

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Eleventh Delegated Legislation Committee

DRAFT COMMUNITY INFRASTRUCTURE LEVY
(AMENDMENT) (ENGLAND) REGULATIONS 2019

Wednesday 15 May 2019

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The Committee consisted of the following Members:

Chair: DAVID HANSON

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| † Afriyie, Adam (<i>Windsor</i>) (Con) | † Mann, John (<i>Bassetlaw</i>) (Lab) |
| † Antoniazzi, Tonia (<i>Gower</i>) (Lab) | † Maskell, Rachael (<i>York Central</i>) (Lab/Co-op) |
| † Donelan, Michelle (<i>Chippenham</i>) (Con) | † Newton, Sarah (<i>Truro and Falmouth</i>) (Con) |
| † Double, Steve (<i>St Austell and Newquay</i>) (Con) | † Pearce, Teresa (<i>Erith and Thamesmead</i>) (Lab) |
| † Foxcroft, Vicky (<i>Lewisham, Deptford</i>) (Lab) | † Scully, Paul (<i>Sutton and Cheam</i>) (Con) |
| † Harper, Mr Mark (<i>Forest of Dean</i>) (Con) | † Watling, Giles (<i>Clacton</i>) (Con) |
| † Harrison, Trudy (<i>Copeland</i>) (Con) | † Williams, Dr Paul (<i>Stockton South</i>) (Lab) |
| Johnson, Diana (<i>Kingston upon Hull North</i>) (Lab) | Nina Foster, <i>Committee Clerk</i> |
| † Jones, Andrew (<i>Parliamentary Under-Secretary of State for Transport</i>) | † attended the Committee |
| Kendall, Liz (<i>Leicester West</i>) (Lab) | |

Eleventh Delegated Legislation Committee

Wednesday 15 May 2019

[DAVID HANSON *in the Chair*]

Draft Community Infrastructure Levy (Amendment) (England) Regulations 2019

8.55 am

The Parliamentary Under-Secretary of State for Transport (Andrew Jones): I beg to move,

That the Committee has considered the draft Community Infrastructure Levy (Amendment) (England) Regulations 2019.

It is always a pleasure to serve under your chairmanship, Mr Hanson. Crossrail is one of the most iconic infrastructure projects anywhere in the world. Although it is situated in London, it is a project of national importance and its benefits will continue to be felt across the UK. Some 96% of opportunities to work on the project have been awarded to UK companies, 62% of which are based outside London.

The delays and cost challenges during construction are deeply disappointing. Following Crossrail's announcement last August, the Department for Transport, together with the joint sponsor, Transport for London, commissioned KPMG to undertake independent reviews of Crossrail's governance and commercial and financial arrangements. Those reviews have now concluded, and their 125 detailed recommendations are being implemented to strengthen governance and financial and commercial processes. Those recommendations include changes to the leadership of the Crossrail Ltd board by bringing in a new chairman, deputy chairman and non-execs.

Since August, Crossrail, a wholly owned subsidiary of TfL, has worked extremely hard to establish a new approach to opening the railway, and on 25 April it announced that it had completed a new plan to open the central tunnelled section and had identified a six-month delivery window with a mid-point at the end of 2020. That is an important update, because it lets passengers know when they can expect to benefit from faster and better journeys. Crossrail Ltd will make every effort to deliver the service as early as possible.

That leads me to the core of the draft regulations. As hon. Members will recall, I announced in my written ministerial statement on 10 December that the Government, the Mayor of London and Transport for London had agreed a financing package to deliver the remainder of the Crossrail project and to open the Elizabeth line to passengers in a safe and timely way.

Although the benefits of the project supply chain span the breadth of the UK, the project must be completed in a way that is fair to UK taxpayers and that enables London, the primary beneficiary of Crossrail, to bear the additional costs. The KPMG review of Crossrail's finances indicated that the likely range of additional capital required because of the delayed opening could be in the region of between £1.6 billion and £2 billion. That includes the £300 million that the Department for

Transport and TfL contributed in July 2018, which leaves between £1.3 billion and £1.7 billion to cover the predicted additional costs of the project.

As part of the overall financing package of £2.15 billion, the Department for Transport will provide a loan of up to £1.3 billion to the Greater London Authority, which intends to repay the loan via London's business rate supplement and the mayoral community infrastructure levy. The GLA will provide a £100 million cash contribution, which takes its total contribution to the package to £1.4 billion. As the final costs of the project have yet to be confirmed, a contingency arrangement has been agreed between TfL and the Department for Transport. The Department will loan TfL up to £750 million in the event that further finance is required for the project.

The draft regulations create the power for the Mayor of London to apply community infrastructure levy receipts to fund capital borrowing for Crossrail. Consequently, the GLA will be able to borrow against future CIL receipts to direct a grant to Transport for London to fund the completion of the Crossrail project. The funding arrangement in the draft statutory instrument will cease once the final loan payment has been made. The amendment affects London only and the borrowing power will be limited to Crossrail 1 only.

