

## Draft Commonhold and Leasehold Reform Bill

<b>Lead department</b>	Ministry of Housing, Communities and Local Government
<b>Summary of proposal</b>	The Bill contains a range of proposals set out in a summary impact assessment (IA), and in separate IAs for the five specific proposals.
<b>Submission type</b>	Impact assessment – Submitted 19 March 2026
<b>Legislation type</b>	Draft primary legislation
<b>Implementation date</b>	Varies for each measure
<b>RPC reference</b>	RPC-MHCLG-26148-IA(1)
<b>Date of issue</b>	1 May 2026

### RPC opinion

<b>Rating</b>	<b>RPC opinion</b>
<b>Fit for purpose</b>	<p>The IA provides a sufficiently robust rationale for intervention, identification of options and justification for the preferred way forward across the package of reforms. The overarching analysis explains why legislation is required, how the preferred package meets the stated objectives, and sets out monetised and non-monetised impacts proportionately.</p> <p>Detailed analysis has been presented in the five annexes.</p> <p>In forming this opinion, the Committee has also had regard to relevant evidence submitted directly to the RPC by third party stakeholders.</p>

## RPC summary

Category	Quality <sup>1</sup>	RPC comments
<b>Rationale for intervention</b>	<b>Green</b> (for all five measures)	The Bill IA and annexes provide a clear overall rationale for intervention, rooted in persistent market failures, including information asymmetries, coordination failures, weak consumer bargaining power and principal-agent problems in residential property markets.
<b>Identification of options, including Small and Micro Business Assessment, (SaMBA)</b>	<b>Green</b> (for all five measures)	The annexes provide detailed longlists and comparative option development. The SaMBA is sufficiently explained and non-exemption is justified by reference to the need for legal consistency and avoidance of market confusion. The department should add additional narrative to support how some longlists narrow to final shortlists, especially where several options are close on qualitative assessment.
<b>Justification for preferred way forward</b>	<b>Green</b> (for all five measures)	The IA explains how the preferred package of reforms meets the stated objectives at Bill level, drawing together evidence and analysis from the annexes. It describes how the measures operate as a coherent package over time, with indicative metrics and timelines.
Regulatory Scorecard	Satisfactory (for 3 measures; 1 very weak; 1 good)	The overarching IA does not include a Bill-level Regulatory Scorecard; scorecard assessments are provided in the annexes. Taken together, these identify the main welfare, business and household impacts and are transparent about where impacts are non-monetised. Quality varies across measures.
Monitoring and evaluation plan	Satisfactory (for all five measures)	The Bill IA sets out an overarching programme-wide monitoring and evaluation framework and the annexes usually identify at least indicative metrics and likely data sources. The plans would nevertheless benefit from more specific early evaluation questions and clearer articulation of how success would be judged at an interim stage.

The table below provides a summary of the RPC ratings for the individual IAs.

**Table: RPC ratings for each individual IA**

<u>Measure</u>	<u>Rationale for intervention</u>	<u>Identification of options</u>	<u>Justification of preferred way forward</u>	<u>Regulatory scorecard</u>	<u>Monitoring &amp; evaluation plan</u>
Reforming the commonhold framework and prohibiting the sale of new leasehold flats	Green	Green	Green	Satisfactory	Satisfactory
Commonhold conversions	Green	Green	Green	Satisfactory	Satisfactory
Enforcement of long residential leases	Green	Green	Green	Satisfactory	Satisfactory
Estate rentcharges – regulation of remedies for arrears	Green	Green	Green	Very weak	Satisfactory
Ground rent reform	Green	Green	Green	Good	Satisfactory

<sup>1</sup> The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. Please find the definitions of the RPC quality ratings [here](#).

## Introduction

This opinion provides an assessment of all five individual IAs. This is provided in detail in the Annex. The Better Regulation Framework provides for green/red-rating on three criteria: rationale for intervention, identification of options and justification for the preferred way forward. The Annex also provides comments and areas for improvement across all IAs, including ratings across the other two criteria: scorecard and monitoring and evaluation plans.

