trials lead us to estimate the cost to each business to be a one-off cost of £3,400 and an ongoing per annum cost of £7,300. This represents the cost of actually sharing data, given that business already collect the data required and we anticipate large economies of scale benefits in the mechanics of sharing with DfT.
- Anti-Social Behaviour (ASB)/Parking Plans are more uncertain and will vary depending on the specifics laid out in secondary regulation and the choices of licensing authorities however evidence from Cycling and Walking Investment Strategy Studies suggests indicative costs up £600 per space, depending on quality/security etc. it is unclear who would foot the bill, users may be fined for improper parking which would impose a cost on them, while increasing value of travel time saving (VTTS) disbenefits from not parking where the user wants. Alternatively licensing authorities may only require parking in an area and thus reducing the cost of infrastructure or plans. Such

costs will be accounted for in detail once known as part of a future impact assessment accompanying the regulations which implement the framework.

- Unique vehicle identification numbers, we expect most operators to already do this.
- Vehicle and Servicing plans may require modification as per any licensing agreement however operators already do some level of maintenance on their fleet.
- Current fleets are already legal to use on highways.
- Training offerings may be modified however operators already offer training; thus, any additional cost burden is expected to be limited.

### **Illustrative locally set conditions:**

- A cap on the fleet size, which could be fixed, or dynamic, being adjusted based on service performance
- Contributions to the local government costs of running the scheme (such as providing parking bays)
- Additional data provision for real-time monitoring
- The use of geo-fencing to prevent rental use in specific areas, such as pedestrianised spaces
- Helmet provision
- Requirement to integrate ticketing into regional transport apps.

### **Appeals**

Given the competitiveness of the industry and the exclusionary nature of the awarding of licences, it is likely that at times disputes will arise over licensing decisions. We intend to create a bespoke appeals process which seeks to ensure disputes are resolved proportionately. This would also help minimise burdens on the judicial system. In line with the devolutionary intent of these licensing powers, these appeals will be locally managed. The DfT would provide detailed guidance on managing the appeals process.

The appeal system is modelled on the appeals process for licensing decisions related to Taxi and Private Hire Vehicles in London, which is set out in the Transport Act 1985, and which was recently replicated in the Pedicabs Act 2024. This involves an official separate from the original licensing decision reviewing the case and recommending the decision is either revisited or upheld.

This model would be adjusted to reflect the scale of the decisions being made. Whereas taxi or pedicab licensing decisions relate to individuals, On-Street Micromobility licensing decisions will relate to businesses with more complex operations. Therefore, we will allow for a panel of up to three members rather than one individual. Currently, we would expect the appeal timescales to be somewhat longer for decisions relating to large-scale operations than for those related to individual taxi drivers due to the increased complexity involved. We would also, however, expect the number of appeals to be significantly lower in the case of OSM licensing than with individual taxi drivers due to the small number of operators.

We propose that appeals could only be made against decisions not to award a licence, to suspend or revoke a licence, or to levy a civil sanction (a fine) against a licensed operator. We would not allow for appeal against individual conditions set out in a licence as this would lead to significant risk of numerous frivolous appeals which could unduly burden the licensing authority. It will remain possible to challenge these decisions in court.



## **Enforcement**

It will be made a criminal offence to operate without a licence issued by the relevant licensing authority. This primarily serves as a disincentive to operate without a licence, but it will also ensure that if an operator attempts to operate without a licence there can be quick intervention to limit or halt the operation.

The circumstances under which a licence can be revoked, and how it is revoked (such as notice periods) will be set in regulations. Clear processes set out in law will empower licensing authorities to make these decisions decisively where necessary and reduce the risk of legal challenge against them in doing so.

Mechanisms for enforcing the conditions agreed within the licence, such as proportionate fines and “dynamic fleet capping” where conditions are breached, will be set out in regulations supported by guidance. The local authority will retain the right to revoke the licence, but we will also consider other more proportionate enforcement mechanisms, such as ‘dynamic fleet caps’ that reward compliant operation with steady and phased expansion.

## **Who will issue the licences, associated issues and proposed solutions**

Users of on-street micromobility services are unlikely to know where one jurisdiction starts and the next ends, they simply want to complete their journey. However, as licensing regimes will be defined by local government geography, this will necessarily create boundaries.

The Government intends that the licensing authority should be the ‘Strategic Authority’ (as established by the English Devolution and Community Empowerment Bill, i.e. the Combined Authority, Combined County Authority or the GLA) where one exists, and if one does not exist, the licensing authority should be the highways authority. This will allow for effective integrated transport planning, reduced complexity for operators and consistent service over a wider area.

There is a risk that issues with parking provision could arise where different authorities are responsible for licensing shared micromobility than are responsible for parking. For example, in London, the boroughs are responsible for parking in their area whereas it is proposed that Transport for London will issue the licences and determine how schemes run. The scheme’s success will be heavily dependent on the sufficient provision of parking. To facilitate continued positive engagement between ‘Strategic Authorities’ and highway authorities and avoid such issues, the Government proposes creating a two-way legal duty for them to cooperate with each other on providing micromobility parking.

There is no “one-size-fits-all” solution to providing sufficient parking that is convenient for users, prevents obstructive parking and balances everyone’s needs of the street space, and specific decisions about the precise location of parking will continue to be best made locally. For example, in some areas, reallocating carriage space will be suitable, and in others reallocating some pavement space may be more appropriate.

## 2. Strategic case for proposed regulation

### The Problem

#### The history of shared micromobility

In the UK, the first large sharing scheme was London's cycle share scheme, introduced in 2010. Since then, cycle hire has spread across the world and the UK. With so much growth, it has been unsurprising that schemes are also no longer limited to the shared rental of cycles but also e-cycles and e-scooters, with innovators integrating rapidly developing battery and motor technology into small, lightweight, 2- or 3-wheel vehicles. E-cycles now constitute an increasingly larger portion of all cycle share schemes, and new vehicles like e-scooters have been developed and have proven popular.

We now use the term “micromobility” to refer to this collective group of small, lightweight vehicles. According to industry body CoMoUK's latest estimate, there are over 50,000 rental cycles in the UK as of March 2024, with 75% of those in London<sup>24</sup>. The industry is rapidly growing, and the current total figure is most likely higher.

E-scooter schemes have also proved popular. Since 2020, the Government's e-scooter trials have had tens of millions of trips.

With their popularity and zero-emission offering, micromobility rental schemes have a clear role to play in offering greener, healthy and convenient choices. The 2021 national evaluation of e-scooter trials found that 52% of those who rented an e-scooter at least three or four times per week (a base size of 448 respondents) used an e-scooter to travel to or from another mode of transport at least weekly.<sup>25</sup> This shows that micromobility can play a key role in delivering the Government's mission to deliver better integrated transport services, creating a network that offers a viable replacement for private car ownership.

However, incorporating rental schemes with many tens of thousands of new vehicles into our existing street space has not been without its challenges. There is a clear need to manage shared micromobility schemes effectively to minimise the burden on other users of our public spaces, especially those with mobility issues or visual impairments. If current trends continue, the number of shared micromobility rental schemes will grow across the country over the coming years, and with it the number of shared vehicles utilising space on our streets. The Government believes now is the appropriate time to act and ensure this growth is properly managed to reap the benefits across whole communities and limit potential negative impacts.

Through a stakeholder survey in January 2025, authorities have reported their enthusiasm for the service that these schemes can provide, with 48 out of 62 local authorities who answered the relevant question indicating that they would be “somewhat likely” or “very likely”

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<sup>24</sup> CoMoUK Annual Bike Share Report, 2023, p. 3 ([66044f950c22e65c03a6b5fa\\_CoMoUK\\_Annual\\_Bike\\_Share\\_Report\\_UK\\_2023\\_v02.pdf](#))

<sup>25</sup> Department for Transport, National evaluation of e-scooter trials, 2022, p. 39 ([National evaluation of e-scooter trials](#))

to authorise schemes in their area, and only three indicating they would be “somewhat unlikely” or “very unlikely” to do so. Local authority respondents also agreed that the benefits of these schemes could be significant, with 55 of 58 agreeing that shared e-cycles could contribute to reducing inactivity, 57 out of 57 agreeing that they could contribute to an integrated transport system, and 55 out of 57 agreeing that they could contribute to a greener transport networks.

However, it is clear from local authority survey responses that they do not believe they currently have the powers needed to minimise the negative impacts that can arise and which can damage public perception of a mode that has much potential. Of local authority respondents to the January 2025 survey, 53 out of 60 who answered the specific question agreed that shared e-cycles present a risk of obstructing pavements, with only two disagreeing. Similarly, 42 out of 60 believed these schemes present risks of antisocial behaviour, with only six disagreeing. Crucially, 54 out of 62 local authorities who answered the relevant question agreed that licensing was essential to regulating these types of schemes effectively.

In future, there may also be other business models and this framework is designed to be able to accommodate them. For example, if e-scooters are legalised, rental e-scooter schemes could be regulated through this framework. Similarly, if pavement robots or other last mile delivery vehicles were legalised, given they often use the pavement space, it is likely that the local authority would need to be specific about where they can go, how they can operate and who can operate them to ensure a sufficient level of safety. However, no decisions have been made on this and as such, the impacts are not assessed here.

We have focused on cycles and e-cycle shared rental, and the full impacts will be assessed at the point at which the secondary regulations (and accompanying guidance) are developed.

### **Shared micromobility – the problems today**

There is currently no legal requirement for operators of shared micromobility services to seek permission from local authorities to establish a scheme in their area (with the exception of national e-scooter trials). Operators of shared cycle schemes have often worked with local government to manage the schemes, including through an industry-led cycle share accreditation scheme run by CoMoUK.

However, this has taken place in an environment where local authorities are largely powerless - contracts are entered into on a voluntary basis for the operators and resolving contractual disputes requires civil litigation which can be costly as well as time consuming.

Authorities have found themselves unable to intervene decisively and require operators to adhere to the terms of their agreements quickly enough to resolve issues. Operators have been found to continue with practices that are in breach of what has been agreed (particularly with regard to limits on how many cycles they can deploy and ensuring responsible parking). . In some cases, local authorities have been in the process of working with an operator to

establish a scheme in their area only for the operator to launch the scheme without informing them and before an agreement had been concluded.<sup>26</sup>

Transport for London have used significant best attempts within its current legislative power to tackle these issues, for example through creating a Dockless Bike Share Code of Practice in place for more than six years.<sup>27</sup> In the absence of stronger regulatory powers, these authorities are unable to enforce adherence to best practice and problems have persisted and grown. Local authorities also have industry-led guidance developed by CoMoUK but this has not helped them tackle the issues that have arisen.<sup>28</sup>

### **Insufficient local influence over schemes**

As permission is not legally required to establish an on-street shared micromobility rental scheme, operators are not required to allow local authorities any formal influence over schemes operating in their area. The Government wants to ensure that local leaders have sufficient power to ensure that schemes are shaped to the needs of their communities and do not have disproportionate negative impacts on non-users. 87% of local authorities who answered the relevant question in the DfT's January 2025 stakeholder survey (54 out of 62) agreed that licensing was essential to regulating these types of schemes effectively.

### **Equal access to information**

In the current shared micromobility rental market, users, operators and local authorities often have different levels of information. All major operators hold significantly more information on their rental operations than local areas and local people have access to. This creates an imbalance of power whereby decision making about shared rental scheme operations are weighted in operators' favour which could lead to less optimal outcomes for users and those living and working in the area, regarding issues such as fleet size, vehicle parking location and type or permitted areas of operation. For example, many local authorities have found it difficult to determine how many vehicles are on their streets without access to operator data on fleet size to inform their transport planning accordingly. The most telling example of this is Transport for London, who in the absence of the ability to require data sharing on these schemes are unable to verify beyond a rough estimate the number of shared cycles present in the capital despite the significant resources available to them to investigate issues and engage operators relative to other local and transport authorities across the country.

### **Market Certainty**

Government intervention could also offer certainty to the market over what is expected of operators at a national level and in the long-term. This certainty would allow for better business planning, which multiple operators have made clear to DfT including in responses to a stakeholder survey run in January 2025 would improve the current situation in which there is no national guidance or minimum standards and a lack of clarity about when future regulation might happen and how restrictive (or otherwise) that might be. Clarity could facilitate investment and growth of the industry.

At present, in the absence of clear proposals, stakeholders have been left to infer that regulation might be introduced as it is standard in many European markets. As noted in a

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<sup>26</sup> <https://www.oxfordmail.co.uk/news/24587961.electric-bike-company-lime-operating-without-permission/>

<sup>27</sup> [Dockless Bike Share - Code of Practice](#)

<sup>28</sup> CoMo UK Bikeshare Guidance for Local Authorities ([Document > Bike share guidance for local authorities](#))

report commissioned by an operator (Bolt) and conducted by Deloitte on existing e-scooter regulatory models across 155 cities in Europe, some form of permitting system is used in 80% of these cities for shared e-scooter services.<sup>29</sup>

### **Geographic Equity**

There are currently areas where it is less profitable for the shared rental services market to operate, for example less densely populated areas on the outskirts of towns. These areas often struggle with fewer public transport options leading to inequitable outcomes and are places where shared rental schemes could act as a vital link to public transport networks. In such cases, effective government intervention could prove beneficial and make transport options more accessible to areas traditionally deprived of public transport by giving local areas the power to shape the geographic coverage of OSMR schemes to service the whole community.

### **Striking the Right Balance**

The Government believes that intervention is required to ensure on-street micromobility rental schemes can continue to thrive but in a way that properly takes account of the interests of all users of public spaces. It also means that operators comply with local authority requirements are not unfairly undercut by non-compliant operators.

Alongside parking requirements, examples of other issues where it may be beneficial for local or national government to have more influence include: operating hours and hyper-specific locations of operation, achieving area-wide scheme coverage to help tackle transport “dead zones”, monitoring and reporting of anti-social use, data use to inform local transport planning, and integration of schemes with the wider public transport network.

### **The opportunity for on-street micromobility**

Rental micromobility is a relatively new transport mode, offering people a quick and convenient way of travelling without the same up-front costs, environmental impact or hassle of owning and storing a private vehicle. This can reduce the barriers to people accessing the benefits of independent transport without the concerns around buying a vehicle, storing and maintaining it, or safeguarding it from theft. It is popular with users, with industry body CoMoUK estimating over five million active users of shared micromobility in the UK.<sup>30</sup> A recent industry survey further estimated that London alone has around 29 million trips per year on dockless shared e-bikes.<sup>31</sup> With support in the form of properly considered regulation, the Government considers that this form of transport can offer three key opportunities:

- Creating an integrated transport system – rental micromobility schemes can make public transport offerings more accessible to users if located to serve less well-connected areas.

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<sup>29</sup> [Unlocking Shared Scooter Potential \(deloitte.com\)](https://www.deloitte.com/uk/en/issues/mobility/unlocking-shared-scooter-potential.html)

<sup>30</sup> [Shared bikes > Overview and benefits](#)

<sup>31</sup> [London and Paris drive Europe's shared bike boom](#)

- Reducing inactivity – rental micromobility allows users to access public transport more conveniently and potentially replace short distance car journeys. These micromobility journeys can be more active than car journeys.
- Greener transport – micromobility vehicles have zero emissions at the point of use, offering a more environmentally friendly transport option than private cars.

Any regulatory intervention should, where possible, seek to encourage usage that maximises these opportunities.

### **Creating an integrated transport system**

The Government has committed to delivering an integrated transport system that is more sustainable, efficient and equitable. Cycling and other micromobility vehicles clearly have a role in achieving this but the potential of on-street micromobility rental to help deliver this has yet to be maximised, and the Government wants to facilitate this further.

Firstly, shared micromobility can offer a reliable, quick and convenient transport option from door-to-door available to all, particularly for short local journeys.

Shared micromobility can also enhance our existing public transport network, by connecting people to existing bus stops and train stations making public transport a viable option for more people and for more types of journeys. There are several measures that could make for a more convenient and consistent user experience, if local governments had more influence in this area. These include locating vehicle parking places near bus stops and train stations, ensuring comprehensive area-wide coverage of rental schemes, and integrating payment systems between micromobility and public transport. The national evaluation of e-scooter trials found that among 441 regular users (those who had used an e-scooter 30 or more times), 29% had used an e-scooter to get to a train at least once and 8% had used an e-scooter to get to a bus at least once.<sup>32</sup> In a separate study, 32% of users of cycle share schemes were found to combine cycle share with other transport modes of transport, mainly with train, bus, or underground travel.<sup>33</sup>

The second evaluation of the e-scooter trials – which began in early 2025 – will seek to better understand the extent to which rental e-scooters are used to connect with the public transport network, including any drivers and barriers to doing so. This evaluation will conclude before secondary regulations and guidance are made, allowing the findings to be used in decisions on how to help local authorities better integrate their transport systems using shared micromobility.

### **Reducing inactivity**

As part of the Health Mission, the Government is committed to preventative public health measures to support people in living longer, healthier lives, and believes shared micromobility has a useful role to play in this.

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<sup>32</sup> Department for Transport, National evaluation of e-scooter trials, 2022, Table T172 ([national-evaluation-of-e-scooter-trials-user-data-tables.ods](#))

<sup>33</sup> CoMo UK Annual Bike Share Report, 2023, p. 3 ([66044f950c22e65c03a6b5fa\\_CoMoUK Annual Bike Share Report UK 2023\\_v02.pdf](#))

Shared cycle schemes (including e-cycles) are one of the most popular forms of shared micromobility rental, and there is evidence of significant health benefits of cycling. A CoMoUK report found that 89% of cycle share users agreed that these schemes provided them with exercise (including both conventional manual cycles and e-cycles) and 80% considered that cycle share provided them with mental health benefits.<sup>34</sup>

There are indications of a range of health benefits of conventional manually powered cycles. A rapid evidence review carried out by Public Health England found evidence that cycling can reduce the risk of all-cause mortality, cardiovascular disease, and type II diabetes.<sup>35</sup> This review also found that there is strong indirect evidence on the mental and neurological benefits of leisure time physical activity, of which cycling is a good example. There are multiple share schemes of conventional cycles across the country helping people and society, as a whole access these benefits.

Most cycles used for shared rental schemes are e-cycles<sup>36</sup>. As they are electrically assisted, e-cycles require less physical exertion by the rider and therefore the immediate benefits in terms of physical activity are less pronounced. Despite this, shared e-cycle schemes can still have positive health impacts, particularly where shared e-cycle journeys replace car journeys. A 2016 report covering multiple shared e-cycle schemes found that 58% of users felt happier when using an e-cycle and 41% felt healthier.<sup>37</sup> E-cycle shared rental schemes can also help more people access the benefits of cycling and active travel more generally, particularly groups otherwise underrepresented in these areas. The 2016 report cited above found that shared e-cycles attracted a wider demographic of cyclist, particularly in the case of women who made up 45% of e-cycle riders, significantly higher than in the case of personal cycles, whose users are around 25% female. A report by London-based shared cycle operator Forest indicated that 30% of their users were female, and that this proportion is increasing year on year. Shared cycling can also disproportionately encourage women to begin cycling again after taking long breaks from doing so.<sup>38</sup> In addition to this, shared e-cycle schemes attract a wide age range of users, with nearly a quarter (23%) of bikeshare users being aged 45 or over.<sup>39</sup> and can support access to cycling for people who otherwise would be physically unable to do so. Recent research commissioned by the Motability Foundation found that more than half of disabled people believed that shared micromobility could help improve their lives. However, the current manifestation of these schemes make them harder for disabled people to access due to vehicle design and booking and payment processes, meaning only 10% of disabled people surveyed had used shared micromobility services. There is therefore a real opportunity for shared micromobility to improve disabled people's lives which is not currently being seized by the market in the absence of regulation.<sup>40</sup>

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<sup>34</sup> CoMo UK Annual Bikeshare Report 2023, p. 10 ([66044f950c22e65c03a6b5fa\\_CoMoUK Annual Bike Share Report UK 2023\\_v02.pdf](#))

<sup>35</sup> [Cycling and walking for individual and population health benefits: a rapid evidence review](#), pp. 21-26

<sup>36</sup> For example, TfL estimate there are tens of thousands of dockless e-cycles in London, compared to around [12,000 Santander cycles](#). Even of these Santander cycles, at the end of [2024 TfL reported around](#) 1 in 6 was now an e-cycle. Whilst the split between cycle and e-cycles is not known outside of London, both are in use. As London makes up the majority of shared rental cycles, it is expected that the majority of shared cycles in use are now e-cycles.

<sup>37</sup> [62dabee4b3f6d4db2ce7042\\_CoMoUK Shared Electric Bike Programme Report 2016.pdf](#)

<sup>38</sup> CoMo UK Annual Bike Share Report, 2023, p. 8.

<sup>39</sup> CoMo UK Annual Bike Share Report, 2023, p. 7.

<sup>40</sup> [New research explores accessibility of shared micromobility services for disabled people](#)



Shared micromobility rental schemes can lower the barriers to accessing the benefits of more active travel modes by removing the up-front costs. In doing this, they allow more people to enjoy the positive health impacts that these vehicles offer. They can also encourage permanence in the uptake of cycling and thus embed the concomitant health benefits longer-term, with 14% of respondents to CoMo UK's 2023 annual bikeshare report having purchased their own personal cycle since participating in a shared scheme.<sup>41</sup>

### **Greener transport**

Transport is the largest contributor to greenhouse gas emissions of any sector in the UK.<sup>42</sup> Promoting the use of cleaner, greener travel and reducing emissions is critical for the Government to meet its targets on emissions. Micromobility vehicles, which are zero emission, as they are powered manually and/or electrically, have a part to play in the greener transport offering of the future in replacing some private car journeys. They are also lighter than traditional motor vehicles (including electric vehicles), lowering the amount of energy required to move people around. Shared rental schemes can help bring a greener transport future to more people and at a lower cost than purchasing a private vehicle.

Cycle share schemes contribute significantly to reducing carbon emissions, with over 100,000 tonnes of CO<sub>2</sub> emissions saved at the point of use annually as a result of trips on shared cycles replacing 245 million car miles each year.<sup>43</sup>

In the first evaluation of the e-scooter trials, it was estimated that at the point of use there was a total reduction of between 269 to 348 tonnes of CO<sub>2</sub>e (to December 2021) across five case study areas. The calculations were based on a reduction of between 1.2 to 1.6 million km travelled by car due to mode shift from cars to e-scooters. The emissions from the mode shift from cars were calculated using emission factors for an average vehicle in England.<sup>44</sup>

While shared rental schemes can reduce emissions, we must also consider the impacts of the full lifecycle of micromobility vehicles when weighing their environmental benefits, particularly in terms of greenhouse gas emissions (GHGs).

A legitimate and ongoing concern with electrically powered micromobility vehicles has been the sustainability of their production, battery life, and vehicle disposal following the end of its useful life. If a vehicle breaks down, is it possible to repair it; and if you need to replace it, how can you dispose of your current one sustainably? Operators have reported improvements in the lifespan of micromobility vehicles and batteries due to improvements in design, technology and capacity to repair vehicles. For example, Voi now claim their e-scooters have an 8-year lifecycle, in part due to advances in technology such as machine learning for better predictive maintenance.<sup>45</sup> These improvements put micromobility vehicles on a positive trajectory towards reducing their environmental impact over their lifespan. Another example is that operators have begun to electrify the fleets of vans used to change

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<sup>41</sup> CoMo UK Annual Bike Share Report, 2023, p. 13.

<sup>42</sup> [Transport and environment statistics: 2023 - GOV.UK](#)

<sup>43</sup> CoMo UK Annual Bike Share Report, 2023, p. 16.

<sup>44</sup> Department for Transport, National evaluation of e-scooter trials, 2022, p. 93 ([National evaluation of e-scooter trials](#))

<sup>45</sup> <https://zagdaily.com/trends/vois-vehicle-lifespan-a-big-factor-in-first-profitable-year/>



batteries and redistribute vehicles, helping reduce the secondary environmental impacts of shared micromobility schemes.

The transport modes which shared rental scheme journeys displace are vital to understand overall GHG impacts. When car journeys are replaced, GHG emissions may fall while the opposite is true when the alternative mode was walking. Other important factors include levels of vandalism towards shared rental scheme vehicles and purchasing patterns of other modes. For example, higher vandalism rates result in increased emissions associated with repairs and disposal and if car purchasing patterns are not impacted by shared rental schemes, then the environmental gains of shared rental schemes will be lower. More evidence is required to generate a robust assessment of their lifecycle emission impacts and how this compares to other modes that are similarly reducing their lifecycle emissions.

Being lighter, electrically powered, and having no tailpipe emissions means they can also mitigate poor air quality and noise pollution when replacing journeys otherwise made by internal combustion engine vehicles and heavier vehicles with more tyre and brake particulate emissions, as well as causing less physical road damage compared to heavier forms of transport. This leads to cleaner air and better health alongside the reduction in inactivity<sup>46</sup>. Crucially, shared rental schemes are most viable in dense urban areas, where problems with air quality are most acute: our large cities. This means on-street micromobility rental can contribute to the Government's preventative approach to public health which reduces strain on the NHS and improves people's quality of life and longevity.

### **The risks from on-street micromobility**

Shared micromobility schemes have been available in the London since 2010 in the form of a cycle hire scheme in which cycles are parked in fixed "docks", however the services on offer have widened in the ensuing years with the introduction of "dockless schemes". These have grown significantly in recent years. Dockless schemes allow users more flexibility in where vehicles can be parked. The convenience of picking up a cycle or e-scooter on the street for a small fee, riding it to your destination and leaving it there, knowing that one will be nearby for your next onward journey is what has made the dockless shared rental schemes so popular with users. They also require much lower infrastructure costs, fuelling growth and delivering value for money. Where there is no infrastructure for parking, there's no cost, and operator Lime estimate a painted cycle hire bay costs £2,000-£3,000.

This convenience, which depends upon being able to find and leave a temporarily hired shared vehicle in public spaces, also creates risks and challenges. It is shifting the way our streets are used and how street space, particularly pavement space, is allocated. Whilst many operators spend a great deal of time and effort to ensure the responsible running of their schemes and mitigating negative impacts, this currently relies on good faith, meaning there is no requirement for them to do so. Moreover, most operators' primary focus is perhaps not surprisingly on users of their service and growing their business, as opposed to the needs and concerns of non-users (e.g. pedestrians).

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<sup>46</sup> <https://www.who.int/health-topics/air-pollution>

This means any proposed regulations must also account for the potential risks from on-street rental and aim to mitigate them to the greatest extent while promoting the opportunities.

Safety is the Government's priority. We consider that the two main risks generally, and to safety specifically, of dockless cycle rental schemes are obstructive parking and antisocial behaviour.

The Government sets technical requirements for the vehicles themselves and for the obligations on usage in distinct separate regulations following a robust process of evidence gathering, vehicle testing, and consultation. There are no plans to change this approach. The inherent safety aspects of any future vehicles and user requirements will hence be considered fully through mechanisms separate from the proposed intervention here to manage the operation of schemes themselves. For example, the requirements for e-cycles and their users, or e-scooters and their users will continue to be regulated for entirely separately. To run a scheme lawfully, it will also be necessary to comply with these rules, meaning that any "e-cycle" used on the road as part of a shared rental scheme must comply with the Electric Assist Pedal Cycle regulations. This is currently the case and this legislation does not change that.

### **Obstructive parking**

Of the negative perceptions attached to on-street micromobility rental schemes, perceptions around parking and more specifically, poor parking, are the most dominant. This can be seen in London particularly, where Transport for London and borough councils have been vocal and open about the challenges they face in ensuring that vehicles from dockless schemes have been parked responsibly.

In the case of rental e-scooters for example, among residents surveyed across ten trial areas in the 2021 evaluation, 29% had experienced a parked e-scooter blocking their access to the pavement.<sup>47</sup> 2024 research by the RNIB highlighted that nearly half of blind and partially sighted people agreed that dockless cycles and e-scooters stop them getting out and about.<sup>48</sup>

Of particular concern to the Government is the impact of obstructive parking of shared micromobility vehicles on people with visual impairments and/or limited mobility. For these citizens, badly parked e-cycles constitute much more than a mere inconvenience and can present a real safety hazard. Vulnerable pavement users can risk injury from tripping over vehicles, being forced to use on the road, or take exceptionally long diversions to the nearest dropped curbs, if the pavement is blocked. There is a legal duty under section 130 of the Highways Act 1980 for local authorities who are the highway authority, to assert and protect the public's right to use and enjoy the highway (which includes pavements). There is also a duty under this section to prevent as far as possible the obstruction of a highway. It is also an offence under section 137 of the Highways Act to cause obstruction of a highway.

While these legal duties and powers exist, the interpretation of what constitutes an obstruction or enough of an obstruction can vary and councils have reported that, when coupled with the scale of the issue, they are not able to properly enforce against these issues. This is the case even in London where councils have civil enforcement powers (i.e. council officers can carry

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<sup>47</sup> Department for Transport, National evaluation of e-scooter trials, 2022, p. 87 ([National evaluation of e-scooter trials](#))

<sup>48</sup> [Read RNIB's research into the dangers e-scooters and bikes cause for people with sight loss | RNIB](#)

out the enforcement) to tackle the offence of obstructing the highway; elsewhere in the country this enforcement can currently only be done by the police.

Operators have been receptive to these concerns, and have made some significant steps to improve, but ultimately their business model relies on ease of parking. In some cities, such as London, where businesses are competing and growing aggressively; convenience and ease of parking is a key defining feature between competing services and so the local authorities' interests will not always be fully reflected in operators' business plans and parking management.

### **Anti-social use**

As with all vehicles, micromobility vehicles and cycles are susceptible to anti-social use. The forms of anti-social use of these vehicles about which the Government hears about most often are: pavement riding, riding at excessive speed, and riding in a reckless way or any other way incompatible with the rules of the road, including drink riding.

Rental micromobility schemes offer an opportunity to address the problem. The technology built into most rental vehicles to monitor their usage and enable direct contact with users in real time means there is an opportunity to better ensure responsible behaviour in users by monitoring and enforcing against irresponsible use.

It is not an objective of this framework to require all rental micromobility schemes to have vehicles equipped with the newest technology, as this would risk making some schemes unnecessarily complex and possibly unviable. However, where possible, the framework will aim to make sure that this technology, where present and already in use, can be used to combat anti-social use.

Stakeholder engagement in January 2025 has shown operators and local authorities agree that anti-social uses of micromobility rental vehicles must be tackled and that doing so will be important to ensuring positive public perceptions of shared micromobility schemes and thereby their ongoing success.

### **Evidence these risks are real-world problems**

In the Department for Transport's targeted stakeholder survey of January 2025, respondents were asked to identify risks associated with shared on-street micromobility schemes. Despite the risks of obstructive parking and anti-social behaviour having been proactively identified in the survey text and the question asking respondents explicitly about other risks beyond those two, a significant number included wording on these two key risks in their responses, emphasising their criticality. Of 86 respondents who answered the relevant question, 17 used their response to emphasise the risk of poor parking, and 13 highlighted associated risks of impacts on disabled people or vulnerable pavement users. Of respondents who answered this question, 33 underscored the risks of anti-social behaviour. More general safety risks were highlighted by 45 respondents.

One London Borough stated that the number of vehicles in and of itself is a risk and that this is "difficult" to manage at reasonable levels through Memoranda of Understanding (and in the absence of formal regulatory powers). A large combined authority emphasised that their "main concern" is "careless parking causing a hazard for pedestrians". A group representing many of the largest transport authorities in the country stated plainly that "obstructive parking

is a risk due to a lack of regulation”. Multiple large combined authorities who shared their views with the Department for Transport emphasised the risk of underage and/or “dual” riding of these vehicles in the current landscape.

Regarding anti-social behaviour specifically, one respondent to the Department’s stakeholder survey, a Police and Crime Commissioner, emphasised the risks of antisocial behaviour and safety and that these “need to be considered” by a regulatory framework. A representative organisation for disabled people pointed out that the inappropriate and anti-social use of vehicles operated through these schemes have particularly acute negative impacts on the mobility of disabled people.

Crucially, while keen to emphasise their operations as responsible ones, six out of seven micromobility operators who responded to the Department’s survey agreed that a licensing is an essential part of effectively regulating these schemes. One operator proactively pointed out that regulatory uncertainty is a risk to the industry, and that this makes it “difficult for operators to plan long-term and secure the necessary funding and investment”.

### **A framework fit for the future**

Whilst cycles and e-cycles are the first (and currently only) vehicle that the Government plans to regulate through this framework, there are possible uses for it in the future. The Government is currently running rental trials of e-scooters until May 2026<sup>49</sup>, and rental e-scooters are a popular form of transport in cities around the world. Whilst the Government currently has no plans to legalise e-scooters for use on the road, and therefore no plans to regulate their rental use (outside of the ongoing trials), this framework is designed to work in the shared context should Government regulate and legalise e-scooters in future.

This framework will not have the power itself to make vehicles legal to use on the road, it is designed only to regulate the shared operation of vehicles that are already legal for use on the highway, where that operation falls within scope of the parameters set out in the policy summary.

In addition to rental e-scooters, where the framework would operate in a similar way as for rental cycles and e-cycles, new devices are also competing for space on our highways and pavements, including pavement delivery robots and couriers looking to use new last-mile delivery carts. These are already in use across the UK<sup>50,51</sup>. The framework established by the Bill does not change the current legal status of these vehicles or apply to these devices.

