PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

LOCAL GOVERNMENT FINANCE BILL

Eighth Sitting

Thursday 9 February 2017

(Afternoon)

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Monday 13 February 2017

The Committee consisted of the following Members:

Chairs: † Sir David Amess, Mike Gapes

Aldous, Peter *(Waveney)* (Con)
† Double, Steve *(St Austell and Newquay)* (Con)
† Doyle-Price, Jackie *(Thurrock)* (Con)
† Efford, Clive *(Eltham)* (Lab)
† Foster, Kevin *(Torbay)* (Con)
† Foxcroft, Vicky *(Lewisham, Deptford)* (Lab)
Hollinrake, Kevin *(Thirsk and Malton)* (Con)
† Jones, Mr Marcus *(Parliamentary Under-Secretary of State for Communities and Local Government)*
† McMahon, Jim *(Oldham West and Royton)* (Lab)
† Mackintosh, David *(Northampton South)* (Con)
† Marris, Rob *(Wolverhampton South West)* (Lab)
Pow, Rebecca *(Taunton Deane)* (Con)
† Thomas, Mr Gareth *(Harrow West)* (Lab/Co-op)
† Tomlinson, Justin *(North Swindon)* (Con)
Turley, Anna *(Redcar)* (Lab/Co-op)
† Warburton, David *(Somerton and Frome)* (Con)

Colin Lee, Katy Stout, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 9 February 2017

(Afternoon)

[Sir David Amess *in the Chair*]

Local Government Finance Bill

Clause 6

Power to reduce non-domestic rating multipliers

2 pm

Question (this day) again proposed, That the clause stand part of the Bill.

The Chair: I remind the Committee that with this it will be convenient to discuss the following:

That schedule 2 be the Second schedule to the Bill.

The Parliamentary Under-Secretary of State for Communities and Local Government (Mr Marcus Jones): The clause allows local authorities to specify a multiplier discount. The effect will be to enable them to reduce the nationally determined business rates in their area.

Schedule 2 provides two delegated powers. The first enables the Secretary of State to add, vary or amend descriptions of local authorities that can exercise this power, so that he or she can respond to changes in the organisation of local government. The second gives the Secretary of State the power to set a maximum multiplier discount that a relevant authority, as defined in schedule 2, may apply. The Local Government Finance Act 1988, as amended by the Bill, and regulations made under that Act, will allow the Government to ensure that the income of a tiered authority in a two-tier area is protected from a discount introduced by another authority.

We encourage two-tier areas to work together when setting a discount. Under paragraph 6C, the authority introducing a discount must inform the Secretary of State and other affected authorities of its intention to do so by 31 December in the preceding financial year. The list of relevant authorities under the schedule is defined in new paragraph 6A(2) and includes lower and upper-tier authorities, as well as unitary authorities and the Greater London Authority, all of which receive a share of business rates. New paragraph 6B(1) sets out how a multiplier discount must be expressed by an authority. Overall, these changes give local authorities the flexibility to attract business investment, while providing businesses with the stability of knowing that business rates will not increase beyond the national level.

Rob Marris (Wolverhampton South West) (Lab): My hon. Friends on the Labour Front Bench, whose amendments 45 and 46 would have enabled an increase in rates, will be happy to know that schedule 2 allows that. Paragraph 6 of schedule 2, which starts on line 32 of page 42 of the Bill, amends paragraph 3A of our old friend, schedule 7 of the Local Government Finance Act 1988. Paragraph 6 goes through aspects of multiplier discount and refers, in lines 1 and 2 of page 43, to taking

"the sum of those multiplier discounts."

I cannot see that the Bill prevents a negative multiplier discount, though I stand to be corrected by the Minister. I look around the room at all the MPs on the Committee; they all studied mathematics far more recently than I did—I make no mention of you, Sir David—but my understanding is that if there is a negative multiplier discount, the result is a positive. That would produce the effect sought unsuccessfully by my hon. Friends through amendments 45 and 46.

Mr Gareth Thomas (Harrow West) (Lab/Co-op): For the record, let me clarify that we were not seeking to change Labour party policy in this area, so my hon. Friend is wrong, unusually, to say that we were advocating an increase in business rates. We were merely seeking an opportunity to raise the suggestion made by the Select Committee on Communities and Local Government—and particularly the hon. Members for Thirsk and Malton, and for Northampton South—which advocated in its report a power for local authorities to increase business rates if they wanted to.

Rob Marris: I am grateful to my hon. Friend for that clarification. I apologise to the Committee if I mis-expressed myself. I was not advocating one course or the other, because I believe in local control and localism, but on my reading, the amendments made by schedule 2 would allow that increase.

The Minister adverted to new paragraph 6B, which is to be inserted into schedule 7 to the 1988 Act; it starts at line 27 of page 44 of the Bill. Under new paragraph 6B(3), the Secretary of State can, as the Minister said, set a maximum. The Secretary of State spoke this morning about incentivising and stimulating, and about local authorities working hard and being flexible to attract business. He referred to tools to incentivise local growth, without, of course, producing any evidence relating to the incentives, or their prospects of success, but we have already been around the block several times on the subject of the lack of evidence, so I shall leave that.

However, while we are talking about localism, sub-paragraph (3) is another instance of a power being reserved, if not grabbed, by central Government—the power for the Secretary of State to set a maximum for a multiplier discount. That does not seem to me to bolster localism. Broadly speaking, if we go along with what the Minister says—with the idea that 100% retention of business rates and so on will incentivise local authorities to be even more pro-business, whatever the colour of the authority—we should let local authorities act accordingly and make what outside observers and indeed some residents may see as mistakes. That is what localism is about: letting local authorities take decisions and bear the consequences.

Jim McMahon (Oldham West and Royton) (Lab): It is hard to think of a recent example, but perhaps the Government are trying to prevent a local authority from threatening to increase the rate to such an extent that there is local outcry, forcing the Government to do a back-room deal to resolve the issue.

Rob Marris: I cannot think that that could possibly happen in any county in England. However, I wonder whether specifying a maximum multiplier discount, which,

as I understand it is, in lay terms, a floor below which a local authority must not go, is to do with a Government attempt to shore up local government finances. The present Government and their coalition predecessor nicked loads of money from local authorities, so local authorities without enough money might still be tempted, in a beggar-my-neighbour way, to use the powers provided generally, were it not for schedule 2, to set a multiplier discount at a very low rate.

Of course Government finances are in a complete mess, and the national debt has gone up nearly two thirds in the past six years. There are real problems with the Government finances. They are not under control, and that is reflected in local authority finances. Some local authorities might be tempted to take action that outside observers and the Secretary of State might regard as foolish. What, therefore, does the Secretary of State do? He reserves powers, under schedule 2, to set a maximum multiplier discount.

That goes against the grain of what the Government are professing to do in the Bill—bolstering localism, and giving local authorities non-evidenced incentives to be business-friendly. A local authority cannot get too business-friendly by setting out too much of a multiplier discount, because then the Secretary of State will say, "You cannot do that." Again, there are contradictory messages. I do not say that nothing my party says is ever contradictory. On occasions it could be pointed out that things I or my colleagues have said are contradictory; that is the human condition. However, we are dealing with a Bill presented by a Government who talk about local control, and schedule 2 contains an example that shows them going in the opposite direction.

Mr Jones: I will respond briefly. The hon. Gentleman's argument and the intervention by the hon. Member for Harrow West showed how confused the Opposition are about this area of policy. I have clearly set out how the clause would operate, and explained that the intention is to allow local authorities to apply a discount to their multiplier if they wish. To respond to the question of the hon. Member for Wolverhampton South West, the Secretary of State will have the power to stipulate a maximum increase in a business rate supplement, and we are showing some consistency for when things go the other way and an area might want to reduce the multiplier. The clause is therefore not inconsistent with the Bill.

Question put and agreed to.

Clause 6 accordingly ordered to stand part of the Bill.

Schedule 2

POWER TO REDUCE NON-DOMESTIC RATING MULTIPLIERS

Amendment proposed: 48, in schedule 2, page 44, line 7, at end insert—

'(1A) A relevant authority shall determine that the multiplier discount shall apply—

(a) to all hereditaments in its area, or

(b) only to some hereditaments in its area (defined by reference to their location, rateable value, class of hereditament or such other factors that the relevant authority determines when specifying the multiplier discount).'—*(Jim McMahon.)*

See explanatory statement for amendment 49.

Question put, That the amendment be made.

The Committee divided: Ayes 5, Noes 7.

Division No. 6]

AYES

Efford, Clive	Marris, Rob
Foxcroft, Vicky	
McMahon, Jim	Thomas, Mr Gareth

NOES

Double, Steve	Mackintosh, David
Doyle-Price, Jackie	Tomlinson, Justin
Foster, Kevin	
Jones, Mr Marcus	Warburton, David

Question accordingly negatived.

Schedule 2 agreed to.

Clause 7

RELIEF FOR RURAL SHOPS, ETC

Mr Jones: I beg to move amendment 37, in clause 7, page 10, line 6, at end insert—

'( ) In section 67 of that Act (interpretation: other provisions), in subsection (7), for "and (6)" (as inserted by paragraph 6A of Schedule 3) substitute ", (6) and (6B)".'

Section 67(7) of the Local Government Finance Act 1988 provides that certain provisions of that Act apply on a particular day if they apply immediately before the day ends. This amendment extends section 67(7) to cover section 43(6B) of that Act.

The Chair: With this it will be convenient to discuss Government amendments 38 to 41.

Mr Jones: The Government are committed to supporting small businesses across all areas of the country. In rural areas, that will help to ensure that key amenities continue to be available to local communities.

The system of rural rate relief provides 50% mandatory relief to the only village shop, post office, public house or petrol station within a rural settlement, subject to certain rateable value thresholds. In the autumn statement, the Government announced the doubling of rural rate relief to 100%, which increases support for rural businesses. The clause brings that change into effect by amending section 43 of the Local Government Finance Act 1998 so that those businesses that qualify for rural rate relief pay no business rates at all. That will bring the rural rate relief scheme into line with the small business rate relief scheme, which provides 100% relief for eligible businesses.

The Government's intention is for the qualifying businesses to receive 100% rural rate relief from April 2017. For the 2017-18 financial year, before this legislation is in place, local authorities will be expected to use their discretionary powers under section 47 of the 1988 Act to provide 100% rural relief, and they will receive compensation through a grant from central Government. To ensure that all eligible rural businesses receive the relief, the clause provides that the 100% relief will become mandatory. The Government intend to bring the clause into force from 1 April 2018. This is an important amendment to legislation to protect and support valuable rural businesses.

2.15 pm

Mr Thomas: In the interests of speed, I will take the opportunity to speak to the Government amendments now, rather than in a separate clause stand part debate.

If I understand correctly, a small business in a rural area might quality for 100% business rate relief under small business rate relief, but if it also qualifies for the 50% rural rate relief, it has to be given that 50% relief rather than the 100% relief, because of the hierarchy of rate reliefs that exists. As I understand it, the clause intends to deal with that loophole.

As the Minister hinted, a rural settlements list sets out the types of businesses that would benefit from small business rate relief. Those are a public house or petrol station that is the only such business in a rural settlement and has a rateable value of less than £12,500, a food store or general store that is the only one in the settlement, and post offices with a rateable value of less than £8,500. Local authorities have the discretion to top up the 50% rural rate relief to 100%, but not all do so, presumably because of the difficult financial situation that local authorities face at the moment, regardless of their political leadership, given the cuts to revenue support that the Government have been pushing through.

