PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT
GENERAL COMMITTEES

Public Bill Committee

GROWTH AND INFRASTRUCTURE BILL

First Sitting

Tuesday 13 November 2012

(Morning)

CONTENTS

Programme motion agreed to.
Written evidence (Reporting to the House) motion agreed to.
Motion to sit in private agreed to.
Examination of witnesses.
Adjourned till this day at Two o'clock.

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not later than

Saturday 17 November 2012

STRICT ADHERENCE TO THIS ARRANGEMENT WILL GREATLY FACILITATE THE PROMPT PUBLICATION OF THE BOUND VOLUMES OF PROCEEDINGS IN GENERAL COMMITTEES

The Committee consisted of the following Members:

Chairs: Philip Davies, † Mr George Howarth

† Birtwistle, Gordon *(Burnley)* (LD)
† Blackman, Bob *(Harrow East)* (Con)
† Blackman-Woods, Roberta *(City of Durham)* (Lab)
† Blomfield, Paul *(Sheffield Central)* (Lab)
† Boles, Nick *(Parliamentary Under-Secretary of State for Communities and Local Government)*
† Bradley, Karen *(Staffordshire Moorlands)* (Con)
† Coffey, Dr Thérèse *(Suffolk Coastal)* (Con)
† Dakin, Nic *(Scunthorpe)* (Lab)
† Danczuk, Simon *(Rochdale)* (Lab)
† Fallon, Michael *(Minister of State, Department for Business, Innovation and Skills)*
† Glen, John *(Salisbury)* (Con)
† Glindon, Mrs Mary *(North Tyneside)* (Lab)
Howell, John *(Henley)* (Con)
† Morris, James *(Halesowen and Rowley Regis)* (Con)
† Murray, Ian *(Edinburgh South)* (Lab)
† Raynsford, Mr Nick *(Greenwich and Woolwich)* (Lab)
Simpson, David *(Upper Bann)* (DUP)
† Smith, Henry *(Crawley)* (Con)
† Stunell, Andrew *(Hazel Grove)* (LD)

Steven Mark, John-Paul Flaherty, *Committee Clerks*

† attended the Committee

Witnesses

Rt Hon Michael Fallon MP, Minister of State for Business and Enterprise, Department for Business, Innovation and Skills

Nick Boles MP, Parliamentary Under-Secretary of State for Planning, Department for Communities and Local Government

Rt Hon Greg Barker MP, Minister of State, Department of Energy and Climate Change

Councillor Mike Jones, Chair of Local Government Association Environment and Housing Board, and Leader of Cheshire West and Chester Council

Paul Raynes, Head of Programmes, Environment and Housing, Local Government Association

James Lowman, Chief Executive, Association of Convenience Stores

Katja Hall, Chief Policy Director, CBI

Mike Spicer, Senior Policy Adviser, British Chambers of Commerce

Public Bill Committee

Tuesday 13 November 2012

(Morning)

[Mr George Howarth *in the Chair*]

Growth and Infrastructure Bill

8.55 am

The Chair: It may be helpful before we commence proceedings if I make a few preliminary announcements. Members may, if they wish, take off their jackets during the meetings. It is no problem for me. Could we make sure that all electronic devices are turned off or switched to silent mode during Committee meetings? I would like to tell Members that my fellow Chair and I do not intend to call starred amendments that have not been tabled with adequate notice. The required notice period in Public Bill Committees is three working days. Therefore, amendments should have been tabled by rise of the House on Monday for consideration on Thursday, and by rise of the House on Thursday for consideration on the following Tuesday.

I suspect that not everybody is familiar with the process of taking oral evidence in Public Bill Committees, so it might help if I briefly explain how we will proceed. The Committee will first be asked to consider the programme motion on the amendment paper, for which debate is limited, if required, to half an hour. We will then proceed to a motion to report written evidence, and then a motion to permit the Committee to deliberate in private in advance of the oral evidence sessions, which I hope we can take formally. Assuming that the second of those motions is agreed to, the Committee will then move into private session. Once the Committee has deliberated, the witnesses and members of the public will be invited back into the room, and our oral evidence will begin. If the Committee agrees to the programme motion, it will hear oral evidence this morning.

The Minister of State, Department for Business, Innovation and Skills (Michael Fallon): I beg to move,

That—

(1) the Committee shall (in addition to its first meeting at 8.55 am on Tuesday 13 November) meet—

(a) at 2.00 pm on Tuesday 13 November;

(b) at 8.55 am and 2.00 pm on Tuesday 20 November;

(c) at 11.30 am and 2.00 pm on Thursday 22 November;

(d) at 8.55 am and 2.00 pm on Tuesday 27 November;

(e) at 11.30 am and 2.00 pm on Thursday 29 November;

(f) at 8.55 am and 2.00 pm on Tuesday 4 December;

(g) at 11.30 am and 2.00 pm on Thursday 6 December;

(2) the Committee shall hear oral evidence in accordance with the following table:

TABLE

Date	*Time*	*Witness*
Tuesday 13 November	Until no later than 10.00 am	Department for Business, Innovation and Skills; Department for Communities and Local Government; Department for Energy and Climate Change
Tuesday 13 November	Until no later than 10.30 am	Local Government Association; Association of Convenience Stores
Tuesday 13 November	Until no later than 11.25 am	Institute of Directors; Confederation of British Industry; British Chambers of Commerce
Tuesday 13 November	Until no later than 3.00 pm	Country Land and Business Association; British Property Federation; British Council of Shopping Centres
Tuesday 13 November	Until no later than 4.00 pm	Chartered Institute of Housing; Home Builders Federation; National Housing Federation
Tuesday 13 November	Until no later than 5.00 pm	Royal Institute of British Architects; Shelter
Tuesday 20 November	Until no later than 9.30 am	Adrian Penfold (author of the Penfold Review of non-planning consents)
Tuesday 20 November	Until no later than 10.30 am	Royal Town Planning Institute; Town and Country Planning Association; Planning Officers Society
Tuesday 20 November	Until no later than 11.25 am	National Infrastructure Planning Association; Energy UK; Broadband Stakeholder Group
Tuesday 20 November	Until no later than 3.00 pm	Taylor Wessing LLP; Working Families; Trades Union Congress; Chartered Institute of Personnel and Development
Tuesday 20 November	Until no later than 4.00 pm	English National Park Authorities Association; Campaign to Protect Rural England; RSPB; RenewableUK
Tuesday 20 November	Until no later than 5.00 pm	National Trust; Friends of the Earth; Campaign for National Parks

(3) proceedings on consideration of the Bill in Committee shall be taken in the following order: Clause 1; Schedule 1; Clauses 2 to 5; Schedule 2; Clauses 6 to 8; Schedule 3; Clauses 9 to 13; Schedule 4; Clauses 14 to 28; new Clauses; new Schedules; remaining proceedings on the Bill;

(4) the proceedings shall (so far as not previously concluded) be brought to a conclusion at 5.00 pm on Thursday 6 December.

May I, on behalf of the Committee, welcome you to the Chair, Mr Howarth. It is a sign of the importance of the Bill that you have been assigned to chair it, and we look forward to deliberating under your chairmanship and that of my hon. Friend the Member for Shipley.

The Programming Sub-Committee met last Thursday and agreed the dates and times upon which the Committee will meet, and the witnesses who should appear before us during the first four sessions. Those details are set out on the amendment paper. Unfortunately, the Institute of Directors, who we had hoped would attend the sitting this morning, are now unable to send a representative, but will submit written evidence. The final panel this morning will therefore hear evidence from the Confederation of British Industry and the British Chambers of Commerce.

Question put and agreed to.

Resolved,

That, subject to the discretion of the Chair, any written evidence received by the Committee shall be reported to the House for publication.—*(Michael Fallon.)*

Written evidence to be reported to the House

GIB 01 Maidstone Borough Council Liberal Democrat Group

GIB 02 Councillor David Trenbath

GIB 03 Peter Phillips

GIB 04 National Organisation of Residents Associations

GIB 05 Town and Country Planning Association

GIB 06 Ofgem

GIB 07 CPRE

GIB 08 RICS

GIB 09 Lorraine Barter

GIB 10 Energy Networks Association

GIB 11 Hastoe Housing Association

Resolved,

That, at this and any subsequent meeting at which oral evidence is to be heard, the Committee shall sit in private until the witnesses are admitted.—*(Michael Fallon.)*

8.59 am

The Committee deliberated in private.

Examination of Witnesses

The right hon. Michael Fallon MP, Nick Boles MP and the right hon. Gregory Barker MP gave evidence.

9.5 am

Q1 The Chair: We will now hear oral evidence from Ministers from the Department for Business, Innovation and Skills, the Department for Communities and Local Government and the Department of Energy and Climate Change.

I understand that the Ministers have brief opening statements to make. It would be helpful if we do that now. I leave it to you which order you go in.

The Minister of State, Department for Business, Innovation and Skills (Michael Fallon): I welcome the opportunity to set out the case for the Bill at the outset of these evidence sessions, and I look forward to the opportunity to hear the views of the witnesses who will appear over the first four of our sittings. We will then come to the detailed consideration of the clauses, and I am sure that the Committee will, under your chairmanship, Mr Howarth, provide valuable scrutiny. I draw the Committee's attention to the impact assessment that was published yesterday, which covered all the clauses, with the exception of clause 23. That will be published following the analysis of the consultation that closed last Thursday.