At this point, the Government has made no decisions to allow these types of vehicles on pavements, however the framework has been designed to theoretically allow the licensing of these types of schemes in future. The impacts have not been assessed given there are currently no plans to use this licensing framework for these types of devices, and further primary legislation (to regulate the device’s use as a vehicle) and secondary legislation (to use these primary powers) would be needed.

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<sup>49</sup> <https://www.gov.uk/guidance/e-scooter-trials-guidance-for-users>

<sup>50</sup> <https://www.co-operative.coop/media/news-releases/co-op-and-starship-technologies-expand-robot-delivery-service-across-leeds>

<sup>51</sup> <https://www.cep-research.com/news/ups-tests-e-walker-in-london->

The rest of this assessment does not explore the problems and impacts of these potential future uses further, as there is no Government policy to use the framework in this way currently. However, given these vehicles are already in operation in the UK and around the world, there is a clear need for a flexible framework that can be applied to other vehicles in future.

The Government has built in this flexibility by taking the powers to develop a framework on a vehicle and/or business model basis that requires (a) minimum conditions (defined through secondary regulations) and (b) additional conditions determined by the local authority, accompanied by statutory guidance. These operations could only be licensed where the vehicle is already legal for use on the highway.

### 3. Why is government action needed? The rationale for intervention

The information above explains the problems and missed opportunities for micromobility, and below sets out the underlying economic rationale, explaining the theory behind why the Government expects intervention to, on balance, improve the outcome.

#### **Information failures**

The gap between the information available to the businesses running these services, and the local authority (operating on behalf of the wider public), is set out above.

Regulation will provide local authorities with the opportunity to have access to some of this information, to allow them to manage services on behalf of everyone. When this data is used to better manage schemes, this will allow an improved outcome, on balance, for society.

If the operation is solely left to the business to manage, the outcome will likely favour profitability (and thereby their users' needs) more than it otherwise would. The reasons below set out why the interests of users (and therefore businesses) are not aligned entirely with wider society.

#### *Negative externalities (parking/ASB)*

The issues relating to parking of on-street micromobility rental vehicles are outlined above. These constitute a negative externality as users of the schemes do not consider the impact of their actions (poor parking) on other agents (pavement users).

#### **Equity (geographical coverage)**

There are currently areas where it is less profitable for the shared rental services market to operate, for example less densely populated areas on the outskirts of towns. These areas often struggle with fewer public transport options leading to inequitable outcomes and are places where shared rental schemes could act as a vital link to public transport networks.

In such cases, effective government intervention could prove beneficial and make transport options more accessible to areas traditionally deprived of public transport by giving local areas the power to shape the geographic coverage of OSMR schemes to service the whole community.

Some areas currently receive contributions from operators to allow schemes to run in their cities<sup>52</sup>, and this could instead be diverted to broaden coverage. However, this framework is devolutionary in nature, meaning it will be up to local authorities whether they do this.

It could be that the current lack of enforcement powers and monitoring capability for local authorities is the reason that they choose to opt for contributions from operators (which is easy to measure, simple to negotiate and clear whether it has been delivered) instead of broadening geographic coverage. Providing the monitoring and enforcement powers may

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<sup>52</sup> <https://zagdaily.com/people/exclusive-revenue-share-requirements-creating-a-negative-cycle-for-uk-operators/>

chance local leader's decisions, and there will be supporting guidance when regulations are implemented explaining the trade-offs reported by local areas already running schemes.

### **Positive externalities**

There are potential positive externalities for shared cycle and e-cycle schemes, some of which are discussed above. For example, if they improve health and air quality and reduce carbon emissions and congestion, wider society benefits, and these benefits will not be factored into the business and users' decisions.

Guidance for local authorities on using this framework will be put in place to ensure it is applied in a way that, where possible, increases active travel and cycling.

## **4. SMART objectives for intervention**

The Government is proposing to introduce a regulatory framework with the objective of maximising the benefits of shared micromobility schemes and giving local authorities the ability to manage and minimising the unwanted impacts that these schemes can cause. An effective framework should establish on-street micromobility rental schemes as a consistent, convenient and accessible transport service, enhancing connectivity to our public transport networks. However, we must ensure that these fit safely and responsibly into our existing street space and where appropriate, they make use of technology to combat anti-social and reckless behaviour.

### **Defining effective policy**

The Government has chosen clear principles that a successful intervention should abide by to ensure it is effective and efficient.

The regulations must effectively balance consistency of approach nationally whilst recognising the need for local variation to account for local needs and priorities. A functional framework should provide the stability and consistency businesses need to invest in the micromobility market in the UK and empower less experienced or smaller local authorities to encourage new schemes and can be confident they have the tools to protect their street space.

Effective adherence to these principles will largely be determined through the secondary regulations and guidance, but the framework has been designed to enable the secondary regulations and guidance to support these principles.

### **Principle 1 - Consistency**

Some consistent standards will be needed across rental operations to ensure a baseline of safety, regardless of the area's experience in managing shared rental. The consistency should make the establishment and operation of schemes more streamlined in the long term. It will also simplify the number of processes operators have to comply with when opening a new scheme, making rollout quicker and easier.

This principle will also ensure that this policy helps achieve wider Government priorities such as enabling economic growth by ensuring an investment and business environment which offers operators certainty as far as possible.

### **Principle 2 - Adaptability**

A successful framework should be able to accommodate the different needs of our towns and cities. The needs of a shared rental scheme in North Devon, for example, will not be the same in Birmingham. As such, any framework must be able to adapt to local priorities and needs, and account for the opportunities and risks in specific local contexts.

It must also be adaptable over time. Micromobility is still relatively new and constantly evolving, and so we can expect the vehicles, services and business models to change.



### **Principle 3 - Proportionality**

Any intervention should be proportional to the risks and opportunities involved. The intervention should facilitate the relationship between operators and authorities and support schemes to spread and grow to improve transport choice across the country. Intervention should be as light-touch and low burden on local areas and businesses as is possible whilst still achieving the objectives.

As with the principle of Consistency set out above, this principle will also help ensure that the proposed intervention will be as conducive to the Government's pursuit of economic growth by ensuring any burdens placed on businesses (or other impacted stakeholders) and that any additional costs imparted are appropriate, necessary, and justifiable.

### **Principle 4 - Enforceability**

The framework itself must be enforceable if it is to deliver the promised benefits. It must help local government bridge the current enforcement gap that they are facing in being able to ensure responsible behaviour from users and hold operators to their agreed terms. There must be specific powers to tackle problems arising from operational mismanagement, irresponsible use and obstructive parking.

### **Principle 5 - Accountability**

There must be clear lines of accountability in the management of schemes and in the division of responsibilities between central government, local government, private business and the end user. This clarity will ensure that businesses, users, and local authorities can operate with the certainty needed to promote the growth of this sector in a sustainable and equitable way and bring wider economic benefits.

## 5. Measurable and specific objectives

The Government has taken these principles and set specific objectives to both maximise the benefits and minimise the risks. These are designed specifically in the context of dockless e-cycle rental, and they could be extended to e-scooter rental in future.

### Positively-defined objectives (maximising benefits)

<u>Specific Objective</u>	<u>Measures and intended outcomes</u>	<u>Timeframe (from enactment of intervention)</u>
On-street rental a viable, attractive option for as many journeys as possible across the country	<ul style="list-style-type: none"> <li>• More trips taken overall in existing schemes;</li> <li>• More schemes operating in more places;</li> <li>• Increased variety of trip types (location, length, purpose, motivation) through shared rental scheme;</li> <li>• More economically productive trips (as well as more trips generally). These would either arise through OSM providing more time-efficient options for existing journeys or through generating new journeys to commercial hubs: shops, restaurants, workplaces etc.</li> </ul>	Medium- to long-term (5-10+ years). There may be undulations in the number of schemes and number of vehicles/trips due to local circumstances. Over the 10 years following the implementation of an OSMR Framework, the trajectories of these metrics should be broadly upward if the powers are used and considered as part of wider DfT structures such as the Walking and Cycling Strategy.
On-Street rental integrated into public transport networks	<ul style="list-style-type: none"> <li>• More trips starting and/or finishing at public transport nodes (bus stops/ train stations)</li> <li>• Integrated trips generate time and cost savings for scheme users</li> </ul>	Long-term (10+ years). We would expect this process to be gradual, particularly in the case of existing schemes. Therefore, we would expect a gradual approach to integration when licensing existing schemes and a similarly gradual approach taken in the prescriptive demands of new schemes so as not to stifle their viability before they are sufficiently robustly established. Therefore, we would expect full integration to be established through several rounds of gradually tweaking licensing conditions over several years, though some of

		these metrics (such as more trips starting and ending at public transport nodes) should gradually increase over the medium term as licensing cycles renew.
Combined Authority and DfT Access to data from on-street rental schemes to monitor and inform transport policy.	<ul style="list-style-type: none"> <li>• Combined Authorities able to assess whether scheme operators are meeting the terms of their license through regular data reporting;</li> <li>• DfT able to understand broader patterns and impacts of rental scheme usage to help shape national policy and better direct infrastructure spending.</li> </ul>	Short- to medium-term (1-5 years). We would expect sufficient data to be provided by operators from the outset to allow monitoring of their licence conditions by the local authority and identification of any issues. The ability of DfT to use data to inform national policy would likely require a broad and deep data set and new internal processes to maximise its utility and robustness, likely developed in the more medium-term.

### Negatively-defined objectives (limiting disbenefits)

<b><u>Specific Objective</u></b>	<b><u>Measures</u></b>	<b><u>Timeframe</u></b>
Tackling street clutter and protecting the pavement	<ul style="list-style-type: none"> <li>• Fewer stakeholders, particularly those representing disabled people and older people, report issues of pavement clutter and obstructive parking (relative to the number of schemes/vehicles across the country);</li> <li>• Fewer complaints received by local authorities and operators about pavement riding (relative to the number of schemes/vehicles)</li> </ul>	Short-term (1-2 years). A properly implemented solution should effectively tackle this problem from the outset, and it should be clear from the early stages of implementation that this impact is being felt.
Schemes operating safely	<ul style="list-style-type: none"> <li>• Fewer safety-related incidents such as collisions and reported vehicle defect issues (relative to number of schemes/vehicles);</li> <li>• Fewer casualties and incidents including non-users (e.g. pedestrians);</li> </ul>	Short-term (1-2 years) Safety is one of the Department's key priorities and any intervention to address issues arising from shared rental schemes must ensure this is addressed from the outset.

	<ul style="list-style-type: none"> <li>• Lower incidence of casualties related to shared cycle schemes (both users and non-users).</li> </ul>	
Public perception of schemes is less negative	<ul style="list-style-type: none"> <li>• Less negative correspondence (by volume) received by DfT and local elected officials;</li> <li>• More positive public perception of shared on-street rental schemes as measured through existing DfT survey mechanisms.</li> </ul>	Medium- to long-term (3-8 years). It will likely take a while to change current negative public perceptions of the various forms of shared micromobility. This will come from regulatory work over several years and the gradual expansion and success of such schemes across the country.

## **6. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives**

The licensing approach which is the preferred option is summarised at the top of this impact assessment. This will establish a framework for licensing that will be further developed and implemented through regulations in secondary legislation and supported by guidance.

Licensing of schemes by local authorities best achieves the positively defined objectives set out above by giving local leaders formal powers to require integration into wider transport networks and access operator data to rectify the information imbalance in the market. The ability to shape schemes around local needs will help ensure that shared micromobility is an attractive option for journeys, for example through the ability to require an operator to service a wider geographical area as part of licensing conditions.

The negatively defined goals set out above are also best achieved through local licensing of schemes. Centrally set minimum standards to be supplemented by local additional standards will ensure both a baseline of safe operation for all schemes and that local authorities can mitigate any safety risks particular to their area. It will also empower them to more quickly and decisively tackle issues with obstructive parking. Together, the ability to tackle negative impacts and maximise positive benefits of schemes will help to improve the public perception of these schemes and ultimately, it is intended, their popularity.

In developing the proposed intervention option and other long- and short-listed options, officials also considered international best practice, such as a report commissioned by an operator (Bolt) and conducted by Deloitte on existing e-scooter regulatory models across 155 cities in Europe.<sup>53</sup>

The preferred option chosen here is in line with the most common level of regulation across Europe (termed “Medium Regulation”), which is legally binding and requires operators to obtain a permit for schemes and be required as part of that to adhere to specific regulatory requirements. It does however leave local authorities the possibility of applying a “High Regulation” approach (whereby they also run a procurement exercise before issuing a licence), but this will be up to the local authority. Over 80% of the cities studied in the Bolt and Deloitte paper use either Medium or High regulation.

Crucially, we will embed in subsequent regulations and guidance to licensing authorities the key lessons from international comparators and the different approaches which should be considered depending on the local characteristics of a city to ensure the right regulatory balance is struck. Additionally, this approach will ensure flexibility to adapt the intervention as this emerging industry develops and changes, ensuring that any potential new objectives for regulation which arise can be achieved.

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<sup>53</sup> [Unlocking Shared Scooter Potential \(deloitte.com\)](https://deloitte.com/uk/insights/publications/unlocking-shared-scooter-potential)

## Theory of Change Model for an On-Street Rental Licensing Framework

Inputs	Activities	Outputs	Outcomes	Impacts
Central and local government engagement and support	Development of OSMRF inc. minimum and bespoke conditions	Establishment and implementation of OSMRF	<i>Use</i> On-street rental utilised as a viable and attractive option	Improved safety of all road users
Operator knowledge / skills / capability in adhering to OSMRF	Development of a framework for licensing authorities to issue licenses	Operators and licensing authorities engage with OSMRF	<i>Mode shift / integration</i> Increased number of trips taken using on-street rental modes	Decrease in CO2 emissions at point of use.
	Development of a framework for schemes to exist outside of licensing authorities	DfT Guidance to licensing authorities on carrying out their licensing responsibilities and to non-licensing authorities on working with local schemes outside of the licensing framework	Increased integration between transport modes	More active travel
	Development of resources to support OSMRF delivery, implementation and ongoing management	Establishment of physical infrastructure to meet OSMRF needs (e.g. parking bays)	<i>Accessibility</i> Impacts of "street clutter" (inc. pavement parking) effectively managed to minimize impact on vulnerable pavement users	Greater demands on existing cycle infrastructure: parking, cycle lanes
	Engagement with stakeholder groups including operators, residents, licensing authorities and other interest groups	Increased availability of on-street rental modes	<i>Health</i> Health benefits inc. impact of active travel and mental well-being	Improved well-being and access to services, especially among vulnerable groups
	Monitoring and evaluation activities	licensing authorities establish approaches and means to enforce regulations	<i>Safety</i> Reduction in the number of safety-related incidents e.g. collisions relating to on-street rental modes for both users and non-users of schemes	
		Monitoring and evaluation data sharing and reporting	Reduction in anti-social behaviour (inc. double riding)	
			<i>Perceptions</i> Improved perceptions of on-street rental modes inc. safety	Combined Authorities better able to plan and integrate regional transport.
			<i>Industry</i> Increased confidence in market stability	
			Increased investment in / growth of rental schemes	

			<p><i>Devolved nations</i></p> <p>Temporary inconsistencies across the UK due to England-only initial scope.</p> <p><i>Evidence gathering</i></p> <p>Application of monitoring and evaluation learning to schemes</p>	
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## 7. Summary of long-list and alternatives

A summary of the long-listing process is set out below. Officials generated a broad range of potential interventions of different types to form a long-list. All longlist options were then scored against the intervention objectives, with the three options scoring the highest in this process progressing to the shortlisting process.

Option considered	Reason it was discounted as the preferred option
Encouraging collaboration between operators on industry standards	<p>CoMo UK already operates a public cycle share accreditation scheme. However, this has been discounted as the problems highlighted at the outset of this IA continue to exist despite this. All major micromobility operators are accredited, including all operators in London where the problems identified are most acute.</p> <p>It only works when all operators comply and the issues being faced by local areas have occurred despite this scheme existing.</p>
A certification or accreditation body for industry standards	<p>As above. CoMo UK is currently acting as an accreditation body but the issues being faced by local areas have persisted regardless.</p> <p>Transport for London also set out a voluntary code of practice for operators setting out expectation, but they report that problems persist.</p>
A new duty on local highway authorities to provide adequate parking space for on-street micromobility parking	<p>Central government imposing a duty to provide parking could increase the amount of parking available for these vehicles.</p> <p>An increase in suitable parking would likely alleviate at least some of the obstructive parking issues described above. However, it would still require operators voluntarily complying, and operators and local areas may disagree over what 'adequate' parking is. Operators will be rightly focused on their users, whereas local areas have other needs to consider.</p>

	<p>This option in isolation also does not guarantee minimum safety standards nor does it address information gaps between operators and local authorities. It could be done in tandem with broader regulatory powers and might in fact be necessary to make those powers functional.</p>
An app to report bad parking of on-street micromobility vehicles	<p>This may help achieve the objective of tackling obstructive parking, though it relies on operators actioning this information. Local authorities only have limited and incomplete powers to deal with obstructive parking of cycles at the moment. Most operators already have ways to report poor parking.</p> <p>This would also not address any of the other risks or opportunities but may be considered alongside other interventions in future as licensing framework is implemented through further regulations.</p>
Incentivising schemes through funding and funding conditions	<p>This would be at least partially effective, though it would not help to control schemes in local areas that are profitable without government finance. This is particularly crucial, as problems potentially arising from these schemes are most likely to arise in these more profitable areas as there are likely to be more vehicles.</p> <p>Moreover, issues cannot be quickly resolved and instead are likely to result in drawn out negotiations. This will limit a local area's ability to sufficiently mitigate the risks.</p> <p>Finally, no funding is currently available for this intervention. Similar to the option of the Government issuing guidance below, this option would remain in future alongside other measures if desired and fiscally viable.</p>
Raising awareness of existing offences around obstructing the highway	<p>While this could have a limited effect on obstructive parking, it is difficult to enforce and would not be conducive to meeting any of the other objectives.</p> <p>Most areas dealing with these challenges have explored their existing powers thoroughly.</p>
Guidance to local areas on how to manage schemes	<p>This alone would not achieve the objectives, because should an operator choose not to comply with a local area's wishes, they would have no powers to enforce this. This has been an issue present in London e-cycle rental for some boroughs, widely reported in the media.<sup>5455</sup> However, this will still be</p>

<sup>54</sup> [London e-bike boom leads to clashes with councils](#)

<sup>55</sup> [E-bike rage in Brent, the borough that's had enough - and how it might be solved - BBC News](#)



	valuable and will be introduced in conjunction with the preferred approach.
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### **Further detail on the long-list options and the considerations and the metrics used to assess them:**

#### **Longlisting process**

Officials began by working up a problem statement and a set of primary, secondary, and tertiary objectives for any intervention with a deliberate balance in these objectives between maximising the benefits these schemes can bring and ameliorating their potential negative impacts. The range of interventions was developed through examining common regulatory and non-regulatory interventions (including those already in use in the UK and in Europe) and through speaking to stakeholders. This included operators, almost all of whom have experience operating across the world with the various regulatory regime, and local authorities. The local authorities have significant experience of managing their street space, a deep understanding of how cycle hire has changed over time, and of other regulatory regimes such as for alcohol licensing and taxi and private hire licensing. Potential interventions were then scored against how well they would enable the Department to achieve each objective through the following criteria:

#### **Interventions and Objectives Scoring rubric**

0= actively inhibits the government's ability to achieve this objective

1= has no impact on the government's ability to meet this objective

2= enables government to achieve this objective to some extent

3= fully enables government to achieve this objective

Further consideration was then given to impacts on small- and micro-sized businesses, and wider considerations such as cost, implementation.

While the impact on small-, medium-, and micro-sized businesses has been carefully considered across each potential intervention, it is important to acknowledge more generally that, given the emerging nature of this industry, the vast majority of operators or potential operators of on-street rental schemes will fall into one of these categories. To exempt these types of businesses to a significant extent from any intervention will be neutering to the intervention's effectiveness. Seven CoMo UK accredited scheme operators in the UK<sup>32</sup> all have an estimated revenue of at least 7 figures, and such would not be considered small/micro businesses. As small- and micro-sized businesses would be affected by *any* intervention, a key consideration for deciding on an intervention approach was whether impacts are proportionate and manageable for smaller businesses. In particular, whether the chosen intervention framework would allow enough flexibility and the ability to make targeted, specific exemptions where appropriate. While it was assumed during this process that all interventions *would* impact small and medium sized businesses, specific consideration was given to the very smallest or "micro" operators. Further consideration on how burdens on businesses can be minimised will continue to be given (including opportunities for consultation with industry ensure decisions are maximally

informed) as decisions are taken and policy detail is finalised through secondary legislation.

A high-level summary of the considerations given to each of the longlisted options, including whether it was shortlisted and why, is included below.

### **Longlist Intervention 1: Regulation of Schemes through Licensing (preferred)**

*This option was shortlisted and is therefore covered in detail in section 6 below and such detail is omitted here for the avoidance of duplication.*

### **Longlist Intervention 2: Encouraging Operator and Industry Collaboration on Industry Standards**

*This option was shortlisted and is therefore covered in detail in section 6 below and such detail is omitted here for the avoidance of duplication.*

### **Longlist Intervention 3: A Certification and/or Accreditation Body**

*This option was shortlisted and is therefore covered in detail in section 6 below and such detail is omitted here for the avoidance of duplication.*

### **Longlist Intervention 4: A New Duty on Local Authorities to Reallocate Roadspace for OSM parking**

**Intervention Type: Capacity building (govt-led)**

#### **Scores against intervention objectives**

<b>Objective</b>	Tackling clutter, protecting the pavement	On-street rental a viable and attractive option for as many journeys as possible	Schemes operating safely	On-Street rental integrated into public transport networks	CA and DfT Access to Data to monitor and inform policy	Schemes perceived positively by public / antisocial behaviour minimised
<b>Score</b>	3	2	1	1	1	2
<b>Rationale</b>	Would move shared on-street rental parking off the pavement and onto the road.	More allocated parking for OSMR schemes could make parking easier for users and thus make usage more attractive,	This intervention would not provide for any mechanism to ensure the safety of schemes.	This intervention would not provide for any mechanism to allow for the integration of public transport networks.	This intervention would not provide for any mechanism to allow for access to data.	This would address the key negative perception of "street clutter" but taking up roadspace could generate other concerns

		but this would depend largely on the location of this parking.				and this would not address safety concerns.
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### Micro Business Impacts

This option would largely impact Local Authorities. It would likely have little impact on businesses. Fewer issues around managing parking could also have a positive impact for operators in general, particularly smaller ones.

### Other Considerations (Including Green Book Success Factors)

This intervention is fairly singular in focusing only on the “parking problem”, and therefore is not a particularly good **strategic fit** as it misses an opportunity to shape OSMR to deliver wider DfT or government objectives. In terms of **affordability**, this would add a new cost burden to local authorities in changing infrastructure to reallocate on-road parking to OSMRF, though operators would likely contribute to or entirely cover these costs as they tend to do with current on-road parking infrastructure. It is therefore likely affordable and offers reasonable potential **value for money**. In terms of **supplier capacity and capability**, it is likely that local authorities and scheme operators between them would have the necessary knowledge to allocate on-street parking in the right places. This option is **potentially difficult to achieve**. While operators would likely embrace it, there would likely be significant political resistance from local authorities if giving them new responsibilities without any new powers. Other road users are also likely to be unhappy at a reallocation of roadspace (inherently away from them and) towards OSMR. Though in theory this could be used in conjunction with other more wide-ranging interventions, on its own it would have limited impact.

Ultimately, this option would be difficult to implement and would likely generate significant resistance from key stakeholders: Local Authorities and other road users. Given these difficulties, and its ineffectiveness at ensuring the safety of schemes or other wider objectives for intervention, this option was not taken forward.

### Longlist Intervention 5: An App to report bad parking of OSMR vehicles

**Intervention Type: Self-regulation (sector-led) / Capacity Building (govt.-led)**

### Scores against intervention objectives

<b>Objective</b>	Tackling clutter, protecting the pavement	On-street rental a viable and attractive option for as many journeys as possible	Schemes operating safely	On-Street rental integrated into public transport networks	CA and DfT Access to Data to monitor and inform policy	Schemes perceived positively by public / antisocial behaviour minimised
<b>Score</b>	2	1	1	1	2	1
<b>Rationale</b>	Would likely help to solve the poor parking problem to some extent through behaviour change and enabling companies to move obstructive vehicles more quickly, or through allowing accountability publications such as best/worst operators for obstructions. But in the absence of additional enforcement powers, this would not likely address the issue fully.	This would not make OSMR more attractive or viable to users.	This would not impact the safety of schemes more generally, beyond potentially less obstructive parking.	This would not facilitate integration of OSMR into public transport.	If shared with local authorities and DfT, this might allow monitoring of the narrow and specific issue of parking.	This option has the potential to make the public perception of OSMR worse, and could highlight more prominently and disproportionately the issues with these schemes (i.e. parking). However, such reporting could reduce antisocial parking behaviour.

## Micro Business Impacts

This would likely have proportionate impacts on businesses of different sizes. Assuming this was funded by the sector, it could be designed to be funded largely by the bigger operators as they have more vehicles and are therefore likely to have more vehicles reported. There would be no obligations or enforcement mechanisms so businesses could respond to reports of badly parked vehicles as quickly as their resources and capacity allowed.

### Other Considerations (Including Green Book Success Factors)

This option would not offer a strong **strategic fit** and would forgo potential opportunities for promoting and shaping the nature of OSMR schemes to help deliver wider objectives. This would offer **value for money** and **affordability** for both government and operators, assuming operators were happy to fund the development of the app, which DfT officials believe they would likely be willing to do to avoid more rigorous formal regulation. In line with this, we expect that operators would, with some DfT engagement, be eminently **capable of** delivering this. It would be eminently **achievable**.

This option would to an extent achieve the core intervention objective of addressing street clutter, though it would not necessarily resolve the problem fully given the lack of obligation to address issues reported. Most crucially, this approach would be a narrow one focused on parking and would not significantly achieve other objectives for intervention to maximise the benefits and minimise the negative impacts of OSMR schemes. This intervention option has therefore not been taken forward.

### Longlist Intervention 6: Incentivising OSMR schemes through funding and shaping their nature through funding conditions

**Intervention Type: Economic Incentives (govt-led)**

### Scores against intervention objectives

Objective	Tackling clutter, protecting the pavement	On-street rental a viable and attractive option for as many journeys as possible	Schemes operating safely	On-Street rental integrated into public transport networks	CA and DfT Access to Data to monitor and inform policy	Schemes perceived positively by public / antisocial behaviour minimised
Score	2	3	2	2	2	2
Rationale	Funding could be predicated on better parking practices for	Dependent on the scale of funding, but in theory this could significantly	Safety conditions could be set as part of funding requirement	Requirement to cooperate with local authorities on integrating	Data requirement could be set as part of funding requirement	New schemes funded by this would likely be shaped

	new schemes but would not resolve this problem for existing schemes or new schemes set up without govt. funding.	expand the number of schemes and funding conditions could ensure such schemes served new areas comprehensively and not just the most profitable localities.	but this would not ensure the safety of existing schemes or new schemes set up without this funding.	into public transport conditions could be set as part of funding requirements but this would not impact existing schemes or new schemes set up without this funding.	s but this would not impact existing schemes or new schemes set up without this funding.	more deliberately to address common concerns, and some of the funding could be used for better education/awareness for users and the public.
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### Micro Business Impacts

Government funding might enable smaller operators to expand more than they otherwise could, if it's directed towards them. However, there is also a risk that larger, better-resourced companies would have better bidding capacity and capability and secure much or most of the funding, giving them an advantage over the smallest operators in the market. Thought would need to be given to the design of funding mechanisms to ensure a level playing field for all operators to bid.

### Other Considerations (Including Green Book Success Factors)

Proactively encouraging shared rental schemes through funding incentives would be a good **strategic fit** in helping to deliver DfT and wider government objectives on decarbonisation and encouraging more active travel. The **potential affordability** may be challenging, given that this would likely require a reasonably large volume of government investment. Additionally, **value for money** arguments would be less persuasive for a route in which government funded activity would be largely likely to happen anyway (the gradual opening of new OSMR schemes) to better achieve its policy goals. Operators are likely to have **capability and capacity** to open and run new schemes and cooperate with conditions applied to funding, assuming the funding is substantial; funding would naturally be designed to offset to whatever extent the increase cost of running a scheme under stricter conditions. The biggest challenge with this option would probably be with regards to **achievability**, linked to affordability. Given the current fiscal climate, the levels of funding required to achieve the intervention objectives to any significant extent are unlikely to be forthcoming. Additionally, there is a question as to how long funding conditions could apply and therefore also a question as to the permanence of this solution.

Due to the likely significant cost of this intervention, which would be difficult to obtain in the current fiscal climate, this option would be difficult to deliver. Crucially, this intervention

would not comprehensively and permanently resolve the primary intervention objective of tackling pavement clutter, nor most of the other objectives.

### **Longlist Intervention 7: Raising awareness of existing offence of obstructing the highway**

**Intervention Type: Information-based intervention (government-led)**

#### **Scores against intervention objectives**

<b>Objective</b>	Tackling clutter, protecting the pavement	On-street rental a viable and attractive option for as many journeys as possible	Schemes operating safely	On-Street rental integrated into public transport networks	CA and DfT Access to Data to monitor and inform policy	Schemes perceived positively by public / antisocial behaviour minimised
<b>Score</b>	2	1	1	1	1	1
<b>Rationale</b>	This intervention would raise awareness of the impacts of obstructive parking and that it is, in theory, unlawful, which could lead to better parking practices for OSMR users.	This option would likely have no impact on the viability or attractiveness of OSMR.	This option would likely have no impact on the safety of OSMR schemes, aside from the potential safety benefits of better parking practices.	This option would likely have no impact on the integration of OSMR into public transport networks.	This option would likely have no impact on local authority / government access to data.	This option could have a negative impact on public perception of OSMR and lead to users being perceived as potential criminals. It could also, however, reduce antisocial parking practices.

#### **Micro Business Impacts**

This would likely have little impact on operators of any size given its focus on user awareness, though it could potentially generate public relations-related issues which smaller operators might be less equipped to deal with.

#### **Other Considerations (Including Green Book Success Factors)**

This option would not help to deliver wider DfT or Government **strategic** objectives due to its narrow focus. It is difficult to gauge the **potential value for money** and **affordability** without fuller analysis of the costs, though it would likely not be hugely expensive, and could to some extent be achieved through additions to existing communications transmitted from operators to riders. Given its narrowness and the ability to at least partly deliver through existing communications to users, this would be **achievable** and well within the range of operators' **capacity and capability**.

Transport for London have recently increased their level of enforcement against poorly parked shared e-cycles. They have begun using London-specific powers to fine operators for poorly parked vehicles and remove dangerously parked vehicles. However, the use of these powers in this way is legally untested and local authorities in the rest of the country do not possess them. As such, an approach focused on enforcement against poor parking would require regulatory intervention in the form of primary legislation while not meeting the broader objectives identified, particularly the positively defined objectives which seek to maximise the benefits of these schemes.

While deliverable, the narrowness of this intervention inherently means that it would fail to meet the majority of the intervention objectives. Therefore, this option was not taken forward.

#### **Longlist Intervention 7: Creation of civil enforcement powers for existing offence of obstructing the highway**

**Intervention Type: Regulation (government-led)**

#### **Scores against intervention objectives**

<b>Objective</b>	Tackling clutter, protecting the pavement	On-street rental a viable and attractive option for as many journeys as possible	Schemes operating safely	On-Street rental integrated into public transport networks	CA and DfT Access to Data to monitor and inform policy	Schemes perceived positively by public / antisocial behaviour minimised
<b>Score</b>	3	0	2	1	1	1
<b>Rationale</b>	This intervention would empower local authorities to tackle poor	Costs of fines etc. for poorly parked vehicles would likely be passed on to users,	This option could have potential safety benefits to vulnerable pavement users of	This option would likely have no impact on the integration of OSMR into public	This option would likely have no impact on local authority / government	This option could have a negative impact on public perception of OSMR and lead to users



	parking practices.	making schemes more expensive and less attractive.	better parking practices.	transport networks.	access to data.	being perceived as potential criminals. It could also, however, reduce antisocial parking practices.
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### Micro Business Impacts

This would likely have significant impacts on smaller businesses who would have to significantly increase user monitoring and parking enforcement, which would bring additional costs, or face fines/ vehicle seizures from local authorities (which would of course also bring additional costs).

### Other Considerations (Including Green Book Success Factors)

This option would not help to deliver wider DfT or Government **strategic** objectives due to its narrow focus, though it could potentially damage key transport objectives such as decarbonisation and increased active travel if fines for poor parking become more common due to new civil enforcement powers and therefore costs for users increase. It is difficult to gauge the **potential value for money** and **affordability** without fuller analysis of the costs. Civil enforcement per se is already carried out by local authorities for various offences, this would be **achievable** and well within the range of their **capacity and capability**. It could however create significant costs and practical challenges for operators in requiring increased monitoring user parking practices and direct remedying of poor parking, as well as in paying fines levied. This would likely increase costs to users.