I intervene in this debate to ask the Minister a number of questions. Why does the rural rate relief scheme not cover a wider range of businesses? I ask that in the context of growing concern in the countryside that rural enterprises will be some of the biggest losers in the business rates revaluation that will come into force after April 2018. There have been real concerns that livery yards and riding schools, for example, will go to the wall because of the expected increase in business rates under the revaluation. There is concern that kennels and catteries, polo grounds, racecourses and racing stables will also be among the worst hit. That is of such concern that the hon. Member for Montgomeryshire (Glyn Davies) has raised concerns. Similarly, Sarah Phillips, the director of participation at the British Horse Society, worried aloud—understandably—through *The Times* that increases in business rates after April would have a devastating impact on livery yards and riding schools. She went on to point out that rural businesses, which typically occupy more space, were being put at an unfair disadvantage by a bricks-and-mortar tax based on premises, not profitability. That prompts a question of Ministers as to why more rural businesses will not be able to benefit from the changes.

Indeed, the many businesses that want to install solar panels are also asking why rural business rate relief will not similarly help them. They also stand to suffer considerably from the business rates revaluation that will come into force after the next revaluation in April 2017. The problem is that, going forward, solar panels will be judged separately from business premises, and it appears that they will not all qualify for small business rates, which is the other potential opportunity for assistance. Given the solar industry's potential to create good new jobs, why are Ministers not taking advantage of the extension of rural rate relief, perhaps to help out a number of other businesses?

When we debated clause 5, we talked about whether the retail prices index or the consumer prices index should be used. I know that you read *Hansard* diligently, Sir David, so you will remember that £78 billion will potentially be gained by businesses and lost by local authorities over the next 20 years as a result of the change. Perhaps if Ministers were to take advantage of the flexibility in clause 5 over whether CPI is used, which my hon. Friend the Member for Wolverhampton South West noted, they might be able to find the resources to help more businesses in our countryside to survive.

Bricks-and-mortar businesses—in urban areas, too, but in this context particularly in rural areas—are under growing pressure from the rise in online businesses. One of the great successes of the previous Labour Government, and of Britain more generally, is that we are such a hub for online technology businesses, but those businesses tend to need less space and are therefore less likely to pay high business rates, whether they are in urban or rural areas. Many businesses are saying, "Hang on a second. We have to pay huge business rates every year, and these online businesses are not being taxed in the same way. Isn't it time for a bit more equality between these two types of businesses?"

The challenges for businesses in rural areas are sometimes even more acute. In Threlkeld, a small village just outside Keswick in the Allerdale Borough Council area, which the hon. Member for North Swindon always likes to be reminded of, there is a new coffee shop run by the community—it is a social enterprise—and a pub. We know that the pub would qualify for 100% rural rate relief, but we do not know whether the coffee shop would. As the coffee shop is part of a community hall facility, it helps the community of Threlkeld to benefit from the existence of that premise, where lots of different community activities take place. Would it be eligible for 100% rural rate relief or not? It is not a post office, a pub or a petrol station. Perhaps Ministers might listen to the concerns of businesses in the countryside a little more and do more to help them.

Rob Marris: If that community centre were classified as a public toilet under clause 9, it might get some relief—as might its users.

Mr Thomas: The last time I visited that coffee shop, which has fantastic views of Blencathra and Skiddaw—two of the great English mountains—although there were toilets there, that was not what the bulk of the premises were being used for. It would be interesting to probe whether it has the potential to get at least some relief under clause 9, but let me not test Sir David's patience by being diverted down that particular route.

I would like to ask Ministers why, in their view, rural rate relief is so limited and whether there might not be scope for providing more assistance to businesses in the countryside, more generally and also given the rise in online businesses, which do not require such large premises. In particular, it would be good to hear what the Government will do to help the nascent solar panel industry, particularly those businesses seeking to put up solar panels in rural areas.

Mr Jones: Thank you, Sir David, for allowing me the opportunity to respond to the shadow Minister. He mentioned rural rate relief. Clearly, there is a key criterion for eligibility. The idea of rural rate relief is to ensure that key amenities are available in rural areas. He seems to have conflated it—at some length—with the business rate revaluation. As he will know, the revaluation is not a process designed to raise any more or less money for

the Exchequer; it is a fiscally neutral exercise meant to ensure that rateable values reflect property rents and changes in those rents over the revaluation period.

In the 2017 revaluation, nearly three quarters of ratepayers will see either no change or a reduction in their bill. The hon. Gentleman seems suddenly to have an interest in rural areas. Most people in rural areas think that the Labour party has generally neglected them when it has been in government, but he now seems to be taking a more significant interest, which perhaps we should welcome. Rural businesses, if their rates have increased, will also be eligible for part of the £3.6 billion transitional relief scheme that we are introducing at the same time. I hope to reassure him that, in its totality, the business rate revaluation will predominantly reduce rate bills in rural areas by an average of 4.4% and in significantly rural areas by an average of 6.4%.

Mr Thomas: I would gently point out that it was not the Labour Government who sought to close hospitals in rural areas, such as the one in Allerdale Borough Council's area that serves the community of Threlkeld, to which I referred. I suggest that the Minister is being rather complacent about the impact on some rural businesses as a result of the revaluation. Have Ministers considered extending rural rates relief so that other businesses in isolated communities can benefit?

Mr Jones: We keep taxes continually under review. As I said to the hon. Gentleman, we are not complacent. We have put in place a significant package of transitional relief in that regard. He has waxed lyrical about Allerdale. Having been up to that part of the country recently, I know how beautiful it is, but I also observed that the local economy is not just about tourism and related activities. It is also heavily based on the nuclear industry. There are many people in that area who depend on the nuclear industry for their livelihoods. I would say to the hon. Gentleman, very gently, that his party's policy on nuclear is probably the biggest threat to that particular part of the country. *[Interruption.]*

The Chair: Order. I would be grateful if the Minister would stick very closely to responding to the points that were made by Mr Thomas.

2.30 pm

Mr Thomas: On a point of order, Sir David. To clarify for the record, because the Minister has made an assertion that is completely inaccurate, Labour party policy is to support nuclear power, in particular Sellafield.

The Chair: That was a very clever way of continuing the debate. I think it is best if we move on.

Mr Jones: I am not sure that the hon. Member for Harrow West has spoken to his leader, but I will not go into any further depth on that. I think I had come to the end of responding to the hon. Gentleman's point. What I would like to do—

Mr Thomas: Will the Minister give way?

Mr Jones: I am not going to give way on that point again.

Mr Thomas: On a point of order, Sir David. I wonder whether there is any way in which you might encourage the Minister to address the concern about the solar panel industry and the potential impact of rural rate relief.

The Chair: That is obviously not a matter for the Chair. It is a matter for the Minister how he responds to the points that are made, but he heard the point made. It is entirely a matter for him whether or not he wishes to respond.

Mr Jones: Thank you, Sir David. There is a concern about whether the point made relates to rural rate relief. I would say to the hon. Member for Harrow West that solar panels quite often form part of a building that might be subject to business rates. There are some situations—I will not go into the details—where those solar panels will be subject to business rating because they are part of plant and equipment, and some occasions where they will not be. I would also say that because that equipment forms quite a small part of the hereditament in question, which would be subject to business rates alongside the solar panels, there are situations where business rate levels have reduced as part of the revaluation, even though the solar panels may be subject to business rates.

If you will allow me, Sir David, in the spirit of trying to move the Committee along, I would like to speak quickly to the amendments tabled to the clause. Amendments 37 and 41 are purely technical amendments, which concern a principle used in business rates known as the end-of-the-day rule. Hon. Members new to the technical details of the business rates system may believe that we are thinking about the end of the day—which could not come soon enough for many of us—but I am afraid this is slightly different. The liability of a ratepayer to business rates arises on a day-to-day basis. That means that business rates are calculated for each day based on the circumstances of the ratepayer and the property on that day. That then gives rise to the question at what point in the day those circumstances are to be taken from. If, for example, a ratepayer moved into the property at 12 noon, are they a ratepayer for half of that day, for the full day or not at all?

The relevant legislation does not leave that point to chance. Section 67 of the 1998 Act contains various provisions dealing with such circumstances. The provision adopted in section 67 is that the circumstances as they may exist before the day ends are taken to have applied for the day, and if conditions necessary to satisfy the requirements of, for example, a mandatory rate relief are met immediately before the day ends, they are taken to have applied for the day. If, for example, a charity started to use its property wholly or mainly for charitable purposes at 12 noon, it is assumed to have used the property for the whole day and is therefore eligible for mandatory relief.

The end-of-the-day principle is a familiar and accepted principle in the business rates system. The amendments will apply that principle to various measures that we are introducing in the Bill and they will clarify that the same principle applies to some existing reliefs.

Amendments 37 and, in part, 38 will ensure for the avoidance of doubt that the end-of-the-day principle is applied for rural relief and small business rate relief. In practice, those reliefs are already operating using

[Mr Marcus Jones]

the principle, but we want to put that beyond doubt. Amendments 38 and 39 will ensure that the end-of-the-day principle is adopted for the new relief for telecommunications infrastructure introduced under clause 8 and schedule 3. Amendment 40 ensures that the principle is adopted for charitable and empty property relief on the central rating list introduced under clause 10. Finally, amendment 41 will ensure that the end-of-the-day principle is adopted for the new administrative arrangements being introduced for the central rating list under clause 11.

Amendment 37 agreed to.

Clause 7, as amended, ordered to stand part of the Bill.

Clause 8

RELIEF FOR TELECOMMUNICATIONS INFRASTRUCTURE

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss the following:

That schedule 3 be the Third schedule to the Bill.

Mr Thomas: Before I open my remarks on whether the clause should stand part of the Bill, having consulted with the registrar of standards, I need to declare that my partner works for a company that certainly manages and I believe installs mobile telecoms infrastructure.

I intend to explore the Minister's thinking on the case for the clause. In the 2016 autumn statement, the Chancellor announced that the Government would provide 100% business rates relief for new full-fibre infrastructure over a five-year period from 1 April this year. In the context of the significant concern about BT and the way in which Openreach is working, and about the profits it and other bits of the industry have been able to generate, why is that particular provision needed? I ask it as a probing question.

Clearly, there is an opportunity cost to Ministers' decision to offer full business rates relief for five years. All of us recognise the need to speed up access to the very best broadband telecoms not only in rural areas, in the context of the previous debate, but for businesses and households in my constituency, which complain about slow access to the newest broadband infrastructure. One wonders whether it is not the money, as full business rates relief for telecoms infrastructure will not offer up huge sums of money to those installing such infrastructure. However, there is clearly an opportunity cost in other areas.

Ministers do not appear to be cracking down enough on Ofcom or BT about the speed at which the broadband is being rolled out. How does the Minister see the clause making a real difference in the context of the considerable profits already being generated by the companies operating in this area?

Rob Marris: I hope the Minister can point to this, because I cannot find it, but my hon. Friend referred to the Chancellor's announcement that mentioned a five-year period. I cannot find a reference to a five-year period in schedule 3. It may be there and I just cannot see it, or it is somewhere else and the Minister can point it out to me.

I see in schedule 3 more than four pages and five formulae. The ever-helpful Library brief cites on page 37 documentation from the autumn statement saying that this measure

"would reduce business rate revenue by £10 million".

For a company such as BT, £10 million is not a huge amount of money, but for everyone in this room, it is. Nationally and relatively—I stress "relatively"—it is not a huge amount of money, but we get a four-page schedule and five formulae. That strikes me as completely over the top.

We see in schedule 3—on page 46, lines 30 and 31, page 47, lines 37 to 38, and page 48, coincidentally lines 30 and 31 again—the same wording:

"any conditions prescribed by the Secretary of State by regulations are satisfied on that day."