We have only one hour available to us, so I propose that we concentrate on the following areas: my hon. Friend the planning Minister will draw the Committee's attention to key evidence in support of the planning provisions, focusing on clauses 1, 4, 5 and 21. The Minister of State for Energy and Climate Change will speak to clauses 15 to 18 and I will cover clauses 7, 11 to 14, 22 and 23. That should enable us to cover the main areas of the Second Reading debate.

The Parliamentary Under-Secretary of State for Communities and Local Government (Nick Boles): I look forward to serving under your chairmanship, Mr Howarth, and to the lively debate we will have on the Bill.

The Government devolved an unprecedented level of power to local authorities in the Localism Act 2011. With power must come responsibility, and the overarching aim of the Bill's planning measures is to ensure that all councils take responsibility for making decisions on behalf of their communities. I am glad to say that the vast majority of authorities do a fantastic job of taking that responsibility and exercise their powers wisely. That is why the country's local planning authorities, between them, made 435,000 planning application decisions in 2011-12, of which 87%—a 10-year high—were granted.

In clause 1 we are trying to tackle the issue of the few local authorities that accept the power, but refuse to exercise responsibility. We are therefore looking at local authorities that take too long to make decisions, or make decisions that do not accord with their policies and with the simplified national policies in the national planning policy framework. Over the past four years, the proportion of major applications determined within the statutory time scale of 13 weeks fell from 71% to 58%. That is troubling. It is not due to an increase in work load, as there has been a corresponding decline of 18% in the number of decisions. Last year, more than one fifth of decisions on major applications took more than 26 weeks. That is more than twice the statutory requirement. More striking still, one in 10 major application decisions took more than a year, and 43% of planning appeals involving major development succeeded—that is, they were overturned by the Planning Inspectorate as not being in accordance with local and national policies.

Some have argued that the deterioration in performance is due to reduced funding for local government, but we have lots of evidence of local authorities improving their performance on major applications. Between September 2010 and October 2011, Surrey Heath increased the proportion of major applications decided within 13 weeks from 42% to 100%. In case anyone thinks that I am singling out fantastic Tory areas, Coventry has improved its performance on the same measure from 54% to 98%. It is clearly possible to do a good job.

The impact of delays is also clear. In 2010, in a report for my Department, Professor Ball of the University of Reading estimated that the transaction costs of development control for major residential development may be up to £3 billion a year. In a recent evidence session to the Select Committee for Communities and Local Government, the same professor advised that the actual costs are likely to be higher than that. Of course, Mr Howarth, you will remember that the previous Government commissioned Kate Barker to do a study into housing and the planning system. She made it clear that unnecessary delays imposed significant costs on the economy.

A survey from the Federation of Small Businesses revealed that seven in 10 of small businesses have to wait more than the maximum eight weeks allowed by Ministers for local authorities to decide most planning applications. Less than a third of all applications were decided within the allocated time frame. Evidence from the quarterly survey of home builders conducted by the Home Builders Federation showed that planning delays have been consistently cited as one of the most significant constraints on home building. In June 2012, 77% of respondents considered planning delays a major constraint. Delays are bad for business, bad for communities and bad for growth. That is why, while supporting local

authorities that do a good job and take responsibility, we are acting to ensure that those who do not are brought up to the mark.

I now move to clause 4 and information requirements. Although it did not attract much attention on Second Reading, in my view it is perhaps the provision that will make the most positive impact to the planning system and the speed of development. There is a longstanding issue with the proportionality of the information requirements, which can cause delays before an application is even validated. Case study research carried out as part of the Killian Pretty review found that almost half of the cases surveyed had problems with the registration procedure, with 20% reporting substantial problems causing delay and exhibiting poor practice.

In our recent consultation on information requirements, almost four in five respondents supported stronger scrutiny of the local lists of information requests prepared by councils, with many, including the National Farmers Union, the Home Builders Federation and the Royal Institute of British Architects arguing strongly that greater rights to challenge information requests are needed. A single archaeological report can cost £4,000 to produce, and there are often requests for multiple reports to be prepared, the cost of which taken together can make it unviable to progress a development at all. A medium-sized development could be asked to produce up to 10 different reports or surveys. A major difficulty for applicants is that those costs are often front-loaded in a development process, particularly when they are incurred at outline application stage.

The Chair: Order. The timetable for these sessions is very tight. I am sure that the Minister is now bringing his remarks to a close so that we can get his colleagues in and complete the business.

Nick Boles: I am very happy to bring my remarks on clause 4 to a close. I had been going to provide some evidence on clause 5, as well as on clause 21 on major infrastructure, but if you would rather that I did not, Mr Howarth, I am always happy to accede to the Committee's requests.

The Chair: I hope that members of the Committee will take the opportunity to note the points that the Minister has not been able to cover and bring them up in questions, which hopefully will give him the opportunity to say what he needs to say.

The Minister of State, Department of Energy and Climate Change (Gregory Barker): Thank you very much for inviting DECC to give evidence on the Growth and Infrastructure Bill, Mr Howarth. I hope your Committee will agree that clauses 15 to 18, although largely technical, are sensible improvements to legislation that will have a positive impact on energy infrastructure. The reasoning behind the clauses is that currently developers of power stations can be held back from improving their plans because they have no way to easily vary consents. For instance, if a developer wants to incorporate the most recent, up to date technology and design to increase energy efficiency, they could be prevented from doing so, which means that in reality developers can be prevented from being as ambitious and innovative as they and we would like.

An amendment to the Electricity Act 1989 will mean that if developers want to apply to change their projects, in most cases they will need only to undertake a three-month consultation, rather than going through the whole process of applying for consents again. That could unlock investment decisions across a range of technologies, potentially bringing in thousands of new jobs and billions in new investment. Upgrading our energy infrastructure is certainly key to getting our economy moving in the short term, so it is directly relevant to the Bill, but it is also essential for meeting our longer-term energy and climate change policy goals.

Upgrading the UK's energy infrastructure is one of the largest programmes of investment in the UK, and we are working constructively with key stakeholders to highlight, remove or improve existing regulations that hinder investment. The clauses are largely technical in nature, but they will result in very real benefits for industry participants. Consumers will also benefit in the long term from the increased efficiencies that we think the clauses will deliver.

Clause 15 removes the bureaucratic burden on the energy industry and is part of my Department's contribution to the Government's red tape challenge, which aims to remove unnecessary measures from the statute book. The clause also sees the Government following through on commitments arising from Adrian Penfold's review of non-planning consents for BIS. It repeals the requirement for developers or operators of gas-fired or oil-fired power stations to notify the Secretary of State for Energy and Climate Change when proposing to build a new power station or convert an existing power station to use gas or oil as fuel. It also removes a requirement to notify the Secretary of State of contracts for the supply of gas to such stations. We have agreed with industry that such notifications no longer serve any meaningful purpose, so the red tape should be removed.

Clause 16 seeks to address a minor ambiguity in the Gas Act 1986 that is potentially standing in the way of significant progress in the gas industry. The ambiguity is preventing Ofgem from launching its gas network innovation competition, which is worth around £160 million of additional industry investment in the gas grid over an eight-year period. The Committee should receive letters from Ofgem and from industry in support of clause 16; they are very keen to move forward with the investment competition in 2013 in order to realise quicker the benefits that can be achieved for consumers through greater innovation and efficiencies in our gas network.

Clauses 17 and 18 allow amendments to existing planning consents without developers having to make completely new planning applications under different legislation. That will save money, time and resources for industry, Government and ultimately consumers. Again, we are putting right a minor defect in existing law in a way that is broadly supported. For some projects that have already received consent, it may make the difference between going ahead in a more efficient and environmentally friendly form or being abandoned after years of work and considerable expenditure on professional advisory fees.

Clause 17 amends the provisions in the Electricity Act 1989 relating to consents for generating stations. In particular, it allows developers to apply for amendments to consents for electricity generating stations issued under the Electricity Act regime, which preceded the Planning Act 2008.

In conclusion, clause 18 amends provisions in the Town and Country Planning Act 1990 and the equivalent Scottish planning legislation. Clause 18 would allow the

Secretary of State in England or Scottish Ministers in Scotland to grant new deemed planning permission or vary existing deemed planning permissions when consents under section 36 of the Electricity Act are varied. The amendments are technical, but they would have a meaningful effect.

The Chair: We have now overrun, but I intend to exercise a bit of latitude. Will Michael Fallon be as brief as possible in covering the ground that he needs to?

Michael Fallon: I will be as brief as I can, Mr Chairman, about the remaining provisions. I am delighted that Adrian Penfold is joining us next week, so I will not draw the Committee's attention to his particular clauses.

Clause 7 deals with broadband. Our ambition is for Britain to have the best superfast broadband network in 2015. Good broadband is scarcest in the countryside. The percentage of households with no or slow broadband in 2010 was 23% in rural areas as opposed to only 5% in urban areas. A total of £1.2 billion of public subsidy is being invested to roll out high-speed broadband and to close the urban-rural divide.

The changes in secondary legislation, which will be limited to five years to incentivise providers, are required because, even in the very best cases, it currently takes twice as long to install infrastructure, causing uncertainty and delay. In some cases, operators have faced delays of up to two years in reaching agreement on the siting of equipment.

Clauses 11 to 14 relate to town and village greens. The existing registered town and village greens will retain the strongest protections available. The Bill simply prevents applications for new town and village greens from being used to cut across the democratically accountable planning system. To be clear, the changes that we propose in the Bill do not affect existing town and village greens, but we hope to prevent such cutting across in future.