**While deliverable, the narrowness of this intervention inherently means that it would fail to meet the majority of the intervention objectives. Crucially, it would likely lead to increased costs for users and discourage scheme uptake. Therefore, this option was not taken forward.**

## 8. Description of shortlisted policy options carried forward

### Shortlisting process

The three options from the longlist which scored highest against the intervention objectives were considered in more depth against the Green Book Success Factors and the potential impacts on micro-, small-, and medium-sized businesses (and, crucially, how far the intervention approach offered the potential flexibility for these to be mitigated). These factors were considered holistically to select a preferred option which best balanced delivery of

objectives, practicality, and flexibility This table summarises the shortlisted options which were not chosen. The preferred option of regulation through licensing is detailed in Section 6.

Option considered	Reason it was discounted as the preferred option
Encouraging collaboration between operators on industry standards	CoMo UK already operates a public cycle share accreditation scheme. <sup>29</sup> However, this has been discounted as the problems continue to exist despite this. All major micromobility operators are accredited, including all operators in London where problems are most acute.  It only works when all operators comply and the issues being faced by local areas have occurred despite this scheme existing.
A certification or accreditation body for industry standards	As above. CoMo UK is currently acting as an accreditation body but the issues being faced by local areas have persisted regardless.  Transport for London also set out a voluntary code of practice for operators setting out expectation, but they report that problems persist.

**Shortlisted Intervention 1: Regulation of Schemes through Licensing (Preferred option, and therefore covered in additional detail in Section 4)**

**Intervention Type: Regulation (government-led)**

**Scores against intervention objectives**

Objective	Tackling clutter, protecting the pavement	On-street rental a viable and attractive option for as many journeys as possible	Schemes operating safely	On-Street rental integrated into public transport networks	CA and DfT Access to Data to monitor and inform policy	Schemes perceived positively by public / antisocial behaviour minimised
Score	3	1	3	2	3	2
Rationale	Allows licensing authorities to set clear and legally enforceable requirements for parking.	No real impact on this inherently, these impacts will depend entirely on local implementation	Minimum standards will ensure a consistent set of safety standards which can be added to locally.	Local authorities will have power to require integration of schemes into public transport networks, though this will need to be balanced against viability	Can be mandate through minimum standards and additional local requirements	Licensing authorities will be able to address concerns through licensing conditions and ensure they work for local people.

## Micro Business Impacts

This option would allow the Secretary of State to exempt businesses of a certain size from specific minimum standards and equally allow local licensing authorities to tailor additional requirements to individual operators as proportionate. This would be considered at the secondary legislation stage when establishing the detail of the framework and minimum standards, and suggestions of flexibility for smaller operators given in guidance to licensing authorities on issuing licenses.

## Small- and Medium-sized Business Impacts and Mitigations

The flexibility of this option would allow for the consideration, both by the Secretary of State in the case of minimum standard conditions and by licensing authorities in the case of bespoke conditions, of the proportionality of requirements and potential exemptions as appropriate for the smallest operators to ensure viability and a sufficiently competitive and dynamic market.

## Considerations (Including Green Book Success Factors)

This option is a strong **strategic fit** as it delivers the core objectives and ties into the wider Government agenda of devolving power to Strategic Authorities and the DfT objective of better integrated transport while offering the flexibility to ensure these schemes remain viable as (active) travel options. There would be minimal cost to the Government, and some relatively small administrative costs for local authorities picking up new licensing functions. However, these costs could to some extent be offset by a requirement for operators to contribute to local government costs. This option therefore offers good **potential value for money** and **affordability** for Government, and flexibility in the framework allows this to be considered for operators also. In terms of **supplier capacity and capability**, local authorities have the capacity to deliver this as they already have responsibilities for issuing licenses to businesses such as taxi drivers and for the sale of alcohol. The flexibility this option offers to account for local factors while maintaining a core set of standards to deliver the DfT's objective makes it **deliverable and achievable**.

## Summary

This option meets, either entirely or to some extent, most of the objectives for intervention. Crucially, it also offers the flexibility locally and centrally to consider and mitigate impacts on the smallest operators where appropriate. It replicates similar licensing models elsewhere and allows for a balance between operator interests and those of local authorities to maximise the benefits of OMSR and ameliorate potential negative impacts.

## Shortlisted Intervention 2: A Certification and/or Accreditation Body

**Intervention Type: Co-regulation (joint govt- / sector-led) / Self-regulation (sector-led)**

## Scores against intervention objectives

Objective s	Tackling clutter, protecting	On-street rental a viable and	Schemes operating safely	On-Street rental integrated	CA and DfT Access to	Schemes perceived positively
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	the pavement	attractive option for as many journeys as possible		into public transport networks	Data to monitor and inform policy	by public / antisocial behaviour minimised
<b>Score</b>	2	2	3	2	2	2
<b>Rationale</b>	This would create a level of consistency and a positive incentive for operators to tackle badly parked bikes to achieve accreditation or avoid losing it.	This would likely have some positive impact on the attractiveness of OSMR in giving potential users confidence in their decisions to use these services that operators had met, or had not yet met, certain standards.	This option would strongly incentivise safety, and accreditation in this particular area is something which operators would likely value highly and therefore act accordingly to obtain and retain, given the strong correlation between safety and customer confidence.	There is the potential for an accreditation process to consider how well a scheme has integrated into public transport and incentivise operators to work towards this.	Similarly to other objective, an accreditation process could assess the extent to which operators collaborate with local authorities and industry, including on aspects such as data and knowledge sharing.	The public would likely have more confidence in OSMR schemes if there were a formal accreditation process which indicated the existence of clear industry standards and an assessment of how well operators were meeting these.

### Considerations (Including Green Book Success Factors)

This option would not especially contribute to delivering wider departmental Government objectives and is therefore not a proactively positive **strategic fit**. In terms of **affordability** and **value for money**, it is likely that operators and industry would be willing to contribute to some extent towards the cost of an accreditation body and process to avoid tighter and more formal regulation. This option would therefore likely be reasonably low cost to Government. In terms of **capacity and capability**, operators already collect much of the data needed to inform a potential certification or accreditation process and similar industry bodies elsewhere could provide a model for this. Coordination across an emerging and competitive industry could make **achievability** a challenge and would likely require a significant amount of Government involvement to convene collaborative ways of working and provide impetus.

### Small-, Medium-, and Micro-sized Business Impacts and Mitigations

A process of accreditation or certification, whether entirely industry-led or developed in cooperation between industry and Government, could include gradations which would allow smaller operators to become certified or accredited to an extent as responsible operators at a lower threshold than “full” accreditation or certification for larger operators. Alternatively,

standards for “full” certification or accreditation could be proportionate to the scale of the operator and their resources.

The Government would, in whatever role it took in coordinating and convening the development of a body setting industry standards and concomitant accreditation/ certification, encourage consideration of the variable capacity of operators of different sizes. This might involve proportionately lower (or higher) standards for certification depending on the size/ level of experience of the operator or offering an intermediate but positive level of accreditation. Government would also encourage operators’ funding contributions to the setup and running of the system to be proportionate and consideration of exempting smaller or newer operators temporarily.

## Summary

Overall, this option goes a reasonable way towards addressing most of the objectives for intervention. It does not, however, meet the primary objective completely and its success would be heavily reliant on operator cooperation not only with Government, but with one another across the industry. The behaviour change impacts of this type of intervention are well established, but there are no mechanisms for enforcement or escalation beyond removing accreditation where operators are not meeting established standards. Particularly, it does not offer a definitive route to tackling the primary objective for intervention of tackling poor vehicle parking and resulting street clutter.

Crucially, such an accreditation process already exists, managed by industry body CoMoUK. CoMo is a relatively small organisation and therefore conducts no direct monitoring of ongoing adherence to practices beyond initial accreditation, with operators self-reporting on their adherence. Therefore, while an accreditation scheme co-led with Government or local authorities with more comprehensive external monitoring could in theory be more impactful, the fact that issues with shared micromobility schemes persist despite all current operators being accredited through CoMo’s scheme highlights the need for stronger intervention.<sup>56</sup>

## **Shortlisted Intervention 3: Encouraging Operator and Industry Collaboration on Industry Standards**

**Intervention Type: Self-regulation (joint govt/sector-led)**

### **Scores against intervention objectives**

<b>Objective</b>	Tackling clutter, protecting the pavement	On-street rental a viable and attractive option for as many journeys as possible	Schemes operating safely	On-Street rental integrated into public transport networks	CA and DfT Access to Data to monitor and inform policy	Schemes perceived positively by public / antisocial behaviour minimised
<b>Score</b>	2	1	2	2	2	2

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<sup>56</sup> [Shared bikes > Accreditation](#)

<b>Rational e</b>	This would offer consistency in parking practices and potentially raise standards of parking across in general in doing so. It would not come with any level of enforcement or obligation, however, and the sector might not consider the public good as strongly as commercial factors in setting standards.	This would likely have little impact on the viability or attractiveness of OSMR schemes.	Industry standards could, and would likely, cover broader safety considerations beyond parking, though similarly there would be no obligation or enforcement mechanism.	Best practice could also be developed around integrating into public transport, and potentially operator resources pooled to develop shared tools and capability to do this. However, without enforcement or other incentives to do so more generally, it is likely this integration into public transport would only happen where commercially beneficial for operators.	Best practice could be developed on data sharing with Government, though given much of this will be commercially sensitive, it is likely this will be limited. Even with an established industry standard, operators are unlikely to share data which would make them look bad.	Agreed industry standards and best practice in managing schemes would likely involve knowledge sharing and a general increase in the standard of schemes across the board. This would likely benefit their public perception and could lead to less antisocial behaviour associated with schemes.
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### Considerations (Including Green Book Success Factors)

This would not be a particularly strong **strategic fit** in helping to deliver wider departmental or Government objectives due to a lack of Government involvement, though some outcomes which would likely result (such as better integrated transport) would contribute somewhat. This would be **affordable** and offer good **value for money** to the Government as it would likely be largely industry led and funded. Industry, particularly the larger operators, would be **capable** of delivering this in theory, though encouraging cooperation in such an emerging and competitive industry might be a challenge to **achievability**, it seems likely that operators would prefer self-regulation over stronger Government intervention and recognise therefore their shared interest in collaborating. However, this option would lack any enforcement and there is potential for the industry standards to insufficiently consider the wider public good and the interests of non-users of the schemes relative to their commercial interest.

### Small-, Medium-, and Micro-sized Business Impacts and Mitigations

There is a risk that larger operators with more resources lead on developing self-regulating industry standards and that these standards favour their specific operating models or business priorities unduly as a result. However, there would be no enforcement of standards or requirements for smaller operators to take account of them; smaller operators would be

free to set their own standards or adapt the industry standards for their contexts. The smallest operators may lack the internal policymaking capacity required to adapt these standards in a bespoke way.

## **Summary**

Ultimately, this intervention would deliver the majority of the intervention objectives to a moderate extent and be viable according to the Green Book Success Factors. However, it would achieve these less well than other shortlisted interventions, most notably a formal Government run or co-run accreditation or certification body, which would to some extent involve industry standards (though crucially with more Government involvement). Crucially, as set out under shortlisted option 2 above, an industry-led accreditation scheme run by CoMo UK already exists, though this does not necessarily encourage collaboration between operators to set consistent standards.

## 9. Regulatory scorecard for preferred option

### Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
<b>Description of overall expected impact</b>	Impacts are not expected on total welfare, businesses or households at the primary legislation stage other than some small familiarisation costs for micro-mobility businesses. Impacts will be assessed at the secondary legislation stage when the form of the regulations becomes more known.	<b>Uncertain</b> Based on all impacts (incl. non-monetised)
<b>Monetised impacts</b>	The only monetised impact at the primary legislation stage is on the time taken by micro-mobility providers to familiarise themselves with the framework: £0.00m - £0.01m.	<b>Negative</b> Based on likely £NPSV
<b>Non-monetised impacts</b>	Unlikely to be any impact outside of familiarisation costs. Industry may see the potential for regulatory certainty as a positive sign for future operations in the country.	<b>Uncertain</b>
<b>Any significant or adverse distributional impacts?</b>	No significant or adverse distributional impacts are expected from this primary legislation. At the secondary legislation stage, any specific regulation that reduces street clutter will have significant benefits for those with protected characteristics, for example those with visual impairment, older people or people with children.	<b>Neutral</b>

(2) Expected impacts on businesses			
<b>Description of overall business impact</b>		Most of the likely impacts are not expected on businesses at primary legislation stage. At secondary legislation stage the scale and direction of most impacts depend on the stringency of the regulatory levers applied and consumers' behavioural response. The main objective of the regulation for businesses is to provide regulatory certainty and some degree of operational consistency across different places so they can confidently make investment decisions.	<b>Uncertain</b>
<b>Monetised impacts</b>	The primary impacts set out below are the only direct costs	The primary impacts set out below are the only direct costs	<b>Neutral</b> Based on likely business £NPV



	<p>to businesses at this stage. The nature of any further costs to businesses will depend on future decisions on the detail of the policy, which will be consulted upon in depth and finalised in secondary legislation. A further Impact Assessment will be carried out at the secondary legislation phase. However, we have sought to give some indication here of the scale and direction of some of the likelier costs arising through future secondary legislation</p> <p><u>Primary Legislation Monetised Impacts</u></p> <p>There will be costs to operators associated with familiarisation with the new regulation. Consultation with a current operator estimated the following departments would be involved in the future licencing framework and therefore may need time to familiarise themselves with this legislation</p>	<p>to businesses at this stage. The nature of any further costs to businesses will depend on future decisions on the detail of the policy, which will be consulted upon in depth and finalised in secondary legislation. A further Impact Assessment will be carried out at the secondary legislation phase. However, we have sought to give some indication here of the scale and direction of some of the likelier costs arising through future secondary legislation</p> <p><u>Primary Legislation Monetised Impacts</u></p> <p>There will be costs to operators associated with familiarisation with the new regulation. Consultation with a current operator estimated the following departments would be involved in the future licencing framework and therefore may need time to familiarise themselves with this legislation</p>	
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	<p>ahead of that point:</p> <ul style="list-style-type: none"> <li>– Legal &amp; Policy</li> <li>– Operations</li> <li>– Support &amp; Community</li> <li>– Finance</li> <li>– Marketing</li> <li>– Health &amp; Safety</li> <li>– Diversity &amp; Inclusion</li> <li>– Sustainability</li> <li>– R&amp;D</li> </ul> <p>Assuming a familiarisation time of 10-30 hours and an average wage across the above departments we estimate the impact to the current 7 micromobility operators to be: £0.00m - £0.01m.</p> <p><b>Total monetised Primary Legislation Impacts - (£0.00m-£0.01m)</b></p> <p><u>Indicative impacts associated with Secondary Legislation</u></p> <p>1. Costs to operators associated with applying for</p>	<p>ahead of that point:</p> <ul style="list-style-type: none"> <li>– Legal &amp; Policy</li> <li>– Operations</li> <li>– Support &amp; Community</li> <li>– Finance</li> <li>– Marketing</li> <li>– Health &amp; Safety</li> <li>– Diversity &amp; Inclusion</li> <li>– Sustainability</li> <li>– R&amp;D</li> </ul> <p>Assuming a familiarisation time of 10-30 hours and an average wage across the above departments we estimate the impact to the current 7 micromobility operators to be: £0.00m - £0.01m.</p> <p><b>Total monetised Primary Legislation Impacts - (£0.00m-£0.01m)</b></p> <p><u>Indicative impacts associated with Secondary Legislation</u></p> <p>3. Costs to operators associated with applying for</p>	
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	<p>licences will vary depending on how each Authority decides to implement the framework. In some cases the licencing process will follow the minimum standards as set by the DfT in which case the cost is likely to be minimal. In larger Authorities such as London the framework is likely to be more substantial.</p> <p>2. Costs associated with complying with the conditions of the licence:</p> <p><i>Data</i></p>	<p>licences will vary depending on how each Authority decides to implement the framework. In some cases the licencing process will follow the minimum standards as set by the DfT in which case the cost is likely to be minimal. In larger Authorities such as London the framework is likely to be more substantial.</p> <p>4. Costs associated with complying with the conditions of the licence:</p> <p><i>Data</i></p>	
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	<p>One of the minimum standards we expect operators will have to comply with is sharing monitoring data with the Department for Transport. As operators already collect this data (e.g. number of vehicles, trip details) there will be no additional cost with regard to creating data collection processes and the only impact is specifically in the sharing of data.</p> <p><i>Parking Provision</i></p> <p>Another example of a provision Authorities may want to add is mandated parking bays for storage of micromobility vehicles on the street.</p> <p>From engagement with local areas on the cost of installing parking bays for shared micromobility vehicles, while not certain, has yielded an estimated typical cost of</p>	<p>One of the minimum standards we expect operators will have to comply with is sharing monitoring data with the Department for Transport. As operators already collect this data (e.g. number of vehicles, trip details) there will be no additional cost with regard to creating data collection processes and the only impact is specifically in the sharing of data.</p> <p><i>Parking Provision</i></p> <p>Another example of a provision Authorities may want to add is mandated parking bays for storage of micromobility vehicles on the street.</p> <p>From engagement with local areas on the cost of installing parking bays for shared micromobility vehicles, while not certain, has yielded an estimated typical cost of</p>	
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	<p>£1,500 - £2,500 per bay in London, and £650 - £1,250 outside of London. The vast majority of dockless e-cycles operate in London. In some places with lower vehicle and population densities, marked bays may be unnecessary and a “free floating” model preferred.</p> <p>Some of the cost of providing parking could be passed onto operators. Operators have shown a willingness in the absence of regulation to contribute significant funds to parking provision. Lime, London’s largest shared cycle operator, recently announced a London Action Plan setting out £20m of investment, £5m of which was dedicated to shared e-</p>	<p>£1,500 - £2,500 per bay in London, and £650 - £1,250 outside of London. The vast majority of dockless e-cycles operate in London. In some places with lower vehicle and population densities, marked bays may be unnecessary and a “free floating” model preferred.</p> <p>Some of the cost of providing parking could be passed onto operators. Operators have shown a willingness in the absence of regulation to contribute significant funds to parking provision. Lime, London’s largest shared cycle operator, recently announced a London Action Plan setting out £20m of investment, £5m of which was dedicated to shared e-</p>	
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	cycle parking. <sup>57</sup> nn	cycle parking. <sup>58</sup> nn	
<b>Non-monetised impacts</b>	Non-monetised benefits will include greater regulatory certainty in the market.		<b>Uncertain</b>
<b>Any significant or adverse distributional impacts?</b>	No significant or adverse distributional impacts are expected from this primary legislation.		<b>Neutral</b>

### (3) Expected impacts on households

<b>Description of overall household impact</b>	Impacts are not expected on households at primary legislation stage. At secondary legislation the scale and direction of some impacts depend on the stringency of the regulatory levers applied and consumers' behavioural response. Most of the objectives are aimed at reducing externalities, mainly improving safety, or scaling the benefits already realised that are predominately felt by households	<b>Neutral</b>
<b>Monetised impacts</b>	There is no expected impact on household as a direct result of primary legislation.	<b>Neutral</b> Based on likely household £NPV
<b>Non-monetised impacts</b>	n/a	<b>Uncertain</b>
<b>Any significant or adverse distributional impacts?</b>	No significant or adverse distributional impacts are expected from this primary legislation. Going forwards, impacts will likely be felt by households in urban areas given rental micromobility schemes current concentration in cities and towns and their greatest benefit of use being felt for short journeys that are more likely in dense areas.	<b>Neutral</b>

### Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
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<sup>57</sup> [Lime Micromobility | London Action Plan](#)

<sup>58</sup> [Lime Micromobility | London Action Plan](#)

<b>Business environment:</b>  <b>Does the measure impact on the ease of doing business in the UK?</b>	The impact on the ease of doing business in the UK is unlikely to be significant at this primary legislation stage. Depending on the level of regulation set for operators by local authorities, the associated cost to comply could be seen as a barrier to entry for new operators or new schemes and solidify market power with incumbent operators or force these to leave the market. However, the regulation is aiming to create regulatory certainty and promote the benefits of shared micromobility while reducing negative externalities, meaning new and existing businesses can make informed decisions on their investment strategy.	<b>Neutral</b>
<b>International Considerations:</b>  <b>Does the measure support international trade and investment?</b>	Regulatory certainty could attract foreign investment from businesses that have been reluctant to invest and set up shared micromobility schemes, however, the expansion and extension of schemes by existing operators is deemed more likely	<b>Neutral</b>
<b>Natural capital and Decarbonisation:</b>  <b>Does the measure support commitments to improve the environment and decarbonise?</b>	No expected significant impacts on the UK's natural capital given the urban concentration of activities associated with the legislation. There is the potential for impacts with respect to noise pollution, greenhouse gas emissions and air quality at the point of use but the scale is subject to a significant change in the number of rental micromobility schemes/journeys/distance travelled as a result of the introduction of legislation and the direction is dependent on the relative distance travelled shifted from alternative transport modes. Greenhouse gas emissions associated with the lifecycle of a micromobility vehicle is currently unclear.	<b>Neutral</b>

## 8. Monitoring and evaluation of preferred option

The intervention seeks to establish a legal requirement for the operator of any shared on-street rental scheme for bicycles and e-cycles (and any other micromobility vehicles to be designated in future) to obtain a licence from the relevant local licensing authority. Detailed Monitoring and Evaluation (M&E) is expected to focus on the overall framework and individual licensing authority regulations established within it at the secondary legislation stage. Developing proportionate M&E at the secondary legislation stage will provide detailed evidence that can be used to inform whether the objectives of the intervention are being met at the national level. M&E at the secondary legislation stage will also support licensing authorities to assess whether their objectives and obligations are being met at a local level.

The Department for Transport (DfT) has engaged formally through a stakeholder survey and a series of discussions with key stakeholders on the benefits, challenges and costs arising from the intervention, including local licensing authorities, operators and interest groups. A framework to capture monitoring data from e-scooter operators is currently in place as part of the ongoing rental e-scooter trials. This monitoring activity includes data sharing

requirements and situational reports which hold collision reports and other information relating to trial area characteristics. Monitoring data as part of the e-scooter rental trials is analysed by DfT, both as a standalone work package and to contribute to additional research. Among the uses of this data include tracking: the uptake of rental e-scooters, performance of operators, and characteristics of trial areas. The monitoring data also contributes to analysis of scheme safety. Similar monitoring activity could be applied to the establishment of a shared on-street rental scheme. The Department is exploring what role central government could have in the collation and analysis of operator data supplied as part of licensing conditions and potential opportunities to monitor this data to assess on an ongoing basis the impacts of the regulatory intervention on these schemes.

Additionally, subsequent waves of existing DfT-funded surveys could be leveraged to further understand the impact of the evaluation. Such surveys could include the Transport and Transport Technology Public Attitudes Tracker<sup>59</sup>, which tracks attitudes towards different modes of transport including e-cycles and e-scooters, and the National Travel Survey<sup>60</sup>. DfT will also explore opportunities for further bespoke research as needed and utilise external surveys where appropriate.

The nature of the intervention will generate distinct impacts at a licensing authority level. DfT also will engage with and support licensing authorities in conducting their own bespoke research, which may include process and impact evaluations.

### **Post Implementation Review**

There is no requirement to conduct a Post Implementation Review (PIR) at this stage, in accordance with the Better Regulation Framework<sup>61</sup>. However, other forms of post-legislative parliamentary scrutiny will apply and the need and timings of PIRs for the intervention, at the secondary legislation stage, will be determined in accordance with the intervention's requirements and logistics. DfT will take a proportionate approach to M&E of the intervention to meet ministerial priorities.

## **9. Minimising administrative and compliance costs for preferred option**

In developing the preferred option, significant consideration has been given to the balance which needs to be struck between regulation to ensure the safe operation and local appropriateness of aspects of schemes, and the need to ensure viability for scheme operators, particularly the smallest operators or those seeking to enter the market. In the overarching approach which has been selected as the preferred option, the mechanisms to ensure this balance is struck are primarily found in the mix of conditions which will be required as part of licences. The minimum standard conditions set by the Secretary of State will be intended to set a consistent basic picture across the country: a kind of national framework to allow operators to be confident that they can invest, for example, in vehicles which can be deployed across the country rather than having to develop vehicles to

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<sup>59</sup> [Transport and transport technology: public attitudes tracker - GOV.UK \(www.gov.uk\)](https://www.gov.uk/transport-and-transport-technology-public-attitudes-tracker)

<sup>60</sup> [National Travel Survey - GOV.UK \(www.gov.uk\)](https://www.gov.uk/national-travel-survey)

<sup>61</sup> [Better Regulation Framework - GOV.UK \(www.gov.uk\)](https://www.gov.uk/better-regulation-framework)



different specifications in different places. Bespoke conditions set by licensing authorities above and beyond the minimum standards are expected to largely be about operational aspects of schemes to ensure they work for the local area. While this may incur some additional cost burdens to operators, there is a significant degree of overlap in the interests of operators and local authorities in striving for well-used, well-liked schemes which would act as a deterrent to excessively burdensome additional conditions.

The Department will consider further in making secondary legislation which will establish the detail of the licensing framework and in issuing subsequent guidance to licensing authorities how best to ensure impacts on businesses are minimised and proportionate. This will include considering exemptions from some of the most resource-intensive and costly potential requirements for businesses such as requiring data collection and sharing beyond what the operator would collect as part of their normal business operations. As part of these next steps in developing the framework, the Department will seek to monetise the costs to businesses impacts of different potential types and degrees of licensing conditions and how these might subsequently impact the cost of these services to consumers.

The Department will consider how guidance can help ensure that the cost and resourcing impacts on both operators and local authorities are proportionate. For example, guidance encouraging a proportionate and practical approach to procurement, and particularly encouraging areas with less demand for these schemes to consider taking a lighter touch “expression of interest” route over more prolonged and expensive tendering processes. Additionally, the Department will consider offering “template” licences to local authorities containing only the centrally set minimum conditions for schemes. Licensing authorities could then issue these to operators straightforwardly, being assured that schemes would be operating safely. This could help prevent the risk that an under-resourced licensing authority decides not to issue licences in any cases because of staffing pressures or a lack of internal expertise or capability. It could therefore also avoid the burden this risk, if it materialised, would have on operators who would be unable to run a scheme through no fault of their own.

## Summary: Analysis and evidence

For Final Stage Impact Assessment, please finalise these sections including the full evidence base.

Price base year: 2025

PV base year: 2025

This table may be reformatted provided the side-by-side comparison of options is retained	1. Business as usual (baseline)	2. Do-minimum Option	3. Preferred way forward (if not do-minimum)	4. More ambitious preferred way forward	5. Less ambitious preferred way forward
<b>Net present social value</b> (with brief description, including ranges, of individual costs and benefits)	0	...	<p>-£0.0m (£0 - -£0.01m)</p> <p>Transitional costs include:</p> <ul style="list-style-type: none"> <li>- Familiarisation costs to businesses for the new legislation based on ASHE data and assumption of 10-30 hours of time.</li> </ul> <p>This is uncertain however it is expected to be small given evidence laid out in the regulatory scorecard above.</p> <p>Further Costs and Benefits (indicatively laid out in the</p>	N/A	N/A

			above score card) will be analysed and subject to sensitivity testing in secondary regulation		
<b>Public sector financial costs</b> (with brief description, including ranges)	0	...	...	N/A	N/A
<b>Significant un-quantified benefits and costs</b> (description, with scale where possible)	0	...	Not expected to be any significant unquantified costs/benefits at the primary regulation stage.	N/A	N/A
<b>Key risks</b> (and risk costs, and optimism bias, where relevant)	0	...		N/A	N/A
<b>Results of sensitivity analysis</b>	0	...		N/A	N/A

# Evidence base

## **Problem under consideration, with business as usual, and rationale for intervention**

Please see section 2 which sets out the problems under consideration and gives a history of the sector establishing BAU. Rationale for intervention can be found starting on page 14.

## **Policy objective**

SMART objectives are set out in section 5.

## **Description of options considered**

In terms of the intervention options, the longlisting process is set out in Sections above.

## **Summary and preferred option with description of implementation plan**

The preferred option is shortlisted intervention 1 as set out above.

## **NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)**

Monetised and non-monetised costs and benefits are set out in the Scorecard but these are not expected to be significant until secondary legislation stage at which point they will be assessed.

## ***Costs and benefits to business calculations***

The monetisation of costs to businesses was undertaken using ASHE wage data and time estimates based on engagement with existing micro-mobility operators during the consultation stage.

## **Impact on small and micro businesses**

At the longlisting and shortlisting stage each option has been considered against potential impacts on small and micro businesses.

The preferred option would allow the Secretary of State to exempt businesses of a certain size from specific minimum standards and equally allow local licensing authorities to tailor additional requirements to individual operators as proportionate. This would be considered at the secondary legislation phase when establishing the detail of the framework and minimum standards, and suggestions of flexibility for smaller operators given in guidance to licensing authorities on issuing licenses. And as such gives the potential to mitigate burden on small and micro businesses.

Our market research suggests there are currently 7 operators in England (subject to ongoing mergers this will likely decrease to 5) the smallest of which had a 7-figure revenue, there is wide consensus that micromobility is considered a growth area, and as such no firm is expected to be a small or micro business, and have no unnecessary burden placed on them.

Exemptions are likely to be issued (if at all) to small independent businesses such as "cycle cafes" although the exact nature of exemptions will be down to individual licencing authorities.

### **Costs and benefits to households' calculations**

Impacts on households have not been monetised as they are not expected as a direct result of primary legislation, any relevant impacts will be monetised at secondary legislation. These considerations are explored in the Regulatory Scorecard.

### **Business environment**

The impact on the ease of doing business in the UK is unlikely to be significant at this primary legislation stage and it is unclear going forwards how regulation may impact this. Depending on the level of regulation set for operators by local authorities, the associated cost to comply could be seen as a barrier to entry for new operators or new schemes and solidify market power with incumbent operators or force these to leave the market. However, the regulation is aiming to create regulatory certainty and promote the benefits of shared micromobility while reducing negative externalities, meaning new and existing businesses can make informed decisions on their investment strategy.

### **Trade implications**

Regulatory certainty could attract foreign investment from businesses that have been reluctant to invest and set up shared micromobility schemes, however, the expansion and extension of schemes by existing operators is deemed more likely

### **Environment: Natural capital impact and decarbonisation**

No expected significant impacts on the UK's natural capital given the urban concentration of activities associated with the legislation. There is the potential for impacts with respect to noise pollution, greenhouse gas emissions and air quality at the point of use but the scale is subject to a significant change in the number of rental micromobility schemes/journeys/distance travelled as a result of the introduction of legislation and the direction is dependent on the relative distance travelled shifted from alternative transport modes. Greenhouse gas emissions associated with the lifecycle of a micromobility vehicle is currently unclear.

### **Other wider impacts (consider the impacts of your proposals)**

n/a

### **Risks and assumptions**

The key risk is that the scheme unintentionally creates a large administrative and financial burden on operators which renders their business commercially unviable. This risk will be mitigated by engagement with stakeholders, consultation on the proposed final scheme and working closely with authorities to ensure bespoke conditions are not overly burdensome.

# Final stage impact assessment – Community Right to Buy

## 1. Summary of proposal

The Government wishes to introduce a Community Right to Buy through the English Devolution and Community Empowerment Bill. This will replace the current Community Right to Bid policy, which was introduced in the Localism Act 2011 but has been widely criticised, including by community stakeholders and the Communities and Local Government (CLG) Committee, as insufficient at bringing assets into community ownership.

Community Right to Buy will give communities meaningful powers to purchase Assets of Community Value (ACVs) that come up for sale, supporting community ownership across communities in England.

The Government committed to introducing Community Right to Buy in the King's Speech in July 2024. To deliver an effective Community Right to Buy, Government will need to amend existing legislation in the Localism Act and introduce new measures. This will be achieved through primary legislation in the English Devolution and Community Empowerment Bill.

The preferred option (Option 4 below) is to introduce a 'Right of First Refusal', granting greater powers to community groups to purchase Assets of Community Value (ACVs) at a negotiated or market value price, within a moratorium period of 12 months from the point of listing for sale. Asset owners will have the right to request a review of the Right to Buy at the six-month point. If the community group cannot demonstrate sufficient progress in pursuing the sale, the local authority can terminate the moratorium period, which will help to protect asset owners from speculative buyers.

The Government considers that the policy will have an impact on asset owners, through the delay to sales caused by the moratorium period extension and the restrictions on selling on the open market caused by the 'Right of First Refusal'.

However, the Government is seeking to offset this impact with an appropriate compensation scheme. Asset owners will be entitled to claim compensation to cover loss or expenses incurred due to the policy (including the moratorium period) and to cover legal fees incurred by a successful appeal to the first-tier tribunal e.g. in the appeal against the local authority's decision to list their assets as an ACV or against decisions on compensation eligibility or amount. Community groups will also be given the same right as asset owners to claim compensation for legal fees.

Overall, the policy should bring significant benefits to the wellbeing and welfare of communities, ensuring valued local assets are protected and maintained, whilst safeguarding the property rights of asset owners.

## 2. Strategic case for proposed regulation

Community-owned assets bring a range of economic and social benefits for local communities, as well as having a positive impact on high streets and town centres.

A [study](#)<sup>62</sup> by Power to Change found that community-owned assets contribute an estimated £220m to the economy per year, and that 56p of every £1 spent by community-owned spaces stays in the local area, compared to just 40p for larger private sector firms. Community assets help keep more money in local communities and contribute to local economic growth. Community ownership therefore aligns with the Government's mission to kick-start economic growth and secure the highest sustained growth in the G7.

Beyond the economic benefits, community-owned assets are important for the social fabric of a community. A [study](#)<sup>63</sup> by What Works Wellbeing found that there is strong evidence that community hubs have a positive impact on social networks, the social determinants of health, and on individual empowerment and mental health and wellbeing.