## Summary of proposal

The draft Commonhold and Leasehold Reform Bill delivers a package of reforms intended to modernise residential property ownership in England and Wales and address the longstanding operation of leasehold as the dominant tenure for flats. The Bill gives effect to the government's stated intention to end the current leasehold system, as set out in the government's manifesto and reiterated in the King's Speech in 2024.

The package includes reform of the commonhold framework and a prohibition on the sale of new leasehold flats (subject to limited exemptions), a more accessible route to commonhold conversion, abolition of residential forfeiture and its replacement with a statutory lease enforcement regime, reform of estate rentcharge enforcement, and ground rent reform. The IA explains that these measures are intended to address entrenched market failures and legal frictions in residential property markets, and that only primary legislation can deliver the necessary legal certainty and market-wide change. Non-legislative measures are also included within the wider policy package to complement the legislative reforms.

## Rationale for intervention

At Bill level, the rationale for intervention is sufficiently strong. The summary IA identifies persistent market failures across the package, including information asymmetries, weak consumer bargaining power, principal-agent problems and coordination failures, and explains why these cannot be resolved through non-regulatory means alone where the underlying problems are rooted in primary legislation, private law rights and entrenched market structures.

The overarching IA provides a qualitative narrative explaining why a 'do nothing' baseline and non-regulatory approaches would not credibly achieve the stated objectives. While non-legislative measures are included as part of the wider reform package, the IA explains why legislation is necessary to remove structural barriers and deliver system-wide change. More detailed treatment of the rationale is provided in the individual annexes.

At Bill level, the IA sets out objectives at a high level, with the SMART framework applied in more detail within the individual annexes. The overarching IA explains how the preferred package of reforms is expected to meet these objectives over time, including by setting out possible metrics, timelines and indicators that will be refined as implementation and delivery plans develop.

Taken together, the objectives are internally consistent and clearly linked to the identified problems, with the annexes providing the necessary measure-specific precision.

## **Identification of options inc. SaMBA**

The overarching IA does not present a detailed long list or short-listing process, which is instead set out in the individual annexes. At Bill level, the IA explains qualitatively why non-legislative options and the do-nothing baseline are inadequate, and how the preferred legislative package is expected to meet the stated objectives.

This approach is reasonable for a composite Bill-level IA, provided that the measure-specific annexes contain the detailed options appraisal, which they do. The annexes include developed long-lists, consideration of non-regulatory alternatives, and structured appraisal against critical success factors.

Small and micro businesses have not been exempted from the measures in the package. The IA explains that exemptions based on firm size would undermine consistency and effectiveness in reforming tenure and enforcement arrangements. The SaMBA is therefore primarily mitigation focused, with further detail provided in the individual annexes.

## **Justification for preferred way forward**

The overarching IA explains how the preferred package of reforms meets the stated objectives at Bill level, drawing together evidence and analysis from the annexes. It describes how the combined reforms are expected to operate as a coherent package over time, including indicative metrics and timelines.

The justification is strongest where supported by substantial monetised and qualitative analysis in the annexes, particularly for the commonhold framework and ground rent measures. In other areas, including estate rentcharges and aspects of conversion and forfeiture reform, the case relies more heavily on qualitative judgement and emerging evidence, which is appropriately acknowledged. Overall, the justification across the package is sufficient at this stage, though parts would benefit from sharper explanation of residual uncertainty and the conditions under which assumptions will be revisited.

## **Regulatory Scorecard**

The overarching IA does not include a Bill-level Regulatory Scorecard. Instead, scorecard assessments are provided in the individual annexes. Taken together, these are broadly satisfactory, although quality varies across measures. In particular, some annexes rely heavily on qualitative judgement where monetisation has not been possible, and clearer articulation of scale and uncertainty would strengthen confidence. The Department should consider whether a future iteration of the IA would benefit from a summary scorecard drawing together Bill-level impacts.