So here we have the Secretary of State and more regulations. Then when I look at the power to make regulations in paragraph 12 on page 50 of the Bill, it says:

"any power to make regulations conferred by virtue of this Schedule"—

schedule 3—

"includes power to make provision having effect in relation to times before the coming into force of this Schedule".

I would like the Minister to talk the Committee through that a bit. No doubt he will say something like this happens all the time, but I am a bit uneasy about what seems on the face of it to be a retrospective power in schedule 3, paragraph 12. That is a little worrying. Even though I appreciate it may be a power that would be used or is intended to be used to lessen the tax on a particular business or set of businesses, I still find the retrospection a little troubling.

Mr Jones: The Government intend to support the roll-out of a full-fibre telecommunications infrastructure for all. Full-fibre broadband will deliver a step change in the speed, service quality, security and reliability of broadband services. It will provide important support for a more productive economy and boost the prospects for economic growth.

In the 2016 autumn statement, to which the hon. Member for Harrow West referred, the Government announced £1 billion of new funding to boost the UK's digital infrastructure. That includes investment of £400 million in a new digital infrastructure investment fund to boost commercial finance for emerging fibre broadband providers. Alongside that package, the Chancellor announced 100% rate relief for a new full-fibre infrastructure in England. Clause 8 and schedule 3 will introduce that relief, which will apply for five years, commencing on 1 April 2017. Hence this part of the Bill will have a retrospective effect. I hope that the hon. Member for Wolverhampton South West understands the principle behind the retrospection.

Mr Thomas: How much does the Minister expect that to cost in each of those five years?

Mr Jones: I will come to the cost a little later. The schedule provides powers to award rate relief to telecom networks. Some networks appear on the local rating lists held by local authorities and some appear on the central rating list held by the Secretary of State. The schedule therefore introduces the new relief for both local rating lists and the central rating list.

The powers in the schedule will allow the Secretary of State to set conditions on when the relief will apply. Through these powers, we will target the relief on operators of telecom networks that install new fibre on their networks. That will incentivise and reward those operators who invest in the broadband network.

These are concepts that we have not previously defined for business rates. The powers in the schedule will therefore allow us to develop definitions with experts in the telecoms and business rate sectors. By taking this approach we can ensure that we accurately capture in the relief only those parts of the telecoms networks that comprise new fibre. There is a distinction there because it is important—by definition, this is an incentive—that we incentivise the laying of new fibre cable. We are not looking to fund fibre cable that may have already been laid but not switched on, so to speak. I am absolutely clear that this is for new fibre.

2.45 pm

Rob Marris: As I understand it—as ever, I am open to correction—the provisions in the clause and accompanying schedule are by nature, to use the Minister's words, incentives: a financial incentive to encourage, in particular but not only, rural broadband and better internet connections, which we all support. It appears to be—I stress "appears"—a bung for private industry to do something that Ofcom could order it to do. Why are we being asked to do it in the Bill, rather than Ofcom just doing it by mandating companies?

Mr Jones: It is clear that the thrust of what we are trying to do, as I said at the outset, is to bring this forward as part of a package—£1 billion of new funding to boost the UK's digital infrastructure, including £400 million in new digital infrastructure investment and a fund that is dedicated to that—to boost commercial finance for emerging fibre broadband providers. It is important that the hon. Gentleman understands that this measure is designed to widen the market in that sense.

Rob Marris: I am grateful for the Minister's generosity in giving way. The Library briefing gives some figures on what this measure would cost each year, and I know he said he would get on to that. Are the figures for the cost each year included in the £1 billion to which he has referred at least twice, or are they in addition to it?

Mr Jones: That is a very good question, which I will write to the hon. Gentleman and the rest of the Committee on. The overall cost, which the hon. Member for Harrow West asked about—he wanted me to go into what the cost was in each of the first five years, but I am not able to do that today so perhaps I can satisfy him in writing—is £60 million over that particular period.

To pick up the thread that I was on, the powers in the schedule will allow the Secretary of State to determine the level of relief to be awarded. As I said, the Government intend to allow telecom operators 100% rate relief, but only for new fibre. That new fibre will of course form part of existing telecoms networks with existing ratings assessments. Through the operation of this scheme, we intend to ensure that relief is only for new fibre, as I have clarified to the Committee. To achieve that, the powers in the schedule will allow us to set, by a formula contained in regulations, the correct level of relief for each property, reflecting the amount of the network that qualifies for the relief. That will be based on a certificate from the valuation office of the amount of rateable value attributable to the new fibre.

Hon. Members will recognise that this is a technical area, but one in which we need desperately to ensure that the provisions are correct. Therefore, my Department will shortly issue draft regulations for consultation on how to implement the relief for new fibre. On that basis, I hope that clause 8 and schedule 3 will stand part of the Bill.

Question put and agreed to.

Clause 8 accordingly ordered to stand part of the Bill.

Schedule 3

RELIEF FOR TELECOMMUNICATIONS INFRASTRUCTURE

Amendments made: 38, in schedule 3, page 48, line 16, at end insert—

"6A In section 67 (interpretation: other provisions), in subsection (7), for "43(6)" substitute "43(4B) (so far as relating to England), (4F) and (6), 45(4D)"."

Section 67(7) of the Local Government Finance Act 1988 provides that certain provisions of that Act apply on a particular day if they apply immediately before the day ends. This amendment extends section 67(7) to cover section 43(4B) of that Act and the new sections 43(4F) and 45(4D) inserted by Schedule 3.

Amendment 39, in schedule 3, page 49, line 29, at end insert—

"10A In section 67 (interpretation: other provisions), in subsection (7), for "47(2)" substitute "54ZA"."—*(Mr Jones.)*

Section 67(7) of the Local Government Finance Act 1988 provides that certain provisions of that Act apply on a particular day if they apply immediately before the day ends. This amendment extends section 67(7) to cover the new section 54ZA inserted by Schedule 3.

Schedule 3, as amended, agreed to.

Clause 9

DISCRETIONARY RELIEF FOR PUBLIC TOILETS

Question proposed, That the clause stand part of the Bill.

Jim McMahon: I get all the crap jobs. I have been told that I am not allowed to use foul language, so I am afraid most of the puns have been wiped out.

This is a straightforward clause, which hopefully addresses a long-standing request from a number of local authorities for the facility of public toilets to be recognised as important not just in areas with high levels of tourism but in urban settings. We need to look back on the history of public toilets—not too far; I will go back only to the Romans—and on the establishment of the need for public conveniences.

When people are away from their home setting and need to use a convenience, it makes sense that conveniences are provided in convenient places, which they can get to easily. The truth is, in recent years, we have seen the number of public conveniences reduce significantly. In real terms, in 2010, the spend on public toilets by local authorities was £85 million and, last year, it was only £54 million. We have seen a lot of money taken away from public conveniences, which has had a real impact, with more than 1,700 public toilets having closed down. We know what the impact of that is.

Steve Double (St Austell and Newquay) (Con): Are those figures just for county and district councils or do they include parish councils? Many parish councils, particularly those in places such as Cornwall, have taken over the running of public toilets.

Jim McMahon: The figures come from a BBC freedom of information request last year, which went to all main local authorities. The question was not how many toilets they maintained but how many were in their areas of responsibility, so perhaps that includes toilets run by other authorities such as parish, community and town councils. I cannot confirm that from the article.

Rob Marris: As I understand it, if the parish council or whatever is a billing authority, it will benefit from the clause.

Jim McMahon: The parish council will benefit from the clause. The question was whether the data on the number of public toilets included parish councils and I cannot confirm that. Notwithstanding that, it is hard to believe that all 1,700 toilets have been handed over to parish councils. I think we can assume that, given £31 million has been taken out of their provision, a significant number of public conveniences have been taken away.

Some local authorities have recognised the impact that has had on their communities and, although they have faced difficult budget restrictions, they have tried to step up and bring the community together to try to find local solutions. For instance, we know that a number of pubs, cafés, bars and restaurants acting as community toilet providers have been recognised with a small payment from their local authority. That is one way in which there has been some impact, particularly in areas of high footfall such as tourist areas, and my own local authority does that to a good standard. However, there is a world of difference between being able to spot a little sticker displayed in the window of a community toilet provider and the community knowing where to find established facilities.

The other thing is that a number of the conveniences were in isolated locations, such as country parks, and a number of those have closed, too. At the moment, 10 areas have no public toilets, including Newcastle, Merthyr Tydfil and Wandsworth. Given the coming budget cuts, I imagine that councils will have to reflect on whether they look after children who need safeguarding protection, take care of elderly people who need social care, or maintain their toilets. Even if local authorities have a rate reduction, those toilets still have maintenance, staffing and cleaning costs, and I suspect that a number of them will fall foul of the cuts. Although this is a step in the right direction, it does not feel like a holistic strategy for providing that public infrastructure in many areas.

Campaigning organisations have taken this issue on. The British Toilet Association does a lot of work on it. We sometimes dismiss this issue, and people laugh it off because it attracts a sense of humour, but the British Toilet Association makes the case for why these facilities are important. This is about not just the number of toilets, but the quality of provision. The association is leading the way in ensuring that there is a quality standard so that people who use public toilets are not put off by poor cleanliness, antisocial behaviour or poor maintenance—for example, lights that are out. It recognises good practice through its annual awards, which it hopes will drive up standards in the industry.

I ask the Government to at least have a conversation with the British Toilet Association to find out what more can be done to come up with a holistic strategy to deal with this issue and to ensure that we do not lose any more public conveniences. Worse, in a bid to try to retain them but save money, maintenance may be reduced to such an extent that they are not welcoming and people do not feel safe in them. As a result, they may become a venue for antisocial behaviour, and none of us wants to see that.

When talking about money and numbers, at times we miss the human cost. I could have spent 20 minutes making jokes, but we have to be serious about what these public services are there for. I want to reflect on a story from a part of Manchester that my mum lives in, which used to have public toilets and now no longer does. A man called Brian Dean, who suffers from Parkinson's disease, went out with his wife, Joan, and needed to use the toilet. The toilet they thought would be there was not—it had closed—and they could not find anywhere else to go, so unfortunately he wet himself. For that to happen to an adult who was ill was absolutely distressing for him and his wife, who was proud of her husband and had a sense of responsibility for getting him around. They said that it left them with a feeling of humiliation. We can talk about numbers and finance, and we can crack jokes, but there is a human cost. There is a reason why these conveniences are there in the first place. We have to think about how much we value this type of public service.

I am pleased to see this measure, but I think it exposes a wider issue about how local authority premises are treated in the ratings criteria. Education facilities such as an independent school, an academy or a free school outside the local authority attract the 80% mandatory business rates relief, but local authority schools do not. We see the same thing in the health service: health providers outside the public sector can attract the 80% mandatory relief, but Government health providers cannot.

We have seen this before. Even before this Bill was introduced, because of the rateable values involved, privately operated public conveniences were under the rateable value threshold and could claim exemption, but council-run facilities could not. There is a broader issue here about how the ratings assessment treats public and Government-owned buildings. We should ensure that there is a level playing field. We have debated that in relation to education facilities, health facilities and other public buildings. It strikes me that the Government have reflected and feel that these important public buildings need to be recognised in the legislation, and I am pleased. It has been a while coming; local authorities have been asking for this for some time, but it has not happened. A request was made, for instance, during the sustainable communities process, and it was not taken on board.

I recognise that we have a great deal of business to get through, so I will leave my remarks there. However, I did not want to let the issue pass without making it clear that however funny this may appear on the surface, it is actually quite important.