Community-ownership can also have a positive impact on the wider vitality of high streets and town centres, particularly when it comes to tackling high vacancy. A [study](#)<sup>64</sup> by Power to Change found that the vacancy rate for public-sector owned units is 4.5%, which rises to 9.2% for real estate and property companies, 9.6% for overseas investors and 11.9% for institutions like pension funds. High street assets in community ownership are therefore less likely to be vacant than those owned by private investors. Tackling vacancy and improving the vitality of high streets is also a priority for Government, with community ownership aligning with wider measures in this space such as High Street Rental Auctions.

The current Community Right to Bid, introduced in the Localism Act 2011, was designed to provide a route for community groups to bring their valued local assets into community ownership. Community groups are able to nominate a building or land to be listed as an ACV and to trigger a six-month moratorium period if the owner of the asset puts it up for sale, giving the community group time to raise funding and develop a business case to bid for the asset.

However, Community Right to Bid has been widely criticised by stakeholders, including community organisations such as Power to Change, Plunkett Foundation, Locality and CAMRA, as insufficient to bring ACVs into community ownership. Such organisations have published several reports setting out these criticisms and calling on Government to introduce stronger powers, including '[Getting a Community Right to Buy right](#)' by Power to Change and '[A Community Right to Buy in all four UK nations](#)' by the Plunkett Foundation.

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<sup>62</sup> Will Brett and Vidhya Alakeson, Take Back the High Street Putting communities in charge of their own town centres (Power to Change, 2019).

<sup>63</sup> Anne-Marie Bagnall, et al., Systematic review of community infrastructure (place and space) to boost social relations and community wellbeing: Five year refresh (What Works Centre for Wellbeing, 2023),

<sup>64</sup> Will Brett and Vidhya Alakeson, Take Back the High Street Putting communities in charge of their own town centres (Power to Change, 2019).

In 2015, only three years after Community Right to Bid came into effect, the Communities and Local Government Select Committee published a report into community rights which called on the then Government to strengthen four of its community rights, including Community Right to Bid. The Committee heard from several witnesses that the six-month moratorium is not sufficient to put together an offer, particularly for communities that need to develop the necessary skills and contacts to form a bid and find funding.

This view is also supported by available data, although this is somewhat limited. Government data suggests that between 12-20 assets for every 1,000 ACV applications make it into community ownership under the current Right to Bid policy, which closely echoes Power to Change's 2019 estimate that only 15 assets out of every 1,000 ACVs are ultimately brought into community ownership.

Specific criticisms of the current Community Right to Bid include:

- It provides no certainty or guarantee of purchase to community groups, who could raise the required funds but then be overlooked by the asset owner in favour of another bidder and lose the asset to a private party. The policy therefore does not provide sufficient powers for community groups looking to protect their community assets against loss into private hands.
- The current six-month moratorium is often an unfeasible timeframe for the community to organise and raise the necessary funds to acquire an asset. The length of the moratorium is a barrier for community groups looking to purchase an asset; even if the asset owner agrees to a bid, the community group may struggle to raise the funds within the timeframe and ultimately lose the asset if they cannot raise the required amount.
- The definition of an ACV is too narrow, limiting the scope of assets that can be registered as ACVs, particularly those of economic benefit and those historically of social importance to communities. This means that valued community assets which do not fit within the current definition, such as shops and old factories, are not afforded the same protections and may be lost to the community when they go up for sale.
- Community groups do not have access to an appeals process to contest the local authority's decision not to list their nominated asset. This means that community groups have no recourse if their application is rejected and that there is a lack of accountability over local decision making. This also means there is no protection against subjectivity and inconsistency in approaches between local authorities in the current ACV registration process.

Ultimately, the current Right to Bid policy does not result in enough assets going into community ownership, with less than 2% of ACVs doing so. This is largely due to the power imbalance between asset owners and community groups, meaning the success of a community bid relies heavily on the goodwill of asset owners. Whilst some asset owners may be interested in engaging with and selling to the community, others may not consider the best interests of the community when selling their land or building.



It is important that communities have a say in what happens to their valued assets. According to [Community Life Survey 2023/24](#), whilst 50% of people say it is important that they feel able to influence decisions affecting their local area, only 23% feel able to do so. This lack of influence sits alongside a wider feeling of disempowerment and distrust at a local level.

The Government has committed to a strengthened Community Right to Buy as part of a revised programme of urban regeneration that would grant more power to communities. To introduce Community Right to Buy and address the issues raised by stakeholders and the Communities and Local Government Select Committee, the Government will make changes to the Localism Act 2011 through the English Devolution and Community Empowerment Bill. A Community Right to Buy is already in place in Scotland, introduced under Part 2 of the Land Reform (Scotland) Act 2003, with the Scottish Government taking an active role in the financing and delivery of the policy.

The interventions proposed in Community Right to Buy legislation will address the failures of Community Right to Bid and ensure that communities have greater powers, while continuing to respect the property rights of asset owners. Such changes will empower communities to bring their valued assets into community ownership, preventing the likely irreversible loss of these assets into private hands, often for redevelopment into private property, and secure them for future use by the local community.

Community Right to Buy will also help to create more vibrant high streets and town centres by adding more community-owned spaces or businesses to our high streets. The policy will help local people shape the offer on their high street, so that it serves the needs and wants of the local community and continues to attract footfall and community interest, even as traditional retail businesses move away from having a physical presence in our town centres.

Community Right to Buy therefore strongly aligns with the Government's broader priorities to empower communities with new rights and levers to influence and shape their neighbourhoods, as well as supporting high streets across the country to thrive, as outlined in the English Devolution White Paper.

### **What other solutions have been considered previously?**

The Localism Act 2011 introduced Community Right to Bid, a community power that allows community groups to register Assets of Community Value and trigger a six-month moratorium if the asset goes up for sale. However, Community Right to Bid has been criticised as ineffective, mainly due to the short moratorium period and the lack of a Right of First Refusal, with the low conversion of ACVs into community ownership evidencing this.

In 2015, the Government commissioned Locality (a membership network supporting local communities) to create and curate a website aimed at providing expert resources for people and organisations who want to improve their communities. The MyCommunity website

includes resources designed to help communities protect, save, or manage a community asset in their area. The Community Ownership Fund has also proven to be a particularly important source of funding for communities using Community Right to Bid since its introduction in 2021, and the MyCommunity website includes resources to support use of this fund.

However, the Government regards these measures as being insufficient in improving the uptake of community ownership. While the Government has considered ways to increase support and advice to communities, including the role of local community enablers who could provide specific expertise and guide groups through the process there are some fundamental issues with the policy that need to be addressed through legislation. These include the fact that, even if the community is able to raise the required funding to put in a competitive bid for an asset, this bid will be considered on the open market and there is no obligation for the seller to give any particular attention to it. In addition, the current six-month moratorium period does not often align with the timelines for securing funding through sources such as the Community Ownership Fund, the process for which can take significantly longer.

### **3. SMART objectives for intervention**

The objective of Community Right to Buy is to increase the number of Assets of Community Value that are purchased by the community and brought into community ownership. Government data suggests that between 12-20 assets for every 1,000 ACV applications currently make it into community ownership under the current Right to Bid policy.

The Government expects to see these figures increase under Community Right to Buy. This will be measured using data from local authorities, including the lists of Asset of Community Value that are kept by each local authority, as well as other ACV data stored at local government level. More details of this are outlined in the Monitoring and Evaluation section below.

The Government also expects that this policy will help to reduce the number of vacant or underused spaces within communities and support the creation of more vibrant high streets and town centres. This objective will be harder to measure; however, a combination of vacancy data and ACV data could be used to measure the effect of this policy on a sample of high streets and town centres. The Government will consider whether a Post Implementation Review (PIR) is needed and the form this may take.

## **4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives**

Our preferred option (Option 4) introduces a Right of First Refusal and a 12-month moratorium period with a break clause at six months. When an ACV goes up for sale, community groups will have the right to buy the asset (should they wish to) at a negotiated or independently valued price, with a 12-month moratorium period to ensure they have sufficient time to organise and raise the required funds for the sale.

Asset owners may apply to have the Right to Buy dismissed at six months, if the community group fails to demonstrate sufficient progress in pursuing the sale and acquiring the necessary funding.

### **How the preferred option achieves the SMART objectives**

A Right of First Refusal will give greater powers to local communities to identify and subsequently purchase their valued assets, thereby protecting them from being sold off into private hands and lost from the community. A Right of First Refusal provides community groups with the first option of purchasing their listed asset at a fair market value. This means that asset owners cannot outprice community groups and private parties cannot outbid them. If the community group can raise the required amount within the 12-month moratorium period, they will be able to acquire the asset and bring it into community ownership. Through this mechanism, the Government expects the amount of assets purchased by the community to increase. These assets will continue to stay open, or in some cases, be re-opened to the public, therefore contributing to a reduction in vacant property and helping to contribute to a vibrant and diverse offering on our high streets and in our town centres.

The 12-month moratorium period grants community groups the required time to create a business plan and raise the necessary funds to purchase the asset at market value. The previous moratorium period of six months has been frequently highlighted as a barrier to community ownership, as it does not provide enough time to raise funding. With the additional time, the Government expects to see an increase in community groups who can successfully raise the funding they need to purchase their Asset of Community Value, thereby supporting the objective of bringing more assets into community ownership.

By amending the definition of an Asset of Community Value, Community Right to Buy will increase the scope of assets that can be listed as an ACV and subject to Community Right to Buy. The Government is removing the stipulation that an asset had to be in use by the community 'a time in the recent past', enabling assets that were historically of social or economic importance to be in scope of the ACV definition and the wider policy. The Government is also adding 'economic wellbeing or interest' to the definition, so assets such as village or corner shops, will now fall into the scope of Community Right to Buy. The new definition will increase the types of assets that fall into the scope of Community Right to Buy, and the Government expects that this will increase the number of assets that are listed as Assets of Community Value.

## 5. Summary of long-list and alternatives

The Government has considered the following options for the policy:

**Option 1- Do nothing.** Keep the current Community Right to Bid. This option will not address the issues raised by stakeholders or the low conversion of ACVs into community-owned assets. It would also be contradictory to the Government's previous commitment in the King's Speech to introduce Community Right to Buy through the English Devolution and Community Empowerment Bill.

**Option 2- Keep the current Community Right to Bid but introduce non-regulatory changes through increased support and advice for communities.** This option would keep the Right to Bid that is currently outlined in the Localism Act 2011 but would increase the support and advice available for users of the ACV and Community Right to Bid policies, helping more communities to benefit from the current framework. Community organisations have suggested that there needs to be a specific route for community groups to access expertise and support throughout the community ownership process, which could include a community enabler role to act as a point of contact for groups and guide them through the process. They have also flagged the need for further education of local authorities and elected members (MPs and local/parish councillors) for the policy to be a success, including on the nuances of ACV policy. However, some fundamental issues with the policy cannot be addressed by a non-legislative approach, such as the insufficient time frame provided in which to raise the funding to bid for assets and widening the definition of an Asset of Community Value. These issues would likely continue to limit the degree to which communities are able to take assets into ownership.

**Option 3- Introduce minimal legislative changes to the current policy by extending the moratorium period to nine months and not introducing a Right of First Refusal or any other changes to the ACV scheme.** This option keeps the current Community Right to Bid framework but extends the moratorium period to nine months, the length recommended by the CLG Select Committee in 2015. It would address some stakeholder concerns, providing more time for community groups to organise and raise money for a bid, and would limit infringement on the property rights of asset owners. However, our engagement with stakeholders has suggested that nine months would often still be an inadequate amount of time for community groups to organise themselves and raise funding, especially in areas with lower social capital. Moreover, this option does little to protect against the loss of ACVs, as there is still no obligation for the seller to give special consideration to a community group bid, which may be deliberately priced out or overlooked in favour of a private party.

**Option 4 (preferred option) - Introduce a Right of First Refusal and a 12-month moratorium period with a break clause at six months.** This option gives community groups the Right of First Refusal on purchasing an ACV. When an ACV goes up for sale, community groups will have the right to buy the asset (should they wish to) at a negotiated or independently valued price, with a 12-month moratorium period to ensure they have sufficient time to organise and raise the required funds for the sale. To prevent unnecessary delays to sale, asset owners may apply to have the Right to Buy dismissed at six months, if the community group fails to demonstrate sufficient progress in pursuing the sale. The Government believes this approach best balances the interests of asset owners and community groups, providing additional time for community groups whilst also protecting asset owners from unnecessary delays. The approach would also best address the concerns

raised by community stakeholders and fulfil the Government's commitment to introducing a strong Community Right to Buy to empower communities.

**Option 5- Introduce legislation to create a Right of First Refusal with a 24-month moratorium period, along with changes to strengthen the ACV scheme.** This option would similarly give community groups Right of First Refusal on purchasing an ACV but would also give them more time to raise funds than other options. However, the impact on the asset owner would be considerable, as they would be unable to sell their asset for 24 months. This may leave the Government liable to pay compensation to asset owners for expenses associated with the upkeep of the asset for those 24 months, which would not have been required otherwise.

## **6. Description of shortlisted policy options carried forward**

Option one would be contradictory to the Government's previous commitment in the King's Speech to introduce Community Right to Buy and would also do nothing to address the low conversion rate of ACVs into community-owned assets. This option did therefore not make the shortlist.

Likewise, option two does not address some fundamental issues with the policy, such as the insufficient moratorium period. The six-month moratorium has been cited by community organisations, and raised to the CLG Select Committee, as a barrier to community ownership. Any option shortlisted would have to address the moratorium length. As option two takes a non-legislative approach, which would not allow for an increase in the moratorium, it did not make the shortlist.

Options three and five were considered during the shortlisting phase. Option three would address some concerns but our engagement with stakeholders has suggested that nine months is still an inadequate amount of time for community groups to develop a successful bid. In addition, without a Right of First Refusal, asset owners could continue to overlook community groups and sell to private parties. Option three would therefore not support the policy objectives of increasing community ownership.

Option five was deemed unsuitable due to the considerable impact on asset owners. Such an extension may be considered disproportionate when considered against compliance with the legal rights of asset owners, particularly where other options are able to meet the policy objective with a lesser impact.

Ultimately, option four was decided as the preferred option as it best addresses the concerns raised by community stakeholders and fulfils the Government's desired outcome of introducing a strong Right to Buy, whilst remaining more proportionate with the rights of asset owners.

### **Impacts of option four on small, micro and medium businesses**

The policy is likely to have similar impacts on small and micro businesses as well as larger ones. The policy could have positive and negative impacts on micro, small and medium businesses. If a vacant property is brought back into use or revitalised through the policy, this may help to maintain or increase footfall for surrounding businesses and contribute to the overall vibrancy of a high street or town centre, thereby positively impacting the surrounding small, micro and medium businesses.

On selling the asset, the impact upon the asset owner is likely to be negative, as Community Right to Buy will create restrictions around the sale, possibly causing delays to the disposal and limiting the price that the property could fetch to its market value. Mitigations to limit the effects of these measures have been considered with the impacts and mitigations set out in more detail below.

The 12-month moratorium period will cause a delay to the sale of assets, which may create additional expenses for asset owners due to the need to continue covering utilities and bills such as security, heating, insurance, lighting, council tax and business rates. This may have a particular impact where asset owners are running micro, small and medium businesses and disposal cash is limited, as they will be tied to the building or land for longer which might

affect their future plans. However, the Government is proposing to extend the current compensation scheme that covers loss or expenses incurred as a result of the policy and therefore the financial impact of the moratorium extension would be largely offset.

Asset owners also have the right to request a review and termination of the moratorium at the six-month mark. The local authority will review whether the community group is making sufficient progress in pursuing the sale. If the community group cannot demonstrate sufficient progress, then the local authority will terminate the moratorium and sale. This builds in protections for asset owners, minimising the delays caused by speculative buyers.

The “market value” of land must take into account the value it would have on the open market as between a seller and a buyer, both of whom are willing. By using the market value, the Government intends to limit the difference in sale price between a ‘regular’ asset and an ACV.

Under the current Right to Bid, if an asset is being sold together with a business carried out on the land (normally involving separate payment for the business as a going concern, for example the value of equipment and stock), it is exempt from the policy. The Government expects this exemption to be retained under the new Right to Buy, mitigating against the impact on micro, small and medium businesses.

It also should be noted that many micro, small and medium businesses will be leaseholders and not the owner of a property subject to Community Right to Buy. In instances where the lease is terminated ahead of the sale and would have been regardless of the Right of First Refusal, Community Right to Buy will have no additional impact on these businesses. Where a lease is in place at the time of sale, the continuation or termination of the lease would depend upon how the sale is agreed between the asset owner and community group, as with any other property disposal. As Community Right to Buy can only be triggered when an asset owner already intends to sell their asset, the impact is no different than with a sale outside of Community Right to Buy.



## 7. Regulatory scorecard for preferred option

### Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
		Note: Below are examples only
<b>Description of overall expected impact</b>	<p>Costs to asset owners are driven through the delay in sales from an extended moratorium and the inability to sell on the open market once a community group activates the Right of First Refusal. Local authorities will also bear recurring costs for the administration and functioning of the process as well as compensations payments to asset owners where relevant.</p> <p>Households will benefit from an increase in community run businesses and facilities where community groups are given greater powers and utilities to purchase assets of community value. This impact assessment notes improvements to local employment and volunteering and further protections to assets that provide social welfare to local communities.</p> <p>Overall, despite the monetised assessment being slightly negative, the significant non-monetised benefits are likely to make the overall impact on social welfare positive. There is expected to be a positive welfare impact given an expected increase in community ownership of assets of community value that provide an array of welfare benefits to local communities and the powers to be given to community groups to protect and preserve these assets in the long run.</p>	<b>Positive</b>  <b>Based on all impacts (incl. non-monetised)</b>
<b>Monetised impacts</b>	<p><b>Total NPSV: -£4.82m</b></p> <p>Total benefits: £20.92m</p> <p>Total costs: -£25.74m</p> <p><b>Monetised impacts:</b></p> <p>These monetised impacts, and their calculations are explained in more detail in the section below.</p> <p>Costs:</p> <ul style="list-style-type: none"> <li>- Disparity between fair price and counterfactual sale value for asset owners</li> <li>- Opportunity cost of lost revenue for asset owners</li> <li>- Administration costs to local authorities</li> <li>- Asset maintenance costs</li> <li>- Tribunal costs</li> </ul> <p>Benefits:</p> <ul style="list-style-type: none"> <li>- Employment benefits</li> </ul>	<b>Negative</b>  <b>Based on likely £NPSV</b>

	<ul style="list-style-type: none"> <li>- Volunteering uptake</li> </ul>	
<b>Non-monetised impacts</b>	<b>Non-monetised impacts:</b> <ul style="list-style-type: none"> <li>- Welfare and wellbeing improvements within local communities</li> <li>- Protections from asset stripping</li> </ul>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	<p>The preferred option presents significant distributional impacts where powers are given to local communities to take ownership and control over assets with significant social value. This can help reduce inequalities, particularly in disadvantaged areas where increasing community ownership over ACVs is expected to enable the realisation of these positive social impacts and drive local economic growth where in the counterfactual a large proportion of the benefits are to individual asset owners. Under the preferred scenario, it is assumed the social and economic benefits should be enhanced and shared more equally among residents, where community groups are motivated in the interests of local communities rather than profit maximisation, and lead to quality of life and social wellbeing improvements. This is supported by research from Power to Change in conjunction with MHCLG, which discussed the potential for community ownership to increase "economic growth, local economic resilience and general wellbeing".<sup>65</sup></p>	<b>Positive</b>

## (2) Expected impacts on businesses

<b>Description of overall business impact</b>	<p>The preferred option empowers community group with the Right of First Refusal, preventing asset owners from selling on the open market. The settled price for asset sale to community groups may potentially be lower than in the counterfactual but the central scenario assumes on average the value provided through independent assessment will be equal to the counterfactual.</p> <p>Where there is a further delay in sales which becomes unavoidable due to the Right of First Refusal, businesses may lose out on potential revenue where the release of funding earlier could be invested elsewhere.</p>	<b>Negative</b>
<b>Monetised impacts</b>	<p><b>Business NPV: -£9.03m</b></p> <p>The total value reflects the opportunity cost of lost revenue for asset owners. Under the central scenario we assume there is no disparity between the fair price and a counterfactual sale</p>	<b>Negative</b>  <b>Based on likely business £NPV</b>

<sup>65</sup> [Assets-Report-DIGITAL-1.pdf](#)

	value. This is because the independent assessment will successfully value assets at market value (as intended) and that this would be the price asset owners would receive in the counterfactual. This is explained in more detail in the section below	
<b>Non-monetised impacts</b>	No non-monetised impacts on businesses.	<b>Neutral</b>
<b>Any significant or adverse distributional impacts?</b>	Although it is possible that asset owners running smaller operations with less access to credit may see a higher impact from greater delays in sales, it is expected that this will be counteracted for the most part by support available through compensation schemes.	<b>Neutral</b>

### (3) Expected impacts on households

<b>Description of overall household impact</b>	An increase in the community ownership of assets is expected to drive employment within local communities and the uptake of volunteering opportunities. This is anticipated to yield productivity and welfare benefits to local economies.	<b>Positive</b>
<b>Monetised impacts</b>	<b>Household NPV: £20.92m</b> Employment benefit - £13.44m Volunteering uptake - £7.48m	<b>Positive</b> <b>Based on likely household £NPV</b>
<b>Non-monetised impacts</b>	Protections against asset stripping will benefit local community welfare, as fewer assets of value to local communities will be repurposed or stripped down and can continue to function to the benefit of local people. The welfare benefits provided from assets of community value will be protected and bolstered under community ownership. These may include amenity value, an improved built environment in local areas and increased community cohesion.	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	As mentioned within the expected impacts on welfare, positive distributional impacts of the preferred option should help reduce inequalities and bolster local economic growth especially in disadvantaged areas, assisting in the realisation of positive social impacts to the benefit of the individuals and households residing within these communities.	<b>Positive</b>

## Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
<b>Business environment:</b>  <b>Does the measure impact on the ease of doing business in the UK?</b>	<p>Costs to the business environment are not anticipated but there may be minimal costs where the preferred option introduces additional restrictions on the sale of buildings and land that fall in the scope of the policy. The intention, however, is to ensure that such buildings or land are adopted for a positive use that benefits the community.</p> <p>Greater levels of regulation under the preferred option may imply very minimal negative effects to attracting foreign investment, again only regarding assets within the scope of the policy.</p> <p>Since businesses and assets outside the scope of the policy would not be affected under the preferred option, the majority of impacts should be observed on a local level.</p>	<b>Neutral</b>
<b>International Considerations:</b>  <b>Does the measure support international trade and investment?</b>	<p>This policy is not expected to have any impact on international trade and investment.</p>	<b>Neutral</b>
<b>Natural capital and Decarbonisation:</b>  <b>Does the measure support commitments to improve the environment and decarbonise?</b>	<p>This policy is not expected to have any impact on natural capital and decarbonisation.</p>	<b>Neutral</b>

## **8. Monitoring and evaluation of preferred option**

The outline monitoring and evaluation plan will include proposals to secure data of the following types on an annual basis:

- The availability of local authority Registers of Assets of Community Value, their status (whether they are up to date) and accessibility (are they online or hardcopy available in Councils) at the time the intervention comes into effect.
- The number and type of assets of community value listed since Community Right to Buy is introduced.
- The number and type of assets of community value which are purchased by communities (or consortia of community and partner organisations) as a result of the Community Right to Buy.
- The number of Assets Owners who have sought compensation and details of the location and type of asset linked to the compensation.

A more detailed monitoring and evaluation strategy will be developed as details of the proposed Community Right to Buy and its associated strands become further developed. The Government will also consider whether a Post Implementation Review (PIR) is needed and the form this may take.

## **9. Minimising administrative and compliance costs for preferred option**

The Government will issue statutory guidance for local authorities, which will outline the process of Community Right to Buy and the interactions between community groups and asset owners. Each local authority will receive a new burdens payment, a portion of which will be to compensate for the new administrative burden of Community Right to Buy.

The Government will also provide guidance for community groups and asset owners to ensure the process is clear and easy-to-follow. Community Right to Buy will include a compensation scheme to compensate asset owners for costs or expenses incurred due to the delay to sale caused by the moratorium period, as well as for legal costs of a successful appeal to the first-tier tribunal. Community groups will also be entitled to claim compensation to cover the legal costs of a successful appeal to the first-tier tribunal. This will help to absorb the costs of successful appeals to the first-tier tribunal but also act as a deterrent for illegitimate or frivolous appeals.

## Summary: Analysis and evidence

For Final Stage Impact Assessment, please finalise these sections including the full evidence base.

Price base year:

2025

PV base year:

2025

This table may be reformatted provided the side-by-side comparison of options is retained	1. Business as usual (baseline)	3. Preferred way forward (if not do-minimum)
<b>Net present social value</b> (with brief description, including ranges, of individual costs and benefits)	...	<b>NPSV: -£4.82m</b>  <b>Net costs: -£25.74m</b>  Local authorities: -£16.23m <ul style="list-style-type: none"> <li>- Administrative costs: -£13.47m</li> <li>- Valuations: -£0.33m</li> <li>- Asset maintenance costs: -£0.39m</li> <li>- Legal costs: -£2.04m</li> </ul> Central government: <ul style="list-style-type: none"> <li>- Tribunal costs: -£0.49m</li> </ul> Asset owners: -£9.03m <ul style="list-style-type: none"> <li>- Disparity between fair price and counterfactual sale value: -£0</li> <li>- Opportunity cost of lost revenue: -£9.03</li> </ul>

		<b>Net benefits: £20.92m</b>  Households: £20.92m  <ul style="list-style-type: none"><li>- Employment benefit: £7.48m</li><li>- Volunteering uplift: £13.44m</li></ul>																				
<b>Public sector financial costs</b> (with brief description, including ranges)	...	Local authorities: -£16.23m  <ul style="list-style-type: none"><li>- Administrative costs: -£13.47m</li><li>- Valuations: -£0.33m</li><li>- Asset maintenance costs: -£0.39m</li><li>- Legal costs: -£2.04m</li></ul> Central government: -£0.49m  <ul style="list-style-type: none"><li>- Tribunal costs: -£0.49m</li></ul> <b>Total public sector financial costs: -£16.72m</b>																				
<b>Significant un-quantified benefits and costs</b> (description, with scale where possible)	...	<b>Welfare benefit</b> – Where the Community Right to Buy seeks to bring more assets of community value into community ownership, there is likely to be a benefit to the wellbeing of local people, as assets that bring value to communities are protected and continue to provide community-driven services.  <b>Protection from asset stripping</b> – The Right of First Refusal will allow community groups the opportunity to purchase assets ahead of opportunistic developers who may strip down or repurpose assets that would have previously provided value to communities.																				
<b>Key risks</b> (and risk costs, and optimism bias, where relevant)	...	Key risks surround assumption made around the uplift in asset purchases and tribunal hearings. This is described in more detail under the 'Risks and Assumptions' heading below.																				
<b>Results of sensitivity analysis</b>	...	NPV projections under scenario testing are listed below. More detail is available in sections below.  <b>Costs:</b> <table><tr><th></th><th>Local Authorities</th><th>Central Government</th><th>Asset Owners</th><th>Total</th></tr><tr><td>Lower</td><td>-£16.03m</td><td>-£0.49m</td><td>-£9.03m</td><td>-£25.55m</td></tr><tr><td>Central</td><td>-£16.23m</td><td>-£0.49m</td><td>-£9.03m</td><td>-£25.74m</td></tr><tr><td>Higher</td><td>-£29.48m</td><td>-£0.49m</td><td>-£15.67m</td><td>-£45.65m</td></tr></table>		Local Authorities	Central Government	Asset Owners	Total	Lower	-£16.03m	-£0.49m	-£9.03m	-£25.55m	Central	-£16.23m	-£0.49m	-£9.03m	-£25.74m	Higher	-£29.48m	-£0.49m	-£15.67m	-£45.65m
	Local Authorities	Central Government	Asset Owners	Total																		
Lower	-£16.03m	-£0.49m	-£9.03m	-£25.55m																		
Central	-£16.23m	-£0.49m	-£9.03m	-£25.74m																		
Higher	-£29.48m	-£0.49m	-£15.67m	-£45.65m																		



		<p>Benefits (households):</p> <p><b>Total</b>  <b>Lower: £13.44m</b>  <b>Central £20.92m</b>  <b>Higher: £36.53m</b></p> <p>Net present value:</p> <p><b>NPV:</b>  <b>Lower: -£32.21m</b>  <b>Central: -£4.82m</b>  <b>Higher: £6.99m</b></p>
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## **Evidence base**

### **Problem under consideration, with business as usual, and rationale for intervention**

As outlined within the strategic case, the Government has previously committed to introducing a Community Right to Buy in the King's Speech in July 2024. The current Community Right to Bid provides community groups with the ability to nominate a building or land to be listed as an Asset of Community Value (ACV), and trigger a six month moratorium if the owner puts it up for sale to build funding and develop a business case to bid for the asset. The current Right to Bid has been widely criticized by community organisations as being ineffective in bringing ACVs into community ownership. Specific criticisms include:

- In 2015 The CLG Select committee heard from several witnesses that the six-month moratorium period is not sufficient to put together an offer, especially for communities that need to develop the necessary skills and contacts to form a bid and find funding.
- There is a lack of guarantee that the available mechanisms would lead to a successful purchase, even in scenarios where community groups were willing and able to deliver on funding as they could be overlooked in favour of another bidder.
- The definition of an ACV is too narrow, limiting the scope of assets that can be registered as ACVs. This opens up the potential for certain assets that have historically proven to be of social value and economic benefit to local communities to be overlooked.
- Community groups do not have access to the appeals process to contest authorities' decisions not to list their nominated assets which could lead to a lack of accountability over local decision making.

In line with Government objectives to grow local economies, community ownership can ensure the protection of assets against being repurposed under a profit motive and enable community groups to operate facilities in a way that maximises their potential for delivering social welfare. Asset owners may not consider the best interests of the community when selling their land or building, which in the long term may lead to an irreversible loss of valued community spaces which could have adverse effects on the vitality of high streets and town centres across the country.

Government intervention is best placed to deal with this market failure, where evidence indicates merit goods with positive social impacts are being underdelivered in the counterfactual. Without action, private business may push assets of social value out of communities, resulting in an opportunity cost where the potential for increased community cohesion, improvements to the built environment and amenity values are not realised and, more generally, publicly enjoyed spaces that provide value to communities become more scarce as opposed to more abundant.

### **Policy objective**

The intended outcome of the Community Right to Buy is to improve the uptake of the policy where in the 'do nothing' option, the currently operating Right to Bid does not offer sufficient powers or guarantees to enable community groups to preserve assets that yield significant value to local economies and social welfare. The introduction of a 12-month moratorium

period and the Right of First Refusal in the preferred option aims to give communities real power to identify land or buildings important to them and the local economy and protect them for future use where there are no guarantees in the counterfactual.

This policy aims to reduce the number of vacant and underused spaces for an efficient use of public spaces and support the creation of more vibrant high streets and town centres which can bolster local economies, providing communal areas and employment and volunteering opportunities.

New rights and powers given to local organisations will lead to an increase in local assets listed as ACVs, protecting them against being repurposed or asset stripping. This will be measured through collating local ACV data, which also serves to tackle the imperfect information observed through evidence in the counterfactual and enable assets providing communities with value to be identified and protected by community groups.

### **Description of options considered**

As outlined within Section 5 and 6 above, the options considered are the 'do nothing' option and the preferred option, Option 4.

The 'do nothing' option is modelled as the counterfactual to show the relative impacts of the proposed intervention. The net present value of this option is set at zero, where continuing as usual would yield no additional costs or benefits.

Option 4 is monetised in terms of the relative costs and benefits compared to the currently operating Community Right to Bid.

### **Summary and preferred option with description of implementation plan**

As discussed within Section 4, the preferred option outlines amending current legislation to introduce a 'Right of First Refusal' on the sale of assets and extending the moratorium period to build funding from 6 months to 12, with a break clause after the initial 6 months for review. When an asset of community value is listed for sale, community groups will have the right to purchase the asset at a negotiated or a 'fair price' determined through independent assessment.

The extension to a 12-month moratorium gives community groups more time to raise required funds for the sale. If, at the six-month mark, the community group cannot demonstrate sufficient progress in pursuing the sale, asset owners can request that the local authority dismisses the sale. This approach best balances the interests of asset owners and community groups, providing additional time for community groups whilst protecting asset owners from unnecessary delays caused by speculative buyers. This approach also best addresses concerns raised by community stakeholders and fulfils the Government's commitment to introducing a strong Right to Buy to empower communities.

In this option, amendments will be made to Community Right to Bid legislation in the Localism Act 2011 via the English Devolution and Community Empowerment Bill. This includes amending the definition of an Asset of Community Value, extending the moratorium period from six to 12 months and expanding the Right of Appeal to community groups. The Bill will also introduce an independent valuation process, a Right of First Refusal and statutory guidance.

Once the legislation comes into effect, local authorities will implement Community Right to Buy at a local government level, supported by a New Burdens payment and the statutory guidance provided by Government. Local authorities will be responsible for:

- Listing assets in accordance with the new definition
- Triggering the 12-month moratorium period
- Conducting at review at 6 months if requested by asset owners
- Overseeing price negotiations between asset owners and community groups
- Paying compensation to asset owners if there is a legal case

The First-Tier Tribunal service will be responsible for addressing additional appeals from community groups, who will have the right to challenge a local authority's decision to not list an asset as an Asset of Community Value.