Costs and benefits of the reforms are set out at Bill level and monetised where possible and proportionate, alongside detailed qualitative analysis. Impacts are

presented in 2025 prices, discounted at the standard Green Book discount rate of 3.5 per cent from a 2028 present value year, over a ten-year appraisal period (2028–2037). The preferred package is assessed against a counterfactual ‘do nothing’ scenario, in which the government does not intervene through legislative or non-legislative measures.

The total Net Present Social Value (NPSV) (excluding transfers) of the reforms is estimated to be £25.6 million, with a range of –£56.1 million to £101.0 million, reflecting uncertainty across several measures. The equivalent annual net direct cost to business (EANDCB) is £107.4 million to £157.1 million and the EANDCH is -£108.3 million to -£157.1 million. The IA also presents a summary table of non-monetised impacts where quantification has not been possible.

## Monitoring and evaluation

The Bill IA sets out a positive overarching programme-wide monitoring and evaluation framework, covering process, impact and value for money, and explaining why a whole-programme evaluation is more appropriate than isolated evaluation of each legislative component. The annexes include indicative metrics, likely data sources and some explanation of how impacts may be tracked.

The IA describes how the preferred package will be monitored against possible metrics and indicative timelines, and explains that these will be refined as policy detail is finalised and implementation progresses. The plan also acknowledges the use of both quantitative and qualitative evidence, and sets out a framework for drawing together information across the individual measures.

Any PIR required will be completed within five years of the secondary legislation coming into force.

### Regulatory Policy Committee

For further information, please contact [enquiries@rpc.gov.uk](mailto:enquiries@rpc.gov.uk). Follow us on Twitter [@RPC\\_Gov\\_UK](https://twitter.com/RPC_Gov_UK), [LinkedIn](#) or consult our website [www.gov.uk/rpc](http://www.gov.uk/rpc). To keep informed and hear our views on live regulatory issues, subscribe to our [blog](#).

## Annex: Detailed comments on all individual IAs

Measure	Comments on quality of assessment and areas for improvement
<p><b>Reforming the commonhold framework and prohibiting the sale of new leasehold flats</b></p>	<p><b>Rationale.</b> The annex sets out a strong rationale for intervention. It identifies the persistent problems with leasehold as the dominant model for new flats, explains why commonhold has remained marginal despite longstanding availability, and draws on the Law Commission, wider market evidence and international comparison to explain why legal reform is needed. It also explains clearly why framework reform alone is unlikely to shift market behaviour without a stronger intervention on new leasehold supply. The discussion is strengthened by a clear description of the differences between leasehold, share of freehold and commonhold, including their respective advantages and disadvantages, supported by a case study to illustrate how these tenure models operate in practice. The Department has included two SMART policy objectives, but would benefit from including a theory of change to support these.</p> <p><b>Identification of options.</b> The annex includes a long-list ranging from do nothing and non-legislative, voluntary and incentive-based mechanisms through to legislative interventions. The use of critical success factors and the structured progression from light-touch to more interventionist options is sufficient. The short-list excludes non-legislative options because they cannot achieve the policy objectives. The IA could be clearer in explaining how close qualitative judgements are resolved at the margin, particularly between commonhold reform alone and commonhold reform combined with a prohibition on new leasehold flats. The Department has included a sufficient SaMBA for the preferred option that considers a range of business stakeholders. The annex would benefit from including more detail on mitigation measures, as well as a medium-sized business assessment.</p> <p><b>Justification of preferred way forward.</b> The preferred option is justified sufficiently using a qualitative assessment against the other short-listed options. The Department has only undertaken quantitative analysis of the preferred option. The annex makes a coherent case that the commonhold framework must first be made workable and then supported by a statutory shift away from new leasehold flats if commonhold is to become the default. However, a large part of the welfare case relies on non-monetised benefits. While this is explained, the IA would be strengthened by clearer evidence to illustrate the scale of these impacts where quantification has not been possible, for example by drawing more explicitly on expected volumes of new flat sales. The sensitivity analysis, including testing implementation timing and assumptions about new build flat sales, is appropriate.</p> <p>The annex acknowledges qualitatively the risk of a two tier market emerging between new commonhold and existing leasehold stock, but does not quantify the potential capitalisation effects on the existing leasehold market. Given the scale of the existing stock, even modest valuation effects could be material relative to the monetised impacts elsewhere in the IA. The Department should include a quantitative scenario analysis of this risk.</p>

