

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT COMMUNITY INFRASTRUCTURE LEVY
(AMENDMENT) (ENGLAND) (NO. 2)
REGULATIONS 2020

Monday 19 October 2020

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Friday 23 October 2020

© Parliamentary Copyright House of Commons 2020

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: MR PHILIP HOLLOBONE

- | | |
|--|---|
| † Amesbury, Mike (<i>Weaver Vale</i>) (Lab) | † Mohindra, Mr Gagan (<i>South West Hertfordshire</i>) (Con) |
| † Buchan, Felicity (<i>Kensington</i>) (Con) | † Pincher, Christopher (<i>Minister for Housing</i>) |
| † Farris, Laura (<i>Newbury</i>) (Con) | † Ribeiro-Addy, Bell (<i>Streatham</i>) (Lab) |
| Fletcher, Katherine (<i>South Ribble</i>) (Con) | † Rimmer, Ms Marie (<i>St Helens South and Whiston</i>) (Lab) |
| † Griffith, Andrew (<i>Arundel and South Downs</i>) (Con) | † Stringer, Graham (<i>Blackley and Broughton</i>) (Lab) |
| † Higginbotham, Antony (<i>Burnley</i>) (Con) | † Sultana, Zarah (<i>Coventry South</i>) (Lab) |
| † Hughes, Eddie (<i>Walsall North</i>) (Con) | † Timms, Stephen (<i>East Ham</i>) (Lab) |
| † Jenkyns, Andrea (<i>Morley and Outwood</i>) (Con) | Kevin Maddison, <i>Committee Clerk</i> |
| † Jones, Andrew (<i>Harrogate and Knaresborough</i>) (Con) | † attended the Committee |
| † McCabe, Steve (<i>Birmingham, Selly Oak</i>) (Lab) | |

Third Delegated Legislation Committee

Monday 19 October 2020

[MR PHILIP HOLLOBONE *in the Chair*]

Draft Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020

4.30 pm

The Chair: I remind Members about the social distancing regulations. Spaces available to Members are already clearly marked. *Hansard* colleagues would be grateful if you could send any speaking notes to hansardnotes@parliament.uk.

4.31 pm

The Minister for Housing (Christopher Pincher): I beg to move,

That the Committee has considered the draft Community Infrastructure Levy (Amendment) (England) (No. 2) Regulations 2020.

It is a pleasure to serve under your chairmanship, Mr Hollobone.

The regulations were laid before the House on 28 September. If they are made, they will provide for relief from the community infrastructure levy for First Homes—the Government’s proposal to ensure that a sustained and ongoing supply of new homes is available to first-time buyers for a discount of at least 30%. Local authorities will be able to prioritise local residents and key workers, when appropriate, and can increase the discount to 40% or 50% where affordability is most challenging. The properties will maintain their discount when they are sold on to all future purchasers in perpetuity, so the community will continue to benefit for generations to come.

The Community Infrastructure Levy Regulations 2010 came into force in April of that year. They enable local planning authorities to raise a levy on new development in their local area to fund a wide range of infrastructure to support development. Mandatory relief from CIL can be obtained for charitable developments, self-builders and certain types of affordable housing. The tenures currently benefiting from mandatory relief from CIL include social rent, affordable rent and shared ownership. That relief helps to fund the sale of those properties by the developer below the value that they may be able to achieve on the open market. Discretionary relief from CIL can also be provided for discounted market homes sold at at least 20% below market levels if the CIL authority adopts a policy of offering such relief in its area.

The draft regulations introduce a new mandatory relief from CIL for a new affordable housing tenure, namely First Homes. Introducing the mandatory exemption from CIL for First Homes will ensure that developers are not disadvantaged when delivering this new type of affordable housing tenure as it will receive the same relief from CIL as other forms of affordable housing.

Our First Homes policy is the realisation of a manifesto commitment to allow councils to use developer contributions to discount homes in perpetuity. We published a consultation on the proposals on 7 February. It ran for 12 weeks, closing on 1 May, and we formally responded to it on 6 August.

As part of that consultation, we proposed implementing a mandatory exemption for First Homes from CIL in line with that for other forms of affordable housing. A large majority of respondents to the consultation agreed that that would increase the supply of First Homes, representing a strong mandate for proceeding with the proposal. The Committee will be aware that the Government are consulting on fundamental changes to the planning system, including an overhaul of developer contributions. I want to make it clear that the draft regulations make changes to the current system and have no bearing on those consultation proposals.