Clause 22 relates to business rates. As we committed to do on Second Reading, the Valuation Office Agency data have now been made available to the House. The agency has independently prepared initial estimates based on its professional judgment and informed by limited rental evidence, which suggests that 800,000 premises could have faced a real-terms increase in their rates bill in 2015, compared with only 300,000 seeing a fall. The uncertainty generated by such a revaluation in the current climate would impede growth, so the clause postpones the revaluation to give all businesses five years of certainty over their business rates bill.

Finally, clause 23 sets out proposals for a new type of employee status: employee owner. By increasing the range of employment status options, companies limited by shares will have a greater choice about how to grow and adapt their work force. It will enable employees to opt out of some—not all—employment rights in exchange for an equity share in the employer's company, which will not be subject to capital gains tax, up to a limit of £50,000.

We have received more than 400 responses to the consultation, which closed only last Thursday. We will publish the Government response and an impact assessment shortly.

The Chair: Before colleagues ask questions, I remind all members of the Committee that questions should be limited to matters within the scope of the Bill. We must stick strictly to the timings, otherwise we will not be able to conclude the business. For this part of the proceedings, we have until 10 am. I hope to avoid it, but if necessary I will cut someone off in mid-sentence to ensure that we meet the necessary timings.

Q2 Mrs Mary Glindon (North Tyneside) (Lab): The planning Minister stated that the majority of local authorities are giving decisions on planning applications in a timely fashion and that it is the minority that are not achieving that. He gives a lot of facts and figures about those things. In the light of that, what evidence is there that the planning system in England is holding back growth?

Nick Boles: It is very clear. We have had a lot of responses from business organisations about delay. We had Professor Ball from Reading university estimating the cost of planning as a transaction cost and a delay cost. Recently, he said in evidence to the Select Committee that, if anything, he had underestimated the cost. A delay of more than 13 weeks in reaching a decision clearly means that people cannot invest, they cannot build and they cannot employ the people whom they were going to employ in building for a period of time. That is what we are trying to get at. I emphasise that most local authorities do a good job. All we are trying to do is ensure that those few who do not take their responsibilities seriously improve their performance.

Q3 Mrs Glindon: Would the Minister please say how he will address the specific problem?

Nick Boles: We will consult on a range of criteria for poor performance, and a measure of timeliness will basically be singled out in terms of making the major decision within 13 weeks. It will also look at the quality of decisions adjudged by the percentage of applications that are overturned on appeal, because if a decision is overturned on appeal, that effectively means that the decision was not made in accordance with local policies and national policy. If that is happening a lot, that means that the planning authority is not doing a good job in making decisions according to policies. We will publish criteria, which will be very objective. They will single out a very few local authorities whose poor performance is egregious and we will then offer, for a period of time, the ability for developers and applicants to make an application directly to the Planning Inspectorate, if they want to. They do not have to. Even with authorities in this category, they will not have to send the application to the Planning Inspectorate, but they will be able to, if they are worried that the authority's poor performance means that they will not get either a timely or a good decision.

Q4 Andrew Stunell (Hazel Grove) (LD): I want to focus on clause 23, which is on employee owners. The part of the Bill that details which rights will be withdrawn is quite complete, but the first part of the Bill leaves a number of things for further explanation. I wonder whether the Minister could say something about what level of agreement is required. Could he say something about the position faced by new applicants for jobs in a firm that already has a substantial amount of employee ownership, if they were doubtful about exercising their new rights?

Michael Fallon: That is a perfectly fair question. First, I should emphasise that this is entirely voluntary. Nobody has to engage in the scheme: no company has to do it and no employee has to do it. I think that others have suggested, since this proposal was put forward, that it might suit certain types of business better than others. It may particularly suit a new business that is being set up by a group of entrepreneurs. They will agree, for example, in that small, tightly knit company, that it would be damaging for the company if one of them started suing the other for unfair dismissal, so they agree to sacrifice some of their rights in return for this kind of added share benefit. I do not think that this will be taken up by every company in the land, and it certainly will not be forced on any company or employee.

Q5 Andrew Stunell: Could I take another example? If we consider some of the companies that provide services to the House in terms of cleaning and so on, it is foreseeable that one or other of them might decide to follow the same route. I am concerned to understand, if there are vacancies and people present themselves for a job, whether they have a realistic right to refuse the offer of ownership and the consequential reduction of their rights. We are already concerned about the way in which people in this building get treated. Can you respond to that?

Michael Fallon: I obviously understand that concern. No one wants to see employees pressurised into making a choice that may not be in their own best interests. I am happy to reflect on that particular point. However, I think that it is somewhat unlikely that, if a company goes to the trouble of designing an employee ownership scheme and handing over a stake in the company, it will consider that the employee concerned should be pressurised into accepting something that is not of benefit to him or her. I think those circumstances would be pretty unlikely.

There is a cost to the company in giving away some of its equity. That has to be balanced against the rights of the employee. I certainly do not want to see any circumstances in which employees are pressurised into accepting a loss of rights.

Q6 Roberta Blackman-Woods (City of Durham) (Lab): I would like to direct the planning Minister to clause 1. I think you were saying that you were looking at two areas for designation: major applications that take more than 13 weeks, and the percentage of major applications overturned on appeal. Will you enlighten us a bit more on the time period that will be considered, what is going to be in the consultation, and when we can expect the consultation to happen?

Nick Boles: I am afraid that I am not able to say now exactly what will be the measures of the criteria. We are hoping to publish them shortly—definitely before the Committee discusses the clause, so the Committee will have a full chance to investigate the measures that we propose. Unfortunately, as I am discovering as a baby new Minister, Government wheels turn somewhat slowly in making collective decisions. My ability to publish things is not quite as immediate as I might like.

Focusing on the hon. Lady's authority of the City of Durham, it decided 71% of major applications in 13 weeks, and only 1.3% of those decisions were overturned. It is clear that that authority has absolutely nothing to fear from the Bill, because on both measures, it is a good performer. It will be much worse performers than that that will be caught by the criteria. However, as I said, I am afraid that I cannot share the detail with her at this stage, because I would be shot if I did.

Roberta Blackman-Woods: I am sure that the Minister meant Durham county council.

Nick Boles: Sorry.

Q7 Roberta Blackman-Woods: While I am on the subject, the Minister obviously knows which authorities are not going to be brought into the criteria. Perhaps he could enlighten us as to which ones he thinks will be brought into the criteria.

Also, will he look at how local authorities become undesignated? If most major applications are to go directly to the Planning Inspectorate, how will an authority build up an evidence base to get out of being designated? They will want to deal with major applications.

Nick Boles: That is an excellent question. I will respond to your first question first.

As I have not published the criteria, I cannot single out the authorities that will be affected by them. All I would say is that, on the basis of last year's figures, it will be a very small number. It will be fewer than 20, and it might not be more than 10. Of course, if performance gets a lot worse, the same measures may capture many more authorities.

Regarding the second question, first, the authorities concerned will still be dealing with the regular stuff of planning business; it is not like they will have nothing to work on. Secondly, they will be dealing with some aspects of major applications, because they will still need to advertise applications and handle local consultation. Thirdly, applicants will not be required to go to the inspectorate; they will do so only if they choose to. Therefore, the authorities may still get some major applications, and the Department, the Local Government Association and others will work intensively with them and the Planning Inspectorate to enable them to get back to a point where they can handle such things on their own. The last thing that anyone wants is for the Planning Inspectorate to be lumbered with dealing with such applications for a long time.

Just as with a school that gets into a bad way, there will be a moment of intensive, wrap-around care. That is what we are thinking about in order, hopefully, to restore to the authorities their full democratic control once their performance is returned to an acceptable level.

The Chair: I hope that we are coming towards the end of these questions.

Q8 Roberta Blackman-Woods: Just one more. Will the Minister say something more about who is going to judge whether authorities are acting in line with their own plans in the NPPF? Will it be simply numerical, on the basis of those overturned on appeal?

Nick Boles: The measure that we are looking at is the proportion of major applications overturned on appeal. By and large, if something is being overturned on appeal, it is not in accordance with either national policy or local plans.

Q9 Dr Thérèse Coffey (Suffolk Coastal) (Con): I want to follow up on the business rates evaluation. I understand why the Government are trying to give certainty to businesses in the near future, but what will the Minister say to those who do not have confidence in the evidence in the written ministerial statement yesterday—who think that they are going to be a winner when the likelihood is that they will be a loser?

Michael Fallon: I think they should look at the estimates published by the Valuation Office Agency. There was some misunderstanding about the effect of the multiplier, and it is worth reminding the Committee that the exercise is revenue-neutral, so if there are gainers, there are also losers. On the estimate that the VOA has put before us, it happens that there will be many more losers than gainers, and the losers are well spread throughout the country and across every region, with small businesses, offices, public houses and business premises of that kind particularly affected.

Q10 Ian Murray (Edinburgh South) (Lab): I want to concentrate on the employee owners part of the Bill. Minister, you said in your opening statement that you will publish the impact assessment when an analysis has been done of the responses to the consultation. Is that not slightly strange, given that the Bill is before us? Will the Government recommend removing the relevant clause from the Bill if the impact assessment so says?

Michael Fallon: I do not think it is strange, and nor is it novel. As Mr Murray will know, the proposal was first published in early October. We have moved extremely swiftly to give it legislative effect. The consultation ran for three weeks and finished last Thursday. We are analysing the consultation at the moment, and we are as anxious as he is to get the results in front of the Committee and give the Committee as full an impact assessment as possible of where people think the most likely impact is going to be, as quickly as we can.

Was there a second part to your question?

Q11 Ian Murray: If the impact assessment suggests that the clause should be withdrawn from the Bill, will you do so?