	<p><b>Scorecard.</b> Satisfactory. The annex identifies the main monetised and non-monetised impacts, including familiarisation costs, efficiency savings from the Commonhold Community Statement and a broad set of business and household effects. The main limitation is that large parts of the welfare case depend on non-monetised gains. Monetised impacts are presented in 2025 prices over a 10-year appraisal period with a present value year of 2028. The net present social value is estimated at -£18.8 million, with an EANDCB of £2.2 million, and no monetised costs to households. The annex appropriately highlights efficiency savings from reduced legal costs associated with the Commonhold Community Statement and considers impacts across a wide range of affected groups, including households, freeholders, developers, investors, managing agents, and legal and financial professionals. The Department has included a detailed assessment of distributional impacts.</p> <p><b>Monitoring and evaluation.</b> Satisfactory. The annex sets out policy-specific objectives and indicative KPIs, while the overarching IA provides a programme-level framework for evaluating the Bill as a whole. The inclusion of data sources and intended uses of metrics is helpful.</p>
<p><b>Commonhold conversions</b></p>	<p><b>Rationale.</b> The annex provides a clear explanation of the policy background and the structural reasons why commonhold conversion has not occurred in practice, identifying legal barriers, coordination problems and behavioural frictions. However, the case would be strengthened by explaining why further reform is being taken forward now, rather than waiting to assess the impact of the recent enfranchisement reforms once implemented. In addition, while the argument in favour of expanding commonhold is coherent, the evidence base relies predominantly on anecdotal examples; a fuller articulation of empirical support, or clearer acknowledgement of evidential limitations, would improve transparency. The annex sets out a policy objective that is framed as SMART. The metric could be strengthened by clarifying how it will be used to judge success in practice, including what would constitute “sufficient observable evidence” that conversion pathways have become workable.</p> <p><b>Identification of options.</b> The options analysis is comprehensive. The annex draws on the Law Commission’s proposals and a range of alternative legislative and non-legislative options. Options discounted prior to the long list stage, including Law Commission models involving mandatory leasebacks and government-backed equity loans, are transparently explained. The preferred option retains the reduced 50 per cent consent threshold while introducing additional measures to align the rights and responsibilities of non-consenting leaseholders and commonhold unit owners. The annex applies a combined qualitative and quantitative approach to assessing options against clearly defined critical success factors. The short list, comprising the do-nothing option, the preferred legislative reform and a non-legislative pilot approach in selected blocks, is reasonable and explained clearly. The SaMBA identifies relevant affected groups and considers exemptions and mitigation measures. However, it would benefit from additional quantitative evidence to illustrate the scale of any disproportionate burdens and the number of small and micro</p>

businesses affected. A more detailed plan for introducing mitigation measures and testing their effectiveness over time would also strengthen the analysis.

**Justification of preferred way forward.** The annex explains why the chosen approach is more proportionate, and manageable, than more ambitious Law Commission models and less interventionist non-legislative alternatives. Remaining uncertainty around uptake, block characteristics and manageability is acknowledged, though this uncertainty could be explored in greater depth, particularly given its importance to the overall welfare case. The annex assesses a wide range of impacts across affected groups, including non-consenting and participating leaseholders, freeholders, lenders, managing agents, valuers, legal professionals, insurers and estate agents. Most impacts are assessed qualitatively; familiarisation and implementation costs have been monetised. Illustrative switching analysis shows that these non-monetised benefits would need to be relatively small to offset familiarisation costs, equivalent to around £50 per converting block per year. However, the basis for some assumptions would benefit from further explanation. Familiarisation costs for freeholders are derived from the expected number of conversions; it is unclear why freeholders outside converting blocks would not need to familiarise themselves with the legislation. Sensitivity analysis has been undertaken for the implementation year, but could be expanded to cover other key uncertainties, such as the number of conversions per year.