The independent valuation will be carried out by a valuation officer appointed by HMRC, should negotiation between the two parties fail.. The valuer shall use standard valuation practice in line with RICS guidance. The "market value" of land must take into account the value it would have on the open market as between a seller and a buyer both of whom are willing.

#### **NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)**

As per the Green Book, all future monetised impacts are deflated to 2025 prices, using HMT's projections of the UK GDP Deflator. Future impacts are also discounted at an annual rate of 3.5%, as per the Green Book's Social Discount Rate. Discounted and deflated impacts are referred to as being net present value (NPV).

#### **Monetised costs and benefits**

##### **Costs**

- Disparity between fair price and counterfactual sale value for asset owners: where asset owners are obligated to sell to community groups upon the activation of the Right of First Refusal, they could potentially lose out on a greater sale value on the open market.
- Opportunity cost of lost revenue for asset owners: greater delays to sales through the extended moratorium period delay the release of funds to asset owners that could yield dividends through investment elsewhere.
- Familiarisation & Administration costs: costs to local authorities involving assessing listing requests, internal review of appeals, and recording intentions of sale and publicising a list of ACVs on a local level.
- Asset maintenance cost: longer delay in sales from the extended moratorium period implies an extension to asset maintenance burdens for asset owners. This cost is taken on by local authorities in the form of compensation payments.

Tribunal costs: A greater quantity of annual tribunal hearings driven by increases in listings and economic actors as well as appeals against a more involved process with longer delays in sales and sale obligations for asset owners.

Monetised cost values under the central scenario are displayed below.

<b>Discounted Costs</b>		
<b>Affected group</b>	<b>Description</b>	<b>NPV</b>
Asset owners	Disparity between fair price and counterfactual sale value	-
	Opportunity cost of lost revenue for asset owners	£9.03
Local authorities	Familiarisation & Administration costs	£13.47
	Valuations	£0.33
	Legal costs	£2.04
Local authorities / Central Government	Asset maintenance cost	£0.39
Central Government	Tribunal costs	£0.49

<b>Total Discounted Costs</b>	
Asset owners	£9.03
Local authorities	£16.23
Central government	£0.49
<b>Total</b>	<b>£25.74</b>

### Benefits

- Employment benefits: an uplift in community owned assets should provide more local employment opportunities at the benefit of local economies and household income
- Volunteering uptake: an uplift in community owned assets should provide more volunteering opportunities

Monetised benefit values under the central scenario are displayed below.

<b>Discounted Benefits</b>		
<b>Affected group</b>	<b>Description</b>	<b>NPV (£m)</b>
Households	Employment benefits	£7.48
Households	Volunteering uptake	£13.44
<b>Total</b>		<b>£20.92</b>

### Sensitivity analysis:

There is a level of uncertainty to some of the costs and benefits associated with this policy. Lower / higher scenarios have been produced for costs and benefits based on possible disparities from the expected central scenario. The results of the scenario testing are outlined below:

Costs:

Local Authorities:

Lower: £16.03m

Central: £16.23m

Higher: £29.48m

Central Government:

Lower: £0.49m

Central: -£0.49m  
Higher: -£0.49m

Asset Owners:  
Lower: -£9.03m  
Central: -£9.03m  
Higher: -£15.67m

**Total**  
**Lower: -£25.55m**  
**Central: -£25.74m**  
**Higher: -£45.65m**

There is a significant difference in the central and higher estimates within local authorities. This is mainly driven by a difference in administrative costs where the higher scenario challenges the wage cost assumption. The central scenario assumes average local authority employees to be earning equivalent to civil service SEO pay rates where the higher scenario uses Grade 7 rates. This impact assessment believes the higher scenario to be less likely, as in reality the burden of familiarisation and administration costs are more likely to be taken on within a team and therefore SEO grade is more likely to represent the average pay grade.

Scenarios are also included for the asset maintenance cost where the higher figure represents a scenario where all compensation claims are successful as opposed to the 4 in 9 figure influenced through evidence. This impact assessment considers this an unlikely scenario, which would bear minimal extra costs nevertheless.

Asset owners may see higher costs where in the higher scenario, a disparity between the fair price from independent assessment and the sale value in the counterfactual is assumed. In this scenario, an average disparity of 5% is assumed, which would in turn cost asset owners an additional £6.65m over 10 years. This impact assessment considers this scenario less likely under the assumption that independent assessment is able to arrive at a fair price that matches the market value of the asset.

Benefits (households):

**Total**  
**Lower: £15.75m**  
**Central £24.44m**  
**Higher: £42.81m**

Since the assumptions driving the benefit figure are relatively conservative, this impact assessment does not anticipate a scenario where benefits are lower than in the central scenario. It is however possible that the expected employment benefit may be significantly larger than anticipated, contingent on wage rates. The central scenario conservatively estimates the average additional employee at ACVs to yield benefits equivalent to the National Living Wage. The higher figure presents a scenario where employees yield greater benefits based on Gross Value Added (GVA) data within the wholesale, retail,

accommodation and food service activities industries.

**NPV:**

**Lower: -£32.20m**

**Central: -£4.82m**

**Higher: £6.99m**

**Non-monetised costs and benefits:**

Analysis of the preferred option does not suggest any non-monetised costs but there are significant non-monetised benefits to consider including:

- Protections from asset stripping: powers given to community groups to guarantee purchases, protect assets of community value from being stripped down or repurposed, retaining the monetary and social value of these assets.

Welfare benefits: Where community groups are more likely to be focused on providing community driven services, higher levels of community ownership can drive a variety of welfare benefits such as increased amenity value, an improved built environment in local areas and higher levels of community cohesion.

**Costs and benefits to business calculations**

**Costs**

This impact assessment does not foresee any benefits, monetised or non-monetised, to businesses. Monetised costs are outlined below.

Disparity between fair price and counterfactual sale value

The preferred option suggests that where asset owners and community groups are unable to negotiate a price for any given asset, an independent assessment will determine the sale price. There is the possibility that this given price may be lower than a price determined in the counterfactual, where asset owners sell on the open market and imperfect information can impact prices.

Within the central estimate, a disparity between the value procured during independent assessment is not expected and therefore no cost is applied. This is under the assumptions that independent assessment works as intended and the sale value under these scenarios represents a fair market value as well as assuming that offers on the open market would not significantly exceed the market value of the asset. Independent assessment valuation will be conducted using the framework of the Royal Institute of Chartered Surveyors.<sup>66</sup>

This impact assessment does however consider a higher cost scenario where an average disparity in the fair price and sale value is assumed in the counterfactual to be 5% of the asset value (a somewhat arbitrary assumption). The Right to Bid impact assessment from 2011 describes data from the Scottish Land Fund Programme and the Growing Community

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<sup>66</sup> [valuation-and-sale-price-march-2019-rics.pdf](#)

Assets Programme which awarded grants to community groups to assist in purchasing assets of community value. The range of average asset values across these two schemes suggests values between £100,000 and £310,000 per project. A conservative estimate of £300,000 per project is then taken into the cost estimations, which when uplifted to 2025 prices using the GDP deflator, represents an average value of approximately £430,000.

The anticipated quantity of successful applications for the preferred option is then calculated using Plunkett data on assets of community value. The average quantity of applications submitted to purchase these assets is taken between 2017 and 2023, as data in other years is scarce. This provides a rounded figure of 483 applications per year on average. To estimate the increase in assets purchased under the preferred option, the difference between successful purchases under the current Right to Bid and perceived successful purchases in the future is then calculated. Plunkett data suggests that 15 out of every 1000 applications become community owned, a success rate of 1.5%. In Scotland, Plunkett suggests that of 268 applications, Right to Buy was triggered on 24 assets, a convergence rate of 9.0%<sup>67</sup>. Although the Scottish Right to Buy is not identical to the preferred option, most notably due to the absence of the Right of First Refusal, this success rate is used as a proxy for what the preferred option may look like in practice given the lack of alternative data.

The uplift in successful applications is estimated by taking the difference between the success rates of applications under the current Community Right to Bid in England and the Right to Buy in Scotland, where the latter represents a proxy for the preferred option. For the current Right to Bid, a 1.5% success rate on 483 average annual applications suggests 7 successfully purchased assets of community value per year. When the Scotland success rate of 9% is applied to the assumed 483 applications in England, this figure becomes 43 successful applications per year, implying an additional 36 successful applications under the preferred option.

For costing the disparity in the price determined by independent assessment and the counterfactual sale value, a margin of loss of 0% is assumed in the central scenario, meaning the overall cost will be nothing. Where a margin of loss of 5% is assumed, as in the higher scenario and applied to the asset value of £430,000, the average asset owner is understood to bear a cost of approximately £21,000 on their properties relative to the counterfactual. When applied to the additional 36 assets purchased under the preferred option, the total cost becomes £772,112 for the higher cost scenario.

### Opportunity cost

Given the preferred option will inflict a greater delay in sales to asset owners, an opportunity cost is anticipated where businesses could invest the funds elsewhere for profit in the counterfactual, without having to wait for the longer sales process to go through.

There is a lack of data to understand this cost perfectly, as there is no evidence for what asset owners would have used this funding for upon receiving it six months earlier than under the preferred option. This impact assessment understands the best estimation of this cost to be the equivalent cost of borrowing the full value of the funding that asset owners would have received without delay under the counterfactual. This cost is modelled over the full 12-month moratorium period relative to 0 months in the counterfactual as the Right of First Refusal does

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<sup>67</sup> <https://plunkett.co.uk/wp-content/uploads/Plunkett-UK-Community-Right-to-Buy.pdf>



not exist within the Community Right to Bid. The assumption is therefore made that in the counterfactual, since sales to community groups are not mandatory, asset owners either consider the cost of delay worthwhile or do not bear a significant cost from this delay. The assumption is also made that the full 12-month moratorium period will be used in the majority of purchases, given the rationale that the 6 month moratorium under the Right to Bid was often not enough for community groups to build funding. Although there may be instances where community groups do not need to use the full 12-month period, there is no evidence to support this and therefore the full 12 months provides a conservative estimate on the cost of delays on sales.

Data from the Bank of England's Decision Maker Panel (DMP) suggests the most recent borrowing rate for businesses (November 2024 to January 2025) was 6.8%.<sup>68</sup> The assumption is made that on average over the 10-year costing period this value will remain relatively stable. Forecasts from the OBR suggest that bank rates, of which the borrowing cost is largely derivative, will decrease by approximately 3.9% per annum between 2025 and 2029. Given this, costs can be estimated under the assumption that a 6.8% average borrowing cost over 10 years is a relatively conservative estimate. Using the approximate average asset value of £430,000, the average cost to businesses of borrowing their asset value for investment over the 12-month moratorium period while funding is still being delivered is approximately £29,000. Across the additional 36 successful asset purchases each year, this value comes to a total of £1.05m. Given the lack of evidence to understand the timings of purchases under the preferred option, and the decision making of asset owners in the counterfactual - this impact assessment understands this to be a reasonable proxy estimate. This is also a conservative cost estimate given the assumptions that all asset owners would seek to immediately invest their funds upon sale and that all purchases will require the full length of the additional six months of the adjusted moratorium period.

### **Total net direct costs to businesses:**

The Equivalent Annual Net Direct Cost to Business (EANDCB) is an estimate of the average annual net direct costs to business in each year that the measure is in force. It is calculated as the present value (PV) of the net direct cost to business divided by the sum of the discount factors appropriate for the length of time the measure is in force (10 years).

The opportunity cost for asset owners as a result in an increased delay in sales is estimated at -£10.49m before discounting. After discounting, the total present value of this cost is estimated at -£8.6m

The EANDCB is therefore estimated as -£0.86m (2025 prices, 2025 present value (PV)) which is the expected cost to asset owners from this policy change over the ten-year period.

This impact assessment does not foresee any non-monetised costs to businesses.

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<sup>68</sup> <https://www.bankofengland.co.uk/agents-summary/2024/2024-q1/latest-results-from-the-decision-maker-panel-survey-2024-q1#:~:text=On%20average%2C%20firms%20report%20that,at%20the%20start%20of%202024.>

## **Impact on small and micro businesses**

Under the current Right to Bid, if an asset is being sold together with a business carried out on the land (normally involving separate payment for the business as a going concern, for example the value of equipment and stock), it is exempt from the policy. This exemption is expected to be retained under the new Right to Bid, and the impact on small and micro businesses to therefore be limited.

If an asset is not being sold together with a business, the delay in sales may incur an opportunity cost whereby an earlier release of funding could be invested elsewhere to draw dividends. The opportunity cost caused by this delay is monetised using the cost of borrowing from the DMP.

Based on business population estimates from the Department for Business and Trade, using the wholesale and retail trade industry division as a proxy, this impact assessment estimates that approximately 28% of costs will be borne by Small and Micro businesses. This is based on the percentage of industry turnover, where it is assumed that this is proportional to business asset ownership.<sup>69</sup> There is a possibility that smaller businesses may be disproportionately impacted due to their relatively limited access to credit, however due to a lack of data availability, it is not possible to quantify this differential. On the other hand smaller businesses may be more likely to be sold with the assets, rather than the assets sold separately, so their costs may be lower. Overall, these small effects are likely to cancel out, and therefore Small and Micro businesses are unlikely to face disproportionate costs.

The way these costs have been calculated relies significantly on proxy figures, such as asset values for opportunity costs. In the absence of more granular data, it is difficult to understand the differential for small and micro businesses, however this impact assessment believes the proxy measures in place are reasonable based on evidence and most significantly – that the monetary impacts will be proportional to values where an average estimate is used. It is also understood that costs should be proportionate to business size and turnover and therefore it is assumed that any estimated costs would not put undue burdens on small and micro businesses. Furthermore, the central scenario estimates an overall net value of £0 for the opportunity cost of a delay in sales where it is assumed that independent assessment will arrive at a value equivalent to the market price on an open market this assumption is expected to hold equally true regardless of the size of businesses.

However, the policy could have a positive impact on micro, small and medium businesses surrounding a listed ACV. If a vacant property is brought back into use or property is revitalised through the policy, this may help to maintain or increase footfall for surrounding businesses and contribute to the overall vibrancy of a high street or town centre. In this instance, the Right to Buy policy, which will help to strengthen protections for valued assets, will be more effective. This could create additional business and therefore contribute to the protection of surrounding businesses.

## **Costs and benefits to households' calculations**

### **Benefits**

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<sup>69</sup> <https://www.gov.uk/government/statistics/business-population-estimates-2024>

This impact assessment does not anticipate any costs, either monetised or non-monetised to households. Monetised benefits are outlined below.

### Employment benefits

Community organisations will aim to use their assets for the benefit of the community, and not under a profit-maximising approach as a private business would do. If businesses have some amount of monopolistic or monopsonic power they would choose a lower than socially optimum output to maximise profits – which is plausible as community assets are likely to be rarer. Where positive externalities come from the services delivered from the community assets private firms will underproduce these. Capturing the benefit from this focus on socially optimum output is difficult, but could be proxied by the increase in output from the use of community assets under community ownership over private businesses.

This can be estimated through the productivity associated with higher employment under community ownership. Evidence from a Power to Change report from 2019 analysing the economic outcomes from community ownership of assets suggests that over 6,325 assets, community ownership contributed to an additional 7,000 FTE jobs.<sup>70</sup> This implies that on average, assets in community ownership on average hire an additional 1.1 FTE employees relative to business owned assets. Measures to increase the rate of community ownership of assets therefore should seek to benefit from an increase in local employment. This can be measured in terms of an increase in household income per year.

In October 2024 the Government announced the National Minimum Wage rate for those 21 and over would increase to £12.21. Given the lack of data on staff pay for assets of community value, this is employed as a conservative estimate to calculate the overall benefit to household income. Assuming that each employee works an average of 36 hours per week, this represents an annual wage of £22,900.

The report from Power to Change notes difficulties in measuring the additionality of any benefits attributed to an increase in employment. In the absence of further evidence, it is difficult to understand the extent to which these benefits would not be realised in the counterfactual. The assumption of an additional 1.1 FTE employees relative to business owned assets takes additionality into account, applying a standard level of additionality taken from the Department for Business Innovation and Skills of 51%, based on observed benefits from 'regeneration through physical infrastructure'.

Taking this wage value and applying it to the additional 1.1 FTE employees over 36 additional assets owned under the preferred option provides an approximate estimate of £1.74m per year in additional household income. This impact assessment then applies a further adjustment to capture the possibility that this increase in employment is displacing people out of other jobs. A further 50% additionality adjustment is then made to this figure to capture any possible displacement effects, meaning overall additionality for employment benefits is estimated at approximately 25%. This final adjustment provides a figure of £870,000 per year, for a total discounted net present value of £5.5m over the 10-year appraisal period.

Given the difficulty to measure additionality in this instance, capturing the benefit of increased employment becomes difficult and the overall discounted value of £5.5m is likely to be a very

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<sup>70</sup> <https://www.powertochange.org.uk/wp-content/uploads/2019/07/Assets-Report-DIGITAL-1.pdf>

conservative estimate, however this impact assessment assumes that the benefits of increased local employment are realised under community ownership given these groups will operate in the interests of local communities and people rather than to maximise profit for themselves, under which conditions employment is likely to be minimised for efficiency. The table below aims to understand the impact this additionality assumption has on the estimation of this benefit, and how this impacts the overall BCR for the Community Right to Buy.

<b>Combined employment additionality assumption (over the 51% in original analysis)</b>			
<b>Additionality</b>	<b>Benefit</b>	<b>BCR</b>	<b>Impact on BCR relative to central</b>
0%	0	0.52	-0.29
25%	£434,572.45	0.67	-0.15
50%	£869,144.89	0.81	0.00
75%	£1,303,717.34	0.96	0.15
100%	£1,738,289.78	1.10	0.29

### Volunteering

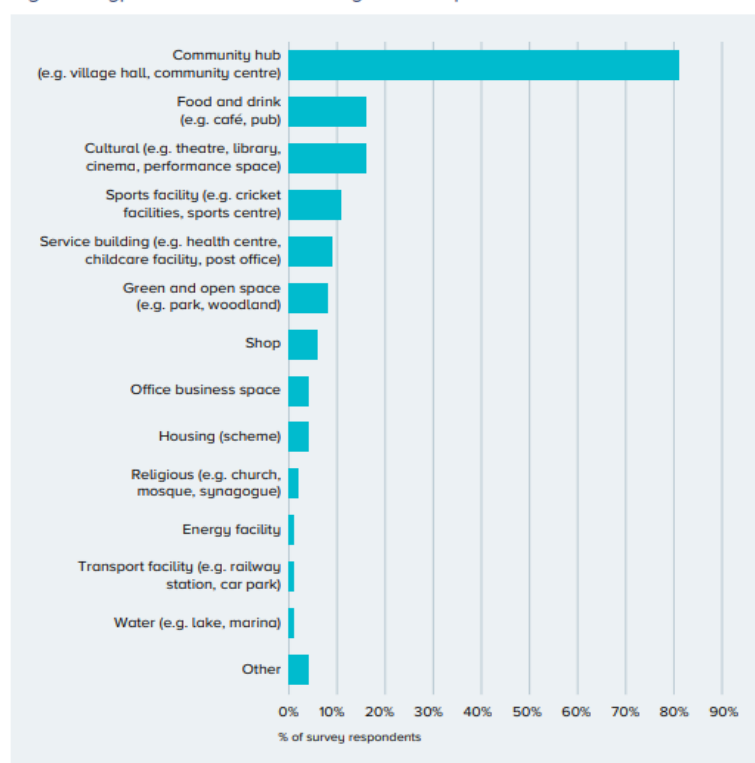
Similar to the additional employment, community owned assets are also more likely to utilise volunteers in their operations. Evidence from a Power to Change report into the economic outcomes of assets in community ownership suggests that over 6,325 assets, there is a net additional benefit of 151,000 volunteer hours.

The productivity benefit to local economies as a result of this increased volunteering relies on Gross Value Added data from the ONS<sup>71</sup>. For the estimation, the assumption is made that the GVA per hour in the wholesale, retail, accommodation and food service activities industry serves as a reasonable representation for the type of volunteer jobs available within community owned assets. This is partially informed through evidence within the aforementioned report from Power to Change, which details a survey on the most common asset types in community ownership.

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<sup>71</sup> <https://www.ons.gov.uk/economy/economicoutputandproductivity/productivitymeasures/datasets/outputperhourworkeduk>

Figure 3: Types of asset in community ownership



Source: Survey of assets in community ownership (Base 365)  
 Note: respondents were able to identify more than one asset type

The GVA per hour for wholesale, retail, accommodation and food service activities jobs in 2023 comes to £28.69 per hour, which is uplifted to 2025 and onwards using the average annual increase from 1997 to 2023, approximately 3.15%.

These figures can then be applied to the average additional volunteer hours worked per week, per asset, which are calculated using evidence from the Power to Change report, where 151,000 volunteer hours over 6,325 assets suggest an average of 23.87 weekly hours worked per asset by volunteers. The weekly hours worked, applied to the GVA per hour figure, adjusted to a yearly rate and annual increases in GVA per hour of 3.15% gives a 10-year benefit of £15.75m.

## Non-monetised benefits

Despite the negative monetised Net Present Social Value (NPSV) for this policy, there are non-monetised benefits that will have significant positive impacts.

### Welfare benefit

Quality of life benefits are anticipated where more assets are purchased for community ownership under the preferred option in relation to a greater focus on providing community-driven services and places of value to local communities as community groups will manage assets with a focus on wider social benefits. Perceived non-monetised benefits could include increased amenity value, an improved built environment in local areas and higher levels of community cohesion. Although these benefits cannot be monetised due to a lack of quantitative data, these should be considered significant benefits aligned with Government priorities to deliver strong local communities and regenerate town centres.

### Protections from asset stripping

Bringing a greater quantity of assets into community ownership should also function to protect against facility closures brought on by instances of asset stripping. Under the preferred option, greater powers will be given to community groups to purchase assets that bring benefits to local communities ahead of speculative developers who may be inclined to repurpose these assets. This ensures the longevity and vitality of assets important to local people.

### **Business environment**

Impacts to the business environment are expected to be minimal given the scope of the policy. Any implications are set out in Section 7.

### **Trade implications**

This impact assessment does not expect any trade implications to arise from the preferred option.

### **Environment: Natural capital impact and decarbonisation**

This impact assessment does not expect any impacts on natural capital or decarbonisation from the preferred option.

### **Other wider impacts (consider the impacts of your proposals)**

N/A

### **Costs to local authorities**

#### Administrative costs

The preferred option implies additional administrative costs to local authorities where an increase in requests and therefore appeals, requires additional time spend towards assessment and internal review.

This cost is measured in terms of the total cost relative under the preferred option relative to the total cost under the 'do nothing' scenario. In the 'do nothing' scenario, total costs are calculated as a matter of the time cost to local authority officers, multiplied by wage costs to receive a figure per authority, finally multiplied by the quantity of local authorities affected.

Time costs under the 'do nothing' option are estimated below based on costs described under the Right to Bid impact assessment from 2011, where the time required for each action is assumed to be unchanged within this option.

Initial setup time for list of ACVs – 7 FTE days (annually, year 1 only)

Assessing requests for assets to be listed as ACVs – 1.5 FTE days (monthly, recurring)

Internal review of appeals – 1.5 FTE days (annually, recurring)

Publicising list – 4 FTE days (annually, recurring)

Recording intentions of sale – 1.5 FTE days (monthly, recurring)

**Total time excluding one-off setup cost: 41.5 FTE days per year**

This impact assessment does not anticipate the setup time for the listing of ACVs on a local level to have changed, or for the time spent publicising the list and recording intentions of sale to be any different under the preferred option. However, given the anticipated increase in uptake of the programme, and the following increase in appeals, local authorities are expected to spend a greater amount of time towards these aspects. Assumptions for local authority officer time spend under the preferred option are adjusted as follows: .

Initial setup time for list of ACVs – 7 FTE days (annually, year 1 only)

Assessing requests for assets to be listed as ACVs – **3 FTE days** (monthly, recurring)

Internal review of appeals – **6.4 FTE days** (annually, recurring)

Publicising list – 4 FTE days (annually, recurring)

Recording intentions of sale – 1.5 FTE days (monthly, recurring)

**Total time excluding one-off setup cost: 64.4 FTE days per year**

The assumption is made that time spent assessing requests for assets to be listed as ACVs will double given a lack of precise evidence on the expected uplift in applications for listing. This impact assessment understands this to be a reasonable figure given that, under proportionality, it assumes the Right to Buy will double the quantity of applications on the basis of greater public knowledge of the policy and higher levels of optimism in securing ACV status upon the introduction of a Right of First Refusal and an extended moratorium. In other costs and benefits, the assumption is made that asset purchases will increase just over 5 times relative to the 'do nothing' option, however this is likely to largely be due to the increased likelihood of purchase having submitted a request, as opposed to an uplift in requests and therefore 2 times should represent a relatively reasonable, conservative estimate.

Furthermore, this impact assessment believes the time spent on reviewing appeals will increase directly proportional to the increase in appeals under the preferred option. Where 1.5 FTE days represents the time cost given 7 successful appeals, given an additional 30 appeals, the time cost will therefore be approximately 4.3 times as much, where this is directly proportional to the increase in appeals from 7 to 30. This also implies the assumption that the quantity of successful appeals will remain as proportional to the total number of appeals under the preferred option, as the 1.5 FTE days under the 'do nothing' option also considers time spent assessing unsuccessful appeals.

As well as this, local authorities will also bear costs related to call off contracts for **valuations**.

Evidence provided by the Scottish Government suggests that over 36 local authorities in Scotland, the cost was approximately £4,000 for the single valuation received in the previous year. Once uplifted to 2025 prices, and adjusted for the quantity expected under 296 local authorities in England, proportional to the quantity in Scotland, this figure becomes £37,900 per year.

Asset maintenance costs

Under the preferred option, the extension of the moratorium period from six to 12 month results in an additional delay to sales, thereby increasing the maintenance costs for the upkeep of assets over a longer duration relative to the counterfactual. This cost is transferred to local authorities under the compensation scheme, where authorities will make payments to asset owners to assist in handling these additional costs.

According to the Community Right to Bid impact assessment in 2011, the average maintenance cost for asset owners is estimated to be approximately £2,000.<sup>72</sup> This figure is adjusted to 2025 prices using the GDP deflator, giving an updated value of £2,860. To estimate the expected number of successful compensation claims, reference is made to the Community Right to Bid impact assessment, which makes the assumption that two in every nine asset purchases result in successful compensation claims under the Community Right to Bid. Where the delay in sales is doubled under the preferred option, it follows that the quantity of success compensation claims will increase proportionally to four in nine.

Given the expectation within this impact assessment that the Right to Buy will deliver an additional 36 asset purchases per year, a success rate of 4 in every 9 suggests 16 of these purchases will receive compensation payments for their maintenance costs. At an average cost of £2,860 per claim, this results in a total estimated financial impact on local authorities of approximately £45,700 per year. This has been assigned as a cost to local authorities, although under circumstances where authorities require additional assistance on costs above £20,000, this cost could be transferred to central government. Given the anticipated average cost of £2,000, this scenario is unlikely to occur and therefore the full cost is considered as a cost to local authorities, although the possibility of this occurring as a cost to central government should be noted.

### Legal costs

An increase in legal costs is also anticipated under the preferred option based on data from the Scottish Government. This data suggests that in Scotland the legal cost of appeals to local authorities in total, when uplifted to 2025 prices represents a value of approximately £25,600. Distributed over 36 authorities in Scotland, the cost per authority comes to approximately £800. The total cost for England is then estimated by applying the per authority cost over 296 lower tier authorities within England, to arrive at a final estimate of approximately £237,000.

### Costs to central government:

#### Tribunal costs

An increase in tribunal hearings is to be expected under the preferred option due to policy changes that will likely lead to a higher number of listings, additional stakeholders and other new issues that may increase the likelihood for parties to exercise their right to a hearing. Key factors contributing to this increase are broken down below:

- **Additional listings:** Given the expected increase in the uptake of the programme under the preferred option the number of tribunal hearings is likely to be impacted on a proportionate scale. According to internal evidence, there were seven tribunal hearings in 2024 under the Community Right to Bid. Consistent with assumptions used

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<sup>72</sup> <https://assets.publishing.service.gov.uk/media/5a78baa440f0b63247699b43/2168557.pdf>



in the estimations of additional administrative costs to local authorities, costs as a function of additional listings are expected to double, and therefore there would be an additional **7 hearings** based on an increase in listings under the preferred option.

- **Community groups gaining the right to appeal:** Under the preferred option, community groups would have the same rights as asset owners in appealing against decisions to not list an asset as an ACV. In the absence of further evidence, it is assumed that community groups will have the same propensity in exercising this right as asset owners, suggesting an increase of **seven hearings**.
- **Asset owners appealing listings:** The introduction of the Right of First Refusal under the preferred option is likely to increase the quantity of asset owners appealing against decisions to list their assets under ACV status, as they will no longer be able to sell these assets on the open market. The assumption is made that approximately 1 in 5 asset owners will choose to appeal on this basis. Applying this ratio (20%) to the total number of asset purchases per year (including both additional purchases and existing purchases under the current Right to Bid), results in an additional **nine hearings** ( $0.2 \times 43$  asset purchases = 9 hearings).
- **Extended moratorium period:** The extension of the moratorium period from six to 12 months is expected to contribute to an increase in tribunal hearings, where asset owners may contest delays in the sales process. The assumption is made that the increase in hearings as a result of this, will be proportionate to the increase in the delay. Where the delay in sales doubles from six to 12 months, the seven tribunal hearings existent in the 'do nothing' option are expected to double, implying an additional **7 hearings** due to the extended moratorium and overall more involved process.

This totals to an additional **30 tribunal hearings** ( $7 + 7 + 9 + 7$ ) on the basis of these factors. Using the same data as for the tribunal hearings expected under the Community Right to Bid in 2024, the unit cost for tribunals is estimated at approximately £1,900 (in 2025 prices). Applying this to the additional hearings under the preferred option suggests an additional cost of £56,900 per year.

## Risks and assumptions

### Asset quantity uplift

A majority of the costs and benefits are heavily dependent on an assumption regarding the quantity of assets that will be purchased under the preferred option relative to the counterfactual. This impact assessment assumes a figure around 36 assets per year based on evidence from the Right to Buy in Scotland. There are key differences between the preferred option and the Right to Buy in Scotland such as the following:

- The Scottish Minister approves applications and central government oversees the process
- The Scottish government provide grants of up to £1 million via the Scottish Land Fund to enable communities to purchase assets

This presents a degree of uncertainty around the asset uplift figure, most significantly where the provision of grants would likely contribute to greater success in funding projects –

however it is assumed that the extended moratorium under the preferred option should have a similar effect. The Scottish Right to Buy represents the best available evidence and should therefore provide a reasonable proxy for the success rates of applications under the preferred option.

#### Tribunal costs

A number of assumptions made around the number of additional appeals to tribunals are based on limited evidence as data is not available. In theory, this figure could vary depending on the propensity for asset owners and community organisations to appeal based on the nature of the changes, however, this impact assessments believes this to be a reasonable estimate given the quantity of tribunals represents a similar proportion to the Right to Bid in terms of estimated hearings per asset purchase. As well as this, tribunal costs represent a relatively low proportion of the net present value of total costs, at only 1.1%, where even significant changes in the expected quantity of appeals would have minimal impact on the total costs of intervention.

# Final stage impact assessment – Sporting Assets of Community Value

## 1. Summary of proposal

Government has made it a priority to devolve more power to local people by giving them a greater say in the future of their local area. The replacement of the Community Right to Bid with a strengthened ‘Right to Buy’ Assets of Community Value (ACV) aims to support this objective by creating a more robust and streamlined pathway to bringing locally cherished assets into community ownership.

Theoretically, the new ‘Right to Buy’ will also make it easier for communities to own sports grounds, as they are eligible for regular ACV listing. However, since the introduction of ACV provisions in 2011, less than 100 of over 6,000 sports grounds currently have under the framework. The reasons for this are unclear but may reflect a lack of community knowledge or capacity to make use of the current regime. Regardless, the low uptake leaves grounds at an ongoing risk of loss or closure to the communities they serve, and more therefore needs to be done to mitigate against this, recognising the exceptional contribution they make to local wellbeing, community cohesion, and sporting heritage.

Sports grounds also have certain specific and unique characteristics – more details of which are outlined below – that require tailored protections to safeguard their future and preserve them for future generations. To deliver this, we will establish a new type of Asset of Community Value – the Sporting Asset of Community Value (SACV).

The creation of a new SACV status aims to make it easier for communities to take on the freehold ownership of local sporting assets and their associated facilities, thereby protecting them against the risk of loss or closure due to redevelopment. The Government is committed to delivering housing and empowering communities to protect sports grounds. SACV status grants communities a choice to activate the right of first refusal and attempt a purchase at a fair market price if the owner of a sports ground puts it up for sale. This does not block a sports ground from ever being redeveloped but supports the Government’s priority of strengthening local peoples’ influence over decisions in their area.

The steps to implementing SACV are as follows:

- a) facilitate the automatic registration of all sports grounds in England into the SACV category
- b) Indefinitely ascribe protected status to listed assets so long as certain conditions are met
- c) expand the eligible footprint to allow assets that support the functioning of a sports ground to be indefinitely listed as Assets of Community Value e.g. car parks.