3 pm

Steve Double: I want to make a few comments as someone with a fair amount of experience on this matter. I was the Cornwall Council cabinet member responsible for public toilets when a major review of public toilet provision was undertaken to look at—from the unitary authority's point of view—the best way to deliver this vital service to the public. As the hon. Gentleman said, this service is important to many people. In Cornwall, it supports not only the tourist industry on our beaches and in our parks, but local people, including the elderly, people with medical conditions and people with young families, who often need to use these facilities.

Mr Thomas: Given that the hon. Gentleman is likely to have slightly better access to the Minister's thinking than the Opposition are, will he say why he thinks Ministers are only giving discretionary relief, as opposed simply to exempting public toilets fully from business rates?

Steve Double: I am grateful for that intervention. I was going to say that I feel partly responsible for the clause. Along with my colleagues in Cornwall, I lobbied the former Prime Minister and Chancellor hard on this issue, because our experience in Cornwall was that this was a particular barrier for maintaining the provision of public toilets. From my point of view—I cannot speak for the Minister—there is not a one-size-fits-all solution across the country. In different areas, there are different challenges in maintaining public toilet provision. The discretion allows local authorities to set out whether it is a priority in their area.

Let me explain why the measure is so welcome. In Cornwall, which has a large unitary authority covering a very large geographical area, having all those toilets run and maintained by the unitary authority is not the most efficient way to do it. It is far better to devolve the provision and maintenance of those facilities down to local parish councils, town councils or other groups that are better placed to maintain them and keep them open at the hours that the community needs them—that may not be all year round, or all day. Those organisations will be better and more efficient at keeping the facilities clean and well maintained, because people can do it locally, rather than there being a centralised process like the one that Cornwall Council had, with people driving all over the county just to maintain the facilities. Devolving down the running of the facilities to local groups and councils is much more efficient and effective.

In my experience as a cabinet member, one of the biggest barriers to parish councils taking over the running of the facilities was business rates. Often, a fairly small parish council whose precept was only a few thousand pounds a year would consider taking on the cost of maintaining the public toilets, but they would find that the business rate alone on the toilets was more than their whole precept. Deciding whether it was feasible and affordable to take on the facilities was a significant challenge, even if the council recognised that taking them on would be very beneficial to the community. Putting discretion in the hands of the senior authority is sensible, because in the case of Cornwall Council, it can then decide that it sees the value of these facilities across the county. It may want to play its part in helping to maintain them and keep them open, but it may not want responsibility for their day-to-day maintenance and running. It can make the decision to grant that discretion. That would help parish councils with the cost of taking on these facilities, and perhaps enable them to afford to do so. This is a sensible and welcome move, and it has my full support.

Rob Marris: Certain houses of repute with cultural artefacts get a tax break for opening at certain times of the year to the public. My hon. Friend the Member for Oldham West and Royton did not have time to mention that the redoubtable Brian Dean, the gentleman with Parkinson's, tried every shop in a row of shops, asking if he could use their toilet, and was refused, as is their right. Having desperately tried to avoid it, it was only at that point that he had to soil himself. That is a sad reflection on those shops, but I understand it. I would like the Minister to give some thought to whether it might be possible to structure a business rate relief for private premises, such as a coffee shop in Allerdale, that allow the public access to their toilets, in the way that we allow tax reliefs for certain houses with cultural artefacts. We put something in; there are certain things that they provide; and they get a tax break for providing that service.

As we all know, with our ageing population, it is statistically likely that there will be a rise of near incontinence and urgency. The need for access to toilet facilities among the population as a whole, and the need for those facilities to be fairly readily available, will increase. I say that as one of the patrons of Wolverhampton Mencap. Many adults with learning difficulties get a sense of urgency and need to get to a toilet very quickly. I would ask the Minister to look at a system in which private premises that were not "wholly or mainly" a public lavatory facility, as in the clause, but that had a toilet—perhaps a coffee shop—and made it available to the public for a specified number of hours or whatever got some business rate relief for providing that public service.

Mr Thomas: I rise to make two points. It was interesting to hear the contribution of the hon. Member for St Austell and Newquay on how he thought we got to this point. I commend him for his successful lobbying, but I wonder why Ministers could not have gone a bit further. There are already business rates exemptions for agricultural land, presumably because of its importance to rural communities and to the countryside that we all value. Given the growing concern about the long-term financing of public toilets, one wonders whether it is time to dwell on the question of whether public toilets should be given full business rates relief. I have to be honest; I have not looked into the issue in detail yet, but it is a question worth posing to Ministers.

I come back to the example of the Threlkeld village hall coffee shop, which I spoke about before, and which my hon. Friend the Member for Wolverhampton South West tempted me to flag up on this issue. It has toilets that are used by members of the public, predominantly when they come in to use the coffee shop, but it is the only place in the community other than the pub where they might do so. The village hall is a social enterprise. Would business rates relief be on offer to that part of the premises that has toilets, if members of the public can use them?

Mr Jones: I will deal with the hon. Gentleman's point in a moment. First, public toilets contribute to high-quality public spaces, and are an important amenity for our

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communities, as has been said in this debate. They help people, particularly older people, to enjoy what our country has to offer, and to continue to live an active life. That is why we are introducing a measure through clause 9 that will allow local authorities to use their discretionary powers over business rate relief on publicly owned toilets. As my hon. Friend the Member for St Austell and Newquay said, Conservative MPs, particularly in Cornwall, lobbied the Government significantly on this issue. I am sure that he is delighted that the measure is being put into legislation.

Under current legislation, a billing authority cannot grant discretionary relief to properties occupied by a local authority. To pick up on the point made by the hon. Member for Wolverhampton South West, local authorities can grant rate relief to places where owners of private property allow the public to use their conveniences. I hope that that reassures him.

Clause 9 will amend billing authorities' discretionary relief powers, which are set out in section 47 of the Local Government Finance Act 1988, and will give them the power to grant discretionary relief to publicly owned toilets. The clause will help councils to keep toilets open, and importantly, it will pave the way for savings by parish and town councils, which often bear the burden of maintaining such facilities. Where a billing authority decides to grant discretionary relief, the relevant business rate liability will be reduced or removed altogether.

I will pick up on a couple of points made. I did not catch the name—

Mr Thomas: Threlkeld village hall.

Mr Jones: It is kind of the hon. Gentleman to assist me. That sounds to me like it might be a charitable organisation. If that is the case and the property is used wholly for charitable purposes, there is a fair chance that it would qualify for charitable relief, which would reduce the rating liability by 80%. It might be worth him looking into whether that is the case.

I will not go into what the hon. Member for Oldham West and Royton said about the principle of whether NHS hospitals and so on should be subject to business rates. We will debate that fully when we deliberate on a new clause. I certainly took on board what he said about the challenges in some places where there are no public toilets at all; that is a fair point. One of the places that he mentioned was Merthyr Tydfil, which he will know does not come within the remit of the Bill, as it is under Welsh jurisdiction. He will be interested to know that it is my understanding that Wales does not have such a rate relief scheme for public toilets. Perhaps the Labour Administration in Wales might want to take a leaf out of this Parliament's book and consider implementing a similar scheme.

This is a highly beneficial clause that will support local authorities in keeping valuable public toilets open by reducing the cost of maintaining them, thus preserving important amenities not just for local people but, in many areas, for tourists and visitors. I commend the clause to the Committee.

Question put and agreed to.

Clause 9 accordingly ordered to stand part of the Bill.

Clause 10

CENTRAL NON-DOMESTIC RATING: OTHER RELIEFS

Amendment made: 40, in clause 10, page 12, line 32, at end insert—

'( ) In section 67 of that Act (interpretation: other provisions), in subsection (7), for "and 54ZA" substitute ", 54ZA, 54ZB and 54ZC".'—*(Mr Jones.)*

Section 67(7) of the Local Government Finance Act 1988 provides that certain provisions of that Act apply on a particular day if they apply immediately before the day ends. This amendment extends section 67(7) to cover the new sections 54ZB and 54ZC inserted by clause 10.

Question proposed, That the clause, as amended, stand part of the Bill.

3.15 pm

Mr Thomas: I rise to make a contribution that is in the same spirit as those made by the hon. Members for Thirsk and Malton, and for Northampton South, in the Communities and Local Government Committee debate on 100% business rates retention. I will raise the issues that they might feel intimidated about raising, or be reluctant to raise. That Committee heard concerns about the central list and agreed that Government and local authorities could together consider whether properties on the central list should continue to be held by central Government, and how the revenue generated could be better used under 100% retention. It made the point that it had received representations from throughout the local authority world criticising the central list's lack of transparency and urging that the revenue from the central list be distributed among authorities. A number of councils said that the accounting was opaque, and London Councils suggested that the basis for including properties on the central list was unclear.

That was perhaps most nicely summed up by David Magor of the Institute of Revenues Rating and Valuation:

"The central list is a mystery; no one knows what the central list is spent on. Is it the Chancellor's central pot?"

Perhaps that is how Surrey is being sorted out. He continued:

"The central list should be distributed to local government because it is part of rate income. There is no logical reason why the central list should continue in its present form."

The Minister will by now have gone through the Select Committee report and had time to reflect on the Committee's concerns about the operation of the central list. I express those concerns, but recognise that clause 10 seeks to ensure that properties on the list can qualify in future for charitable, empty property and telecoms relief. What impact will that have on the approximately £1.5 billion raised in business rates annually, and on the central list? Presumably, were the £1.5 billion to be depleted significantly as a result of all those additional reliefs, there might be consequences for the redistribution of resources among councils. I will not go into the concerns about other impacts on the pool of money raised from business rates, or the scale of the cuts to the revenue support grant, but it would be helpful to hear what estimate Ministers have made of the impact of clause 10 on the £1.5 billion pot.

I have received representations from the Charity Retail Association, which is responsible for representing all charity shops in England. It suggests, instead of the 80% charitable relief to which the Minister referred in

discussion on clause 9, 100% relief to ensure no postcode lottery. Some charity shops get 100% as a result of the additional 20%, which is discretionary, being given to them by their authority, but not all do. The association asks for 100%. What do Ministers think of that concern?

Rob Marris: Does my hon. Friend agree that 100% relief for charities would be consonant with what someone—I cannot remember who—called the big society?

Mr Thomas: I will not go down that particular route—you might get annoyed with me, Sir David, and I would not want that to happen—but my hon. Friend makes a good point.

It is worth remembering that the central list primarily focuses on utilities or property belonging to the formerly nationalised industries. One thinks about the privatisation of the water industry, for example, where in general water companies are mostly owned by private equity investors that have taken on billions of pounds of debt, often in the form of loans from shareholders, which the chair of Ofwat as recently as 2013 suggested was morally questionable, in order to avoid corporation tax costs. One wonders whether it is entirely appropriate for such companies to benefit from reliefs in the context of concern about water companies and other privately owned utilities not paying as much corporation tax as they might. It is in the spirit of inquiry that I ask those questions.

Mr Jones: This clause, and clause 11, are concerned with the operation of one of the less well known parts of the business rate system: the central rating list. Most properties are assessed for business rates on the local rating list for the authority where they are located. In cases where a property sits over the boundary of more than one local authority, the valuation officer will place that property into the rating list they believe contains the largest part of the property by value.

Those well established and common-sense rules deal satisfactorily with most properties. However, some properties are less suited to those rules. Network properties, such as the electricity, gas, water, railway and telecom networks, may span many local authority areas. It is of course very difficult—or impossible—to say into which local list those networks should fall, and it would be equally difficult to break up the rating assessments into individual local areas. Therefore, those networks are instead placed on a central rating list maintained by the central valuation officer and held by the Secretary of State.

The clause introduces charitable and unoccupied property relief to the central list. I would like to say that these are not new reliefs; the same properties on local rating lists have been entitled to relief since business rates were first introduced in 1990. We are merely replicating those reliefs on the central list. It is of course fair that properties that would be eligible for relief on local lists should also be eligible for relief on the central list. Introducing charitable and unoccupied relief to the central list will therefore allow us to include any properties on the central list that may become eligible for such reliefs.