Michael Fallon: I do not think I am in a position here to describe what is in the impact assessment, as the consultation has only just ended. When the proposal was first published, many welcomed it. I can give the Committee a range of quotations in favour it. I think the CBI described it as a "niche proposal", and others opposed it and thought that it would be an erosion of rights.

It is worth emphasising again that the scheme would be entirely voluntary. No one has to take up such rights, and no company has to adopt the new status. We will see what views have been raised in the consultation, whether they are all in favour of the clause, or whether they are all against.

Q12 Ian Murray: How will shares that are not listed be valued? Do you agree with the chief executive of Sainsbury's, Justin King, who said that this could damage business even further in terms of reputation?

Michael Fallon: I do not agree with that. Many businesses have said that they welcome this new kind of status and, indeed, the attempt that lies behind it to extend employee share ownership more generally. So I certainly do not agree with that—sorry, what was the first part of your question?

Q13 Ian Murray: How will shares be valued if they are not listed?

Michael Fallon: The valuation is something we are looking at. As I think I said on Second Reading, we need to address a number of technical issues surrounding this clause, and we are obviously waiting for the results of the consultation. One such issue concerns valuation, the other exit—what happens to the shares when someone leaves the company, and the circumstances in which he or she leaves the company. Those are technical issues that we obviously hope to address before we reach that part of the Bill.

Q14 Bob Blackman (Harrow East) (Con): To return to the planning issues, Minister, although there has been a drop off in the number of major applications approved within the 13-week period, I think I am right to say that 87% of major planning applications were actually approved by local authorities albeit outside the time limit. The productivity of planning officers has improved. One reason why the delay takes place is that local authorities agree with developers to extend the period by negotiation. How much of that have you taken into consideration?

Nick Boles: That is an extremely important point to make. Mr Blackman will remember that I pointed out, in front of the Select Committee on which he sits, that there is a wrinkle in the current data because the authorities do and are encouraged to form planning performance agreements with applicants on major schemes, which means that by agreement it will take longer than 13 weeks. Currently, the data captured do not reflect that, which is why we have said that in the first year—while the data are like that—if authorities are captured by the objective criteria, we will then have a look and take representations from them. If they can show us that they had a huge number of planning performance agreements in there, then of course the last thing that we want to do is to try to capture an authority that is doing everything that we want it to do. We will also be getting the data refined for the future so that, hopefully, in future years the data will take out planning performance agreements and be a much more accurate measure of the performance on those applications.

Q15 Bob Blackman: Also in relation to the Bill, the proposal is that developers could go straight to national decision making; the Bill states that the consultation process for local people will not be as thorough and the national planning authorities will not have to do everything that a local authority does, but you seemed to contradict that in your answer to an earlier question. To clarify, what will be the consultation process when a developer goes straight to the national body, and what will the role of the local authority be in that process?

Nick Boles: That is also a very good question. We will be listening to the Committee and we will be coming forward with detailed proposals, but of course the local authorities will still be charged with advertising any application, as they currently are, even if it is not being

dealt with as a decision-making matter by them. The whole point of advertising is to trigger consultation and a process of people writing in with their views and making objections. That will still happen, but the precise way in which consultation will work, or what elements of the local authority responsibility should remain, is something on which we are very keen to hear Committee views before we issue guidance on the point.

Q16 Mr Nick Raynsford (Greenwich and Woolwich) (Lab): I draw attention to my interests as declared in the register and to three non-pecuniary interests relevant to the Committee's proceedings: I am a director of the Town and Country Planning Association, an honorary fellow of the Royal Town Planning Institute and an honorary member of the Royal Institution of Chartered Surveyors.

Drawing on the evidence of one of those bodies, the TCPA, I ask the planning Minister if he agrees with its assessment that the effect of the reforms in clause 5 on section 106

"will be to reduce the quantum of land for affordable housing and risks increased social polarisation on particular sites".

Nick Boles: No, of course I do not agree. The point is that what I and the Government are focusing on is affordable houses. A theoretical provision of land on which nothing is built is something that the previous Government were particularly good at providing, but affordable houses were not something that they were particularly good at providing and we are trying to correct that. This measure needs to be taken into account in combination with the other measures announced on the same day, including a further £300 million of subsidy for affordable housing. The number of affordable houses will go up as a result of the measures announced on 6 September.

Q17 Mr Raynsford: None of the expert witnesses we have received evidence from agrees with that assessment. All of them, including the RICS, expect the number of affordable homes to go down.

Nick Boles: We have not yet heard from the witnesses; no doubt we will, and I am sure that the right hon. Gentleman will be very good at getting them to provide him with the answers that he is looking for.

Q18 Mr Raynsford: The opening statement from the RICS, in the first section of its evidence, says:

"Whilst it is clear is that affordable housing is often difficult for developers to make viable, potentially reducing obligations on developers to provide much-needed affordable housing risks reducing provision at a time when need is great and Government are unable to fund affordable housing delivery."

Nick Boles: We are not unable to fund it; we are funding it. That is why we announced an additional £300 million, which will produce an additional 15,000 affordable homes on top of the 170,000 that we are already delivering. Indeed, we are delivering about 50,000 affordable homes every year, more than the previous Government, who managed to deliver just over 40,000 a year during a boom. It is simply not the case that we are not producing the same number of affordable houses; we are producing more.

I also point out to the right hon. Gentleman that there are many Labour and other authorities around the country that behave like the authority of his hon. Friend the Member for Rochdale, which voluntarily renegotiates section 106 agreements and attracts huge applause from me for doing so, because it understands that what matters to people—its residents—are houses that they can live in, not theoretical agreements about land that never gets built on.

Q19 Mr Raynsford: At a time when affordable housing starts are at the lowest level seen for many years and the social housing programme has virtually halted, I have to say to the Minister that not many people will accept the claims he made a moment ago. May I ask him why the Government have not named a single affordable housing scheme to benefit from the Infrastructure (Financial Assistance) Act 2012, which is also one of the Government's measures to try to get stalled projects going again?

The Chair: Order. I do not want to go too far with this line of questioning because we are straying towards the very outer limits of the scope of the Bill. If the Minister could be brief, I would like to move on.

Nick Boles: I will be very brief and say that I am the planning Minister, so I am afraid I am not responsible for the individual schemes, but I am sure that the right hon. Gentleman will have every opportunity to quiz my colleagues on that point.

Q20 James Morris (Halesowen and Rowley Regis) (Con): I have a question about clause 21 and infrastructure designation. The Bill provides that certain large commercial and business developments could be determined nationally rather than locally. What will be the criteria for determining the type of developments that fall within that ambit?

Nick Boles: We will be consulting on precisely how the definition should work, because although we do not want to capture very many projects, we do want to capture those that are important, where there is some evidence that they are being held up and that decision making under the current framework is not of the highest quality. We are looking at between 10 and 20 cases per year being referred in addition to the Planning Inspectorate, in the whole country. It is not going to affect every local authority, but I hope that it will unblock some very important schemes.

Q21 James Morris: What sort of projects are we talking about?

Nick Boles: We are looking at the whole range of business and commercial activity, although at this stage we are not looking at major retail. Non-retail business and commercial activity potentially will be captured by the scheme—major industrial parks, major research parks and other major business and commercial developments.

Q22 Simon Danczuk (Rochdale) (Lab): Am I right in saying that you have not consulted on clause 22—the postponement of business rate revaluation?

Michael Fallon: I think that might be right. Let me just turn to clause 22.

That is right. We have not.

Q23 Simon Danczuk: You have not consulted on it.

Your retail guru, Mary Portas, said that delaying the business rates revaluation is a tragedy for the high street. What do you say to your retail guru?

Michael Fallon: As I said earlier, I am not sure that the extent to which the business rating system is revenue-neutral is fully understood. Those who were expecting some reduction in their bills perhaps have not understood the full effect of the multiplier. The evidence we have from the Valuation Office Agency—the best estimate that it has been able to make—is that there would be far more losers than winners had we proceeded with the original revaluation. It is wrong to suggest that the postponement of the revaluation damages any particular sector or any particular region of the country. There is no evidence of that.

Q24 Simon Danczuk: So Mary Portas has got it wrong; it will not be a tragedy for the high street.

Michael Fallon: No, on the contrary, if we had proceeded, there would have been more damage to small businesses in particular. There would have been more losers than winners.

The Chair: Order. This must be the last in this particular series of questions from the hon. Gentleman.

Q25 Simon Danczuk: I understand that the system is revenue-neutral, but there are losers: 300,000 businesses will lose out. Just tell the Committee why a Conservative-led Government are making thousands of businesses pay more in taxes than they should, for an extra two years.

Michael Fallon: What we are doing is giving businesses certainty. Nobody could be quite sure how much they were going to lose or win. As I have said several times, there would have been more losers than winners had we gone ahead. But what is far better in a very challenging economic time is to give businesses absolute certainty as to what their bills will be right through the next five years.

Q26 Gordon Birtwistle (Burnley) (LD): Over the past five to 10 years, we have had the hideous area action plans instructed on by local government. I am hoping that they have now been dispensed with because they created havoc within local government and in planning. Can the Minister confirm that all future developments will be delivered on local area plans, not area action plans that are creating nothing but grief?

Nick Boles: I am sorry, Mr Howarth, but this does not directly relate to the clause and the Bill. I am not absolutely briefed in the ancient history of planning, but it is certainly the case under the Localism Act 2011 that the local plans will be the driver of decision making with the very much reduced national planning policy framework as a backstop on any other questions.