## 2. Strategic case for proposed regulation

To date, it is estimated that fewer than 100 of over 6,000 sports grounds in England have been listed as ACVs. The reasons for the low uptake likely reflect a lack of community awareness and capacity to enlist grounds as ACVs, or a lack of suitability with regards to the current ACV legislation. This leaves many grounds at an enhanced risk of loss or closure, and makes it harder for communities to take ownership of them

Assets that support the daily functioning of sports grounds and without which they may struggle to operate in the same way —such as car parks and access routes —have also been vulnerable to loss. For example, in 2016, the owner of Bolton Wanderers Football Club sold the ground's adjacent car park to a commercial developer, whilst the owners of Worcester Warriors sold the Sixways car park for £50,000 to a real estate company. The loss of these adjacent facilities can pose significant challenges to the operational functionality of a ground.

The creation of a bespoke SACV category in the English Devolution and Community Empowerment Bill that accounts for some of the more specific and unique conditions of sports grounds is therefore essential. It will help to deliver this Government's commitment to enhancing protections for, and increasing community ownership of, cherished community assets. It will also help to overcome some of the limitations of current ACV legislation in relation to sports grounds, which include the following:

- a) Despite current ACV legislation stating that 'social interests' include 'sporting interests', there are examples of local authorities refusing the granting of ACV status to sporting assets. For example, a Judicial Review recently ruled that Leeds City Council's refusal to list a longstanding sports field as an Asset of Community Value was unlawful. In situations where communities don't have the resource or knowledge to contest local authority decisions through judicial review, sporting assets that may have otherwise been listed are left without protections. To mitigate against this, SACV amendments will require that all sports grounds in England that provide accommodation for spectators receive protections through an automatic listing process.
- b) At present, ACVs are automatically delisted after 5 years, at which point the asset must be re-registered with the local authority.<sup>73</sup> This places a continuous burden on communities who are required to periodically re-submit listing applications, and on LAs who must consider the renewal of the land. Additionally, this opens the possibility of a sports ground being automatically delisted and sold for redevelopment without the moratorium being triggered. Whilst this automatic delisting poses a threat to all types of ACVs, there are often more severe implications to sports grounds due to the heightened time sensitivity of playing in competitive leagues. Consequently, if a sports asset becomes delisted for a short period of time, speculative developers may look to

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<sup>73</sup> 87 (3) "Where land is included in a local authority's list of assets of community value, the entry for that land is to be removed from the list with effect from the end of the period of 5 years beginning with the date of that entry".

use the opportunity to displace the current tenant with a view to seeking redevelopment which has previously led to clubs dropping out of their leagues for the entire year. To ensure that sports grounds are protected for generations to come, SACVs will be indefinitely listed under the regime so long as certain conditions are met.

- c) Existing ACV legislation relies on communities being aware of the listing provisions in the first instance, as well as having the required capacity and knowledge to submit an application to the LA. Stakeholders have reported having to help over 40 sports clubs list their assets, which suggests that the current listing process is too complex, or insufficiently known about. The current process therefore privileges those in areas with higher levels of social infrastructure and social capital – leaving assets in more deprived areas at a heightened risk of redevelopment and without a clear path toward permanent ownership.
- d) Supporting assets such as car parks are often integral to the effective functioning of a sports ground. These facilities are ineligible for protections under current ACV legislation, however, due to the requirement that an asset's principal – or non-ancillary – use furthers a community's social well-being or social interests. Resultantly, supporting assets crucial to the functioning of the ground are often not protected under regular ACV listings, leaving land being sold and lost to the community. To ensure supporting assets are protected, the new SACV status will allow supporting facilities that support the operation of sports grounds to be permanently listed as Assets of Community Value.

### **3. SMART objectives for intervention**

The objectives of the Sporting Assets of Community Value intervention are to (a) address the historically low uptake of sporting assets under the existing Asset of Community Value (ACV) regime; and (b) protect sporting assets against redevelopment that is misaligned with local communities' interests. A desired SACV outcome is therefore a reduction in the risk to communities, particularly those with lower social capital, losing the grounds that they cherish but may not have put forward for ACV listing. Additionally, the creation of a new SACV regime will ensure that communities are able to purchase locally important sporting assets before speculative developers are given the opportunity to do so, thereby protecting them from loss from the community. redevelopment. This intervention should increase the number of sporting assets under community ownership and reduce the number of grounds subject to speculative takeovers. These objectives align with HMG proposals to devolve more power to local people by giving them a greater say in the future of their local area.

## **4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives**

### **Preferred way forward (Option 3: Sporting Asset of Community Value)**

Our preferred way forward is to create a new Sporting Asset of Community Value status to run alongside current Asset of Community Value provisions. This option will allow us to minimise risk and interdependencies with other land use types whilst ensuring tailored protections can still be introduced that help to conserve sports grounds as key community assets. Additionally, whilst this option places restrictions on landowners, it will only do so in circumstances where the community declares an intention to acquire the asset. We think this provides for a more balanced approach when compared to mandating security of tenure on all new leases, which would apply blanket restrictions across all sports grounds.

This proposal is also complimentary to the intent of the Football Governance Bill as both measures look to safeguard the heritage of English football. Rather than adding complexity to the FGB, the separate creation of an SACV status would address a recognised gap in the upcoming legislation: specifically, protecting sports grounds that are not owned by their clubs. This is because the FGB only protects grounds that are owned by their clubs, which means that lower-level and grassroot-level clubs – who are less likely to own their grounds – require additional protections under an SACV regime.

### **How the preferred option achieves the SMART objectives**

Sporting Assets of Community Value will achieve SMART objectives through automatically registering all sports grounds with accommodation for spectators and eligible supporting assets as SACVs. This will increase the number of sporting assets eligible for purchase under the Community Right to Buy, ensuring that communities have more opportunities to acquire cherished sporting assets ahead of speculative developers, thereby increase the number of sporting assets under community ownership. Under the preferred option, assets will also remain indefinitely listed as SACVs, which will free up capacity in communities who would otherwise be required to periodically re-submit listing applications, and on LAs who would be required to consider the renewal of the land.

## 5. Summary of long-list and alternatives

### **Option 1: Mandating that all sports ground leases have security of tenure**

Security of tenure refers to a tenant's statutory right under the Landlord and Tenant Act 1954 to be granted a new lease of their business premises once the current lease expires. Many leases, however, are 'contracted out', which refers to when a tenant's statutory right to a new lease is excluded from the agreement. In practice, this means many sports teams who lease a ground have limited protections from eviction, displacement, or redevelopment due to lease termination. Therefore, one option we explored was mandating that all sports ground leases be subject to security of tenure.

Following engagement with the Law Commission, who are conducting a review of the Landlord and Tenant Act 1954, we decided not to pursue this option. This is because not all football grounds have a lease in operation, many have licences (which do not provide for exclusive use and have far fewer protections), and we would be unable to force landlords to provide a lease where one is not in operation. Moreover, all leases with security of tenure include a provision which allows the landlord to oppose the renewal of the lease on the basis they intend to undertake redevelopment. This means that even with security of tenure, sports clubs would still be at risk of displacement.

### **Option 2: Enhancing existing ACV protections instead of legislating for a new SACV**

Another option we considered was updating the current ACV regime instead of creating a new SACV, and automatically and indefinitely listing sports grounds as regular ACVs.

Current ACV legislation, however, has certain interdependencies with other land use types. For example, at present, any building or land use can be nominated as an ACV, so long as its main use furthers the wellbeing or social interests of the local community. In practice, this means that the ACV regime encompasses a wide range of land uses, which span from community meeting spaces like village halls, to pubs, hotels and more. Therefore, any changes to the legislation would have far reaching implications on a variety of other land use types beyond sports grounds, some of which may not be suitable. Therefore, whilst there are legislative changes we could make to the ACV regime, that would be of tangible benefit to sports grounds and stadiums, it is not guaranteed that these amendments would be appropriate for other land uses designated as ACVs.

For example, if we expanded the eligible footprint of the current ACV to include ancillary uses such as car parks, a significant amount of additional assets would need to be considered under the regime. This would impose further land restrictions on small and large business owners and would likely lead to increased compensation claims payable by the local authority due to the delay caused by the moratorium period.

### **Option 3: Create a Sporting Asset of Community Value**

Create a new SACV status encompassing the same fundamental rights and powers as regular ACVs, whilst introducing new legislative provisions tailored specifically towards sports grounds. These are as follows:



- a. Introduce an automatic registration process for all sports grounds In England into the SACV category. We decided it would be feasible to automatically list all suitable sports grounds, as a). there is a limited, finite number of sports grounds, b). they are already defined in statute, and c). all are likely to have intrinsic value to their local communities. The creation of an SACV status – with a provision for automatically listing grounds – would therefore help to reduce the risk of disadvantaged communities – those with lower social capital – losing the grounds that they cherish but may not have put forward for ACV listing.
- b. Replace the 5-year listing period with an indefinite listing for SACVs. Owners of SACVs will have a right to request a review of the listing once in a 5-year period. This will mean that if a review was requested in year 2 another listing review could not take place until year 7. Local authorities will only be required to undertake a listing review if requested by the owner. If no request is made, the LA would not be required to review the listing.
- c. Expand the eligible footprint to allow assets that support the functioning of a sports ground to be indefinitely listed as Assets of Community Value e.g. car parks.

This option was developed to minimise risk and unintended adverse consequences on other land use types, whilst providing for the introduction of specially tailored protections to protect sports grounds as key community assets.

### **Preferred way forward (Option 3: Sporting Asset of Community Value)**

Our preferred way forward is to create a new Sporting Asset of Community Value status to run alongside current Asset of Community Value provisions. This option will allow us to minimise risks and secondary unintended consequences on other land use types whilst providing for the introduction of specially tailored protections to protect sports grounds. Additionally, whilst this option places restrictions on landowners, it will only do so in circumstances where the community declares an intention to acquire the asset. We think this provides for a more balanced approach when compared to mandating security of tenure on all new leases, which would apply blanket restrictions across all sports grounds.

This proposal is also complimentary to the intent of the Football Governance Bill as both measures look to safeguard the heritage of English football. The separate creation of an SACV status would address a recognised gap in the upcoming legislation: specifically, protecting sports grounds that are not owned by their clubs. This is because the FGB only protects grounds that are owned by their clubs, which means that lower-level and grassroots-level clubs – who are less likely to own their grounds – require additional protections under an SACV regime.

## 6. Description of shortlisted policy options carried forward

After creating an initial short list of policy interventions, we conducted further engagement to understand feasibility of proceeding each option.

**Option 1:** Mandating security of tenure on all new sports ground leases was not progressed beyond the shortlisting stage due to the existence of an exemption in security of tenure rights for redevelopment, meaning the owner of a ground would not be compelled to offer a renewed lease to a sports club if they were seeking to redevelop the ground. This option would also not address the low uptake of sporting assets under the current ACV regime.

**Option 2:** Altering the current ACV regime to provide enhanced protections for sports grounds was not progressed beyond the shortlisting stage after engagement with lawyers revealed that it would not be feasible to automatically and indefinitely list sports grounds as regular ACVs. As a result, it was unlikely that we could address the significant risks posed to sports grounds from redevelopment solely through ACV amendments.

**Option 3:** Creating a new SACV status was selected as the preferred way forward. This is because Sporting Assets of Community Value will allow Government to deliver specifically tailored protections for sports grounds, recognising their unique vulnerability to redevelopment and bringing more into community ownership. This measure is also aligned with Government objectives to increase community ownership and give local people a greater say in their local area.

## 7. Regulatory scorecard for preferred option

### Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
<b>Description of overall expected impact</b>	<p>Our preferred option is expected to have significant benefits for individual and community wellbeing, by preventing the loss of valued community assets that can provide spaces for leisure, enjoyment and community services, all of which help to enhance the quality of life of local people. While the monetised assessment is slightly negative, the significant non-monetised benefits are likely to make the overall impact on social welfare positive.</p> <p>The automatic listing of sports stadia that meet the policy definition of SACV status will enable local communities to have the opportunity to take ownership of locally important sports grounds under the Community Right to Buy Scheme.</p> <p>With an expected increase in community ownership of sports stadiums, households can seek benefits towards increased levels of local employment and volunteering opportunities.</p> <p>Furthermore, where sports stadia eligibility for SACV status is clearly defined and assets meeting this definition are automatically listed, there will be a reduction in costs for local authorities where manual assessment of listing requests are no longer required.</p> <p>Any costs associated with the preferred option will relate to the Community Right to Buy, where assets listed under SACV status will be eligible under this scheme. Costs under the preferred option within the Right to Buy will also apply to sports stadia as a matter of an increase in asset purchases per year. This involves costs related to the delay in sales from an extended moratorium and potential disparities in sale price relative to the counterfactual.</p>	<p><b>Positive</b></p> <p><b>Based on all impacts (incl. non-monetised)</b></p>
<b>Monetised impacts</b>	<p><b>Total NPSV: -£1.27m</b></p> <p>Total costs: -£14.69m</p> <p>Total benefits: £13.38m</p> <p><b>Monetised impacts:</b></p> <p>These are explained in the section below in more depth.</p> <p>Costs:</p> <ul style="list-style-type: none"> <li>• Disparity between fair price and counterfactual sale value for asset owners</li> <li>• Opportunity cost of lost revenue for asset owners</li> <li>• Asset maintenance costs</li> <li>• Tribunal costs</li> </ul>	<p><b>Negative</b></p> <p><b>Based on likely £NPSV</b></p>

	Benefits: <ul style="list-style-type: none"> <li>• Employment benefits</li> <li>• Volunteering uptake</li> <li>• Reduction in administration costs</li> </ul>	
<b>Non-monetised impacts</b>	<b>Non-monetised impacts:</b> <ul style="list-style-type: none"> <li>• Welfare and wellbeing improvements within local communities</li> <li>• Protections from asset stripping</li> </ul>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	The preferred option presents significant distributional impacts where powers are given to local communities to take ownership and control over assets with significant social value. This can help reduce inequalities, particularly in disadvantaged areas where increasing community ownership over SACVs is expected to enable the realisation of these positive social impacts and drive local economic growth where in the counterfactual a large proportion of the benefits are to individual asset owners. Under the preferred scenario, the social and economic benefits should be enhanced and shared more equally among residents leading to quality of life and social wellbeing improvements.	<b>Positive</b>

## (2) Expected impacts on businesses

<b>Description of overall business impact</b>	<p>This impact assessment expects a net cost to businesses due to the increase in sporting assets purchased under the Right to Buy relative to the 'do nothing' option.</p> <p>As sports stadia are automatically listed under SACV status, the Right to Buy empowers community groups with the Right of First Refusal, preventing asset owners to sell their assets on the open market. This opens up the possibility of a disparity in price relative to the counterfactual. There will also be an increase in the delay in sales compared to the counterfactual, where owners of sports stadiums listed under SACV status, should they want to sell, will have to wait through the 12-month moratorium period while community groups build funding. Under the 'do nothing' option, asset owners would not be under obligation to wait for the release of funds and could invest this elsewhere to draw dividends.</p>	<b>Negative</b>
<b>Monetised impacts</b>	<b>Business NPV: -£13.48m</b> <p>The total value reflects the opportunity cost of lost revenue for asset owners as the disparity in fair price and counterfactual sale value is £0 under the central scenario.</p>	<b>Negative</b> <b>Based on likely business £NPV</b>
<b>Non-monetised impacts</b>	No non-monetised impacts on businesses.	<b>Neutral</b>

<b>Any significant or adverse distributional impacts?</b>	It is possible that owners of sporting assets running smaller operations may see a higher impact based on the increased delay in sales, where they have less access to credit. This impact is expected to be counteracted by support available through compensation schemes.	<b>Neutral</b>
<b>(3) Expected impacts on households</b>		
<b>Description of overall household impact</b>	An increase in community ownership of sporting assets is expected to drive employment within local communities and the uptake of volunteering opportunities. This is anticipated to yield productivity and welfare benefits to local economies.	<b>Positive</b>
<b>Monetised impacts</b>	<b>Household NPV: £12.49m</b> Employment benefit: £4.47m Volunteering uptake: £8.03m	<b>Positive</b> <b>Based on likely household £NPV</b>
<b>Non-monetised impacts</b>	<p>Protections against asset stripping will represent a significant non-monetised benefit for local communities where it appears particularly prevalent among sports stadiums. For example, in 2022, the owners of the Worcester Warriors sold the club's training facilities with an estimated market value of £1 million for just £350,000 to a real estate company. SACV status would prevent instances like this by giving communities a right to purchase these assets providing value to communities ahead of speculative developers.</p> <p>Automatic registration of assets of value to communities will ensure the longevity of the welfare benefits provided by these assets. This may include amenity value, improved built environment in local areas and increased community cohesion.</p>	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	As mentioned within the expected impacts on welfare, positive distributional impacts of the preferred option should help reduce inequalities and bolster local economic growth especially in disadvantaged areas, assisting in the realisation of positive social impacts to the benefit of individuals and households residing within these communities.	<b>Positive</b>

## Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
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<b>Business environment:</b>  <b>Does the measure impact on the ease of doing business in the UK?</b>	<p>Costs to the business environment are not anticipated but there may be minimal costs where the automatic listing of sports stadiums under SACV status adds additional restrictions on sales. The intention, however, is to ensure that stadiums and facilities are adopted for a positive use that benefits the community.</p> <p>Greater levels of regulation under the preferred option may imply an impact on attracting foreign investment, however considering the scope of the policy and the expectation that stadiums and facilities purchased will be on the lower end of the spectrum in regard to market value, this impact is expected to be minimal. Overall, impacts to the wider business environment are expected to be negligible.</p>	<b>Neutral</b>
<b>International Considerations:</b>  <b>Does the measure support international trade and investment?</b>	<p>This policy is not expected to have any impact on international trade and investment.</p>	<b>Neutral</b>
<b>Natural capital and Decarbonisation:</b>  <b>Does the measure support commitments to improve the environment and decarbonise?</b>	<p>This policy is not expected to have any impact on natural capital and decarbonisation.</p>	<b>Neutral</b>

## 8. Monitoring and evaluation of preferred option

This intervention once introduced will sit alongside the Community Right to Buy. It is therefore appropriate for this intervention to be monitored in a similar way and frequency to the proposed monitoring system for the community right to buy. The proposed monitoring plan would be:

- The availability of local authority Registers of Assets of Community Value, their status (whether they are up to date) and accessibility (are they online or hardcopy available in Councils) at the time the intervention comes into effect
- The number and type of sporting assets of community value listed since the new category is introduced.
- The number and type of assets of sporting assets of community value which are purchased by communities (or consortia of community and partner organisations)

We will need to explore whether we need to undertake a Post Implementation Review (PIR) and what form it would take. If we do need to undertake a PIR we would intend to take a proportionate and light touch impact evaluation of implementation and effectiveness of the intervention is proposed in year 2 or 3 after the introduction of this intervention. This timeframe is suggested so that sufficient time has lapsed for the new asset category and come into effect. The evaluation is likely to involve the use of a process evaluation methodology involving local authorities, community groups/consortia seeking to purchase the asset and the sports asset owner, focusing on the location and types of sports asset acquisitions since the introduction of this intervention. We anticipate a qualitative, case study evaluation approach may be more suited to this intervention, but fuller details of the approach will need to be developed in due course once the intervention is rolled out and with further steers from Ministers.

## **9. Minimising administrative and compliance costs for preferred option**

Guidance will be provided for local authorities, community groups and asset owners to ensure that the Sporting Asset of Community Value process is clear and easy-to-follow. The wider Community Right to Buy legislation will also include a compensation scheme to compensate SACV owners for costs or expenses incurred due to the delay to sale caused by the moratorium period, as well as for legal costs of a successful appeal to the first-tier tribunal. Community groups will be entitled to claim compensation to cover the legal costs of a successful appeal to the first-tier tribunal. This will help to absorb the costs of successful appeals to the first-tier tribunal but also act as a deterrent for illegitimate or frivolous appeals.



## Summary: Analysis and evidence

For Final Stage Impact Assessment, please finalise these sections including the full evidence base.

Price base year:

2025

PV base year:

2025

	1. Business as usual (baseline)	3. Preferred way forward (if not do-minimum)
<b>Net present social value</b> (with brief description, including ranges, of individual costs and benefits)	£0	<b>NPSV: -£1.27m</b>  <b>Net costs: -£14.64m</b>  Local authorities: -£0.82m - Asset maintenance costs: -£0.82m  Central government: -£0.34m - Tribunal costs: -£0.34m  Asset owners: -£13.48m - Disparity between fair price and counterfactual sale value: -£0 - Opportunity cost of lost revenue: -£13.48m  <b>Net benefits: £17.84m</b>  Households: £12.49 - Employment benefit: £4.47m - Volunteering uplift: £8.03m  Local authorities: £0.88m

		<ul style="list-style-type: none"><li>- Reduction in administration costs: £0.88m</li></ul>																									
<b>Public sector financial costs</b> (with brief description, including ranges)	This option is expected to have no additional impact on public sector finances.	Local authorities: -£0.82m <ul style="list-style-type: none"><li>- Asset maintenance costs: -£0.82m</li></ul> Central government: -£0.34m <ul style="list-style-type: none"><li>- Tribunal costs: -£0.34m</li></ul>																									
<b>Significant un-quantified benefits and costs</b> (description, with scale where possible)	None.	<b>Protection from asset stripping</b> - Protections against asset stripping will represent a significant non-monetised benefit for local communities where it appears particularly prevalent among sports stadiums. For example, in 2022, the owners of the Worcester Warriors sold the club’s training facilities with an estimated market value of £1 million for just £350,000 to a real estate company. SACV status would prevent instances like this by giving communities a right to purchase these assets providing value to communities ahead of speculative developers.  <b>Welfare benefit</b> - Automatic registration of asset of value to communities will ensure the longevity of the welfare benefits provided by these assets. This may include amenity value, improved built environment in local areas and increased community cohesion.																									
<b>Key risks</b> (and risk costs, and optimism bias, where relevant)	N/A	Key risks surround assumption made around the uplift in asset purchases and tribunal hearings. This is described in more detail under the 'Risks and Assumptions' heading below.																									
<b>Results of sensitivity analysis</b>	N/A	NPV projections under scenario testing are listed below. More detail is available under the ‘NPSV: monetised and non-monetised costs and benefits’ header.  Costs: <table><tr><th colspan="5">Total Discounted Costs</th></tr><tr><th></th><th>Asset owners</th><th>Local authorities</th><th>Central government</th><th>TOTAL</th></tr><tr><td>Low</td><td>-£13.5m</td><td>-£0.4m</td><td>-£0.3m</td><td>-£14.2m</td></tr><tr><td>Central</td><td>-£13.5m</td><td>-£0.8m</td><td>-£0.3m</td><td>-£14.6m</td></tr><tr><td>High</td><td>-£23.4m</td><td>-£1.9m</td><td>-£0.3m</td><td>-£25.6m</td></tr></table>	Total Discounted Costs						Asset owners	Local authorities	Central government	TOTAL	Low	-£13.5m	-£0.4m	-£0.3m	-£14.2m	Central	-£13.5m	-£0.8m	-£0.3m	-£14.6m	High	-£23.4m	-£1.9m	-£0.3m	-£25.6m
Total Discounted Costs																											
	Asset owners	Local authorities	Central government	TOTAL																							
Low	-£13.5m	-£0.4m	-£0.3m	-£14.2m																							
Central	-£13.5m	-£0.8m	-£0.3m	-£14.6m																							
High	-£23.4m	-£1.9m	-£0.3m	-£25.6m																							

Total Discounted Benefits			
Scenario	Households	Local authorities	TOTAL
Low	£8.0m	£0.9m	£8.9m
Central	£12.5m	£0.9m	£13.4m
High	£21.8m	£0.9m	£22.7m

Net present value:

**NPV:**

**Lower: -£16.69m**

**Central: -£1.27m**

**Higher: £8.57m**

# Evidence base

## Problem under consideration, with business as usual, and rationale for intervention

As discussed within the strategic case, less than 100 of over 6,000 sports grounds in England have been listed as ACVs. Currently a lack of community awareness and capacity to enlist grounds is delivering a low uptake of sports stadiums under ACV status. The introduction of the Sporting Asset of Community Value (SACV), alongside the automatic registration of around 6000 sports grounds will provide a pathway for community ownership of these assets. At present, ACVs are delisted after 5 years, at which point the asset must be re-registered with the local authority. This places a continuous burden on communities who are required to periodically re-submit listing applications and on local authorities who must consider the renewal of the land, not only does this pose a threat to the protection of sporting assets from asset stripping but also presents economic inefficiencies. In addition to this, existing legislation relies on communities being aware of listing provisions in the first instance which privileges those in areas with higher levels of social infrastructure and capital – leaving assets in more deprived areas at risk of redevelopment and without a clear path toward permanent ownership.

A Power to Change report from 2019<sup>74</sup> evidenced in detail the clear benefits provided by community-owned assets, including economic growth, local economic resilience and general wellbeing. Protecting these assets from being stripped down and redeveloped prevents the loss of social welfare and health benefits within local communities and ensure the longevity of assets that offer significant value to the local environment. Local community ownership over assets that provide them value ensures that they are being run in the best interests of local people. Government intervention is best placed to deal with the market's failure to guarantee protections on assets that deliver positive social impacts and without action these impacts may be reduced.

## Policy objective

The intended outcome of the policy is to address shortcomings within current ACV legislation that inadequately protect sports grounds and limit the number of them that are owned by the local community. Clear definitions will mitigate against issues whereby local authorities refuse the granting of ACV status to sporting assets despite them providing significant benefits to the surrounding local community.

This policy aims to reduce the number of facility closures to ensure the long-term stability and sustainability of sports stadiums, which provide significant value to local communities in the form of amenity value, community cohesion and a built local environment. Protections for supporting assets such as car parks will mitigate against asset stripping of clubs such as where the Worcester Warriors sold £1 million in training facilities for just £350,000 to a real estate company and ensure assets of this type can continue to provide value to their local communities. Automatic registration of sports grounds will ensure that any lack of awareness

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<sup>74</sup> [Assets-Report-DIGITAL-1.pdf](#)

of currently available protective mechanisms – such as regular ACV listing – does not serve as a barrier to protecting these assets from redevelopment.

### **Description of options considered**

The options considered are the preferred option, Option 3 as detailed within Section 5 above, where analysis considers the benefits alongside the preferred option within the Community Right to Buy Impact Assessment.

The ‘do nothing’ option is modelled as the counterfactual to show the relative impacts of the proposed intervention. The net present value of this option is set at zero, where continuing as usual would yield no additional costs or benefits.

Option 3 is monetised in terms of the relative costs and benefits where the impacts of this option are considered alongside the impacts of the Community Right to Buy as opposed to the currently operating Community Right to Bid.

### **Summary and preferred option with description of implementation plan**

#### ***Option 3 – (preferred option): Create a Sporting Asset of Community Value***

As discussed within Section 4, the preferred option describes creating a new SACV status to encompass the same fundamental rights and powers as regular ACVs for sports stadiums. This includes introducing an automatic registration process for all sports grounds in England that are defined in statute into the SACV category. This would help to reduce the risk of communities losing grounds that they cherish but may not have put forward for ACV listing due to a lack of awareness. SACVs will be indefinitely listed, where previously they would have to apply to be relisted every 5 years. Owners of SACVs will have the right to request a review of the listing once in a 5-year period. This will mean that if a review was requested in year 2, another listing review could not take place until year 7. As well as this, facilities that support the functioning of sports grounds such as car parks will be eligible for indefinite listing as Assets of Community Value

This option minimises risk and unintended secondary consequences on other land use types whilst ensuring tailored protections can still be introduced that help to conserve sports grounds as key community assets. This measure received the strongest support from OGDs and stakeholders. DCMS were engaged extensively and considered the creation of an SACV categorisation as a highly necessary addition to the Football Governance Bill as this only serves to protect grounds owned by their clubs, which means that lower-level and grassroots-level clubs – who are less likely to own their grounds require additional protections under an SACV regime.

### **Implementation Plan**

Within 6 months of commencement, local authorities will be required to consider any information they have about sports grounds in their area that should be included in the register. Each time a nomination for an ACV is made, local authorities will be required to consider each time an ACV is nominated whether it should be included in the SACV category of the ACV register. Local authorities will also reconsider every 5 years if there are any other assets that should be included in the SACV category of the ACV register.

Local authorities will also be responsible for:

- Triggering the 12-month moratorium period for SACVs
- Conducting a review at 6 months if requested by asset owners
- Overseeing price negotiations between asset owners and community groups
- Paying compensation to asset owners if there is a legal case

The First-Tier Tribunal service will be responsible for addressing additional appeals from community groups, who will have the right to challenge a local authority's decision to not list an asset as a Sporting Asset of Community Value.

The Valuation Office Agency will carry out the independent valuation of Sporting Assets of Community Value, should negotiation between the two parties fail. The valuer shall use standard valuation practice in line with RICS guidance. The "market value" of land must take into account the value it would have on the open market as between a seller and a buyer both of whom are willing.

### **NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)**

As per the Green Book, all future monetised impacts are deflated to 2025 prices, using HMT's projections of the UK GDP Deflator. Future impacts are also discounted at an annual rate of 3.5%, as per the Green Book's Social Discount Rate. Discounted and deflated impacts are referred to as being net present value (NPV).

#### **Monetised costs and benefits:**

Costs:

- Disparity between fair price and counterfactual sale value for asset owners: where assets are automatically listed under SACV status, asset owners are obligated to sell to community groups under the Right to Buy and could potentially lose out on a greater sale value on the open market.
- Opportunity cost of lost revenue for asset owners: automatic listing of assets under SACV status subjects asset owners to greater delays in sales under the Right to Buy and therefore a delay in the release of funds which could be invested elsewhere.
- Asset maintenance cost: longer delays in the sales of sports stadiums under the Right to Buy imply an extension to asset maintenance burdens for asset owners. This cost is taken on by local authorities in the form of compensation payments.
- Tribunal costs: A greater quantity of annual tribunal hearings driven by increases in listings as well as appeals against a more involved process with longer delays in sales and sale obligations for asset owners.

Monetised cost values under the central scenario are displayed below.

<b>Discounted Costs</b>		
<b>Affected group</b>	<b>Description</b>	<b>NPV (£m)</b>
Asset owners	Disparity between fair price and counterfactual sale value	-
	Opportunity cost of lost revenue for asset owners	-£13.48
Local authorities / Central Government	Asset maintenance cost	-£0.82
Central Government	Tribunal costs	-£0.34

<b>Total Discounted Costs</b>	
Asset owners	-£13.48
Local authorities	-£0.82
Central government	-£0.34
<b>Total</b>	<b>-£14.64</b>

#### Benefits:

- Employment benefits: an uplift in community owned assets should provide more local employment opportunities at the benefit of local economies and household income
- Volunteering uptake: an uplift in community owned assets should provide more volunteering opportunities
- Reduction in administration costs: the automatic registration of assets under SACV status saves time spent by local authorities, where previously assets would have to be manually assessed and listed.

Monetised benefit values under the central scenario are displayed below.

<b>Discounted Benefits</b>		
<b>Affected group</b>	<b>Description</b>	<b>NPV (£m)</b>
Households	Employment benefits	£4.47
	Volunteering uptake	£8.03
Local authorities	Reduction in administrative costs	£0.88
<b>Total</b>		<b>£13.38</b>

#### Sensitivity

#### analysis:

There is a level of uncertainty to some of the costs and benefits associated with this policy. Lower and higher scenarios have been produced for costs and benefits based on possible disparities from the expected central scenario. The results of the scenario testing are outlined below:

#### Costs:

	<b>Local Authorities</b>	<b>Asset Owners</b>	<b>Central Government</b>	<b>Total</b>
<b>Lower</b>	-£0.41m	-£13.48m	-£0.34m	<b>-£14.23m</b>
<b>Central</b>	-£0.82m	-£13.48m	-£0.34m	<b>-£14.64m</b>
<b>Higher</b>	-£1.85m	-£23.40m	-£0.34m	<b>-£25.60m</b>

As per the Green Book, all future monetised impacts are deflated to 2025 prices, using HMT's projections of the UK GDP Deflator. Future impacts are also discounted at an annual rate of 3.5%, as per the Green Book's Social Discount Rate. Discounted and deflated impacts are referred to as being net present value (NPV).

### Monetised costs and benefits:

#### Costs:

- Disparity between fair price and counterfactual sale value for asset owners: where assets are automatically listed under SACV status, asset owners are obligated to sell to community groups under the Right to Buy and could potentially lose out on a greater sale value on the open market.
- Opportunity cost of lost revenue for asset owners: automatic listing of assets under SACV status subjects asset owners to greater delays in sales under the Right to Buy and therefore a delay in the release of funds which could be invested elsewhere.
- Asset maintenance cost: longer delays in the sales of sports stadiums under the Right to Buy imply an extension to asset maintenance burdens for asset owners. This cost is taken on by local authorities in the form of compensation payments.
- Tribunal costs: A greater quantity of annual tribunal hearings driven by increases in listings as well as appeals against a more involved process with longer delays in sales and sale obligations for asset owners.

Monetised cost values under the central scenario are displayed below.