A couple of questions were asked. First, in relation to charity relief and whether we will look to extend that, as I said a little earlier, all taxes are generally under review, but there are no plans at this time to change the system of charitable reliefs.

The hon. Member for Harrow West asked about the cost of the changes we want to make to the central list. We are not aware of any existing properties on the central list that may be eligible for charitable or unoccupied relief. The canal network was on the central list when it was occupied by the British Waterways Board, but since it has passed to the Canal & River Trust it has been on the Birmingham local list, where it receives charitable relief. The extension of these measures to the central list will allow us, where appropriate, to move on to the central list properties that may be eligible for relief.

Mr Thomas: The one thing the Minister has not commented on is the cost. How much does he estimate allowing the reliefs to apply to the central list will cost?

Mr Jones: I thank the hon. Gentleman for that question. As I said, we are looking to bring these provisions into line with the provisions on the main rating system and the main local list, but we are not aware of any existing properties that may be eligible for charity or unoccupied reliefs at this time. On that basis, I will leave it there in the hope that clause 10 will stand part of the Bill.

Question put and agreed to.

Clause 10, as amended, accordingly ordered to stand part of the Bill.

Clause 11

CENTRAL NON-DOMESTIC RATING LISTS

Amendment made: 41, in clause 11, page 15, leave out lines 7 to 9 and insert—

"(8B) In relation to England, a hereditament falls within a description or class on a particular day if (and only if) it falls within the description or class immediately before the day ends.";"—*(Mr Jones.)*

This amendment makes it clear when a hereditament is to be regarded as falling within a description or class for the purposes of Part 3 of the Local Government Finance Act 1988.

Question proposed, That the clause, as amended, stand part of the Bill.

Mr Thomas: I have some brief questions on clause 11. According to the explanatory notes, Ministers are apparently worried that maintaining the central list would give rise to an increasingly heavy process and regulatory burden. It would be good to hear an example from the Minister to understand the justification for that concern. The fear, rightly or wrongly, is that it could affect the business rates income of a local authority adversely if a large property were moved on to the central list from the local list. What estimate, if any, is there for the likely annual impact on the central list and what arrangements for consultation between the local authority and the Department would there be before a property was moved off the local list and on to the central list?

New section 52A(2), which clause 11 inserts into the Local Government Finance Act 1988, allows separate rateable values for separate types of property to be attributed to separate types of property in the future. Can the Minister give an example of when and how that new power might be used?

Mr Jones: Clause 11 is concerned with the administration of the central rating list. The central list mostly comprises network properties that span many local authority areas

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and so are less suited to being on local rating lists. The list itself is a public document and is readily available to view on the Valuation Office Agency's website. It includes ratepayers such as Network Rail, BT and National Grid together with their rateable value. It is clear and transparent which ratepayers and networks appear on the central list and what they pay in business rates. The rates bills on the central list are collected by my Department and directed for the benefit of local government.

When the system was first introduced in 1990 there were fewer companies than now operating a smaller number of large utility networks and infrequent changes were needed to the central rating list. However, we increasingly find that we have to make several minor administrative regulations a year just to maintain the accuracy of the existing central rating list. New operators also continue to join such sectors with new properties and it is proving increasingly difficult to keep pace with these changes using the existing system of regulation. As a result, some of the new network properties, and especially those in the telecoms sectors, have been assessed on the local rating lists instead of the central rating list. The choice of which local list to place such networks on is difficult and often the subject of challenge. In turn, that has created uncertainty and instability for local government revenues. As such, the current operation of the central rating list does not provide us with a solid foundation on which to move to 100% business rate retention.

That problem has been recognised by local government. The sector has called for reform in this area. Therefore, the Government intend to devise and operate a transparent policy for which properties should be appearing on the central rating list and then apply that policy consistently from the outset of the 100% retention scheme. That will provide certainty for both ratepayers and local government and is a reform that has been welcomed by local government.

3.30 pm

In order to allow us to deliver that reform, the Bill makes a number of improvements to the administration and operation of the central rating list. We have already discussed clause 10, which introduces charitable and unoccupied property relief to the central rating list. Clause 11 will replace the current regulatory system for determining the contents of the central rating list with powers of direction. That will give us the flexibility we need to respond quickly to keep the central rating list up to date as and when properties or ratepayers change their circumstances and it will avoid the need for frequent and minor regulations for administrative matters.

Of the points raised by the hon. Member for Harrow West, I think there is only one issue that I have not dealt with substantively. He mentioned the principle of the amount of business rate that local authorities have not being affected by this particular change. We will prepare and publish our policy on which properties should appear on the central list and then review that against the existing contents of the local and central lists prior to the introduction of 100% business rate retention. In doing so, we will identify all properties that need to move lists ahead of the set-up of the 100% scheme, and ensure that that is reflected in the baseline funding for local authorities. We will then move those properties between rating lists on the first day of the 100% scheme. The objective will be to ensure that authorities are not penalised in either the 50% or 100% scheme.

Question put and agreed to.

Clause 11, as amended, accordingly ordered to stand part of the Bill.

Clause 12

POWER TO REQUIRE BILLING AUTHORITIES TO OFFER ELECTRONIC BILLING, ETC

Mr Jones: I beg to move amendment 42, in clause 12, page 15, line 20, leave out "or issue documents on" and insert

"on, or issue documents to,".

This amendment makes a minor drafting change.

The Chair: With this it will be convenient to discuss Government amendment 43.

Mr Jones: Amendments 42 and 43 are minor and technical amendments that clarify the drafting of clause 12. Clause 12 enables the Government to require billing authorities to offer the option of electronic billing to all ratepayers. That provision covers both the electronic service of notices and the issuing of documents, to reflect the fact that under the relevant legislation, business rate bills can incorporate both demand notices and accompanying documents.

The amendments clarify the drafting of clause 12 by making it clear that, while notices are served on a ratepayer, any documents are issued to. These are very minor changes that simply improve the drafting of the provision and do not alter the effect or policy outcome of the clause.

Jim McMahon: I have a quick question on this measure. I recognise that these are, by and large, drafting amendments, but I want to briefly probe the clause. My point also talks in some way to clause 14. Is it the intention at some point to move on from simply electronic billing, which feels quite old-fashioned already—utility companies have been doing that for quite a long time—to online accounting, where companies can log on to an account that has all their property information contained in one place, regardless of local authority?

Mr Jones: Without moving ahead to debate clause 14, as the hon. Gentleman will know, that clause is a paving provision, which provides the scope for Her Majesty's Revenue and Customs to develop a new system in that sense. What it does not do is allow that system to be implemented; it would probably need primary legislation to be implemented. I hope that I can therefore reassure the hon. Gentleman that there is no hidden agenda in relation to clause 12.

Amendment 42 agreed to.

Amendment made: 43, in clause 12, page 15, line 39, after 'served' insert 'or issued'.—*(Mr Jones.)*

This amendment makes a minor drafting change.

Clause 12, as amended, ordered to stand part of the Bill.

Clause 13 ordered to stand part of the Bill.

Clause 14

PROVISION OF DIGITAL ETC SERVICES BY HMRC: PREPARATORY EXPENDITURE

Question proposed, That the clause stand part of the Bill.

Jim McMahon: May I ask the Minister a question about confidence in IT systems? Back when I was a council leader, we were implementing what we call My Account, the principle behind which was to bring together a range of different data held by the local authority in different datasets and different IT systems into one place so that residents could log on, see their interactions with the local authority, pay bills, raise issues and, we hoped, get a more tailored service. In a neighbourhood—Oldham, for instance, has brought together seven townships, so people have a very localised identity—a tailored service would bring out local libraries, community centres or events in that area. A similar IT system was implemented by Transport for Greater Manchester. As London has its Oyster card, the Get Me There card in Manchester was designed to be a single card that could be used on different modes of transport across different operators.

With both projects, there were two lessons. First, they showed that we should never believe what an IT salesman offers—usually salesmen will say what we want to hear, but the technology does not always follow. Secondly, they showed just how complicated it is to bolt together different IT systems. The patches needed to get the different systems to talk together can be very complicated, extremely time-consuming and, as a result, extremely costly. IT data coders are not the cheapest labour to employ. Given my own experience and reflections on IT systems, and given Government experience across political parties—no elected politician has wanted an IT system to fail, and we trust professionals to get on and do the job promised, although sometimes that works and often it does not—what confidence does the Minister have that we can genuinely move towards a system for HMRC that provides the type of functions proposed in the Bill?

Mr Jones: The hon. Gentleman raises a very important matter. There has been a catalogue of challenges with IT projects down the years, most notably the NHS supercomputer, which reportedly cost the Government of the day about £13 billion and never worked. We had IT challenges with regard to police and fire control centres—again, the system never worked and was finally aborted. We do have to be careful and cautious, as the hon. Gentleman points out. The measure in the Bill, however, will not lead to a full-blown programme, but will enable HMRC to carry out the early design work and engagement to develop proposals for how that particular principle of providing digital services can be developed. Given the spirit of my explanation, I hope the hon. Gentleman is reassured that this is about early design and engagement rather than entering into a full-blown IT project which, as he rightly pointed out, can often be challenging.

Question put and agreed to.

Clause 14 accordingly ordered to stand part of the Bill.

Clause 15

POWER TO IMPOSE INFRASTRUCTURE SUPPLEMENTS

Question proposed, That the clause stand part of the Bill.

Mr Thomas: I support the clause, but will the Minister give some clarity on what seems to be an unfolding situation with a vital piece of national infrastructure: Crossrail 2? According to a report in yesterday's *Evening Standard,* Government insiders—we do not know whether they were called Nick on this occasion—revealed concerns about stumping up half the current £30 billion, claiming that Ministers were going cold on the idea. The remainder of the approximately £32 billion cost would be funded by London fare payers, taxpayers and London businesses.

We know that the previous Chancellor, before the current Prime Minister sacked him for incompetence, gave a green light in last year's Budget but, sadly, without a detailed plan for funding, timing or legislation. You will know, Sir David, that Crossrail 2 would increase the capital's rail capacity by 10%, bringing an extra 270,000 people into central London while cutting journey times at the same time.

In the context of London's expected rising population of 1 million over the next 10 years, more investment in London's infrastructure is clearly hugely important. Data have been released to try to persuade Ministers to continue with the previous Chancellor's commitment, with the suggestion that without Crossrail there will be a meltdown at a minimum of 17 stations across the tube network. In the context of clause 15, can the Minister give any reassurance to a former Member of this House, now our excellent Mayor of London, Sadiq Khan, that the Government will continue to stump up their 50% for Crossrail 2?

Mr Jones: The Government are paving the way for the election of combined authority Mayors. They will be the focal point for delivering real economic benefits across their areas. Six areas are preparing to elect Mayors in May. This means that, subject to parliamentary approval, a third of people in England will have a directly elected Mayor, like the Mayor of London, on the principle that they will create jobs, improve skills, build homes and make it easier to travel across their areas.

While I am on that point and in response to the hon. Member for Harrow West, the business rate supplement for Crossrail is expected to generate income of about £4.1 billion towards the total estimated cost of that project of £15.9 billion. It is difficult for me to comment on speculation and supposition, particularly from an unnamed and unverified source, so I will not enter into that today, apart from saying the Government have positively supported the Crossrail 2 project from the outset.