Q27 Nic Dakin (Scunthorpe) (Lab): I want to come back to town and village greens. The Minister was very clear on the value of town and village greens in his opening statement and giving reassurance about protection for current ones. Why therefore prevent a process that has some purchase within localities and change it? People like the Open Spaces Society and the Campaign to Protect Rural England are saying that that is a sledgehammer to crack a nut and the wrong way of going forward.

Michael Fallon: I do not agree with that. The previous Government reviewed the situation and I shall quote from the review. When the Department for Environment, Food and Rural Affairs reported in 2009, it said:

> "the most significant finding from this research so far is the existence of two parallel systems between which there is minimal communication: the town and village green registration process and the planning system. In our view this seems to be problematic…the processes in each system rarely take explicit account of issues/decisions in the parallel system, even though they can have significant importance for each other."

The purpose of the legislation in the Bill is to bring those two things together. It has been welcomed, in fact, by local government that these two systems come together and planning considerations are taken as one.

If the Committee would like an example, I am very happy to provide it from the village of Saham Toney in Norfolk where 10 homes were built. The use of a field for local housing was consulted on. There was an overall positive response from the local community and only after the homes were built was a town and village green application lodged. Two and a half years later, the housing residents, owners and builders are still awaiting the outcome of that application process, with the combined legal fees to the developer, landowner and taxpayer now coming to some £50,000. I want to clear up the confusion about the proposals. They will not affect existing town and village greens and will not weaken the protection that they have, which has been enhanced in the new national planning policy framework. The proposals will protect local communities' ability to promote sustainable development through their local plans and their neighbourhood plans.

The Chair: This will have to be the last question in this part of the proceedings.

Q28 Nic Dakin: It seems to me that the town and village green process is localism at its heart. Is there not an opportunity to allow for that localist approach and the views of local people, notwithstanding the perverse outcomes that the Minister has talked about, and allow local concerns to be properly considered within the planning process?

Michael Fallon: With respect to the Committee, I think local concerns are best addressed through the local planning system and through the democratic process by local councillors after consulting the local community. I do not think it is right that a subsequent application to register a green should cut across local and democratic decision making. That is where I think the balance should lie. In the end, it should be a matter for the planning system as a whole.

Q29 Bob Blackman: In relation to broadband, there has been criticism of the impact on areas of outstanding natural beauty and national parks. Can we establish the purpose behind the changes to the legislation?

The Chair: Before the Minister responds, I will call Roberta Blackman-Woods so that we can deal with two questions together.

Q30 Roberta Blackman-Woods: Can the Minister guarantee that clause 7 will not lead to mobile phone masts, telegraph poles and large cabinets cluttering up and ruining areas of outstanding natural beauty and our national parks?

Michael Fallon: On the first point, the object of clause 7 is to extend superfast broadband to rural areas. We estimate that as a result of the clause some 4.3 million additional homes will receive superfast broadband, most of them in rural areas. They would otherwise be left unserved without additional subsidy or additional intervention. I know people are concerned that relaxing the restrictions on overhead lines will lead to a proliferation of poles in rural areas. Let me be clear: we are not here to discuss masts. What is at issue is only cabinets and poles. The legislation does not extend to masts. There are already overhead poles in some parts of the country. To allow overhead poles in other parts where they are currently being held up will reduce the cost of broadband deployment by between 15% and 20% in rural areas. That again will allow a faster roll-out.

Local authorities will of course retain an important role. As so much of the deployment is being publicly funded, it will be up to the provider to satisfy the local authority as to how the delivery will be rolled out. The local authority that is procuring the network in its area will be able to ensure that the deployment will be as sensitive as possible and that overhead lines can be minimised, so we are not cutting local authorities out of the process. Where public funding is involved, they will be able to influence the provider in the nature of the delivery.

The Chair: Order. I am afraid that brings us to the end of the time allotted for the Committee to ask questions of these witnesses. I thank the Ministers for their responses, and also the Committee for its disciplined approach. We managed to get every question into the time allocated. We will now hear oral evidence from the Local Government Association and the Association of Convenience Stores.

Examination of Witnesses

Councillor Mike Jones, Paul Raynes and James Lowman gave evidence.

10 am

Q31 The Chair: I welcome our witnesses. I wonder whether they would like to briefly introduce themselves to the Committee.

Councillor Jones: I am Mike Jones, leader of Cheshire West and Chester council and also chairman of the environment and housing board at the LGA.

Paul Raynes: I am Paul Raynes. I am head of the environment and housing programme at the LGA.

James Lowman: I am James Lowman, chief executive of the Association of Convenience Stores.

Q32 Dr Coffey: May I ask Mr Lowman whether the certainty of the delay of the revaluation and knowing what your costs will be would be convenient for convenience stores and similar small businesses?

James Lowman: There are some benefits with that certainty. There are many things that are not certain about what those rates bills will be in those additional two years. First, it is not clear what transitional arrangement will be made. Currently, if you have an increase or a decrease in your rates bill in terms of a revaluation, that is spread out over the five-year period and it is not clear what will happen for the additional two years. Secondly, the multiplier remains uncertain and based on inflation in the previous September. This year, our members and other retailers and businesses face a 5.6% increase on the multiplier, based on inflation. This year it will be 2.6%. If the Government wanted to do something to bring certainty, they should bring certainty around that multiplier. Our view would be that a starting point would be to cap it at the 2% inflation target.

Q33 Roberta Blackman-Woods: I am interested in knowing from all three witnesses whether they think that the planning system in England is holding back growth and, if so, how the Bill will address that.

Councillor Jones: The planning system under the changes made under the Localism Act 2011 and the national planning policy framework will support significant improvements in the planning system. The problem we have is that it has been such a massive change—probably the largest change in some 40 years—that it is only just starting to settle down. In the past 12 months, there have been 2,500 applications approved, which amounts to 135,000 houses—and 100,000 houses are worth approximately 1% in GDP. The system is working, but houses are not being built, because developers cannot get development finance and people cannot borrow money on mortgages to pay for the houses.

Q34 Bob Blackman: What do you think the impact will be of the potential threat to planning authorities of decision making being taken to a national level if they do not make the decisions quickly?

Councillor Jones: First, there is a point of principle. The Secretary of State made two significant promises to local government. The first was that there was less money for local government, which is clearly panning out and will no doubt do so for the next five or six years. The second promise was that, in lieu of that, local government will get more powers to enable things to happen and reduce the bureaucracy and centralisation that has been implicit with local and central Government for the past 20 or 30 years. The Localism Act 2011 made huge steps towards that and we started to see a system that had settled down and created certainty for developers. This Bill, in our view, starts to create uncertainty again and starts to bring in centralised targets that restrict local government from getting on and making things happen.

Q35 Bob Blackman: What do you consider to be poor performance by a local planning authority?

Councillor Jones: I personally think that is the wrong question. I think what Government is doing is setting up the finances of local government, where we will only see increases in our income if we develop houses through the new homes bonus and additional council tax, and through changes of council tax due to extensions in properties and non-domestic rates. Therefore those councils that fail to grasp the growth agenda will see their income fall and will be forced to change the way they do things, and that, to me, is the way that Government should be operating with local government. Allow local government to do what it believes is right for its local area and let the electorate make the decisions on that local council, if they are failing to deliver what they should be delivering for their residents. That, to me, is the right approach—not what this Bill does.

Q36 The Chair: Is there anything the other witnesses wish to add?

Paul Raynes: If I may just come in on the back of that, to reinforce the point Councillor Jones was making. The Government has put a system in place that has very strong incentives in it to make councils pro-development, and the thing that has slightly knocked us back about this Bill is that, obviously, it is taking a rather different approach and is trying to incentivise councils through what feels more like the old-style centralised control.

To go directly to Mr Blackman's question, one of our concerns is that, obviously, local authorities are facing tough resource constraints. The Bill enlarges the role of the inspectorate. There is a significant risk, actually, that the inspectorate starts to leach out precious talent from the front line in councils and creates a vicious circle, where the central control itself is then going to impact on front-line performance.

Q37 Ian Murray: Mr Raynes, with regard to clause 7 of the Bill on electronic communications, are there any concerns that the terminology to add the need to promote economic growth in the United Kingdom might trump other parts of the Communications Act 2003, with regard to areas of natural beauty? Is there concern that this may be used to install lots of infrastructure, in respect of the wide term "electronic communications", in areas of natural beauty in the countryside?

Paul Raynes: There is genuine concern here. I acknowledge that Ministers and their officials are making reassuring noises about the limited scope of the policy intention here, but it is clear—it appears to us—that the text of the clause effectively gives Ministers the power to remake the communications code with growth as a criterion in it. If you then look at what the communications code does, and the prior approval process, there is a broad spectrum, as it were, of telecommunications kit to which that applies. I think we will need, as the Bill goes forward, to really test what safeguards Ministers are putting in place in other parts of the system to restrict this to their declared policy intention, all of which is without prejudice to whether or not councils are actually supportive of the policy intention of removing planning control on broadband in the first place.

Q38 John Glen (Salisbury) (Con): Given the resource constraints that we know exist, and which will exist, and given that the incentive regime that you set out and thought would be the most appropriate way to act is not delivering in any time frame that is going to realise an economic impact, is it not therefore right that the Bill seeks to make targeted interventions to speed up the delivery of the outcomes that we all want?

Councillor Jones: I would suggest to you, on the delivery of the outcome, that the outcome is a house being built and somebody being in a position to be able to purchase that house or rent it. What this Bill does not do is deliver that liquidity in the finance market to enable people to buy the houses and enable the developers to build them.