<b>Discounted Costs</b>		
<b>Affected group</b>	<b>Description</b>	<b>NPV (£m)</b>
Asset owners	Disparity between fair price and counterfactual sale value	-
	Opportunity cost of lost revenue for asset owners	-£13.48
Local authorities / Central Government	Asset maintenance cost	-£0.82
Central Government	Tribunal costs	-£0.34

<b>Total Discounted Costs</b>	
Asset owners	-£13.48
Local authorities	-£0.82
Central government	-£0.34
<b>Total</b>	<b>-£14.64</b>

#### Benefits:

- Employment benefits: an uplift in community owned assets should provide more local employment opportunities at the benefit of local economies and household income
- Volunteering uptake: an uplift in community owned assets should provide more volunteering opportunities
- Reduction in administration costs: the automatic registration of assets under SACV status saves time spent by local authorities, where previously assets would have to be manually assessed and listed.

Monetised benefit values under the central scenario are displayed below.



<b>Discounted Benefits</b>		
<b>Affected group</b>	<b>Description</b>	<b>NPV (£m)</b>
Households	Employment benefits	£4.47
	Volunteering uptake	£8.03
Local authorities	Reduction in administrative costs	£0.88
<b>Total</b>		<b>£13.38</b>

### Sensitivity

### analysis:

There is a level of uncertainty to some of the costs and benefits associated with this policy. Lower and higher scenarios have been produced for costs and benefits based on possible disparities from the expected central scenario. The results of the scenario testing are outlined below:

### Costs:

	<b>Local Authorities</b>	<b>Asset Owners</b>	<b>Central Government</b>	<b>Total</b>
<b>Lower</b>	-£0.41m	-£13.48m	-£0.34m	<b>-£14.23m</b>
<b>Central</b>	-£0.82m	-£13.48m	-£0.34m	<b>-£14.64m</b>
<b>Higher</b>	-£1.85m	-£23.40m	-£0.34m	<b>-£25.60m</b>

Differences in cost scenarios for local authorities can be attributed to changes in the assumptions for asset maintenance costs. The higher figure represents a scenario where all compensation claims are successful as opposed to the 4 in 9 figure influenced through evidence. This is not considered a likely scenario and, would bear minimal extra costs nevertheless.

Asset owners may see higher costs where in the higher scenario, a disparity between the fair price from independent assessment and the sale value in the counterfactual is assumed. In this scenario, an average disparity of 5% is assumed, which would in turn cost asset owners an additional £9.92m over 10 years. This scenario is considered less likely under the assumption that independent assessment is able to arrive at a fair price that matches the market value of the asset.

### Benefits:

	<b>Local Authorities</b>	<b>Households</b>	<b>Total</b>
<b>Lower</b>	£0.88m	£8.03m	<b>£8.91m</b>
<b>Central</b>	£0.88m	£12.49m	<b>£13.38m</b>
<b>Higher</b>	£0.88m	£21.82m	<b>£22.70m</b>

Since the assumptions driving the benefit figure are relatively conservative, this impact assessment would not anticipate a scenario where benefits are lower than in the central scenario. It is however possible that the expected employment benefit may be significantly larger than anticipated, contingent on wage rates. The central scenario conservatively estimates the average additional employee at ACVs to yield benefits equivalent to the National Living Wage. The higher figure presents a scenario where employees yield greater benefits based on Gross Value Added (GVA) data within the wholesale, retail, accommodation and food service activities industries.

### NPV:

### Lower:

**-£16.69m**

**Central:**  
**Higher: £8.47m**

**-£1.27m**

### **Non-monetised costs and benefits:**

Analysis of the preferred option does not suggest any non-monetised costs but there are significant non-monetised benefits to consider including:

- Protections from asset stripping: Protections against asset stripping will represent a significant non-monetised benefit for local communities where it appears particularly prevalent among sports stadiums. For example, in 2022, the owners of the Worcester Warriors sold the club's training facilities with an estimated market value of £1 million for just £350,000 to a real estate company. SACV status would prevent instances like this by giving communities a right to purchase these assets providing value to communities ahead of speculative developers.

Welfare benefits: Automatic registration of asset of value to communities will ensure the longevity of the welfare benefits provided by these assets. This may include amenity value, improved built environment in local areas and increased community cohesion.

### **Costs and benefits to business calculations**

#### **Cost calculations:**

This impact assessment does not foresee any benefits, monetised or non-monetised to businesses. Monetised costs are outlined below.

#### Disparity between fair price and counterfactual sale value

Under the preferred option, where assets are automatically listed under SACV status, asset owners will be obligated to sell to community groups where there is intention to buy and will no longer be able to sell on the open market. This is estimated as the expected average difference in sale value of sporting stadiums relative to the counterfactual in terms of the number of additional asset purchases made each year.

Within the central estimate, a disparity between the value procured during independent assessment is not anticipated and therefore no cost is applied. This is under the assumptions that independent assessment works as intended and the sale value under these scenarios represents a fair market value as well as assuming that offers on the open market would not significantly exceed the market value of the asset.

This impact assessment does however consider a higher cost scenario where on average the disparity in the fair price and sale value in the counterfactual is assumed at 5% of the asset value. The Right to Bid impact assessment from 2011, describes data from the Scottish Land Fund Programme and the Growing Community Assets Programme which awarded grants to community groups to assist in purchasing assets of community value. The range of average asset values across these two schemes suggests values between £100,000 and £310,000 per project. Sporting assets on average are understood to have a greater average value than the majority of assets of community value, assuming a figure of around £750,000 per project. Given this assumption is made based on the data from 2011, this figure is uplifted using the GDP deflator, to arrive at an average value of £1.07 million.

For the Community Right to Buy impact assessment, an assumption is made on the annual frequency of successful bids based on differences in success rates of the current Community Right to Bid in England and the Community Right to Buy in Scotland, using Scotland's success rate as a proxy for the impact to be expected from the preferred option. Data from Plunkett suggests that of 268 applications, the Right to Buy has been triggered on 24 assets, representing a convergence rate of 9.0%. It is expected that given the higher average asset value, the quantity of successful purchases for Sports Stadium is likely to be lower than the average asset of community value under the rationale that it will be more difficult to deliver funding for these projects. In the absence of more detailed evidence, we make the assumption that this difference will be directly proportional to the differences in asset values which give us an assumed success rate of approximately 3.6% using the formula below.

*(RtB uplift in ACVs ÷ RtB uplift in SACVs) x RtB ACV purchase success rate = RtB SACV purchase success rate.*

Applying the assumed figure of 3.6% of assets to trigger purchases each year to the total quantity of sports stadiums covered under the definition of SACV (6,000), suggests an average annual increase in purchases of 21.5 assets. This does not include supporting facilities such as car parks and training grounds due to a lack of data and therefore this figure is likely to be greater in practice.

For costing the disparity in the price determined by independent assessment and the counterfactual sale value, assuming a margin of loss of 0% in the central scenario, meaning the overall cost will be nothing. If a margin of loss of 5% is assumed, as in the higher scenario and apply this to the asset value of £1.07m, the average asset owner will bear a cost of approximately £53,000 on their properties relative to the counterfactual. When applied to the additional 21.5 assets purchased on average each year under the preferred option, the total cost becomes £1.15m per year for the higher cost scenario.

### Opportunity cost

Where sporting assets of community value are purchased under the preferred policy option, asset owners will be obligated to give community groups 12 months to build and deliver funding for these projects. This delay could incur an opportunity cost, where an earlier release of funds could be invested elsewhere to yield dividends to asset owners.

This cost is calculated in terms of the equivalent borrowing cost to businesses for the amount over the 12-month period. The full cost is estimated over the full 12-month period, as the Right of First Refusal does not exist within the counterfactual, and therefore asset owners no longer hold the right to sell on the open market and the delay to the sale is unavoidable. The assumption is also made that the full 12-month moratorium period will be used in the majority of purchases, given the rationale that the 6-month moratorium under the Community Right to Bid was often not enough for community groups to build funding. Although there may be instances where community groups do not need to use the full 12-month period, there is no evidence to support this and therefore the full 12 months provides a conservative estimate on the cost of delays on sales.

Data from the DMP suggests the most recent borrowing rate for businesses (November 2024 to January 2025) is 6.8%. This impact assessment assumes on average over the 10-year costing period, this value will remain relatively stable. Forecasts from the OBR suggest that bank rates, of which the borrowing cost is largely derivative, will decrease by approximately 3.9% per annum between 2025 and 2029. Given this, costs can be estimated under the

assumption that a 6.8% average borrowing cost over 10 years is a relatively conservative estimate. Using the average asset value of £1.07m, the average cost to businesses of borrowing their asset value for investment over the 12-month moratorium period while funding is still being delivered is approximately £72,000. Across the additional 21.5 successful asset purchases each year, this value comes to a total of £1.57m.

### **Total net direct costs to businesses:**

The Equivalent Annual Net Direct Cost to Business (EANDCB) is an estimate of the average annual net direct costs to business in each year that the measure is in force. It is calculated as the present value (PV) of the net direct cost to business divided by the sum of the discount factors appropriate for the length of time the measure is in force (10 years).

Opportunity cost for asset owners as a result in an increased delay in sales is estimated to be -£15.66m before discounting. After discounting, the total present value of this cost is estimated at -£13.48m

The EANDCB is therefore estimated as £1.35m (2025 prices, 2025 present value (PV)) which is the expected cost to asset owners from this policy change over the ten-year period.

This impact assessment does not foresee any non-monetised costs to businesses.

### **Impact on small and micro businesses**

As the preferred option considers the impacts of this policy in conjunction with the introduction of the Community Right to Buy, the impact of a delay in sales to small and micro business owners must be considered. This impact is understood to be minimal given that under the preferred option; assets being sold together with a business carried out on the land are exempt from the policy.

If an asset is not being sold together with a business, the delay in sales may incur an opportunity cost whereby an earlier release of funding could be invested elsewhere to draw dividends. The opportunity cost caused by this delay is monetised using the cost of borrowing from the Decision Maker Panel (DMP).

The business population data from the Department for Business and Trade contains estimates of the size of *sports activities* industries. Using this proxy for affected businesses it can be estimated that approximately one third of businesses affected by the policy will be Small and Micro businesses based on turnover percentages (assuming turnover is proportional to asset ownership). Although it is unlikely that larger businesses would own additional sports stadiums, given supporting facilities are covered within policy scope, this impact assessment considers turnover percentage is more likely to reflect a stronger representation of overall asset ownership within the industry.<sup>75</sup> There is data missing for turnover percentages for small businesses (employing 10 to 49 employees) but one third is taken as an upper bound given 61.3% of total turnover in the sports activities industry is contributed by large businesses.<sup>76</sup>

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<sup>76</sup> <https://www.gov.uk/government/statistics/business-population-estimates-2024>

Broadly costs should scale with sporting assets. There is a possibility that smaller businesses may be disproportionately impacted due to their relatively limited access to credit, however due to a lack of data availability, it is not possible to quantify this differential.

The way these costs are calculated relies significantly on proxy figures, such as asset values for opportunity costs. In the absence of more granular data, it is difficult to understand the differential for small and micro businesses, however this impact assessment believes the proxy measures in place are reasonable based on evidence and most significantly – that the monetary impacts will be proportional to values where an average estimate is used and furthermore, that costs would be proportionate to business size and turnover. Therefore any estimated costs should not put undue burdens on small and micro businesses. Additionally, the central scenario estimates an overall net value of £0 for the opportunity cost of a delay in sales where it is assumed that independent assessment will arrive at a value equivalent to the market price on an open market and this assumption is expected to hold equally true regardless of the size of businesses.

However, the policy could have a positive impact on micro, small and medium businesses surrounding sports stadiums. If a vacant property is brought back into use or a property is revitalised through the policy, this may help to maintain or increase footfall for surrounding businesses and contribute to the overall vibrancy of local areas.

## **Costs and benefits to households' calculations**

### **Benefit calculations:**

This impact assessment does not anticipate any costs, either monetised or non-monetised to households. Monetised benefits are outlined below.

#### Employment benefits

Community organisations will aim to use their assets for the benefit of the community, and not under a profit-maximising approach as a private business would do. If businesses have some amount of monopolistic or monopsonic power they would choose a lower than socially optimum output to maximise profits – which is plausible as community assets are likely to be rarer. Where positive externalities come from the services delivered from the community assets private firms will underproduce these. Capturing the benefit from this focus on socially optimum output is difficult, but could be proxied by the increase in output from the use of community assets under community ownership over private businesses.

This can be estimated through the productivity associated with higher employment under community ownership. Evidence from a Power to Change report from 2019 analysing the economic outcomes from community ownership of assets suggests that over 6,325 assets, community ownership contributed to an additional 7,000 FTE jobs.<sup>77</sup> This implies that on average, assets in community ownership on average hire an additional 1.1 FTE employees relative to business owned assets. Measures to increase the rate of community ownership of assets therefore should seek to benefit from an increase in local employment. This can be measured in terms of an increase in household income per year.

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<sup>77</sup> <https://www.powertochange.org.uk/wp-content/uploads/2019/07/Assets-Report-DIGITAL-1.pdf>

In October 2024 the Government announced the National Minimum Wage rate for those 21 and over would increase to £12.21. Given the lack of data on staff pay for assets of community value, this is employed as a conservative estimate to calculate the overall benefit to household income. Assuming that each employee works an average of 36 hours per week, this represents an annual wage of £22,900.

The report from Power to Change notes difficulties in measuring the additionality of any benefits attributed to an increase in employment. In the absence of further evidence, it is difficult to understand the extent to which these benefits would not be realised in the counterfactual. The assumption of an additional 1.1 FTE employees relative to business owned assets takes additionality into account, applying a standard level of additionality taken from the Department for Business Innovation and Skills of 51%, based on observed benefits from 'regeneration through physical infrastructure'.

Taking this wage value and applying it to the additional 1.1 FTE employees over 21.5 additional assets owned under the preferred option provides an approximate estimate of £1.04m per year in additional household income. This impact assessment then applies a further adjustment to capture the possibility that this increase in employment is displacing people out of other jobs. A further 50% additionality adjustment is then made to this figure to capture any possible displacement effects, meaning overall additionality for employment benefits is estimated at approximately 25%. This final adjustment provides a figure of £520,000 per year, for a total discounted net present value of £4.5m over the 10 -year appraisal period.

Given the difficulty to measure additionality in this instance, capturing the benefit of increased employment becomes difficult and the overall discounted value of £4.5m is likely to be a very conservative estimate, however this impact assessment assumes that the benefits of increased local employment are realised under community ownership given these groups will operate in the interests of local communities and people rather than to maximise profit for themselves, under which conditions employment is likely to be minimised for efficiency. The table below aims to understand the impact this additionality assumption has on the estimation of this benefit, and how this impacts the overall BCR for the Community Right to Buy.

<b>Combined employment additionality assumption (over the 51% in original analysis)</b>			
Additionality	Benefit	BCR	Impact on BCR relative to central
0%	0	0.61	-0.31
25%	£259,536.32	0.76	-0.15
50%	£519,072.64	0.91	0.00
75%	£778,608.97	1.07	0.15
100%	£1,038,145.29	1.22	0.31

### Volunteering

Similar to the aforementioned additional employment, community owned assets are also more likely to utilise volunteers in their operations. Evidence from a Power to Change report into the economic outcomes of assets in community ownership suggests that over 6,325 assets, there is a net additional benefit of 151,000 volunteer hours.

Given a lack of additional data in this area, the productivity benefit for increased volunteering uptake takes the same assumption from the Right to Buy impact assessment for productivity

delivered by volunteers in terms of Gross Value Added. This uses the GVA per hour in the wholesale, retail, accommodation and food service activities industry as a reasonable representation for the type of volunteer jobs available within community owned assets based on an understanding of the most common jobs available within asset types. Although this could vary within sports stadiums, this impact assessment understands this to be the best possible data to represent volunteering productivity where no other data is available within this area.

The GVA per hour for wholesale, retail, accommodation and food service activities jobs in 2023 comes to £28.69 per hour, which is uplifted to 2025 and onwards using the average annual increase from 1997 to 2023, approximately 3.15%.

These figures can be applied to the average additional volunteer hours worked per week, per asset, which are calculated using the Power to Change figures above, where 151,000 volunteer hours over 6,325 assets suggests an average of 23.87 weekly hours worked per asset by volunteers. The weekly hours worked, applied to the GVA per hour figure adjusted to a yearly rate and annual increases in GVA per hour of 3.15% gives a 10-year benefit of £8.03m.

### **Non-monetised benefits:**

This impact assessment anticipates non-monetised benefits that will have significant impacts towards in line with Government priorities.

#### Welfare benefit

Automatic registration of asset of value to communities will ensure the longevity of the welfare benefits provided by these assets. This may include amenity value, improved built environment in local areas and increased community cohesion.

#### Protections from asset stripping

Protections against asset stripping will represent a significant non-monetised benefit for local communities where it appears particularly prevalent among sports stadiums. For example, in 2022, the owners of the Worcester Warriors sold the club's training facilities with an estimated market value of £1 million for just £350,000 to a real estate company. SACV status would prevent instances like this by giving communities a right to purchase these assets providing value to communities ahead of speculative developers.

### **Business environment**

Impacts on the wider business environment are expected to be minimal given the scope of the policy. Any implications are set out in Section 7.

### **Trade implications**

This impact assessment does not expect any trade implications to arise from the preferred option.

## Environment: Natural capital impact and decarbonisation

This impact assessment does not expect any impacts on natural capital or decarbonisation from the preferred option.

## Other wider impacts (consider the impacts of your proposals)

### Costs to local authorities

#### Asset maintenance costs

Under the preferred option, the extension of the moratorium period from six to twelve months under the Right to Buy results in an additional delay in sales of sporting assets, thereby increasing the maintenance costs for the upkeep of assets over a longer duration relative to the counterfactual. This cost is transferred to local authorities under the compensation scheme, where authorities will make payments to asset owners to assist in handling these additional costs.

The assumption for the per asset maintenance cost of sporting assets is made based on estimations under the Right to Buy Impact Assessment. Here it is assumed that the maintenance cost for an average asset of community value is £2,000 based on evidence from the Community Right to Bid Impact Assessment from 2011<sup>78</sup>. Under the assumption that maintenance costs increase proportionally with asset value, the estimation of £2,000 is uplifted by the estimated difference in value between an average asset of community value to sporting assets, which is anticipated to be higher value ACVs. The asset maintenance cost is therefore uplifted using the following formula:

$$ACV \text{ maintenance cost (£2,000)} + (ACV \text{ maintenance cost (£2,000)} \times \left( \frac{Avg. ACV \text{ value (£300k)}}{Avg. SACV \text{ value (£750k)}} \right))$$

This provides an estimation of £7,000 per asset for the average maintenance costs of sporting assets of community value, which becomes £10,000 when uplifted to 2025 prices using the GDP deflator.

To estimate the expected number of successful compensation claims, Reference is made back to the Community Right to Bid impact assessment, which makes the assumption that two in every nine asset purchases result in successful compensation claims under the Community Right to Bid. Given that the delay in sales is doubled under the preferred option, it is reasonable to assume that the quantity of success compensation claims will increase proportionally to four in nine. Although the Community Right to Bid impact assessment references all asset types, the quantity of compensation claims is not expected to change dramatically for sporting assets.

Given our expectation that the preferred option will deliver an additional 21.5 asset purchases per year on average, a success rate of 4 in every 9 suggests approximately 9.5 of these purchases will receive compensation payments for their maintenance costs per year. At an average cost of £10,000 per claim, this results in a total estimated financial impact on local authorities of approximately £95,000 per year. Although it is possible for central government to bear some of this cost where compensation claims exceed £20,000, the entirety of this

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<sup>78</sup> <https://assets.publishing.service.gov.uk/media/5a78baa440f0b63247699b43/2168557.pdf>



cost is assigned to local authorities given the lack of evidence for cases where central government has been required to provide this assistance.

## **Costs to central government**

### Tribunal costs

An increase in tribunal hearings is expected due to policy changes under the preferred option that will likely lead to a higher number of listings, additional stakeholders and other new issues that may increase the likelihood for parties to exercise their right to a tribunal hearing. Key factors contributing to this increase are broken down below:

- **Additional listings:** An increase in the uptake of the programme is expected under the preferred option which assumedly will impact the number of tribunal hearings on a proportionate scale. According to internal evidence, there were seven tribunal hearings in 2024 under the Community Right to Bid. Where an additional 6000 sports stadiums are anticipated to be listed over the 10-year period, this represents a rate of 600 additional listings per year, an approximate 124% increase on current listings per year under the Community Right to Bid. Assuming an increase proportional to the quantity of listings, this results in an additional **8.7 hearings** per year.
- **Asset owners appealing listings:** The introduction of the Right of First Refusal under the preferred option is likely to increase the quantity of asset owners appealing against decisions to list their assets under ACV status, as they will no longer be able to sell these assets on the open market. On this basis, it is assumed that approximately 1 in 5 asset owners will choose to appeal. Applying this ratio (20%) to the total number of asset purchases per year, results in an additional **nine hearings** ( $0.2 \times 21.5$  asset purchases = **4 hearings**).
- **Extended moratorium period:** The extension of the moratorium period from six to twelve months is expected to contribute to an increase in tribunal hearings, where asset owners may contest delays in the sales process. As a result of this, the assumption is made that the increase in hearings will be proportionate to the increase in the delay. In the Community Right to Buy Impact Assessment it is estimated that the increase for assets of community value (excluding SACVs), where the delay in sales doubles from six to twelve months. The seven tribunal hearings existent in the 'do nothing' option are estimated to double, implying an additional 7 hearings due to the extended moratorium and overall more involved process. Therefore, this impact assessment believes that for SACVs, this figure will remain proportional to the quantity of listings and thus uplift this figure by the increase in listings per year for SACVs relative to under the Community Right to Buy. Uplifting the ACV figure by 124% provides an estimation for SACVs of **8.7 hearings** per year.

In total, this impact assessment anticipates a rounded figure of **21 additional tribunal hearings** ( $8.7 + 4 + 8.7 = \sim 21$ ) on the basis of these factors. Using the same data as for the tribunal hearings expected under the Community Right to Bid in 2024, a unit cost for tribunals of is estimated at approximately £1,900 (in 2025 prices). Applying this to the additional hearings under the preferred option suggests an additional cost of £39,800 per year.

## **Benefits to local authorities**

### Reduction in administrative costs

This impact assessment anticipates a decrease in administrative costs for local authorities given the automatic listing of all assets described as sporting assets of community value under the given definition. This is represented as a saving on the costs for local authorities to asset requests on these assets every year. This cost is calculated for the average authority in terms of the time cost for LAs multiplied by the wage cost for the average local authority officer. The time currently spent assessing requests under the 'do nothing' option is derived from the Community Right to Bid Impact Assessment, which suggests a time cost of 1.5 FTE days per month. Assuming this cost is relatively equal each month across a year, this comes to 8 FTE days per year.

Using SEO grade civil service pay (including National Insurance) as a proxy for average local authority wages, a monthly wage cost of £4,610 is established. when uplifted to 2025 price using the GDP deflator. Assuming 36 weekly hours worked, the daily wage cost for the average local authority officer is estimated around £230. Given the 1.5 FTE days required per month under the 'do nothing' option, the overall wage cost savings per authority is estimated at £345 (£230 x 1.5 FTE days). This is then applied the per authority average to all 296 authorities to arrive at a final overall cost saving of £102,000 per year on average. Although it is possible that some authorities do not bear this cost where they may not receive any listings for a given year, The 1.5 FTE day requirement is to be understood as an average across all LAs so this should equally capture any authorities that are required to spend a greater amount of time assessing listings, where they may receive more than the average.

## **Risks and assumptions**

### Asset quantity uplift

A majority of the costs and benefits are heavily dependent on an assumption regarding the quantity of assets that will be purchased under the preferred option relative to the counterfactual. This impact assessment assumes a figure around 21.5 assets per year on average based on the assume asset value and evidence from the Right to Buy in Scotland. There are key differences between the preferred option and the Right to Buy in Scotland such as the following:

- The Scottish Minister approves applications, and central government oversees the process
- The Scottish government provide grants of up to £1 million via the Scottish Land Fund to enable communities to purchase assets

This presents a degree of uncertainty around the asset uplift figure, most significantly where the provision of grants would likely contribute to greater success in funding projects – however this impact assessment assumes that the extended moratorium under the preferred option should have a similar effect. The Scottish Right to Buy represents the best available evidence and should therefore provide a reasonable proxy for the success rates of applications under the preferred option.

### Tribunal costs

A number of assumptions made around the number of additional appeals to tribunals are based on limited evidence as data is not available. In theory, this figure could vary depending on the propensity for asset owners and community organisations to appeal based on the nature of the changes, however, this impact assessment believes this to be a reasonable

estimate given the quantity of tribunals represents a similar proportion to the Right to Bid in terms of estimated hearings per asset purchase.

# Final stage impact assessment – Upwards Only Rent Review Ban

## 1. Summary of proposal

Upwards Only Rent Review (UORR) clauses are common clauses in commercial leases. At pre-agreed points within a lease (normally every five years), the rent will be reviewed, and UORR clauses ensure the new rent can only increase or stay the same, even if the market has declined. UORR clauses ensure rent changes always favour landlords, regardless of market conditions.

UORR clauses lead to a number of market inefficiencies including higher rents during economic downturns leading to lower profits for tenants; supernormal profits for landlords which do not reflect innovation on their part causing property price and rent inflation; and potentially higher consumer prices.

The sector has historically regulated itself via industry-approved Codes of Practices<sup>79</sup>. However multiple research studies have found this self-regulation approach to commercial leasing in England and Wales is not working well<sup>80</sup> and stakeholders report that UORR clauses are having a disproportionately negative impact on small businesses and hospitality venues.

Our preferred option aims to use the Bill to ban UORR clauses in new commercial leases in England and Wales. The ban will also apply to renewal leases where the tenant has security of tenure under Part II the Landlord and Tenant Act 1954.

The UORR ban will help to remove landlord manipulation of the market, with the aim of making commercial leases fairer for tenants, the market more efficient, and ultimately contribute to thriving highstreets and economic growth.

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<sup>79</sup> Royal Institution of Chartered Surveyors, *Code of Practice for Commercial Leases* (RICS, 1995); (RICS, 2002); (RICS, 2007); (RICS, 2020; reissued as a professional standard 2023).

<sup>80</sup> Crosby, N., (2006) *Small business lease reform - can the UK learn from the Australian experience?* Working Papers in Real Estate & Planning. 14/06. Working Paper. University of Reading, Reading.

Adams, J.E. (2000) 'Failure of Commercial Leases Code?', *Conv.*, pp. 372-375.

Reading University (2005) *Monitoring the 2002 Code of Practice for Commercial Leases*. Office of the Deputy Prime Minister, February.

## 2. Strategic case for proposed regulation

Upwards Only Rent Review (UORR) clauses artificially manipulate the market to ensure rent prices always favour landlords, regardless of market conditions. This is not only unfair to tenants, but the manipulation of the market creates market inefficiencies which may have wider macroeconomic impacts, including:

- Tenants are paying higher rents, especially during economic downturns, leading to more vacant units, lower number of tenants and/or lower profits. We expect the lower profit by tenants to have caused lower investment by these firms;
- Landlords are obtaining supernormal profits which do not reflect innovation on their part. We expect a proportion of these supernormal profits are reinvested and used to improve the UK commercial property stock but, ultimately believe that they have caused property price and rent inflation; and
- High rent cost may be passed onto consumers in the form of higher prices.

UORR clauses are a tangible example of the broader problem of power imbalances and information asymmetry between tenants and landlords during lease negotiations. These power imbalances are especially pronounced for small businesses who typically have less knowledge of commercial leasing and are less likely to be represented by specialist lawyers.

In 1995, the first voluntary Code of Practice was issued by the property industry to regulate itself.<sup>81</sup> The 1995 Code was a response to a Government call to negotiate a Code of Practice on business leases to deal with three key issues in leasing, one of which included UORR clauses. The then Government asked the industry to ensure that business tenants were better informed about their rights and obligations and to commit itself to openness in lease negotiations. The monitoring of the 1995 Code showed that it was ineffective.<sup>82</sup>

In response to this failure, representatives from all sides of the property sector worked on revisions to the 1995 Code. A new updated Code was published in 2002<sup>83</sup>, and the Government commissioned research to monitor this Code. The monitoring of the 2002 Code again found that it was having little impact on lease negotiations, or the use of UORR clauses.<sup>84</sup> It was found that only 18% of small business tenants who had recently negotiated a lease were aware of the 2002 Code.<sup>85</sup> Given little has been done in the resulting years to further publicise the 2002 Code, we would not expect levels of awareness to have increased significantly since this study.

A further Code was published in 2007<sup>86</sup> with a study finding that awareness and advice on the 2007 Code was limited, and it had little to no impact on lease negotiations in 2009.<sup>87</sup> Again, in 2011, work was undertaken to publicise the 2007 Code. In response to the Portas

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<sup>81</sup> (RICS, 1995)

<sup>82</sup> Adams, J.E. (2000) 'Failure of Commercial Leases Code?', *Conv.*, pp. 372-375.

<sup>83</sup> (RICS, 2002)

<sup>84</sup> Reading University (2005) *Monitoring the 2002 Code of Practice for Commercial Leases*. Office of the Deputy Prime Minister, February

<sup>85</sup> Crosby, N., (2006) *Small business lease reform - can the UK learn from the Australian experience?*, p. 9

<sup>86</sup> (RICS, 2007)

<sup>87</sup> Reading University (2009) *Monitoring the 2007 Code for Leasing Business Premise*. Communities and Local Government, June

Report into the state of the high street, the Government confirmed it had written to local authorities encouraging them to adopt the 2007 Code, as well as to the industry encouraging them to promote it too.<sup>88</sup>

However, research has found this approach has been ineffective and these Codes have been largely ignored.<sup>89,90,91</sup> The failure of these Codes to regulate the use of UORR clauses is best exemplified by the fact that UORR clauses remain standard in commercial leases that exceed 5 years (we do not have quantitative data on the prevalence of UORR clauses, however stakeholders agree it is a standard clause). Although stakeholders report that UORR clauses are not as significant a problem as they was in the early 2000s, stakeholder representatives of hospitality and small business still consider UORR clauses a key issue. It is thought that UORR clauses are artificially inflating commercial rents, and ultimately pricing out small businesses from the town centre.

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<sup>88</sup> High streets at the heart of our communities: government response to the Mary Portas review

<sup>89</sup> Adams, J.E. (2000) 'Failure of Commercial Leases Code?', *Conv.*, pp. 372-375.

<sup>90</sup> Reading University (2009) *Monitoring the 2007 Code for Leasing Business Premise*. Communities and Local Government, June

<sup>91</sup> Crosby, N., (2006) Small business lease reform - can the UK learn from the Australian experience?, p. 9

### 3. SMART objectives for intervention

There is one objective for this intervention:

**All new commercial leases in England and Wales should have provision for rent reviews to be both upwards and downwards.** We note that many rent reviews will result in upwards rent (given that property and rental prices generally increase over time in the UK). As part of this objective, we have a sub-objective that no new commercial leases will contain loopholes that have the effect of circumventing the UORR ban.

## **4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives**

Our preferred option is to use the Bill to ban UORR clauses in new (and renewal) commercial leases in England and Wales. In this option, the legislation would be designed in a way which aims to close potential loopholes and offset unintended consequences as far as is possible and reasonable.

By banning UORR clauses in new contracts, rents will be able to adjust to market conditions. In areas of the country where wider rents are decreasing, this is likely because demand, footfall, business turnover and profits are likely to be decreasing. Yet in this situation, due to UORR clauses, rents for some businesses are likely to remain high – and not adjust to the prevailing market conditions. By having rents that reflect market conditions, this helps to reduce the likelihood of businesses closing down or cutting investments in adverse situations. Lower investment or increased business closures could cause negative self-reinforcing cycles in these areas.

Further to this, in the counterfactual, there are inefficiencies in the commercial rental market. Some firms may be better suited in large commercial units, however, in order for the business to protect themselves from high rents during adverse economic conditions, they may opt for a smaller unit. By banning UORR clauses, businesses may be inclined to spaces that are better suited for the size of their operation.

Both points above could lead to a reduction in the amount of time a unit is vacant for especially large commercial units. This would support local authorities in reducing the blight of vacant buildings in their high streets and town centres. Blight of empty property units reduces a local community's pride in place and can lead to further negative sentiment that may be damaging to the wider town centre and reduce the chance of filling other units. As such, by reducing vacancy and reducing blight – banning UORR clauses could have a positive social impact in reducing negative sentiment surrounding the town centre. This is consistent with a 2018 MHCLG commissioned survey from Walnut Unlimited (an external survey company) on the views on high streets. Of those who had negative views of their high street, the most cited reason was empty shops (33% of those with negative views). This suggests the existence of empty units does indeed impact people's pride. It is also reasonable to suggest lower levels of blight, will boost the brand image of an area. This will attract increased levels of investment in the area, as investors see it as a more attractive destination for consumers and residents, and therefore more profitable for new property and consumer business investments.



## 5. Summary of long-list and alternatives

We have considered the following options:

### **Option 1 – Do nothing**

A ‘do nothing’ approach would continue with the industry self-regulating itself using voluntary Codes of Practice. These Codes generally contain a line that encourage landlords to ‘explore other options’ to UORR clauses.

This approach was disregarded as it has been found to be ineffective at reducing the prevalence of UORR clauses, despite several attempts to improve the Code. This option would therefore allow the problem to persist unnecessarily, with no end date to addressing the problem.