The Mayors will work with partners across their areas to bring a louder voice, strong co-ordination and clear accountability for local people. They will be responsible for driving economic growth and regenerating their areas. We are devolving specific power and budgets to help them to achieve just that. One key way that Mayors will deliver on that is through strategic investment in infrastructure. Each mayoral combined authority has a long-term investment fund of up to £36.5 million a year. To boost that investment, we want to give Mayors

[Mr Marcus Jones]

a powerful fiscal tool to raise up to 2p in the £1 to invest in infrastructure that will benefit local businesses and the broader community. The clause sets out that relevant authorities can impose a settlement and confirm who will be subject to it and for what kind of project it can be used.

3.45 pm

The Mayor of a combined authority or the Greater London Authority can impose a settlement as set out in clause 16. The purpose is to fund a project that the authority is satisfied will promote economic development in its area, a purpose consistent with the one used in the Business Rate Supplements Act 2009. The supplement is payable by business ratepayers in the area to which the project relates: either the area of the mayoral combined authority or the Greater London Authority. I commend the clause to the Committee.

Question put and agreed to.

Clause 15 accordingly ordered to stand part of the Bill.

Clause 16

RELEVANT AUTHORITIES

Mr Thomas: I beg to move amendment 29, in clause 16, page 17, line 5, at end insert", or

(c) any other billing authority."

This amendment would enable any billing authority to impose an infrastructure supplement on non-domestic ratepayers in its area.

Having made clear my support for the power to impose an infrastructure levy, I come to the question of who should be allowed to impose it. It appears that Ministers are determined that only authorities with a Mayor should be allowed to do so. That seems to us to be a grotesquely unfair act of discrimination against local authorities that need investment in infrastructure but have decided for their own local reasons that a Mayor is not a suitable way forward for them.

One thinks in particular of the authority of Cornwall, which the hon. Member for St Austell and Newquay will know has done a deal with the Government without needing to elect a Mayor. Cornwall Council made representations to the Select Committee on Communities and Local Government, on which the hon. Members for Northampton South and for Thirsk and Malton sat. Cornwall Council felt that it would be at a disadvantage if the provision were introduced and it was not allowed to benefit from it.

In addition, the Select Committee received evidence from the Chief Economic Development Officers' Society. It is worth bringing attention to the significant bit of that evidence. CEDOS said:

"In the move to 100% business retention, it is essential for all areas, as far as possible, to have a level policy playing field on which to drive economic growth. In our view, the intention that only areas with elected city-wide mayors will be able to add a premium to business rates to pay for new infrastructure is fundamentally at odds with this. We believe this power should be available to all areas with the provision that a majority of all businesses should agree, which we think is a reasonable one."

The Select Committee went on to urge the Government to consider with local authorities whether, by placing areas without a directly elected Mayor at a disadvantage, the proposal conflicts with the aim of 100% retention.

I can think of a number of areas—I return to the example of Allerdale Borough Council—that need significant investment in infrastructure from time to time and where the power to introduce an infrastructure levy could make a significant difference to economic growth in the area. Let us take the example of flooding. In the past, Allerdale Borough Council has had a number of significant floods in its area, and it has been fortunate to secure grants to help with flood prevention measures. However, given the pace of climate change, one could easily imagine a scenario in which funding for further work is required to prevent flooding and to allow businesses to operate effectively. Without the infrastructure investment, the local authority might become less attractive to businesses. It is not impossible to envisage a situation in which businesses wanted to move out of the area. Indeed, one area that was the victim of significant flooding in Allerdale is the area that most large businesses are attracted to as a base.

I offer that as an example—as far as I know, Allerdale Borough Council does not have a Mayor and has not done a devolution deal with the Government, but it will have infrastructure needs. Surely it should not be left at a disadvantage compared with authorities that have a Mayor.

Rob Marris: To give my hon. Friend another example, over in East Anglia, Waveney might suffer from coastal erosion.

Mr Thomas: My hon. Friend makes a good point; it is a shame that the hon. Member for Waveney is not here to help us to think about the impact on coastal areas. When we talk to businesses—as the Opposition do regularly—infrastructure investment is one of the areas that they continue to cite as crucial for future economic growth. We are all aware of the regional inequality in this country and the need to try to generate further economic growth at a faster pace outside London and the south-east.

I am not surprised that the Chancellor of the Exchequer would want to go to Manchester, which is one of the leading districts where Labour authorities are leading the charge to help businesses. However, one needs to recognise that the advantages that Manchester has pursued—rightly, in terms of a levy for the purposes of investment in infrastructure—would also benefit authorities elsewhere in the north, the north-west and the midlands, and no doubt in Cornwall, Northamptonshire and other areas. This is a question of fairness and equality and of investment in areas that do not have a Mayor. I look forward to the Minister's attempts to justify why authorities that do not have a Mayor should be denied the opportunity to benefit from this type of infrastructure investment.

Jim McMahon: This amendment is one of the most important to the Bill. A number of amendments have been crucial for obtaining information from the Government, but this one is absolutely critical to equality and the ability to grow our local economies.

The town that I represent is part of a combined authority. It has been part of joint working across Greater Manchester since 1986. I was the first leader of the council to sit on the new combined authority that had additional powers from Government; that combined authority is due to elect a Mayor in May. It is playing the game in the way that the Government set out, but that does not mean that every town in that area is able to develop its local economy in the way that it ought to.

Let me give an example. We already agree across 10 boroughs on the priority projects for the city region. The bar is set quite high: the question is, what will benefit 2.6 million people and the wider economy? More localised infrastructure investments never quite make it up the list of priorities, because they do not benefit the wider city region significantly enough, though they are extremely important locally. I am talking particularly about the remediation of brownfield sites that have been lying derelict.

Mr Jones: Is the hon. Gentleman advocating for the directly elected Mayor of Greater Manchester combined authority being able to levy an additional business rate supplement for infrastructure, while an individual authority in the Manchester city area could layer a supplement on top of that, without further safeguards for local businesses?

Jim McMahon: I am not suggesting that at all. I am saying that differential devolution is being proposed—there is some devolution to Mayors in combined authorities that is not on offer to other billing authorities—and that does not create a relationship of equals. For instance, in Greater Manchester the Mayor would be able to introduce a 2% infrastructure levy; if the local authority had the same power, that would create a more level playing field and allow a mature debate about how that might be teemed and ladled. For instance, it might be agreed across Greater Manchester that 1.5% could go into the central pot for the city region and 0.5% retained locally for more localised infrastructure investment. Alternatively, under the provisions of the combined authority order, Oldham could choose to opt out of the combined authority. It could decide that the city region was not working for it, give the required notice period and come out. However, it should not then be disadvantaged by not having the retained powers that the Mayor has, when at that point, the Mayor would not be representing the area, while directly elected councillors would. That equality is what we are trying to get to.

My hon. Friend the Member for Harrow West, the shadow Minister, has gone into detail on the number of areas that have perhaps not got over the line and agreed to a Mayor, but there are more than 20 million people living in areas that are not even part of any mayoral discussion. Apart from the areas that have deliberately chosen not to have a Mayor, there are many areas that do not have the access to Government to even have that conversation. Are we saying that their economies are less important because of that? It strikes me as an odd approach, if we believe in localism and growing the economy locally, because let us be honest, the days of an employer opening a massive factory that employs 5,000 people in a community are long gone in many areas. Economies will grow from small and medium-sized businesses developing in the community, and hopefully growing in scale. However, if we do not plant the seeds to enable that, then I am afraid that we are saying that towns such as Oldham, which have weak economies that have not been rebuilt, will be left behind, and that is not good enough.

I can begrudgingly accept that the Mayor is a means to an end—I do not think that having a Mayor should be a requirement of a combined authority deal, although that is the game being offered and many areas are playing it—but I absolutely believe that local freedoms and local economic development powers should be available for every corner of the country, not just the hand-selected parts that have direct access to Department for Communities and Local Government civil servants and Ministers. I put it strongly: this is coming not just from Labour Members, but from a lot of Conservative council leaders, who are sick of this very urban/northern/midlands view of economic development. They feel that their area is being left behind by their own Government.

Mr Thomas: We heard council leaders and councillors at the county councils conference just before Christmas questioning the Secretary of State on the requirement for a Mayor. Does my hon. Friend not think that it is time their voice was heard?

Jim McMahon: I absolutely agree. I attended the District Councils Network conference, and exactly the same message was coming from our district councils, which are billing authorities as well. They are saying: "We accept that the Government want to grow the city regions. We accept that that will be a priority, and we do not begrudge that. What we begrudge is being left behind and having no solutions for our localised economies."

Throughout this process, the Government, almost on a point of principle, have refused every amendment suggested, regardless of its merit, the logic or the evidence base referred to. This amendment would galvanise support for the Bill from right across the House and across local government. It is the right thing to do. It would offer every part of the country the chance to grow and develop in line with local circumstances, and it would show everybody that the Government were serious about letting go.

I plead with the Minister; this is what council leaders have told us they want. Of all the amendments that he might want to make concessions on, this is the easiest one to give away. It is the most logical, and would galvanise support across every political shade of local government.

4 pm

Mr Jones: I thank the hon. Member for Harrow West for his explanation of amendment 29, which would add all 326 billing authorities to the definition of a relevant authority in subsection (1), and would mean that an infrastructure supplement could be levied by billing authorities, and not just mayoral combined authorities and the Greater London Authority. Hon. Members will understand that we cannot support the amendment for several reasons. In preparing these measures, the Government's view was, and continues to be, that the settlement should be made available in the areas in which it can have the greatest impact. Furthermore, major infrastructure investment needs to be considered at a city or a county-wide scale. The settlement should therefore be operated at a level that reflects the functional economic geography of the area.

Jim McMahon: The point is raised wherever we go around the country that that approach makes sense in urban areas, where the economy is centred on the city centre and moves outwards, but county areas, for instance, are completely different. They do not have central economies; they have very complex economies that do not respond in the same way, which is why we tabled the amendment. This measure would benefit more Conservative

[Jim McMahon]

council leaders than Labour council leaders. We are not pleading for Labour authorities in isolation; we are pleading for common sense and logic.

Mr Jones: The hon. Gentleman takes a very benevolent view to Conservative local authorities, which is quite a departure from the view he sometimes takes, but I take his point on board. I will explain the situation relating to county areas, which the hon. Gentleman is speaking for, in a moment.

Mayoral combined authorities and the Greater London Authority have strategic oversight of their functional economic areas and their needs. Mayors of such authorities will therefore be best placed to engage with businesses to assess what type of infrastructure could help to grow their economies and deliver infrastructure at a significant scale. That can make a real difference. When someone exercises power over a large geographical area, we have to have someone whom the public throughout the entire region can hold accountable. No individual council leader, MP or anyone else has been elected across the scale of a whole combined authority area. That is why the elected Mayor is the best option, and the best way to deliver accountability.

Jim McMahon: I do not necessarily want to find holes in every element of the Minister's argument, but there is a gaping hole in this element of it. There are some areas that sit outside combined authorities but are covered by a directly elected Mayor.

Mr Jones: There are, of course, non-constituent members of combined authorities that do not elect Mayors, but as the hon. Gentleman knows, they are not full members of a particular combined authority and would not therefore benefit automatically from things such as gain-share payments, which combined authorities have been provided with, and they would not generally be subject to the infrastructure levy and the business rates supplement, which can be provided for by a directly elected Mayor.

Jim McMahon: With all due respect, that is nonsense. Is the Minister saying that the Mayors of Doncaster, Hartlepool, Bristol and Salford, who are directly elected and cover the whole of their geography and the whole of the billing authority area, cannot have the same powers as a Mayor covering a wider area? The argument that has been put forward is about democratic accountability. Well, democratic accountability also applies to those areas, and some of them may choose to be part of a combined authority. Let us have fairness and a level playing field, and let us give the same powers to all directly elected Mayors, whether in a combined authority or a local authority. That would at least be a compromise position.