Q39 Simon Danczuk: The Government are attempting to stimulate growth; that is in the title of the Bill. Let me create a dichotomy. I want to ask the panel this. The Government are proposing to amend the planning rules and tinker with business rates. Is the issue not really about the economy, getting people to get mortgages, businesses being able to borrow and improving retail confidence? Which is it? Is it the need to tinker with planning, James, or is it the need to stimulate the economy and get people borrowing? Which would you choose in terms of stimulating growth?

James Lowman: I can say, from our members' point of view, what are the priorities for them, which are the costs affecting their businesses. So they are concerned about rates increases and minimum wage increases and want to try and control those costs. I would not say that our sector was recession proof but it is to some extent sheltered from some of the worst excesses—either way actually—of the economy. We are dealing in local essentials, so we are perhaps not as affected by some of those macro issues as much as some sectors are.

Looking at the content of the Bill, we are pleased that—I was grateful for the Minister's reassurance in the last evidence session—retail is not included in the planning provisions, because we fear that that would potentially lead to more unsustainable development. We like the idea of local plans dictating what gets built where in terms of retail, so we are grateful for that. We still have concerns about the elements around rates and whether the delay will on balance be good, notwithstanding the fact that we accept that there will be winners and losers.

Q40 Andrew Stunell: I want to turn to the issue of section 106 renegotiation. Can we hear what the LGA view of that is? And perhaps Councillor Jones will say something about Cheshire West and whether its experience is that renegotiation takes place, what the outcomes are and so on.

Councillor Jones: We are quite disappointed about this particular clause because we think that it is already causing some uncertainty in the markets. What we have is an established position of more than 400,000 houses with planning permission in England. The problem is that there is now anecdotal evidence that developers are postponing starting on those sites because if they wait 12 months they can probably remove a great deal of the cost called affordable housing. That is causing us some problems.

Where there is some substantial evidence, which we have provided, is of the many local authorities willingly engaged with developers—where there are significant on-site viability problems—to renegotiate the 106. In my own authority we have done that on a number of occasions, the most significant being the Winnington urban village, where we have a substantial 106 agreement, which was about £12.5 million in value, but we have reduced that in value to about £2.5 million. We are just about to agree that with the developers, mainly Taylor Wimpey.

Councils are renegotiating 106 agreements where viability has proved to be an issue. Do not forget that the planning process says that if applicants are unhappy with the 106, they can go to appeal and it is sorted out through the appeal process, so there is already a mechanism in there based on viability. It is absolutely fundamental that, in the NPPF, viability is an important part of the planning system. We are caught every way anyway, so we do not need this superfluous clause, which causes

more uncertainty when the planning system, as I said, was settling down and starting to work effectively under the new planning rules.

Q41 The Parliamentary Under-Secretary of State for Communities and Local Government (Nick Boles): Councillor, do you think it is okay for authorities to refuse to negotiate at all on affordable housing agreements that were reached at a time when values were much higher so viability was a very different picture from what it is now? Would you support them?

Councillor Jones: That is the democratic right of local councils to come to that decision. If they want to do that, that is entirely up to them. The fact is that the planning system is working, and we have 400,000 houses with planning permission. If we look at the strategic view, from a Government point of view, the system is working. If one or two councils want to be a bit awkward with their developers, it is their democratic right to do that.

Q42 Nick Boles: Is it not the case that in your survey you found that 40% of councils were willingly renegotiating, but 60% were not? So it is not one or two, is it?

Councillor Jones: That does not respond to whether the discussions by the developers are actually founded on viability, or whether they are just trying to get out of an obligation, which a number of them are.

Paul Raynes: I am not sure that Mr Boles has quite the same reading of our survey as we do. On our reading, only 2% of councils were giving a flat refusal. The other element in all this of course—I am sure that people around the table are experienced negotiators—is that there is a world of difference between genuinely being unwilling to negotiate and being in a situation in which your negotiating partners are walking away saying, "They are being terribly difficult." We need to aim more for some of the dynamics of individual negotiation situations.

Q43 Mr Raynsford: Councillor Jones's earlier comment suggested that there was evidence available in local government that the prospect of this provision is already having an impact in discouraging developers who may see an opportunity not to have to meet obligations that have been previously negotiated but that may well be viable. Is that in fact the case? Do you agree with the evidence we have received from expert witnesses that the effect of this provision in clause 5 is likely to reduce the amount of affordable housing generated?

Councillor Jones: There is anecdotal evidence that it is potentially causing delay in the system, because developers will not start on site until they can renegotiate costs. Our experience is that there are sites throughout the country with zero affordable housing where there are viability issues, particularly brownfield land when reclamation of that land is a key cost—up to 40% in some cases. Of course, the council is able to use its own land, and is doing so in many cases, to develop more affordable housing in percentage terms. An example in our scheme is that to achieve 60% affordable for an extra care facility we sold the land for £1. We took that decision to increase the affordable element of the scheme.

The system is working, and it does not need the clause to tell councils. Our agreement with the Government was that councils would be given more powers, which you were doing, but you are now taking them away. You are acting contrary to the Localism Act 2012 of less than 12 months ago. That is why it is a backward step, and creating uncertainly in the planning system.

Q44 James Morris: Do you think the Government are justified in changing the planning system to allow large commercial and business developments to go through the national infrastructure planning system?

Councillor Jones: I find it difficult to see the justification, and I can give a recent example from my council. We had an application on 11 September for a 1 million square feet shed, which was given permission on 23 October. I would go further and say that if you would allow simpler processes for local development orders when councils could simply designate an area for industry or particular types of housing and say if you build within these criteria, you do not need planning permission. Under the new financing system, I would rather give permission for a 1 million square feet shed with all the business rates that it will attract than try to get a fee of £60,000 for a planning application, because hopefully I will keep 50% or 60% of the business rates, which is more valuable to the council from a business point of view than a £60,000 planning fee.

Because the Government are changing the financial framework within which local government is operating, there are different justifications now for different things in the planning system. Local government needs flexibility to be able to use them in a way that supports growth within our economy.

James Lowman: I would be concerned if including business developments would allow a Trojan horse for some retail development, so that a large out-of-town retail development could come alongside another business element, which often happens, and that that could move into this process, instead of the local planning process, where we think those developments should sit.

Q45 Nic Dakin: Is the process for registration of town and village greens being so abused by local people that provisions are needed in the Bill to address that?

Councillor Jones: This is a long-standing issue for many local authorities, and I thought the Minister expressed it rather well. Effectively, two systems are running in parallel. That introduces complexity and extra cost, and there are case studies of costs being in the high tens of thousands each time for the council and the applicants. You also create situations in which, as Mike has said a number of times, the Government put in place a plan-driven, democratically driven planning system but—I do not want to be prejudicial—some of the ways in which the provisions covering town and village greens are used obscure the clarity of that democratic process. We think that what is in the Bill tidies that up, is useful, and will allow proper democratic processes to forge ahead.

Q46 Roberta Blackman-Woods: May I return the panel to the point about designating local planning authorities as failing? I heard what you said earlier, Councillor Jones, but have the Government had any discussions with the LGA about what criteria should be used if they designate local planning authorities as failing? If they have not had such discussions, should they, and what is your opinion of the criteria that should be taken into consideration?

Councillor Jones: I was not aware of any discussions until the Bill was published.

Paul Raynes: There have been some initial official-level discussions that have given some indication of the Government's thinking. We are not at a point where we are clear about what the criteria would be. Obviously, we would expect that issue to be well ventilated in Committee.

The Chair: Before we go any further, can I just check whether there are any questions that members of the Committee wanted to ask that they do not feel they have had the opportunity to?

Q47 Dr Coffey: I want to follow up on village greens. I understand what you are saying about democratic accountability. It is brave for a councillor to dob in their local constituents to their planning authority. As you will know as a councillor, planning is possibly one of the most difficult areas in representing your local area. There are examples out there of people coming up with questionable claims about the use of pastimes in the past, whether that is someone walking their dog or something like that, simply because they do not want allotments or housing right next to their houses. Is it not the case that councillors find it hard to go against their residents?

Councillor Jones: I could say that a councillor's job is a great deal harder than an MP's job on that basis.

Q48 Paul Blomfield (Sheffield Central) (Lab): Can I get Councillor Jones's and Mr Raynes's reflections on how the involvement of the Planning Inspectorate would hasten or slow the process of decision making? I am conscious, for example, that in taking appeals over the past year, the Planning Inspectorate operated at perhaps the same level as local councils on householder appeals, but was slower on non-householder appeals.

Councillor Jones: That is our understanding. When there is a glut of appeals, the Planning Inspectorate's process seems to get extended quite significantly. We are coming up to a bow wave of local plans being developed. I know an enormous number are coming through the system this year; I do not know exactly, but we have been notified that there is quite a lot. The Planning Inspectorate is going to be pretty busy over the next 12 months agreeing local plans, and I guess it would the same for the following year. There is a resource constraint issue, I would imagine, but I do not know the details of it.

Paul Raynes: To follow that up, as we understand it, there is talk about fast-tracking applications and that the proposed time limit that will be set on the inspectorate is the same as almost all councils' performance. It raises some questions about whether the fast track is going to be faster.

Paul Blomfield: So at the very best there would be no improvement, and potentially, there could be a worse position.

Q49 Roberta Blackman-Woods: To follow up on my earlier question, I wonder whether any consideration has been given to how the provisions in the Bill might affect decision making in local authorities on planning applications. Is it likely to lead to more applications being approved even if they are inappropriate, because councils will be worried about the decision being overturned on appeal?