### **Option 2 – Communication campaign of current industry Code of Practice**

This option would create a new communication campaign to increase the awareness of the industry Codes of Practice. The Government could ask the sector and its networks to re-publicise the Code to its members. The aim would be to empower tenants with information so they can negotiate out of UORR clauses and ultimately secure better terms. This is a light-touch option that would go slightly further than the ‘do nothing’ approach. It would aim to solve the policy problem via communication campaigns.

This option was disregarded as it has been tried multiple times before and research has found that despite communication pushes, awareness of the Code amongst business owners struggles to get close to the critical level needed to make an impact.<sup>92</sup> Further, even where awareness of the code exists, it is possible and likely that its recommendations are simply ignored due to the power imbalance between small businesses and commercial property owners. Despite these Codes of Practices encouraging landlords to look for alternatives to UORR clauses, UORR clauses are still a standard clause in commercial leases that have a term over five years.

Although it is possible that some small businesses may benefit from this option (e.g., a communication campaign for the current Codes of Practice may result in more small businesses being aware of the current Codes, and this may result in more businesses asking landlords to remove the UORR clause in their lease), we would expect the positive impact to be limited, giving that research has previously found voluntary Codes of practices are ineffective at solving the problems.

### **Option 3 – A simple UORR ban**

Ban UORR but do not design out loopholes, and do not explore additional policy interventions to rebalance power between landlords and tenants (e.g., the mandatory issuing of guidance from landlords to tenants at the start of lease negotiations). This option would effectively be a symbolic ban where legislation outlaws UORR clauses, but does not outlaw other clauses that have the same effect as a UORR (i.e. ‘loopholes’). For example, in the absence of a UORR clause, landlords may instead insert a ‘rent collar clause’ whereby the rent cannot go lower than one pence below the original rental price.

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<sup>92</sup> Ibid.

This option was disregarded as it will do little to address the policy problems of artificial manipulation of the market by landlords, or the power imbalance between landlords and tenants during lease negotiations. If the legislation does not design out loopholes, there is a high likelihood that landlords will find new ways of creating the effect of a UORR, without needing to input this specific UORR clause.

We would expect that a simple UORR ban would have very little-to-no positive impact on small businesses, as in this scenario landlords would have numerous loopholes they could exploit to achieve the same effect as an UORR clause. This option also does nothing to address the current information issue.

#### **Option 4 - Comprehensive UORR ban (preferred option)**

Use the Bill to ban UORR clauses for new (and renewal) leases in England and Wales. In this option, the legislation would be designed in a way which aims to close potential loopholes and offset unintended consequences as far as is possible and reasonable.

More details of the preferred option are outlined in the “summary and preferred option with description of implementation plan” section in the Evidence Base.

#### **Option 5 – Comprehensive UORR ban, plus additional measures to rebalance power between tenants and landlords**

This would be the same as option 4, but with an additional legislation measure to help rebalance power between landlords and tenants. Specifically, this would include a new requirement on landlords to provide government-issued guidance to tenants at the outset of negotiations, as research suggest this will ensure tenants are better informed and will seek legal advice earlier.

This option was shortlisted but later ruled out as excessive at this time. The measure would provide a greater burden for landlords and require enforcing. Non statutory guidance may also provide an alternative to mandating the provision of guidance if promoted adequately. This option may be kept under review for future introduction.

## **6. Description of shortlisted policy options carried forward**

Three options were considered at the short-listing stage: option 1 (do nothing), option 4 (the preferred option) and option 5 (UORR ban, plus mandating guidance). All other suggested changes were ruled out at the strategic case stage. This is because the changes we are proposing are smaller changes within existing legislation and frameworks. Therefore, non-regulatory solutions were not found to be appropriate to the issues here as they have had limited success in the past. Moreover, as the changes are within the broad scope of existing regulations and are believed to be adequate to meet the strategic policy aims, more fundamental changes were felt to be excessive.

## 7. Regulatory scorecard for preferred option

### Part A: Overall and stakeholder impacts

(1) Overall impacts on total welfare		Directional rating
		Note: Below are examples only
<b>Description of overall expected impact</b>	The costs landlords are expected to face are a reduction in rents and familiarisation costs. The benefits to tenants is they experience a cost saving in the form of lower rents and there is reduced information asymmetry when it comes to lease negotiations.	<b>Positive</b>
<b>Monetised impacts</b>	Total -£1.6m (Benefits of £61.1m – costs of £62.7m)  Monetised impacts: <ul style="list-style-type: none"> <li>• Familiarisation costs to landlords;</li> <li>• Loss in rental revenue to landlords; and</li> <li>• Rental saving to tenants.</li> </ul>	<b>Negative</b>
<b>Non-monetised impacts</b>	The key non-monetised benefit is that the commercial rental market becomes more efficient and competitive resulting in thriving high streets. There would be improvements to the power imbalance between landlords and tenants.	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	We believe that small independent business tenants and hospitality tenants will benefit the most from the intervention as they are more likely to have UORR clauses in their contracts.	<b>Positive</b>

(2) Expected impacts on businesses		
<b>Description of overall business impact</b>	<ul style="list-style-type: none"> <li>• Familiarisation costs to landlords to understand the changes to commercial leases;</li> <li>• Loss of rental revenue to landlords as their rents can now fluctuate and are dependent upon market conditions; and</li> <li>• Benefit to tenants in the form of lower rents.</li> <li>• Improved market flexibility to respond to changing circumstances.</li> </ul>	<b>Neutral</b>

<b>Monetised impacts</b>	Business NPV -£1.6m (central estimate)  This is through familiarisation costs of £1.6m, and rent transfers of £61.1m	<b>Negative</b>
<b>Non-monetised impacts</b>	A UORR ban may reduce the likelihood of a business going into insolvency due to high rents. This would reduce the number of vacant commercial leases and result in a thriving high street.	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	We believe that small independent business tenants and hospitality business tenants will benefit the most from the intervention as they are more likely to have UORR clauses in their contracts.  Landlords, who tend to be large firms, would see a reduction in their rents, but we believe that allowing tenants to pay market rents will be out weight the negative impact landlords will face.	<b>Positive</b>

### (3) Expected impacts on households

<b>Description of overall household impact</b>	There are likely to be positive non-monetised impacts.	<b>Neutral</b>
<b>Monetised impacts</b>	No impacts were monetised	<b>Neutral</b>
<b>Non-monetised impacts</b>	There are likely to be positive wellbeing impacts from less vacant high-streets improving the lived environment.	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	None	<b>Neutral</b>

### Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
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<b>Business environment:</b>  <b>Does the measure impact on the ease of doing business in the UK?</b>	<p>We would expect there to be economic growth as it becomes easier for tenants to set up their business and there will be more competition in the market.</p> <p>UORR clauses may result in investors becoming less willing to invest in the UK as they are no longer guaranteed an increasing cash-flow over time.</p>	<b>Uncertain</b>
<b>International Considerations:</b>  <b>Does the measure support international trade and investment?</b>	<p>None</p>	<b>Neutral</b>
<b>Natural capital and Decarbonisation:</b>  <b>Does the measure support commitments to improve the environment and decarbonise?</b>	<p>None</p>	<b>Neutral</b>

## **8. Monitoring and evaluation of preferred option**

This intervention will require further work to determine what a suitable and appropriate approach to monitoring and evaluation is, what questions the approach will answer and the evidence that it will aim to generate. A feasibility and scoping study is required to understand data availability and develop a plan that is proportionate. The Monitoring and Evaluation of the intervention may include: adherence to the ban in new leases measured through court cases and surveys or stakeholder testimonies; light touch engagement with stakeholders (tenants, property owners, etc) about the impact of the ban including on rent prices, business activity and views on bargaining power. Quantitative evidence may include reviews of rent changes – but scoping is required to identify data sources. On reviewing this, a decision will be taken on whether it is necessary to gather further evidence about the intervention or its effectiveness.

## **9. Minimising administrative and compliance costs for preferred option**

We have determined that if a UORR clause is in place it will simply be unenforceable. This ensures no reporting or administration is required.

Landlords and their solicitors will need to get up to speed with the new rules and there will be some element of familiarisation which cannot be avoided. However, the Government will engage the sector and consult on some details to ensure that the changes are as simple as possible.



## Summary: Analysis and evidence

For Final Stage Impact Assessment, please finalise these sections including the full evidence base.

Price base year:

2025

PV base year:

2025

This table may be reformatted provided the side-by-side comparison of options is retained	Business as usual (baseline)	Preferred way forward - A comprehensive ban on UORR (Option 4)	Alternative option – A comprehensive ban on UORR plus guidance measure (Option 5)
<b>Net present social value</b> (with brief description, including ranges, of individual costs and benefits)	0	Total -£1.6m (£61.1m – £62.7m) <ul style="list-style-type: none"> <li>Familiarisation costs to landlords £1.6m (£1.6m - £1.2m) ;</li> <li>Loss in rental revenue to landlords £61.1m (£67.2m - £55.0m); and</li> <li>Rental saving to tenants £61.1m (£67.2m - £55.0m).</li> </ul>	Same as preferred way forward
<b>Public sector financial costs</b> (with brief description, including ranges)	0	None	Same as preferred way forward
<b>Significant un-quantified benefits and costs</b> (description, with scale where possible)	0	As a result of business tenants paying market rents, it could help to improve the high street experience in local areas. This allows businesses to lease commercial spaces that are reflective of the size of their operation rather than using a smaller space in order to protect themselves from high rent costs that are not reflective of the economy. This could lead to a more efficient use of commercial units and also reduce the likelihood of a business going insolvency , especially during economic downturns, resulting in less vacant units on the high street.	In addition to the un-quantified benefits mention in the preferred way forward, mandating guidance would help to reduce information asymmetry and power imbalances between tenants and landlords during lease negotiations. This could result in fairer lease terms being negotiated for tenants.

<b>Key risks</b> (and risk costs, and optimism bias, where relevant)	0	Unsure when landlords will first incur costs as a result of the intervention and the number of businesses that will be affected. Both of these feed into our calculations to estimate how much rental revenue landlords could lose as a result of this intervention. For our sensitivity analysis, we increased the number of years where landlords experience rental loss from 2 years to 3 and increased the number of businesses that could be affected by 20% relative to the central scenario.	Same as preferred way forward
<b>Results of sensitivity analysis</b>	0	Rental loss to landlords could increase to £203m (NPV) and their total costs over the appraisal period could be £204m The benefit to tenants would also increase to £203m (NPV)	Same as preferred way forward

## Evidence base

### Problem under consideration, with business as usual, and rationale for intervention

As outlined in the Strategic case for proposed regulation section above, UORR clauses create negative impacts to the market. They are also an example of a problem within the commercial rental market whereby there is information asymmetry and power imbalances between tenants and landlords during lease negotiations. These power imbalances are especially pronounced for small businesses who typically have less knowledge of commercial leasing and are less likely to be represented by specialist lawyers. Similarly, hospitality venues are more likely to have longer lease lengths, which means they are more likely to have UORR clauses in their leases than other sectors.

Furthermore, we believe there is inefficiency in the commercial rental market. Landlords are exposed to less risk during economic downturns as rents do not reflect the market conditions and are artificially high. This could mean that there is an inefficient use of commercial space as businesses use smaller premises than they require in order to avoid paying high rents when their revenue is low during economic downturns.

A ban on UORR clauses has been considered by Government on a number of occasions, but self-regulation through the use of voluntary Codes of Practices has been the historical solution to the use of UORR clauses. However, research has found this approach has been ineffective and these Codes have been largely ignored.<sup>93, 94</sup> The failure of these Codes to regulate the use of UORR is best exemplified by the fact that UORR clauses remain standard in commercial leases that exceed 5 years. We do not have quantitative data on the prevalence of UORR clauses, however stakeholders agree it is a standard clause. Stakeholders report that UORR is not as significant a problem as it was in the early 2000s, however, stakeholder representatives of hospitality and small business still consider UORR clauses a key issue. It is thought that UORR clauses are artificially inflating commercial rents, and ultimately pricing out small businesses from the town centre.

Our proposed intervention is a comprehensive ban of UORR clauses from new (and renewal) commercial leases in England and Wales.

### Policy objective

The objective for this intervention is:

**All new (and renewal) commercial leases in England and Wales should have provision for rent reviews to be both upwards and downwards.** We note that many rent reviews will result in upwards rent (given that property and rental prices generally increase over time in

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<sup>93</sup> Reading University (2005) *Monitoring the 2002 Code of Practice for Commercial Leases*. Office of the Deputy Prime Minister, February

<sup>94</sup> Reading University (2009) *Monitoring the 2007 Code for Leasing Business Premise*. Communities and Local Government, June

the UK). As part of this objective, we have a sub-objective that no new commercial leases will contain loopholes that have the effect of circumventing the UORR ban.

### **Description of options considered**

As outlined above in Section 5 and 6, we considered the do nothing (Option 1), UORR ban and guidance provision (Option 5) and our preferred option (Option 4).

The do nothing is considered as that is the counterfactual and we use this to show the relative impacts of the intervention. Therefore, we have not monetised and assume all costs are zero.

Options 2 and 3 were not considered past the strategic case because they were not thought to be sufficient in achieving the desirable outcomes. The communication campaign (Option 2) has been tried in the past with limited success and Option 3 was thought to do little to address problems in the commercial rental market.

We consider and monetise Option 4 and 5, the comprehensive ban on UORR (Option 4) and the UORR ban plus guidance measure (Option 5), as the only options going forwards as they are thought to have the greatest impact on society and achieve the policy objectives. Option 5 was ultimately dropped as it was deemed to excessive at this time.

### **Summary and preferred option with description of implementation plan**

Our preferred option is to use the Bill to ban UORR clauses for new (and renewal) commercial leases in England and Wales. In this option, the legislation would be designed in a way which aims to close potential loopholes and offset unintended consequences as far as is possible and reasonable.

We will also use secondary legislation to ensure that loopholes are covered so that landlords are unable to circumventing the UORR ban in new leases going forwards. The ban will not be retrospective in effect and will be commenced via secondary legislation, notice will be given prior to it taking effect.

The ban will apply to all commercial leases, except for agricultural leases. This decision has been based on engagement from stakeholders including businesses, membership bodies of landlords and tenants, surveyors, legal representatives, agents, researchers, academics and government officials amongst other stakeholders.

The removal of UORR clauses will allow the market to operate more efficiently, in turn acting to address the potential for exploitation through information asymmetry.

The courts will ultimately act to enforce the new provisions, however, the ban on UORR clauses has been designed so that once raised by a party there is a clear position for rent, this means that once a tenant raises a complaint it is likely that the court will not be required in most instances.

The measures will not be trialled and will be introduced in one go as we have been able to look at other countries who have already undertaken similar bans for comparison.

## **NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)**

As per the Green Book, all future monetised impacts are deflated to 2025 prices, using HMT's projections of the UK GDP Deflator<sup>95</sup>. Future impacts are also discounted at an annual rate of 3.5%, as per the Green Book's Social Discount Rate. Discounted and deflated impacts are referred to as being net present value (NPV).

### Preferred Way Forward (Option 4)

We have been able to monetise two costs and one benefit associated with the policy intervention. The NPV of the costs and benefits over the appraisal period are as follows:

- The familiarisation costs to landlords, estimated at £1.6m;
- Transfer of rental revenue from landlords to tenants;
  - Cost to landlords as they collect lower rents, estimated at £61.1m; and
  - The benefit to tenants in the form of paying lower rents, estimated at £61.1m.

As both the landlords and tenants are both businesses that operate in the private sector, we believe the cost to landlord and savings to tenants will net off as this is a transfer of money within the same sector.

The total cost and benefit to businesses is estimated at £62.7m and £61.1m respectively. The monetised costs are greater than the monetised benefits, resulting in a negative Net Present Social Value (NPSV) of -£1.6m. However, we were unable to monetise the benefits associated with a more efficient market resulting in more competition in the commercial rent space which could lead to a thriving high street.

We are of the opinion that the non-monetised benefits will have significant positive impacts to society and will outweigh any costs associated with the planned intervention. We also believe that if they were to be considered, the overall NPSV will be positive.

### Alternative Option (Option 5)

The only difference between this and our preferred option is that Option 5 includes an additional mandatory requirement for commercial landlords to provide prospective tenants with government-issued guidance at the start of lease negotiations. This means that the costs and benefits associated with Option 4 are the same as Option 5.

We are unable to monetise the benefits associated with the issuing of guidance, however, we believe that it will help to reduce the power landlords have during lease negotiations which could lead to fairer and better deals for tenants. Similar to Option 4, when we account for this non-monetised benefit, we expect that the overall NPSV will be positive.

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<sup>95</sup><https://www.gov.uk/government/statistics/gdp-deflators-at-market-prices-and-money-gdp-december-2024-quarterly-national-accounts>

## Costs and benefits to business calculations

### Costs

There are two direct monetised costs from the intervention and they are the familiarisation costs and a loss in rental income, which both fall on landlords. These costs are direct because they will be universally incurred by all landlords affected by the policy. It is estimated that the total NPV for the familiarisation costs is £1.6m and the loss in rental revenue is estimated at £61.1m.

In this section, we explain how these estimates were calculated.

### Familiarisation costs to landlords

It has been assumed that for every commercial real estate/landlord in England and Wales, one member of staff will be required to understand the changes to the policy. The formula below is used to estimate the total familiarisation cost:

*Total familiarisation cost = (familiarisation time x representative cost per landlord) x number of commercial landlords*

The expected familiarisation time is based on the number of minutes required to read and understand the changes to the policy. This estimate is calculated based on the estimated word count of the document, 3,000 words. The time is then calculated at an average reading pace of 200 words per minute which produces a reading time of 15 minutes. An assumption of 30 minutes is added for other time costs (e.g., finding, acquiring, understanding, communication, etc.), leading to a total familiarisation time of 45 minutes per landlord.

The familiarisation time per landlord is multiplied by the relevant representative wage. Data for the average wage of a landlord was not available. As a proxy, the mean hourly wage for property, housing, and estate managers was used per Annual Survey of Hours and Earnings (ASHE) provisional 2024 data as of October 2024 and adjust to 2025 prices (£24.18)<sup>96</sup>. The wage estimates are then uprated by 1.3 to reflect non-wage costs, as per the Green Book.

Per unit familiarisation costs is then multiplied by the number of commercial landlords in England and Wales which is estimated at 70,169 by Business Data Prospects<sup>97</sup> as of February 2025. The table below outlines the methodology used for this cost calculation:

Words	Reading time (minutes)	Additional 30 minutes	Cost per landlord (£ in 2025 prices)	Total cost to Landlords (£m)
3,000	15	45	24.17	1.7

It is estimated that the total familiarisation costs to landlords is £1.7m which will be incurred in the first year of implementation which is 2027/28. When we account for discounting, the total NPV is £1.6m.

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<sup>96</sup> <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/occupation4digitsoc2010ashtable14>

<sup>97</sup> <https://www.businessdataprosects.com/business-lists/commercial-landlord-database/>

## Loss in rental revenue to landlords

The second cost to landlords is the loss in rental revenue they will face as a result of the changes to this policy. The policy seeks to ban upwards only rents at the time of review for new leases as the ban does not retrospectively apply to existing leases. If a lease has a UORR clause and was signed before the ban was implemented, the UORR clause will apply as usual until the end of the lease.

There is no cost to landlords if they sign a new rent agreement with a new tenant as the UORR clause will not be valid. There is however, a cost to landlords when their current tenant renews their contract. This is because, the lease agreement is likely to still have a UORR clause in it but it is no longer enforceable post ban. It is this cost we monetise.

We use the following formula to estimate the number of businesses that renew their lease each year:

*Number of commercial lease renewals (per year) = Number of businesses affected by policy x proportion of leases that expire per year x proportion of leases that are renewed each year x proportion of leases that are at least 5 years long*

Based on the Valuation Office Agency's dataset of the number of non-domestic stock by sector<sup>98</sup>, we estimate the number of businesses who could be affected by the policy which is 1.09m. This figure is comprised of the sectors the ban will be applicable to, namely the commercial, industrial and leisure sectors. This is then multiplied by 55% as that is the proportion of businesses who rent<sup>99</sup>. We apply a 10% margin of error around this figure to account for uncertainty with these estimates. Therefore, we estimate that between 1.20m and 0.98m businesses could be affected by this change in policy.

To estimate how many leases are renewed annually, we multiply this figure by the proportion of leases that expire each year and the proportion that then go on to be renewed. The average lease length is between 3 - 5 years<sup>100</sup>. We use the upper estimate of 5 years and assume that an equal proportion of leases expire each year meaning that 20% of leases expire per annum. MSCI reported that in 2018, 23% of expired leases were renewed and this is the figure we use.

UORR clauses only apply to leases that are over 5 years in length so we consider the length of lease for this analysis. The Property Industry Alliance reported that in 2023, 49.6% of new commercial leases were over 5 years.

The UORR clause is a standard clause in commercial contracts, therefore, when applying the numbers to the formula set out above, it is estimated that there are between 27,200 and 22,300 commercial lease renewals taking place each year and have a UORR clause in them, with our central estimate being approximately 24,800.

It is estimated that for every renewal that takes place after the ban, £1,107 will be lost per property. Analysis by the Investment Property Forum estimated that relative to the

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<sup>98</sup> <https://www.gov.uk/government/statistics/non-domestic-rating-stock-of-properties-2024>

<sup>99</sup> <https://propertyindustryalliance.org/wp-content/uploads/2024/02/pia-2023-final-150124.pdf>

<sup>100</sup> <https://shepcom.com/averageleaseleaslengthforcommercialproperty/>

counterfactual, landlords' incomes reduced by 3.8% as a result of banning UORRs. We then used the rateable value provided by the Valuation Office Agency's non-domestic stock<sup>98</sup>. The average rent is calculated by using the weighted average of rateable values for the commercial, industrial and leisure sector based on the number of businesses in each sector and its rateable value which is estimated at £29,000. We were unable to estimate average commercial rents in England and Wales so have used rateable value as a proxy given it is a function of rent.

Annually, the total loss in rental revenue to landlords as a result of the UORR ban is estimated at £27m (central scenario).

As noted above, it is only landlords whose tenants decide to renew their leases who will experience a loss in rental revenue. This means that we need to consider the amount of time left on the existing lease to know when the loss in rental revenue will be incurred.

In the case where an existing lease has one year left, rents apply as usual. We then assume that the tenant renews their lease the following year for at least 5 years and is subject to a rent review in year five which is standard for long leases.

For the first five years, i.e. before the rent review, there is no change to the rent paid to the counterfactual, thus no change to the rental revenue landlords would have expected. At the end of the five years, there is a rent review whereby rents can either increase or decrease. In the case where rents are downwards, landlords face a loss as their rental revenue is no longer guaranteed to be upwards only for the duration of the lease. It is from this point onwards (six years after the lease is renewed) that the cost to landlords will apply and would apply for every year of the duration of the contract.

Due to the ban scheduled to be implemented in 2027/28 and the six years where there is no change to rents received by landlords, it is only leases that expire one year and two years after the ban that will have costs captured within the appraisal period. The table below summarises the total costs to landlords as a result of the ban based on how many years the current lease is valid for post ban.

Totals in 2025/26 prices (£m)			
Years left on current lease post ban	One year	Two years	Total cost
High	60.4	30.2	<b>90.6</b>
Central	54.9	27.4	<b>82.3</b>
Low	49.4	24.7	<b>74.1</b>

When a current lease is valid for one year, landlords lose out on 2 times the rental income whereas, when current lease is valid for two years after the ban, they landlords only lose out for one year. We estimate that the total revenue lost over the appraisal period is between £91m and £74m with £82m being the central estimate when using 2025/26 prices. The NPV for the rental loss to landlords is between £55.0m - £67.2m with the central estimate being £61.1m when discounting is applied.



## Benefits

One of the benefits associated with banning UORR is that business tenants pay market rents once a review has taken place. Post the UORR ban, rents will be lower than in the counterfactual. This means that the loss in rental income landlords face is equivalent to the savings for tenants.

We follow the same method outlined for the landlords, assuming that the 3.8% loss that landlords face will be the average saving to tenants. Therefore, we estimate that the total benefit for the high, central and low scenarios are £67.2m, £61.1m and £55.0m respectively (NPV).

Another benefit to businesses is that it could reduce the number of vacant units in an area. UORR clauses may discourage prospective tenants from taking up leases as it imposes financial strain on them<sup>101</sup>, especially during economic downturns and when the local area is in a decline. During these times, businesses are likely to have lower rental revenue, however, in the counterfactual, their rents remain artificially high. This could increase the likelihood of businesses closing down as they are unable to cover their costs. As more businesses leave the market, the number of vacant units increases which in turn reduces footfall and spend in an area<sup>102</sup>. This can lead to further business closures, a downward economic spiral and deter investment in the local area.

Banning UORR means that rents are more reflective of local market conditions which in turn could lead to a reduction in the number of unoccupied commercial units. This would allow areas, especially highstreets, to be attractive spaces for businesses.

We were unable to quantify the impact banning UORR could have on reducing vacancy rates, however, we are of the opinion that these benefits would have been significant.

### Total net direct costs to businesses:

The Equivalent Annual Net Direct Cost to Business (EANDCB) is an estimate of the average annual net direct costs to business in each year that the measure is in force. It is calculated as the present value (PV) of the net direct cost to business divided by the sum of the discount factors appropriate for the length of time the measure is in force (10 years).

The table below summarises all the costs and benefits we have monetised in association with banning the UORR clause. We show the totals costs/benefits over the appraisal period in both PV and NPV. The table also includes the year we expect the cost/benefit to be realised.

Total costs and benefits in PV and NPV and the year in which they arise			
Item	PV (£m)	NPV (£m)	Year
Familiarisation costs to landlords	- 1.7	- 1.6	Third year only
Landlord's rental loss	- 82.3	- 61.1	Ninth and tenth year
Lower rents for tenants	+ 82.3	+ 61.1	Ninth and tenth year
<b>Net Direct costs to business</b>	<b>-1.7</b>	<b>- 1.6</b>	-

<sup>101</sup> <https://www.mcgarrrigle.co.uk/post/the-impact-of-lease-length-and-rent-review-mechanisms-on-high-street-retail-an-analytical-perspecti>

<sup>102</sup> <https://www.powertochange.org.uk/evidence-and-ideas/news-and-events/britains-high-street-crisis-reaches-tipping-point/>

The total cost and benefit to businesses is estimated at £62.7m and £61.1m respectively in NPV and the net cost to business is -£1.6m. The EANDCB is therefore estimated as £0.2m (2025 prices, 2025 present value (PV)) which is the expected cost to landlords from this policy change over the ten-year period. However, there are significant benefits to businesses that we were unable to quantify. When accounting for these non-monetised benefits, they would outweigh the costs and result in a positive net impact to businesses.

As mentioned above, these costs and benefits apply to both Option 4 and Option 5.

## **Sensitivity Analysis**

### **Familiarisation costs**

It is assumed that businesses will read all relevant areas of the notice document (3,000 words). However, a low estimate for familiarisation cost is estimated to account for a scenario where businesses will only read the first initial section explaining the changes to review clauses which is estimated at 500 words.

The familiarisation cost is estimated for the low scenario following the same methodology used previously but with a different estimated word count (500 words).

<b>Scenario</b>	<b>Words</b>	<b>Cost per landlord (£)</b>	<b>Total cost to Landlords (PV, £m)</b>
<b>High</b>	3,000	24.17	<b>1.7</b>
<b>Low</b>	500	17.45	<b>1.2</b>

### **Costs to landlords and savings to tenants**

We are uncertain about the number of businesses that could be affected by the policy and the costs incurred by landlords. We have considered how using higher assumptions could impact rents. The higher assumptions will result in a greater loss to landlords in the form of reduced rental revenue collected. However, the reduced rents will be a benefit to tenants as they pay lower rents. The costs to landlords and benefits to tenants are equivalent given that this is a transfer of money between private businesses.

To calculate the costs to landlord/benefit to tenants, we have made 3 key assumptions which are that rent reviews happen every 5 years; 20% of leases expire each year; and rents will reduce by 3.8%.

If we were to assume that lease renewals take place every 4 years rather than 5, this would bring forward the year in which costs are first realised to landlords from six years to five years after the ban is imposed. As a result, landlords would face more costs over the appraisal period (an additional one year worth of costs).

If we were then to assume that on average, 25% of businesses renewed their lease each year and relative to the central estimate, there were 20% more businesses who are affected by the policy, the number of lease renewals would be approximately 31,000 per year.

Furthermore, if we were to assume that landlords face a loss of 5% in rental income, the average loss to a landlord per property is £1,450 (2025 prices).

The overall result of adding these sensitivities is that over the appraisal period, landlords costs could increase to £202.9m (NPV). Similarly, the benefit to tenants will also be £202.9m (NPV).

### **Impact on small and micro businesses**

We expect our preferred option to have the largest positive impact on small, micro and medium businesses. This is because in the counterfactual, they are more likely to have UORR clauses in their leases because they may have limited knowledge about commercial leases. Data from the Inter-Departmental Business Register<sup>103</sup> shows that in 2024, more than 75% of businesses in the commercial, leisure and industrial sectors had less than 9 employees. For each sector, this figure increased to at least 90% when including small and medium businesses. Therefore, it is likely that the vast majority of benefits will be towards these businesses.

All landlords in the affected sectors will incur losses as a result of the intervention, including small and micro landlords. However, the amount of rental revenue they lose will depend on the number of properties in their portfolio. A small landlord with many commercial units will experience more of a loss compared to a small landlord who has few commercial units. This is because the loss in rental revenue occurs to each property they own.

The alternative option would have the same impact on small and medium businesses as above but the issuing of guidance would also benefit small landlords. In instances where a large business tenant may have better knowledge of the sector, the mandatory guidance will help to empower the small landlord with information and could result in fairer lease terms being agreed.

### **Costs and benefits to households' calculations**

We do not consider that our preferred way forward or the alternative option would have any significant costs to households. Conversely, we believe both options will be beneficial to households. The more frequent rebasing of rents reduces costs for businesses and therefore may help to keep consumer prices low. In doing this, the UORR ban may increase the number and diversity of businesses, achieve a strong local high street, and ultimately growing the economy and increasing individual job prospects and household income.

### **Business environment**

Landlords argue that UORR helps to attract investment into UK commercial property (including substantial foreign direct investment) because it generates predictable long-term cash flow. Landlords say that this predictable and long-term cash flow makes new developments easier to finance.

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<sup>103</sup> <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation>

To test this, we used house prices due to data availability but are assuming that commercial property prices and house prices are closely linked, as the value of one is the opportunity cost for the other <sup>104</sup>. We found that there is no evidence of investment in UK commercial properties being above average for a G7 country, whilst there is of UK property prices being considerably above average. This data is not very consistent with the argument made by landlords.

A UORR ban guidance should help rebalance power between tenants and landlords during lease negotiations, resulting in fairer leases that better cater to the needs of businesses. We hope this will lead to a stronger and fairer commercial property market where businesses are better able to prosper.

This, in addition to lower and fairer rents, may lead to greater high street occupation and greater reinvestment from high street businesses, which in turn may lead to economic growth. Although we believe the impact on economic growth will be more positive than negative, given the limited data available there is a risk that a UORR ban may negatively impact economic growth if investors decide not to refurbish and build new commercial property due to the loss of the predictable cash-flow.

### **Trade implications**

None

### **Environment: Natural capital impact and decarbonisation**

None

### **Other wider impacts (consider the impacts of your proposals)**

The main benefit associated with the policy intervention is that the commercial property market becomes more efficient. Leases would become more reflective of market conditions which could reduce the likelihood of a business going bust and the length of time commercial units are vacant. This could result in a thriving high street. Thriving high streets are beneficial to local areas because they create jobs locally which increases economic activity. In turn, there is a reduction in crime and anti-social behaviours and a stronger sense of pride in place <sup>105</sup>.

A more efficient and competitive market could result in lower rents for businesses. As rents are rebased more frequently, they may pass this onto consumers in the form of lower prices. This, however, will not be the case for all households as rents in some areas may be sticky and commercial rents generally increase over time.

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<sup>104</sup> [The Size & Structure of the UK Property Market Year-end 2020 \(January 2022\) Report](#)

<sup>105</sup> <https://www.powertochange.org.uk/wp-content/uploads/2022/03/Take-Back-the-High-Street-report.pdf>

Under the alternative option, tenants, especially small and independent businesses, would benefit from the mandatory issuing of guidance ahead of lease negotiations. This will help to restore the power balance between tenants and landlords.

## **Risks and assumptions**

### **Average rental loss to landlords**

The estimate of a 3.8% loss per landlord is likely to be overstated. Rents in the UK are generally upwards. It is mainly during economic downturns and times when an area is deemed as less attractive for businesses is when there will be downwards pressure on rents. This means that, after the ban is imposed, it is only during these times when we would expect landlords to make a loss. Also, there may be some biases surrounding the 3.8% figure. The analysis was conducted by an organisation whose members operate in the UK commercial real estate investment market. These members are likely to incur additional costs as a result of the policy intervention thus are likely to be against the removal of the UORR clause.

### **Initial spike in rents**

There is a possibility that market rents will increase as landlords raise prices in an attempt to counter the increased risk they have due to rents no longer being guaranteed to be upwards only. We do, however, think that this behaviour will not last long as we believe that the market forces will restrict this behaviour. New tenants entering the market will be less inclined to go to a commercial unit that is more costly than the market rate, therefore, landlords would have to set their rents at a competitive level.