Mr Jones: I hear what the hon. Gentleman says, but I was talking about a combined authority area, not an individual authority area.

We must not lose sight of the other options available to councils for delivering additional benefits to and growth in their areas, though we seem to have done so to an extent in this debate. For example, business improvement districts may be established in every area of England. The Bill also includes provision for property-owner business improvement districts throughout England, not only in London. Going back to the point about elected Mayors in individual authorities, we already have provisions enabling the introduction of a business rates supplement to the levy for investing in projects that promote economic growth and development. Councils already work with businesses using existing resources to deliver a positive economic environment. The local growth fund is another mechanism used by local enterprise partnership areas and local authorities in that regard.

Having reflected on the points that I have made, I am not sure that I will completely convince the hon. Member for Oldham West and Royton, but I encourage the Opposition to withdraw the amendment.

Mr Thomas: It is a little surprising that we did not hear from hon. Members representing Cornwall, which will be discriminated against. There has been a devolution deal for their authority that did not include a Mayor; they were not aware at the time that they would miss out on this.

Steve Double: I note with interest the hon. Gentleman's dig at Cornwall, but Cornwall is incredibly proud to be the only rural area that has had a devolution deal with the Government. We see that as a sign of the Government's support for and confidence in Cornwall. The deal is not the end of the story. We do not know where it will take us, but in Cornwall, rather than putting down the devolution deal we have been granted by the Government, we celebrate it.

Mr Thomas: I am not doing down devolution at all; I am merely representing the concerns of the hon. Gentleman's council, in a way that he is not doing, about its exclusion from the ability to levy the infrastructure supplement. I would applaud his representing his constituents and his council's concerns properly, and his wanting to see the devolution deal that his council has negotiated enhanced in the way that we are suggesting.

The Minister has made an attempt to justify the exclusion from the measure of all authorities that do not have a combined authority and a Mayor. I have to say that it was not a convincing performance. Given the number of representations that we have heard from county councils and district councils that are frustrated with the insistence of the Secretary of State and the Minister that there has to be a Mayor before they may have this power, we will speak for them in a way that the hon. Member for St Austell and Newquay will not speak for his constituents. We will speak for councils in Swindon in a way that the hon. Member for North Swindon will not. We will speak for the residents of Torbay, who need investment in infrastructure, in a way that the hon. Member for Torbay will not.

Justin Tomlinson (North Swindon) (Con): To be clear, Labour does not speak on behalf of the people of North Swindon, because I gained the seat, and Labour lost control of the council when it put up council tax by 43% in only three years. That disgraceful situation has meant that we have had a blue town since 2003.

Mr Thomas: When the residents of Swindon hear that there was the opportunity for investment in infrastructure but the hon. Gentleman voted against it, I suspect that a red Swindon will be closer. We will vote for equality—we will press for a Division on this amendment.

Question put, That the amendment be made.

The Committee divided: Ayes 4, Noes 7.

Division No. 7]

AYES

Foxcroft, Vicky	Marris, Rob
McMahon, Jim	Thomas, Mr Gareth

NOES

Double, Steve	Mackintosh, David
Doyle-Price, Jackie	Tomlinson, Justin
Foster, Kevin	
Jones, Mr Marcus	Warburton, David

Question accordingly negatived.

Clause 16 ordered to stand part of the Bill.

Clause 17

USE OF MONEY RAISED BY INFRASTRUCTURE SUPPLEMENTS

Mr Thomas: I beg to move amendment 44, in clause 17, page 17, line 25, leave out paragraph (a).

This amendment would enable funds raised through the infrastructure supplement to be spent on housing.

In introducing the power to introduce an infrastructure supplement, clause 15 states:

"The purpose of imposing an infrastructure supplement is to raise money for expenditure on a project that the authority is satisfied will promote economic development in its area."

Amendment 44 is completely in line with that stated purpose as it deletes clause 17(3)(a), which explicitly prevents relevant authorities from spending the sums raised through an infrastructure supplement on housing.

Given the fanfare that accompanied the long-awaited housing White Paper earlier this week, it might surprise some observers that, while Ministers claim to be bold and radical in tackling the housing crisis, they are failing to take this opportunity to enable mayoral combined authorities and the Greater London Authority to invest in housing, which would in turn promote economic development. Sadly, it is all too familiar for those of us on this side of the Committee who know that Ministers' rhetoric does not always match reality.

Committee members know that I like to be pithy and get to the point, and I have checked the dictionary so that I can be precise in my use of language on the amendment. The Oxford English dictionary defines infrastructure as:

"The basic physical and organizational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise".

There is nothing in that that makes me think that housing might be excluded from any appropriate definition of infrastructure spending. Increasingly, businesses see housing as vital to their future growth.

There may be some Committee members who, for some reason, do not take an interest in London's affairs. They might not have come across a wonderful business membership organisation called London First. Its mission is to make London the best city in the world to do business in. As a London MP, I have always known London First to do an excellent job in reflecting its members' priorities. Of the two major campaigns that London First is currently running, one relates to the urgent need for action to expand airport capacity in London and the south-east, and the other is a campaign to double house building in the capital to 50,000 homes a year. As London First explains,

"the capital has a serious housing shortage that is starting to limit its competitiveness. Substantial increases in house prices and rental costs mean people from all walks of life are struggling to find accommodation."

It worked with the Confederation of British Industry and the Federation of Small Businesses to develop the campaign. It is worth dwelling on several of the key findings of their survey of members. Some 68% of the members who responded to the survey were worried about the impact that a shortage of housing and high prices is already having on their ability to recruit and retain staff; 75% were concerned about the future impact that rising housing costs will have on their ability to recruit and retain staff; and 70% believe that the housing crisis will affect London's future economic success.

4.15 pm

The campaign was informed by research carried out by the Centre for Economics and Business Research, which found that consumer spending would be almost £3 billion higher since 2005, if London accommodation costs had risen by the rate of inflation, while the economy is missing out on almost £1.2 billion a year, as people spend money on housing costs that would otherwise be spent on goods and services. So the housing crisis affects the economy and businesses in two key ways. People are spending a greater proportion of their income on their accommodation, meaning that they are not spending it on other goods and services. Secondly, the cost of housing is now so high that even some people with incomes above the national average are no longer able to live near their jobs. The CEBR found that businesses would have been able to support 11,000 more jobs if housing costs were not so high.

That is not simply a problem for London's residents and businesses. House prices have risen in all regions, while the house price to earnings ratio continues to soar. Last October, the CBI published its report on housing, "No place like home: delivering new homes for a prosperous Britain". It argues that not only is the housing crisis affecting the ability of businesses to recruit and retain staff but it is hitting productivity. The average time spent travelling by commuters has gone up 55 minutes, according to analysis by the TUC, while the number of commuters travelling more than two hours a day has gone up by 72% in the last decade. That reduces the pool of talent available to recruiters, and limits individuals' access to the jobs available—all due to the growing crisis in access to affordable housing. So it is interesting that one of the CBI's key recommendations is that the National Infrastructure Commission should include housing as a strand in its forthcoming national infrastructure assessment.

It is not just those key business membership organisations that are advocating that—local government is asking for it too. I am grateful to the Local Government Association for its briefing ahead of our discussions today, in which it points out that it has consistently argued for infrastructure to be given as wide a definition as possible—crucially, in the context of the amendment,

including housing. Once again, Ministers appear to be missing the role that local government could play in solving our housing crisis, if only they were given the proper tools to do so.

The Secretary of State apparently wants to increase the number of homes built to between 225,000 and 275,000 a year. Yet in only two years since the second world war has the private sector delivered more than 200,000 homes a year. The last time was in 1968, when a Labour Government were in place, and the average number of homes built by private developers annually in the last 40 years is 130,000. If the Government are to meet their ambition, surely we must harness the considerable talents of those in local government.

When we had the pleasure of sitting on the Housing and Planning Bill Committee together last winter, the Minister blocked one of my amendments, which would have lifted the council housing revenue account borrowing cap. In his initial reaction to the housing White Paper, Councillor Martin Tett, the Conservative leader of Buckinghamshire County Council and housing spokesperson at the Local Government Association, said that

"councils desperately need the powers and access to funding to resume their historic role as a major builder of affordable homes. This means being able to borrow to invest in housing and to keep 100 per cent of the receipts from properties sold through Right to Buy to replace homes and reinvest in building more of the genuine affordable homes our communities desperately need."

Hence the reason for tabling the amendment.

Sean Nolan, the director of local government at the Chartered Institute of Public Finance and Accountancy, who has given evidence to our Committee, said:

"There are still vital roles for housing associations and councils in providing affordable housing for rent or to buy, but to do this they must be allowed greater freedom and flexibility to build new homes and replace existing stock reduced under right to buy, something that has been denied them in recent years. Social housing is a necessary and long term investment that requires certainty and full control of the assets."

One thing the Committee might agree on is the limited value of the book by the right hon. Member for Sheffield, Hallam (Mr Clegg) on the coalition years. He did, however, reveal one interesting little nugget. In an interview with *The Guardian* when he was promoting his book, he was asked if it was true that the then Prime Minister, David Cameron, had said no to more social housing because it turned voters away from the Conservatives. He said

"It would have been in a Quad meeting—

that was the committee of Cameron, the right hon. Member for Tatton (Mr Osborne), the right hon. Member for Sheffield, Hallam, and Sir Danny Alexander, the former Chief Secretary—

"so either Cameron or Osborne. One of them—I honestly can't remember whom—looked genuinely nonplussed and said, 'I don't understand why you keep going on about the need for more social housing—it just creates Labour voters.' They genuinely saw housing as a Petri dish for voters. It was unbelievable."

On that point, at least, I have to say I do agree with him.

We might have expected a change under the new Prime Minister, the self-professed champion of the "just about managing". However in the White Paper there still appears to be no serious role for councils to build new homes to tackle our housing crisis. The amendment would go a small way towards redressing that gap.

Mr Jones: I thank the hon. Gentleman for his explanation of the amendment. I do not agree with all he said, particularly in relation to the White Paper and our record in recent years on building new council housing, bearing in mind that more council housing has been built in the past seven years than was built in the 13 years of the Labour Government. That said, the amendment would remove the reference to housing in the list of exclusions at clause 17(3), allowing funding raised for the infrastructure settlement to be spent on housing.

We are clear that the supplement should deliver direct benefits to local businesses and as such should be focused on delivering infrastructure that will create a better economic environment. The supplement expenditure should also be additional—that is, spent on infrastructure that otherwise would not get built. That will be crucial in engaging with businesses locally and securing their support for any such proposals.

Clause 15 makes clear that the supplement must be spent on infrastructure that will promote economic development. That will enable Mayors to invest in a wide variety of projects—for example transport, digital and broadband—that have the potential to make significant improvements across an area, and to support broader investment that will best serve the local business community.

The Mayor is directly elected, as we have discussed, by the local people and so has a mandate to decide what best serves the interests of the community. In many cases, we would expect the infrastructure delivered through the supplement to have a beneficial impact on housing delivery anyway. Crossrail, which was funded by a business rate supplement, as we have discussed, will enable an additional 57,000 new homes to be built and help create £5.5 billion of additional value to residential and commercial real estate along its route between now and 2021.

The hon. Gentleman may wish to note that the Government already support housing infrastructure in a range of ways, including the £3 billion home building fund, which provides loans to house builders of all sizes. We also give capacity funding to local authorities to support the delivery of large housing sites and housing zones, and we have recently announced a £2.3 billion housing infrastructure fund. This is grant funding for local authorities to support housing delivery on sites where viability is marginal and it has the potential to unlock up to 100,000 units in the areas of greatest housing need.