From a purely technical perspective, the draft regulations form an amendment to regulation 60 of the Community Infrastructure Levy Regulations 2010. This is a small measure, but it is large in scale given its importance to the project. It extends the powers of one person for one project, for a limited period.

I remind the Committee that Crossrail is a fantastic project for our country. It has supported 5,000 full-time jobs, and has delivered 1,000 apprenticeships and 70,000 supply chain opportunities. Once opened, it will transform the travel experiences of a projected 200 million passengers a year. It will help to deliver £42 billion of benefits to the UK economy. It is an essential project that will benefit future generations, and by approving the draft regulations the Committee will support its delivery as quickly as possible, in a responsible manner.

9 am

Rachael Maskell (York Central) (Lab/Co-op): It is a pleasure to serve under your chairmanship, Mr Hanson. I confirm that Labour support the draft regulations.

As we have heard, the Crossrail project provides vital infrastructure across London, and it will carry up to 200 million passengers a year when it is completed and create 55,000 jobs. The Minister has highlighted the issues of overrun of cost and time, and we look forward to the report of the Public Accounts Committee, which is looking into such matters.

The draft regulations provide the Greater London Authority and Transport for London with the mechanism by which they can make repayments until 31 March 2033, so that they can complete the works without further financial barriers. We therefore support the draft regulations.

9.1 am

Paul Scully (Sutton and Cheam) (Con): It is a pleasure to serve under your chairmanship, Mr Hanson. I do not want to delay the Committee too long, but I want to put on record that I very much welcome the Crossrail project. It will be of real benefit to Londoners, but also much further afield. It will help businesses and residents

in getting across town. Getting into town and out of town is not too bad in this day and age, but getting around London can be complicated.

I am concerned, however, about the fact that we have had to come to the point of using CIL money to repay debts. People who have built properties, such as offices, in other areas would have paid that money to be used for other infrastructure needed across London, not just the core funding of Crossrail. Delays to the project—we have had reports that it may continue until 2021—mean that additional costs are being put on the London taxpayer, whether directly or indirectly, because of the redirection of community infrastructure money that could otherwise be used elsewhere. It is a shame that we have had to come to this point.

The fact that the GLA is borrowing the money because TfL has already maxed out its budget and ability to borrow is symptomatic of a wider concern for Londoners, when road maintenance and tube extensions have been cancelled. I am, however, glad that the Government are doing what they can to step in and allow the important Crossrail project to continue.

9.3 am

John Mann (Bassetlaw) (Lab): It is a pleasure to serve with your good self in the Chair, Mr Hanson.

I have six questions. First, the Minister eulogised the benefits of the project to the country. Perhaps he could give more detail about its benefits to my constituency or, indeed, to Wales, Scotland, the north of England and the midlands. I contend that there are none. It benefits London.

Secondly, the explanatory memorandum accompanying the draft regulations states that there will be £42 billion-worth of growth as a consequence of the project. I shall not ask the Minister to tot up all the grandiose claims made about how much would be created by every major capital infrastructure project over the course of the present and, indeed, the several preceding Governments, but we would certainly be the richest country in the world by far if we got even 10% of those claims. Can he quantify, therefore, how the £42 billion is calculated and how much double counting there is in that?

Thirdly, how much did the Government pay KPMG to come up with the fantastic solution of using community infrastructure levy money to pay for the extra borrowing required? Given that advice was given in Parliament, including several times by my good self, that the project would overrun and be overpriced—over the past 10 years several of us have raised how badly this project has been run, like most major projects in overfunded London—that could have been calculated in.

Fourthly, how much of the extra £2.1 billion is it anticipated will be raised via the community infrastructure levy? Albeit that will be borrowing, how much will come from the CIL?

Fifthly, if the draft regulations are passed, will the CIL also be usable for the contingency loan—the £750 million of additional money that the Minister identified on top of the additional money? Has any cost-benefit analysis been done of what the loss will be, particularly to the poorer parts of London, if CIL money is not available should there have to be a further extension to cover the contingency loan?

Finally, I strongly support the principle behind the draft regulations that the CIL should be allowed to be used to offset borrowing costs for major infrastructure, but—this is a rather substantive point—given the way in which the CIL has been contrived, a load of developments are built and the infrastructure needs are identified and added afterwards. In planning terms, the sensible approach to a major development would be to build in the critical infrastructure needs in advance, not afterwards. That would be cheaper, it would be better for the community and there would be less disruption.

Will councils such as Bassetlaw District Council have the same opportunity to use their CIL revenue to offset any borrowing they choose to put into major infrastructure, anticipating that the growth from housing and so on will generate further CIL revenue? In other words, can other councils use the first bit of their CIL revenue to offset the borrowing costs associated with pre-empting infrastructure needs? Can they use the CIL as the basis for funding that borrowing?