**Scorecard.** Satisfactory. The annex is transparent about monetised costs, non-monetised benefits and key uncertainties. The main limitation is the extent to which the overall welfare case depends on non-monetised benefits outweighing a negative monetised value. The preferred option has a net present social value of -£3.7 million, with no costs to households monetised. Figures are presented in 2025 prices with a present value base year of 2028 over a ten-year appraisal period. The expected annual net direct cost to business is £0.4 million.

**Monitoring and evaluation.** Satisfactory. The annex sets out policy-specific objectives and indicative KPIs, while the overarching IA provides a programme-level framework for evaluating the Bill as a whole. The monitoring and evaluation plan sets out policy-specific objectives, key performance indicators and an intention to link these to the programme-level evaluation of the Bill. While this is satisfactory, the plan would benefit from greater specificity around data sources, particularly for qualitative feedback. For example, it is not clear whether there is an existing stakeholder forum or planned programme of interviews, or how frequently these will be undertaken in the early implementation period.

<p><b>Enforcement of long residential leases</b></p>	<p><b>Rationale.</b> The annex sets out a strong and coherent rationale for reform of forfeiture. It explains clearly why the current regime is disproportionate, the deterrent and chilling effects arising from the threat of forfeiture (not just completed cases), and why simple abolition without replacement would create legal and enforcement risks. The discussion of market failure, including information asymmetry between leaseholders and landlords, is well articulated and provides a credible policy justification. However, the evidential base underpinning the scale of the problem could be strengthened. Similarly, while the annex draws heavily on the Law Commission’s 2006 report <i>The Termination of Tenancies</i> to justify reform, it would benefit from clearer consideration of whether the underlying conditions identified in that report remain valid, and why action has not been taken until now. Expanding the international comparisons beyond high-level references would strengthen the case. The annex sets out two SMART objectives, but the time-bound element could be more precise. The “initial period” over which success will be assessed is not clearly defined.</p> <p><b>Identification of options.</b> The annex considers a long-list of options, including a do-nothing baseline, voluntary approaches, varying degrees of legislative reform, abolition, and an abolish-and-replace model. Where numerical scoring leads to similar outcomes across options, the annex provides qualitative justification for differences in progression. However, the rationale for shortlisting some options could be clearer. Additional explanation would be helpful as to why one option was shortlisted despite receiving a lower numerical score and the same score as a voluntary scheme. The presentation of the long-list and short-list process is clear overall. The Red-Amber-Green table is a helpful visual tool for explaining why some options were not taken forward, though including the preferred option would make clearer why it performs better across the assessment criteria.</p> <p><b>Justification of preferred way forward.</b> The preferred abolish-and-replace option is justified sufficiently. The annex explains well why this approach balances improved protection for leaseholders with landlords’ continued need for an effective enforcement mechanism, and why it is superior to both partial reform and outright abolition without replacement. The narrative demonstrates how the preferred option aligns with the stated objectives. The appraisal follows Green Book principles, applying a ten-year appraisal period (2028–2037), with costs and benefits shown in 2025 prices and discounted at 3.5 per cent from a 2028 present value base year. The analysis results in a net present social value of –£28.4 million. The annex is transparent that the principal monetised effects relate to familiarisation and implementation costs, while the central policy effect is a transfer from landlords to leaseholders through removal of the forfeiture windfall. As transfers do not affect overall social welfare, they do not contribute to the NPSV, though they are significant distributionally. Familiarisation costs are subject to high uncertainty, which the Department recognises, but further mitigation or testing of these assumptions would strengthen the analysis. The annex’s negative net present social value is driven largely by familiarisation cost assumptions applied across the full stock of freeholders. However, the evidence presented indicates that forfeiture activity is highly concentrated, with only a very small number of cases</p>
--	--

completed annually. More granular assumptions about likely engagement with the legislation could therefore materially reduce estimated familiarisation costs. Implementation costs may be understated: the requirement for landlords to provide explanatory statements could impose additional administrative costs, which should be tested at consultation and may be possible to monetise. The annex would also be strengthened by assessing the potential risk of increased service charge arrears following abolition, including any interaction with building safety obligations, as highlighted by stakeholders.