Councillor Jones: I suspect that it may do, because we approve 87% of applications. I am not sure that I would want one of the 13% done next to my house or yours. There is a system of checks and balances where people feel that they have a fair crack at the whip, even though the decision might be different from what they want. That element of fairness, combined with local democracy, is powerful in local councils. To take it out of the system unilaterally would be detriment to the good will within communities, between the Government and communities and between local government and communities. I think this will put us on a bit of a downward path again in terms of the targeting of councils and the perverse behaviour that targeting has seemed to produce.

The Chair: We have made good time, not least because the witnesses were so concise in their responses. If there is anything that any of the witnesses feel that they would like to answer questions on and have not had the opportunity, I am happy to give them a chance now.

James Lowman: To clarify the issues around our sector and the delay of rates revaluation, it is absolutely correct that there are winners and losers. We are grateful for the publication of the valuation office analysis, which came out yesterday, albeit if that information is, by its own admission, based on aggregate estimates and is limited in how far it can go in assessing the identity of those winners and losers, as probably only a full revaluation could do.

I am concerned, however, that what the Valuation Office Agency has identified is a 13% average reduction in rental values between 2008 and 2012, so that was broadly a proxy for how those may have moved over the intended revaluation cycle. My worry is that many small stores that we represent would have experienced greater rental value declines, not so much in major centres, the south, or on major high streets; I am thinking about neighbourhood areas, particularly in the north. To pick up on points made by previous witnesses, the VOA identified the north-east and the north-west as areas that would be most affected by revaluation. They would have the most to gain by prompt revaluation, and therefore, the most to lose by the delay, and that concerns me. Some 64% of our members operate in suburban or rural locations, rather than in high streets and 88% of them are under 2,000 square feet, which is small, so we believe that small, more remote, non-central locations would disproportionately have seen rental value declines.

We welcome the information provided thus far, but at the moment, unless more information is provided, there is concern that there would be a greater decline in those businesses, particularly against the background of a high-street vacancy rate that was 3.1% in 2008 and is now 14.6%. Our concern, acknowledging the absolutely correct points made about being revenue neutral, is that our members, and smaller stores—neighbourhood stores, village stores and local shops—may suffer disproportionately.

Councillor Jones: We believe that the Localism Act has enabled local government in a way that has not happened for a number of decades. We welcome the opportunity to work with and help the Government to

solve problems, because local government are very good at solving problems. We want to see a mature relationship developing on the back of the Localism Act, and not one where we are dictated to, which this Bill seems to introduce again. We believe we can help to solve problems and work with the Government to stimulate the economy, in order to get people into the housing market through developers building and people being able to buy houses. I think that by working together, we will do that. The Bill seems to go against that will to work together and deliver what we all want for our economy.

The Chair: In the brief time we have left, did you have a question, Ian Murray?

Ian Murray: I was going to ask Mr Lowman if there is anything in the Bill that he would like to see for his own members, but he has answered that question already.

The Chair: I thank the witnesses for the efficient way in which they have conducted themselves this morning. We now move on to our next panel.

Examination of Witnesses

Katja Hall and Mike Spicer gave evidence.

10.29 am

Q50 The Chair: I welcome the next set of witnesses from the British Chambers of Commerce and the Confederation of British Industry. Will the two witnesses identify themselves?

Katja Hall: I am Katja Hall, chief policy director at the CBI.

Mike Spicer: I am Mike Spicer, senior policy adviser from the British Chambers of Commerce.

Q51 Roberta Blackman-Woods: We have heard much from the Government—indeed, it is the premise underpinning the Bill—that the planning system is holding up development. Do you agree with the Government's assessment? If so, what evidence base are you using for that?

Katja Hall: We agree that planning is a major barrier to investment in infrastructure in the UK. We do a survey once a year on the infrastructure of businesses. In this year's survey, 97%—I think that is the correct figure—said that planning is a barrier to investment. So absolutely, yes it is. We think that the measures in the Bill will help to speed up and streamline the planning system, but still safeguard local communities and ensure that they have a say in what happens in their areas.

Mike Spicer: I would add to that point. We draw on a number of different sources of evidence. First, we take evidence from our own membership. Like the CBI, we regularly survey our members on the issue of barriers to growth. We conducted an extensive survey in 2011, to which we had about 5,500 member responses specifically on the issue of planning. The message that came out of that was that there were three issues in particular that they had with the planning system, if you want to categorise them more broadly. First, there is the cost of negotiating the planning system. I was glad to see that in the impact assessment for the Bill, which was released this morning, there was further evidence about the costs that businesses encounter. In his review, Professor Ball looked at the amount that businesses pay annually in legal fees, for example. About three quarters of our members, when they put in a planning application, draw on outside consultancy support, so it is an expensive business.

Secondly, there is the complexity of the process, and we would point particularly to the impact that that might have on discouraging businesses from applying for planning permission in the first place. We were speaking outside earlier and I said that there is an analogy to what we see in access to finance. You cannot get a true taste of what is going on just by looking, for example, at the share of applications for loans or planning permission that actually go through the system, because there will be businesses out there that choose not to put an application forward because of the perceived cost or complexity of the process. If they have past experience, that will feed into that.

Lastly, there is the consistency of the system, which the Bill addresses to some extent. On the evidence of planning applications overturned on appeal, there is a strong perception that there is often inconsistency between what planning officers advise and what the planning committees decide. Whether or not that is right—it is a democratic process—the signal it can send out to business is that we are not necessarily sure that what planning officers tell us will come to pass, it if goes to a planning committee and it finds something else.

Those are the three points from the evidence from our members, the evidence in the impact assessment for this Bill and the evidence that was put forward by Professor Ball.

Q52 Roberta Blackman-Woods: Is the assessment of your members that the Bill is helpful because it helps to bypass some of the aspects of the democratic process that might slightly slow down the system?

Mike Spicer: I do not think they would see it as bypassing the democratic process, but the Bill addresses situations where a local authority has consistent underperformance either in terms of speed or consistency, where the planning system has been overturned on appeal or where it is persistently taking longer than the statutory time frame for decisions. The democratic process is still there, in the sense that the Secretary of State, a democratically elected politician, is the one who decides. We would like the movement towards more localism in recent planning changes—making the local plan the centrepiece of the planning system—and the benefits that that should bring in terms of speed and consistency, extended to all parts of the country. In a country that has about 260 local planning authorities, you are going to have some kind of inconsistency, and that is what members tell us. In extreme cases—we are talking about extreme cases here—there is an argument, which I think our members would support, that the Secretary of State working with the Planning Inspectorate can help to ensure that the benefits that businesses get in other parts of the country are extended.

Q53 Roberta Blackman-Woods: Have you been advising the Government on the criteria to be used in judging whether a local authority should be designated? That is a question for both of you.

Mike Spicer: No.

Katja Hall: No.

Q54 Henry Smith (Crawley) (Con): Clause 4 talks about restricting the amount of information that applicants would have to supply to planning authorities. What evidence do you have that too much information being required is a problem and a barrier to planning applications getting approval?

Katja Hall: We have some anecdotal evidence that sometimes—not in a majority of cases—the information asked for seems to have little relevance to the application. We would support this clause and the test of reasonableness, but for us the issue is more about making sure that the information required is relevant to the application.

Mike Spicer: I would make two points. First, the evidence from our members and from Professor Ball about the extent to which companies going through the planning application process have to rely on outside consultancy support is a reflection of the complexity of the system and how much information is required. Businesses are in a situation in which they have to hire outside experts just to understand the requirements.

The other point I will refer to is the finding from our survey in 2011: 46% of our members who had been through a planning process in the past three years found that they were asked for additional pieces of information at various points in the process. The totality of the information that they would have to provide, throughout the process, was not made clear to them. Having that kind of uncertainty feeds a narrative of inconsistency and cost.

Q55 Henry Smith: So the cost of additional consultants is a significant barrier that prevents applicants from submitting applications to planning authorities.

Mike Spicer: It is certainly a factor that has to be taken into consideration when assessing the viability of a proposal. It adds to the cost of the investment if we are talking about building a new premises.

Q56 Simon Danczuk: You will be familiar with the retail sector's major campaign to get a freeze on business rate increases. How satisfied do you think the sector will be with the Government's solution, which is to postpone the business rate revaluation?

Katja Hall: On the proposal in the Bill, we think that some businesses will be pleased with it; others will not be pleased with it. We were a little surprised that there was not more consultation on the issue before it was introduced, but more generally we think that there is a case for looking at capping the increase in business rates.

Q57 Simon Danczuk: So you do not think the retail sector will be happy, because it does not meet their demand?

Katja Hall: You will find some who will welcome it and some who will not, but I think most of them will say that it does not go far enough.

Mike Spicer: I would like to build on Katja's point about having the information to hand for us to take an evidence-based position. We only received the published figures from the Valuation Office Agency yesterday. Our members understand that, when we are talking about playing around with business rates, there is a degree of complexity. A rate bill consists of three things: the rateable value of the premises occupied; the national multiplier, or the small business multiplier, if applicable; and any reliefs. There are transitional reliefs and a deferral scheme as well. Whether a revaluation leads to a lower rate bill, which is what our members want, will depend on how those three factors combine and play out. That is a complex calculation for businesses to make.