Turning to the detail of the instrument, regulation 49 of the 2010 CIL regulations provides for a mandatory relief from CIL for housing units that fall into certain categories of affordable housing. The instrument amends regulation 49 to add an additional criterion for CIL relief: the home must be sold for no more than 70% of its market value, with a planning obligation entered into to ensure that that will be the case for all future sales. That is a deliberately broad definition of a First Home. We always intended to put local flexibility at the heart of the policy and do not wish to fetter that flexibility by over-defining the exemption criteria in legislation. We will issue guidance to ensure that more detailed criteria, such as the prioritisation of first-time or local buyers, are implemented.

The draft regulations also specify the clawback period for First Homes—the period during which charging authorities are able to charge CIL if the relief conditions are not adhered to. They state that the clawback period for First Homes will end on the date of first sale, provided all the conditions have been met. We do not consider the seven-year clawback period for other affordable tenures to be appropriate for a product such as First Homes. Our view is that a developer will have fulfilled its obligations at the point that it sold the home for the appropriate discount as long as a legal mechanism to ensure that the discount is passed on exists.

The instrument makes a small amendment to regulation 49A of the 2010 regulations, which allows charging authorities to apply a discretionary relief from CIL for homes sold with a discount of at least 20% of market value—discount market sales, as they are known in national policy. Under the 2010 regulations, the clawback period for that discretionary relief is set at seven years. In the interests of consistency, the draft regulations ensure that the clawback period for discount market sale homes is the same as that for First Homes and ends at the point of the first sale, as long as the conditions are met.

Contributions from developers play an important role in delivering the infrastructure that new homes and local economies require. I assure the Committee that these minor technical amendments are designed to maintain the status quo and not disrupt it. Currently, the vast majority of homes produced by developers as part of their obligatory contributions already enjoy an exemption from CIL. Our policy is not to increase the contributions, but to ensure that, as part of them, a certain proportion

of homes are delivered as First Homes. The draft regulations ensure that developers are not unduly penalised for delivering this new type of tenure, and I commend them to the Committee.

The Chair: The debate can last until 6 o'clock.

4.37 pm

Mike Amesbury (Weaver Vale) (Lab): It is a pleasure to serve under your chairmanship, Mr Hollobone. I thank the Minister for his introductory speech.

We will be opposing the statutory instrument for two reasons: first, exempting First Homes sites from paying contributions to the community infrastructure levy will undermine local infrastructure supply and the Government's claimed commitment to an "infrastructure first" approach; and, secondly, the initiative will reduce the supply of affordable homes and homes for social rent. I will speak about that and my serious concerns about the scheme more widely.

At face value, the First Homes scheme might sound appealing. We all talk about the need to open up opportunities for first-time buyers to purchase good, affordable homes, but this initiative is not the answer. The Government are still in deep denial about the scale of the current housing crisis and the right ways to tackle it. Labour Members share deep concerns about who will benefit from this housing scheme, who it will hurt, and how wider communities will lose out because of it. First Homes is yet another scheme, after a decade of failure, to be put forward by the Conservative Government in recent years that claims to do something about the issue, but definitely does not. The spin attached to the initiative—that it is somehow designed for our key workers—comes from a Secretary of State who believes that a Cornish pasty with a side salad is a regular plated meal across the country.

Although the locked-in 30% discount is attractive at first sight, the fundamental question for real people in real communities is, "30% of what?" The Department has set the income cap for buyers wanting a First Home at £80,000 for homes outside London and £90,000 for those inside it. The median salary in the UK is just over £36,000 a year. Earning £80,000-plus puts someone in the top 5% of earners. On the other hand, the annual income for care workers on the median wage is less than £17,000 a year, as our Prime Minister learned only last month, and 38% of key workers earn less than £10 an hour. Homes bought under the scheme will be utterly out of reach for those key workers—those heroes—who have continuously been at the forefront of the fight against covid-19. It is not just key workers who will not benefit from the scheme; analysis by Shelter suggests that these homes will be out of reach of average earners in 96% of the country.

Even reaching the first step in home ownership is impossible for many. Two thirds of private renters have no savings whatsoever and therefore are utterly unable to raise a deposit. A vast majority of the remaining third have less than £16,000 saved, which is not nearly enough to secure the average home.

Yet again, the Government are twisting the meaning of "affordable" until it loses all credibility with the public. Will the Minister outline what evidence he has that key workers, or any worker not earning well

over the average salary, will be helped by this scheme? Does not capping salaries at well over twice the median wage all but guarantee that this scheme will only help those people who are already doing better in our society than most?

The scheme sounds and looks suspiciously like the Starter Homes scheme that began in 2015, which built exactly zero houses for young people who wanted to get on the housing ladder. How many people is this scheme expected to help? The Government proudly boasted that up to 200,000 young people would benefit from the Starter Homes scheme. They are being decidedly less open about the estimates for First Homes.