Sensitivity analysis using switching values has been undertaken, but is presented without supporting evidence on plausibility, and is derived using an acknowledged incomplete denominator. The explanation could also be clearer for a non-technical audience, particularly as these values are illustrative rather than assessed impacts. The annex estimates that benefits of around £3,620 per affected household over the appraisal period (around £360 per year) would be required to offset monetised costs. The SaMBA explains clearly why exempting small and micro businesses would undermine the core objective of consistent and fair treatment of leaseholders. The annex sets out mitigation measures, including guidance, templates and sector-specific training for small landlords, resident management companies and managing agents. This is appropriate, though further detail on how the effectiveness of these mitigations will be assessed over time would strengthen the analysis.

**Scorecard.** Satisfactory. The annex is transparent about transfers, costs, benefits and uncertainty. The main limitations relate to evidential gaps, reliance on an older evidence base, and uncertainty around behavioural and system-level effects, which should be closely monitored post-implementation. The expected annual net direct cost to business is £9.2 million, while the net direct cost to households is -£5.8 million. The annex provides a clear account of distributional effects, highlighting that the reform removes the transfer of full lease value to landlords following forfeiture and ensures that residual equity remains with leaseholders after repayment of mortgages and legitimate charges. This is a significant redistributive effect that is explained transparently.

**Monitoring and evaluation.** Satisfactory. The annex sets out policy-specific objectives and indicative KPIs, while the overarching IA provides a programme-level framework for evaluating the Bill as a whole. The monitoring and evaluation framework identifies sensible outcome areas and links them to the programme-level evaluation of the Bill. However, it would benefit from clearer interim tests of success, particularly in the early years, such as changes in use of alternative remedies, dispute resolution behaviour, and court workload. More detail on data sources and timing would improve confidence in deliverability.

<p><b>Estate rentcharges – regulation of remedies for arrears</b></p>	<p><b>Rationale.</b> The annex identifies power imbalance and information asymmetry between homeowners and rentcharge owners, the risk of disproportionate enforcement for minor arrears, and wider housing market frictions. The annex is appropriately transparent about the limitations of the available evidence. The discussion of recent reforms would benefit from non-technical explanations of key concepts, such as the use of chains of covenants as alternative enforcement mechanisms. Similarly, the deeds of variation process is not widely understood; a short illustrative case study would help clarify how the current system operates in practice and why it delivers limited protection for homeowners. The policy objective – to protect homeowners from disproportionate enforcement remedies associated with estate rentcharges and ensure fair treatment in arrears situations – is presented as SMART. However, the measurable element should be strengthened. The annex refers to “observable changes” in the enforcement environment, including reduced availability or use of disproportionate remedies, but no baseline data is provided and potential sources for this evidence are not clearly identified.</p> <p><b>Identification of options.</b> The annex draws on a long-list of options including do nothing, voluntary industry action, notice and threshold safeguards, disapplication of sections 121 and 122 of the Law of Property Act, and full repeal combined with a statutory notice requirement. Framed around Green Book-aligned critical success factors, this reflects a structured approach to option development. However, the critical success factor tables contain arithmetic and consistency errors in business-impact weighting and scoring, which undermine transparency in the shortlisting process. These inconsistencies should be corrected and the tables reconciled to ensure credibility of the appraisal. The rationale for excluding certain intermediate options from the shortlist would benefit from clearer explanation. In particular, a notice-and-threshold safeguard appears to be a low-cost and highly achievable do-minimum option that could significantly reduce unfairness for trivial arrears while preserving existing remedies for more serious cases. Similarly, disapplying sections 121 and 122 for estate rentcharges only is presented positively but not shortlisted, despite being an operationally simple improvement on the status quo. The annex would benefit from clarifying whether the policy objective has been framed too narrowly around the preferred option, and why these alternatives are insufficient to meet it. For publication, the description of options focuses solely on the do-nothing and preferred options. A summary of other options considered would improve transparency and help readers understand the trade-offs involved. The SaMBA explains why exempting small and micro businesses would undermine the objective of consistent protection for homeowners. However, the annex does not consider mitigation measures for SMBs, which is a gap relative to other measures where mitigation is explored explicitly.</p> <p><b>Justification of preferred way forward.</b> The preferred option – repealing sections 121 and 122 and introducing a statutory notice requirement – is justified as the clearest, fairest and most future-proof approach. The annex explains that, although an alternative option performs strongly, the preferred option scores better overall when assessed against the critical success factors, business impacts and SWOT-type considerations. It provides stronger consumer</p>
---	--