9.8 am

Andrew Jones: I thank my hon. Friend the Member for Sutton and Cheam and the hon. Member for Bassetlaw for their points. Let me reiterate a few things. First, we need to separate out exactly what this debate is about: it is about powers, not about the project.

I say to my hon. Friend that when the Mayor and TfL approached the Department, we were very keen to help to get this project over the line. That is the key point. This is a great project, which will benefit Londoners, and I am really looking forward to seeing it open. I had the opportunity to go down one of the tunnels and see the work in progress, and I was very impressed by what I saw. The project will change the travel expectations of Londoners, because the stations and lines are huge.

Some of the questions asked by the hon. Member for Bassetlaw were, frankly, not about this draft statutory instrument; they were about travel and planning more broadly, but let me say a few things. The cost-benefit analysis that is performed when projects go through their development stages looks at how transport and infrastructure as a whole will unlock economic activity. That is how the broader benefits are calculated in the benefit cost ratio calculations during the course of a project's development.

This project will benefit the constituents the hon. Gentleman serves in a couple of ways. First, there were opportunities in the supply chain. He represents a constituency in Derbyshire—

John Mann: Nottinghamshire.

Andrew Jones: I beg the hon. Gentleman's pardon. Nottinghamshire has at its heart a hub of engineering and rail expertise in the UK. Some of his constituents will have worked on projects to deliver Crossrail.

The proposal to use the mechanism to repay the loans did not come from KPMG but from the discussions between the Department, the GLA and TfL. On the question whether the contingency loan could be used to repay it, the answer is yes: this is about using the money specifically to repay on Crossrail 1 in full. It is timed to come to a conclusion—there is a sunset clause—after the last possible repayment date for the loan.

[Andrew Jones]

On the question whether the measures can be used by other councils, the answer is no. They apply to a mayoral CIL and there are no other mayoral CILs in the country. The draft statutory instrument does not extend the powers anywhere else, so they do not apply to the hon. Gentleman's council. It is specific to the Mayor of London, for a specific project and specific time, and after that the powers will finish.

John Mann: Before we vote, could the Minister tell us whether the Government have plans to bring forward comparable regulations that will allow everyone else's councils to act pre-emptively and offset the CIL against borrowing for infrastructure needs and major developments? That is the one thing in these proposed regulations that attracts me to them. The Minister has logic. If there are no plans, will he consider spreading a sensible approach to financing so that everyone in the country can benefit if their council wishes?

Andrew Jones: That is a series of local government powers, but I am not a Local Government Minister. I am working with Local Government ministerial colleagues and will relay the hon. Gentleman's point to them. I have no idea where they are planning to take this. I know there is a piece of work looking at usage under a future community infrastructure levy. I agree with the hon. Gentleman's basic point that it is appropriate to construct infrastructure alongside and in advance of development, either residential or commercial. That is one of the underlying principles of the national productivity investment fund.

Mr Mark Harper (Forest of Dean) (Con): I had not planned on intervening, but I was listening carefully to the sensible questions asked by the hon. Member for Bassetlaw. On his first point about how this benefits his constituents, the answer that the Minister did not give is that London generates a tremendous amount of tax revenue. My understanding is that it is the only region of the country that generates more tax revenue than it consumes in public spending. Therefore, whether we

like it or not, it does subsidise the rest of the country. If we invest in London and it generates more growth, that benefits all our constituents.

What follows from that, which is the second point that the hon. Gentleman raised, is that we want more investment in other parts of the country. I therefore urge the Transport Minister to consider applying this particular method to some of the big infrastructure and transport projects required elsewhere in the United Kingdom. That may be a route to getting them developed more quickly, so that other parts of the country can join London in generating more tax revenue and economic growth.

The Chair: Order. I am being very generous in allowing discussion, but the draft regulations include the word "London" and cover the powers of the Mayor of London and the CIL in relation to London. Although other areas may be of interest, and I have allowed the principle to be discussed, I want the Minister to focus on London.

Andrew Jones: I will detain the Committee for a very short moment. As my right hon. Friend the Member for Forest of Dean says, it is absolutely true that London is an economic powerhouse for the rest of the country. The thought had occurred to me in preparing for the debate, and it was good to hear him say so. I will also take away his interesting point about mechanisms for developing spending in other areas. We need transport expenditure to be spread right across the country, as it is an unlocker of economic growth. I should like to point out, however, that National Infrastructure Commission projections of current spending show that more is being spent in the north than in the south. That is clear recognition that transport investment needs to be spread everywhere.

I hope I have answered colleagues' questions. I do not think this is a particularly controversial measure. The mechanism will help deliver what I think colleagues will see in due course as a really exciting transport project benefiting not just London but the rest of the UK.

Question put and agreed to.

9.15 am

Committee rose.