First Homes will come at the expense of providing other housing, either in the form of existing affordable housing schemes, or homes for social rent. The Government propose that at least 25% of section 106 funding is earmarked for First Homes. Section 106 funding provides not only half of all affordable housing built in the UK, but half of all social housing. Social housing is already critically endangered in this country, with just 6,287 homes for social rent built in 2018-19. But the solution to that, and to the problem of how we house the 1.15 million people on the waiting list for housing, is not to divert more money to homeowners. Making social homes extinct will not reduce the housing crisis, but exacerbate it.

The cost of First Homes is not only to the supply of social housing. The community infrastructure levy allows local authorities to offset the impact of new housing on local infrastructure. The levy is a good and necessary vehicle to help to provide the infrastructure that all of us want in our communities and constituencies up and down the country, be that GP surgeries, green spaces, schools, local highways or public transport, but the draft regulations will ensure that no First Homes involve a contribution to community infrastructure.

Have the Government carried out an impact assessment on what the scheme will cost local authorities with regard to their ability to fund local infrastructure? How does cutting the funding available for local authorities to support new residents fit with the Government's existing commitment to "infrastructure first"?

As I have said before to the Minister—I say it again—"You cannot cheat your way out of the current housing crisis." We need to help people to get on the housing ladder. That should be an essential part of our national housing strategy, but it should not happen at the expense of local communities' ability to build vital infrastructure, and nor should it be to the detriment of those most in need of decent housing. Yet this scheme will do both. For that reason, we oppose the regulations, based on the scheme that is presented to us today.

4.45 pm

Christopher Pincher: I regret that the hon. Gentleman and his colleagues propose to vote against this small technical amendment, not least because they are essentially setting themselves against the 87% of people in our country, many of whom are young people, who say time and time again, when asked, that they want to own their own home. The measures before the Committee will enable young people more easily to own their own home, but unfortunately the Opposition are choosing to set their sights against that.

[Christopher Pincher]

The hon. Gentleman cited many numbers in his remarks. May I gently remind him that last year we built 240,000 new homes in our country? We built more social homes—council homes—in one year than the last Labour Government did in 13. We have abolished the housing revenue account cap to allow local authorities to build homes. We have also extended the period within which they can use their right-to-buy receipts. We have therefore taken firm action not only to support the building of new homes, but to build the array of discounted homes that our country needs.

Mike Amesbury: In the last year of the previous Labour Government, 28,000 social homes were built. In the year to which I was referring, the figure was less than 6,300. That is a fact—it is on the record.

Christopher Pincher: The hon. Gentleman knows full well that Wales has been unable to build more council homes in a year than there are members of a Welsh rugby team, so we will not take too many lectures from the Labour party about building homes.

The hon. Gentleman talks about affordable homes, but let me remind him of the affordable homes programme that we announced only last month. We announced £12.3 billion of funding to build affordable homes in our country, which is the largest such cash injection for 15 years—and that is on top of the last affordable homes cash injection. We estimate that, economic conditions allowing, that will build 180,000 new homes, the majority of which will be for discounted or social rent. We have taken a firm stand to build the right homes that our people want and need.

The hon. Gentleman mentioned section 106. He will know that over 80% of local authorities and developers say that the present system is too opaque and too slow, and does not deliver the infrastructure and affordable homes that are required. That is one of the reasons why, in our “Planning for the future” White Paper, we are consulting on a change to the developer contribution levy: from a split between CIL and section 106, to a simple single infrastructure levy that might be set locally. I encourage him and his colleagues to look at that White Paper and the consultation, and to submit their thoughts accordingly.

I am confident that, as a result of the consultation that we undertook earlier this year, which received a great deal of feedback and closed on 1 May, in which 77% of respondents said that these proposals will bring forward more First Homes—they are right—

Steve McCabe (Birmingham, Selly Oak) (Lab): Will the Minister give way?

Christopher Pincher: I am also confident that the proposals that we are considering today are right. I encourage the Committee to support them, and I discourage the Opposition from setting their face against the right to home ownership.

The Chair: Does the hon. Member for Birmingham, Selly Oak (Steve McCabe) wish to make a speech?

Steve McCabe: No, I was trying to intervene on the Minister.

The Chair: Sadly, unsuccessfully.

Question put.

The Committee divided: Ayes 9, Noes 7.

Division No. 1]

AYES

Buchan, Felicity
Farris, Laura
Griffith, Andrew
Higginbotham, Antony
Hughes, Eddie

Jenkyns, Andrea
Jones, Andrew
Mohindra, Mr Gagan
Pincher, rh Christopher

NOES

Amesbury, Mike
McCabe, Steve
Ribeiro-Addy, Bell
Rimmer, Ms Marie

Stringer, Graham
Sultana, Zarah
Timms, rh Stephen

Question accordingly agreed to.

4.51 pm

Committee rose.