	<p>protection, increases market confidence and delivers a more thorough modernisation of the law. The annex relies in part on consultation evidence concerning non-estate rentcharges that has not yet been reviewed. The Department should explain how it will respond to the consultation results once available, and how it would adapt the policy if evidence suggested the preferred approach would not be effective, to mitigate the risk of unintended consequences. The annex considers impacts across homeowners, lenders, rentcharge owners, estate management companies and legal professionals. Expected costs and benefits are assessed qualitatively over a ten-year appraisal period, with illustrative savings figures provided. No costs to businesses or households have been monetised. While the Department intends to publish an updated IA once stakeholder feedback is incorporated, greater clarity would be helpful on what evidence is expected to become available and how it will be used to monetise impacts. Familiarisation costs have not been monetised, despite this being feasible and despite familiarisation costs forming a substantial part of the appraisal for other measures in the Bill. The annex does not provide a clear justification for assuming these costs are low. The annex also lacks sensitivity analysis. This could have been used to explore uncertainty around business impacts had costs been monetised, and to provide a clearer sense of potential magnitudes.</p> <p><b>Scorecard.</b> Very weak. The annex does not monetise costs or benefits and therefore relies almost entirely on qualitative judgement. It does identify the key impact channels and is candid about uncertainty, but the IA should strengthen the evidence base where possible and sharpen the explanation of likely magnitudes.</p> <p><b>Monitoring and evaluation.</b> Satisfactory. The annex sets out policy-specific objectives and indicative KPIs, while the overarching IA provides a programme-level framework for evaluating the Bill as a whole. The monitoring and evaluation plan identifies potentially valuable data sources, including case law monitoring and lender underwriting manuals. However, the narrative would benefit from further development to demonstrate that sufficient resource and capability are in place to undertake this monitoring, and to clarify how and when early evidence will be collected.</p>
<p><b>Ground rent reform</b></p>	<p><b>Rationale.</b> The annex addresses a well-evidenced and clearly articulated problem. Ground rents in legacy leases continue to create affordability, transaction and mortgageability distortions for a significant cohort of leaseholders and perpetuate a two-tier system between older leases and new peppercorn leases. The scale of impact is set out clearly, with around 3.8 million residential leasehold properties subject to a ground rent obligation across England and Wales, and an estimated 770,000 to 900,000 dwellings paying more than £250 per year. This provides a strong quantitative basis for intervention and aligns coherently with the Bill-level objectives on affordability, proportionality and ending the anachronism of financial ground rents. The annex also draws on evidence that recurring charges not linked to service provision are uncommon internationally. This point supports the policy case, though it could be strengthened by short comparative case studies of housing systems similar to the UK. The discussion of previous non-legislative interventions, including the 2019 industry pledge on doubling ground rents, is relevant, but additional context would be helpful on whether the number of signatories represents a significant share of the market. The annex sits alongside</p>

recent enfranchisement reforms, including provisions such as the 0.1 per cent cap that have been upheld by the High Court but are not yet in force. While the annex describes the interaction with the Leasehold and Freehold Reform Act, it would benefit from clearer explanation of how these pending measures have been treated in defining the baseline against which new impacts are assessed.