Jim McMahon: On that point, does it not go against the spirit of localism and devolution to expect local areas to come to the Government with a begging bowl for housing funding?

Mr Jones: All I can say is that we are damned if we do and damned if we do not. If we do not offer up significant funding streams to support projects for local areas, Opposition Members criticise the Government. When we do offer up significant funding—the £2.3 billion in the housing infrastructure fund is indeed significant—we are again criticised, so I am not sure what the Opposition want. I would encourage areas, as I hope the hon. Gentleman will encourage his area, to look to the fund to unlock new housing that is badly needed across the country.

Having reflected on the points that have been made, I am not convinced that amendment 44 is worth supporting. I therefore ask the hon. Member for Harrow West to withdraw the amendment.

Mr Thomas: I have heard what the Minister has said. I have also heard the response of my right hon. Friend the Member for Wentworth and Dearne (John Healey), who speaks on housing for Her Majesty's loyal Opposition, who described the housing White Paper, quite accurately, as less a White Paper and more a white flag. That encapsulates the reality of the Conservative party's approach to housing. The Minister has missed an opportunity by rejecting amendment 44 out of hand, but I do not seek a Division on the amendment at this point, so I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Question proposed, That the clause stand part of the Bill.

Rob Marris: This is a somewhat confusing clause, because it is entitled "Use of money raised by infrastructure supplements", but what it goes into, in subsection (3) for example, is what the money cannot be spent on. Now, I understand that. I listened to the Minister—as an aside, I have to say that I was not convinced by what he said about housing and I hope he will reflect on it, but I understood what he said. This is part of the forbidden list, which runs to six factors in subsections (3)(a) to (f). However, to come back from that a bit, we have a problem, in that clause 36—definitions and interpretations—does not tell us what infrastructure is. I hope the Minister can tell me, either now or later, where in the Bill the definition of infrastructure is, because I cannot see it—it might be there, but I cannot see it. At the moment, we seem to have a Bill that does not say what infrastructure is and says only what the money cannot be spent on.

I am aware that clause 33—we will get to it later, Sir David, but I have to refer to it now, as it is very germane—refers to the guidance that can be given by the Secretary of State on what money can be spent on. The Minister gave us a little indication a few moments ago, because he referred to infrastructure projects—the use of the money that would be permitted under clause 17—to create, to quote him, "a better economic environment". He then said something that, again, I cannot see in the Bill—he may correct me; it might be there, and if it is not, it sounds as if the Secretary of State would be minded to have it in the guidance. The Minister said that the projects would have to be "additional", and that the money would be spent, to quote him again, on something that would "not otherwise get built".

The Minister, like me, is a Member of Parliament for the west midlands, although I am in the urban core of the west midlands, directly under the combined authority. Nuneaton is in Warwickshire, which is a bit hokey-cokey about the combined authority, with its local enterprise partnership and so on, but Wolverhampton is squarely in there. As a west midlands MP who is astute about what is going on, the Minister will be aware that a subject of political debate in the mayoral elections for the West Midlands Combined Authority is whether it should buy the M6 toll road.

4.30 pm

Clearly, that would not be "additional" because it already exists. It would assist economic development of the west midlands and, arguably, the wider country. It is not specifically on the forbidden list under clause 17(3) as I understand it. It is a transport project, so it is not housing, social services, education services, services for children or health services. It is not a service the authority provides

"in the discharge of functions imposed by or under the Planning Acts".

It is transport and most people would say that is infrastructure.

Clause 17 tells us what the money cannot be spent on, but it does not say what infrastructure is, nor does clause 36 in the interpretation. We must then rely on the indications the Minister has given today but, with all respect, he is not the Secretary of State, and there will probably be consultation. We must also rely on clause 33, which we will come to, for guidance. What is in clause 17 is all a bit vague and I urge him overall—not perhaps in clause 17, but in part 3 of the Bill—to be a little clearer about what the Government think infrastructure is and what a combined authority can spend money on as opposed to simply saying what they cannot spend it on.

The guidance seems to me to be another centralising theme. A combined authority can have an infrastructure levy, but the Secretary of State will say what it can and cannot be spent on because guidance will effectively become mandatory. Where is local control there?

Jim McMahon: The points raised by my hon. Friend the Member for Wolverhampton South West are absolutely key to the freedoms that Parliament says it is keen to give away to local government. Clause 17(3)(a) to (f) lists the items the money and infrastructure supplement cannot be used on. I would welcome an intervention from the Minister if he can provide clarity. This feels as if he is trying to tell local authorities that, however tight their budgets, they cannot use the supplement to fund council services that should be funded elsewhere, which is why it refers to social services, education services, services for children and health services as opposed to schools, health centres or day care centres.

Will the Minister clarify whether this is "services"—the revenue element of service provision in the public sector—or a restriction on building capital projects such as new schools and health centres?

Mr Jones: I pick up on the point also made by the hon. Member for Wolverhampton South West about the definition of infrastructure. The hon. Gentlemen are quite rise to raise that. First, we are leaving to the Mayor's judgment what type of project might deliver appropriate infrastructure that promotes economic development. The term "economic development" is key.

As we have said, in making that economic development happen we have talked about transport infrastructure, digital networks and so on and so forth that will deliver those types of economic benefits and economic growth. To reiterate, we are leaving it to the Mayor's judgment. We can safely say, in that context, that we would not expect the type of project the hon. Member for Oldham West and Royton is suggesting, such as a children's centre, to be funded.

Jim McMahon: The way the Bill is worded will only make lawyers wealthy and councils frustrated, because subsection (3)(a) is very clear that the money cannot be used for housing—we know what a house is—but paragraphs (b) to (f) are less clear, including with regard to social services. There is a difference between facilities and service provision within those facilities. The restrictions on what the money can be used on in the Bill include social services, education services, services for children and health services, but not building schools, Sure Start centres, youth centres, day care centres or healthcare centres.

I sought clarification from the Minister about exactly what that means. The response was that it will be up to the Mayor; there will be local discretion. However, there is not local discretion—there is an explicit list excluding what the Mayor will not be able to spend the money on. Is there an in principle objection to using the supplement funds for revenue costs? There is a degree of logic to that; it is not the supplement's intention. However, owing to the way the Bill is worded, I suspect that any council or Mayor could take the infrastructure supplement and go on a school building programme. I think many communities would welcome that. Many communities would probably not welcome the inability of that same Mayor to provide housing with that fund, or even, as part of a wider development, to potentially provide gap funding for a housing requirement as part of a mixed-use development.

For a Minister who has tried to promote economic growth to restrict Mayors in that way makes no sense whatever. I ask him to go back and speak to the civil servants, and to clarify before the next sitting—maybe even in writing—whether subsection (3)(a) to (f) is intended to restrict the revenue use of that infrastructure supplement, or the intention is that it is not to be used to build such facilities. Do the Government intend to come back with an amendment to clarify the wording?

Mr Jones: Elected Mayors of mayoral combined authorities will have a strategic overview of their areas, so will be well placed to deliver projects that have a significant effect on local economies. The infrastructure supplement provides a unique opportunity to deliver infrastructure investment at a significant scale to benefit local businesses and communities. As I said earlier, that will be infrastructure that would otherwise generally not be built. Clause 17 sets the parameters for how many ways can be used to help to ensure that that is achieved.

Naturally, the supplement can only be spent on the project for which it has been levied. The sums received can be used to pay off loans secured to pay for the project to which the supplement relates, which may well answer one of the questions asked by the hon. Member for Wolverhampton South West on the west midlands and the idea of some sort of involvement in the Birmingham northern relief road, which I think he was referring to.

Rob Marris: I was specifically referring to the M6 toll. If the M6 toll is taken over and is made free, that will create economic development through the west midlands urban centre proper because it will take pressure off the current M6; it is not a question of a northern relief road. The Minister has mentioned again stuff that would not otherwise get built. I am getting the message from him, but I cannot see that in the Bill.

Mr Jones: When I say Birmingham northern relief road, I mean the M6 toll. That was its previous name when the project was brought forward and delivered under the Margaret Thatcher Government during the late 1980s and subsequently built during the 1990s with private finance, as the hon. Gentleman will recall.

The point is about a Mayor of a particular combined authority area. I think most businesspeople in the west midlands will think that Andy Street is the right man to undertake that role, because of his extensive knowledge of the business world and how to get the west midlands economy moving. If he were elected Mayor, he would have to decide whether it was worth while to undertake projects such as opening that toll road to general traffic, which would have an economic benefit.

Jim McMahon: Will the Minister give way?

Mr Jones: No, I will make some progress. So I hope that clears that point up.

As we have said, the money raised cannot be used to provide existing council services, such as social care. The clause provides a list of areas of expenditure that are excluded from the infrastructure supplement, and it includes provision for the Secretary of State to amend that list through regulations. Any such regulations would of course be subject to the affirmative procedure. There are also provisions to enable the Mayor of London to channel funding through the Greater London Authority's functional bodies, such as Transport for London. The rest of the clause recognises that projects may have other funding streams, including from lower-tier authorities.

The hon. Member for Wolverhampton South West insinuated—I think when we debated amendment 44—that I may not be interested in housing in terms of infrastructure. I reassure him that I am interested in housing, which is extremely important. That is why the Government have set out significant measures in our White Paper that we are looking to consult on. He mentioned reflecting on the debate about amendment 44. I reflect on all the clauses that we debate, but to be clear, the arguments that were put forward did not convince me that it was worth supporting that amendment. I clarify that so the Committee and the hordes of people who no doubt will read *Hansard* understand that the Government are absolutely committed to delivering new housing. On that basis, I ask the Committee to support clause 17.

Question put and agreed to.

Clause 17 accordingly ordered to stand part of the Bill.

4.45 pm

Clauses 18 and 19 ordered to stand part of the Bill.

Schedule 4 agreed to.

Clauses 20 to 31 ordered to stand part of the Bill.

Clause 32

PROVISION OF INFORMATION

Question proposed, That the clause stand part of the Bill.

The Chair: With this it will be convenient to discuss the following:

Clauses 33 to 36 stand part.

Rob Marris: Clause 33 relates to guidance and, according to subsection (2)(a), that will cover:

"the kinds of projects which may, and may not, be regarded as appropriate ones in relation to which to impose infrastructure supplements".

Will the Minister give us some idea as to when the guidance is likely to be issued by the Secretary of State and its legal force? In the Bill we have had "direction", in a different context, and "regulations" used. This is "guidance", but how strong is guidance? If the Secretary of State gave guidance that school buildings were not to be included in an infrastructure supplement but the Mayor of a combined authority wished to include them and could make an argument that they were infrastructure, who would get their way?

Mr Jones: Clause 33, as the hon. Gentleman rightly said, will require Mayors to have regard to any guidance that the Secretary of State provides in relation to infrastructure spending. The Bill sets out a wide range of requirements that must be applied to the development of an infrastructure supplement, including who can impose a supplement, restrictions on what it may be used for, the consultation that must take place and what should be included in the prospectus. In addition, the clause provides that the Secretary of State may issue guidance to assist Mayors and businesses in the process. The type of guidance that I would expect to be issued by the Secretary of State would be statutory guidance, so there will be a formal guide for the particular Mayor in a particular area to work to.

Question put and agreed to.

Clause 32 accordingly ordered to stand part of the Bill.

Clauses 33 to 36 ordered to stand part of the Bill.

Ordered, That further consideration be now adjourned.—*(Jackie Doyle-Price.)*

4.49 pm

Adjourned till Tuesday 21 February at twenty-five minutes past Nine o'clock.

Written evidence reported to the House

LGF 02 Sedgemoor District Council