**Identification of options.** The Department has considered wide long list of options. This includes the do-nothing baseline, five consulted options, and a further four options considered but not consulted on, giving a total long list of ten. The annex explains that non-legislative approaches have already been pursued but do not fully meet the stated objectives. The shortlist of three options, in addition to do nothing, is clearly derived from whether options strongly meet at least one of the SMART objectives. The annex provides a clear narrative mapping each shortlisted option to the relevant elements of those objectives. However, greater transparency would be achieved by briefly explaining why some options were not consulted on, particularly given the breadth of the long list.

**Justification of preferred way forward.** The preferred option – to cap ground rents at £250 per year in cash terms, fixed for 40 years, followed by conversion to a peppercorn – is justified as the most effective and proportionate approach. The annex explains clearly why an immediate peppercorn cap, while best satisfying the objectives in principle, is considered to carry an unacceptably high risk of adverse effects, particularly freeholder insolvency and market disruption, and therefore does not strike a fair balance between leaseholders, freeholders and investors. The justification for the £250 threshold is supported by quantitative evidence and monetised analysis showing that this level captures the most problematic ground rents while reducing risks associated with more abrupt intervention. The annex estimates that the £250 cap preserves between 39 and 45 per cent of total ground rent value over the policy lifetime. It is not clear whether this figure is expressed in nominal or discounted terms. Given the application of the Green Book discount rate, income received several decades in the future has a low present value. The Department should therefore clarify the treatment of discounting and, where figures are nominal, set out the corresponding present-value range, as this is relevant to the proportionality case. The choice of a 40-year transition period is justified clearly, with the annex explaining why this timeframe is considered balanced, achievable and realistic after considering competing interests and the objectives of reform.

This annex contains some of the largest monetised impacts in the Bill. The Department has monetised the main costs and benefits, presents results in 2025 prices with a 2028 present value base year, and applies Green Book discounting. Impacts are shown over both a ten-year appraisal period and over the lifetime of the lease. The analysis indicates a positive net present social value, with ranges clearly presented. The annex is transparent in distinguishing transfers from changes in overall welfare and identifies where benefits are transfers with an NPSV of zero. It also illustrates interaction effects with enfranchisement reforms, though these interactions are not yet quantified. The Department commits to updating the analysis if new evidence becomes available and to publishing an updated IA

alongside the Bill on introduction, reflecting stakeholder feedback and pre-legislative scrutiny. Day-one compliance costs are broken down into constituent tasks, which is good practice. However, only the time required to read the legislation has been monetised, and it is not clear why other elements have been excluded. The SaMBA explains that exempting small and micro businesses purely on size grounds would undermine the core objective of ending the anachronism of ground rents and the two-tier system. The annex also notes that some freeholders without diversified income streams may exit the market, but it would benefit from clearer explanation of what this implies in practice and whether any transitional risks arise for leaseholders. The Department has undertaken extensive sensitivity analysis, which is appropriate given the scale of the intervention and long transition period. This analysis provides reassurance about the robustness of the preferred option under different assumptions.

**Scorecard.** Good. The annex presents a well-developed and transparent appraisal with extensive monetisation and sensitivity testing. Over the ten-year appraisal period, the NPSV of the policy is £76.5m (£34.3m - £118.2m). The EANDCB of the policy is £95.6m to £145.3m. This is the expected cost to business groups of the ground rent cap. The equivalent annual net direct cost to households (EANDCH) of the policy is -£102.5m to -£151.3m. This is the expected cost to leaseholders, and buyers and sellers of leasehold properties, that are not businesses. The analysis is presented concisely in the scorecard.

**Monitoring and evaluation.** Satisfactory. The annex sets out policy-specific objectives and indicative KPIs, while the overarching IA provides a programme-level framework for evaluating the Bill as a whole. The Bill-level IA identifies relevant programme-wide outcomes, including affordability, transaction and enforcement impacts. However, given the extended transition to a peppercorn outcome, the IA should clarify the intended interim milestones and how progress will be assessed during the 40-year period prior to full implementation.