There is a degree of uncertainty. I agree with Katja. We were a little surprised that there was not further consultation and earlier publication of some of the figures that the Valuation Office Agency has now published. Now that the figures have been published, they seem to indicate, if you look at the assessment of rateable values from January of this year, that if the revaluation were to go ahead as planned, based on the values for April 2013, there would be more losers than winners if, in 2015, those values were to be adjusted in that way. However, it is a case of how that plays out across the country. Revaluations are fiscally neutral, so are we saying that businesses, for example, in non-prime areas that had seen a big drop-off in their commercial rents will be swamped by any increase in the multiplier that would have to occur nationally for the measure to remain fiscally neutral? The reality is that some businesses will be and some will not be.

Finally, the Bill as it is currently put together does not provide any clarity on how transitional relief measures will extend over the additional two years. That is an additional area of uncertainty that we would like to see cleared up.

Q58 Simon Danczuk: A final quick question on this. The Government have introduced legislation on business rates. Is it a missed opportunity? Could they have done something different on business rates?

Katja Hall: I think there is scope to look at it again in the autumn statement.

Mike Spicer: There was one major area where there was a missed opportunity—to look at the whole process of uprating the multiplier every April. Currently it is based on one figure—the RPI outturn for September—and we saw that spike of 5.6% in 2011, which then became the uprating in 2012. You can get big movements like that and you then have to introduce transitional relief schemes to smooth that out. A more sensible way would be to look at an average of the consumer prices index over the whole year. That would give businesses a bit more certainty and a sense of greater fairness.

Q59 James Morris: On the provisions in the Bill for employee owners, do you think that the proposals will help develop a more entrepreneurial culture in Britain, encouraging companies to take on new employees and overcoming some of the barriers?

Katja Hall: Some companies will find the proposal helpful. It is likely to be mostly used by particular types of company that are entrepreneurial. They are probably fairly young, fast-growing companies, where there is a high tolerance of risk in the employee profile. For those companies, this is likely to be an attractive option.

Q60 James Morris: What do you mean by a high tolerance of risk in the employee profile?

Katja Hall: That is where employees want to feel part of the business, believe that it will be successful and would therefore like some shares in the business. That is a big incentive for them and they are probably not as worried, for example, about protection against unfair dismissal.

Q61 James Morris: In that regard, do you mean a small company where there appears to be a clear path to a good valuation on the potential shares that are offered and a pathway to a kind of reward at the end?

Katja Hall: That is one example, or it could be an idea that the employee believes is really good, so they feel committed to the business.

Mike Spicer: Building on what Katja has said, it depends on the type of company and at what stage in its life cycle it is at. You can imagine a scenario where a very small technology company is just coming together. It wants a small cadre of highly skilled staff who are really invested in the growth of the business—a Silicon valley-type situation—and really motivated to grow the company. A company like that, of course, may reach a point when it needs to bring in outside investment. At that point, having a structure of employment where you have a number of employee owners might prove problematic at that stage of the business cycle. Typically, outside investors, angel investors and so on tend to prefer a smaller number of shareholders.

Q62 James Morris: But do you think it will encourage start-up businesses?

Mike Spicer: At the very earliest stages of its growth, yes, but if a business like that grows beyond that, to the point where it is starting to take on outside investment, that is when an employee owner structure could be more problematic.

Q63 Ian Murray: May I continue with that theme of employee ownership? Mr Spicer, you said that you think that it may encourage more start-ups. Are there any views from your organisation or your members that it may do the opposite, in the sense that small, high-growth start-ups may be reluctant to use these schemes on the basis that they want to restrict the number of shareholders they have or, indeed, the entrepreneurial organisation that is growing is at very, very high risk and, therefore, the employees may end up with nothing at the end of the day?

Mike Spicer: What I should say from the outset is that we have only had three weeks' consultation on this measure and, although we are consulting members at the moment, we would certainly prefer to have longer to consult, given that what we are talking about is a new category of employment. It is a big measure and we would have certainly preferred to consult more widely.

On your question specifically, I think that there is an issue. Yes, certain types of businesses will find it a useful way of identifying or attracting a self-selecting pool of candidates who are highly motivated, who are willing to take a risk and who view the growth of the company as something that they want to be part of, and all the rest of it. However, that very same company down the line may find, at that point, when it is looking to bring in investors from outside the company, that it struggles if those investors tend to prefer situations where there are smaller numbers of shareholders, where they don't want to see their shareholding diluted. A number of complex issues have to be balanced and, certainly over the coming weeks, we will be consulting our members to try to identify what kinds of business our membership would view as something that they would want to take forward.

Q64 Ian Murray: So there could be a set of circumstances in which employees are weaving in and out of these particular schemes as a company changes and grows, with different parts of investment coming in, diluting shareholding and so on?

Mike Spicer: Yes.

Q65 Ian Murray: Directing a question more to the CBI, I do not know whether the chief executive of Sainsbury's is one of your members, but he did say that the reputation of business in the current climate has been damaged by the economic problems, and that any view of buying off people's rights for cash essentially or, indeed, the prospect of cash, may damage business reputation further. What is the CBI's view on that?

Katja Hall: It is true to say that trust in business has been damaged. We have seen that clearly, particularly in certain sectors, but more broadly as well. The companies most likely to take up this scheme are small, fast-growing entrepreneurial companies, and I do not think that those companies using the scheme will damage trust in broader businesses. Clearly, a lot of our larger companies will not be using the scheme. They wouldn't think that it was appropriate for them. It is very important that the proposal on employee owners goes hand in hand with more wide-ranging reform of employment law.

Q66 Ian Murray: One final, quick question on this particular topic: if, in your view, these schemes will be directed towards a certain class of company, do you feel that perhaps the view that these will be voluntary may be slightly overcooked in the sense that a small, fast-growing software company that is in that particular marketplace may just advertise for employee-owner staff and, therefore, the voluntary element is slightly diluted?

Mike Spicer: That touches on our broader concern about the proposal: one of the concerns that we would expect a lot of businesses, certainly within our membership, to have is that, if we make that kind of advertisement, are we actually voluntarily restricting the pool of available candidates? Clearly, for some employees or potential employee owners, that is not going to be attractive to them. Taking on new staff is something that costs a lot. It takes time and they would evaluate carefully, I expect, whether that is something that works for them. I certainly think that that would be one of the concerns our members have raised: whether it would restrict the talent pool for companies that are really looking to get a particular type of person with a particular set of skills.

Q67 Bob Blackman: Building on that, there is the potential with employee share ownership that you could have two streams of employees, one that owns the business and another that does not. Does that cause you any concern?

Katja Hall: No, I do not think so. Not potentially. I think there is an issue around not confusing the employment relationship, and some companies might be worried that, if they go down this route and use this category, that could then be challenged in an employment tribunal. Could it be somehow unpicked, and could there be rulings to say that this person was in fact an employee and therefore had protection? I think it is about getting the wording right to give those firms that want to use it the confidence that they can go ahead, but I do not think the issue around whether some are owners and some are not is a big problem. Certainly nothing of that has come up in our discussions with companies.

Q68 Bob Blackman: From the discussions you have had so far, do you see any need to change the Bill to make that clear?

Katja Hall: We need to make sure that it is legally watertight. One example that came up is the idea around 16 weeks' return notice from maternity leave. If, for example, one company required only eight weeks, could that then be used in an employment tribunal to unpick the employment status of an individual? We need to make sure we have thought through all those implications.

Q69 Bob Blackman: Mr Spicer, do you have any views on this?

Mike Spicer: I think what Katja says, and what you have asked, highlights the complexity of the proposal and the number of things that would have to be taken into account. As I said, these are the sorts of issues that we are discussing with our members in the short time we have to do that, but I think that there are a whole range of areas where we need more clarity. One is precisely the scenario that you have just outlined. Another is the technical side of how you exit a status like that, and so on.

Q70 Bob Blackman: Do you think that there needs to be clarity to employees on their position in all this when a company decides to go down this route?

Mike Spicer: Absolutely, yes I do.

Q71 Bob Blackman: Who do you see doing that?

Mike Spicer: First, although we are talking about one part of a Bill, if this goes through in its current form we are clearly talking about an entirely new status of employment. That is a major change to the labour market in this country—a huge change. It is the Government's job to communicate that to the public as a whole. Of course, it is our job as business organisations to make sure that our members are fully cognisant of all the issues surrounding it and so on, but there is certainly a need for wider and longer consultation, and, should the measure pass, there also needs to be a lot more public awareness of it.

Q72 Nic Dakin: You are very clear in expounding the advantage of share ownership to certain types of company or employer, what is less clear to me is the value to the employer of getting away with certain employment rights. From what you are saying, it sounds like that is a problematic area, so what would be the value to an employer in doing that?

Katja Hall: Ultimately, this is about encouraging growth and jobs, and it is certainly true that employment law and the fear of tribunals is an issue for all companies, and it is particularly an issue for small and medium-sized firms. They are worried about getting caught out on technicalities, or getting processes slightly wrong and therefore ending up in a tribunal. We should not underestimate that; it is a real issue. Both of our surveys show that it comes up as one of the key issues whenever we talk to our members about the barriers to taking on more people into jobs. Asking people to sign away, or not to have, their rights to unfair dismissal and redundancy will just increase the legal certainty for companies who want to take on people, and as a quid pro quo those people then get shares; but as I said earlier it is part of the solution. The key issue for nearly all CBI members is tribunals, and reforming tribunals.

Mike Spicer: Just to add to that, it would potentially reduce the cost of employment by removing certain employment-related burdens and risks. To give one example of that, if we are talking about the right to request flexible working, when we surveyed our members about this last year, what we found was the vast majority of them do grant the right to request flexible working and when applications are put in to them, typically they do say yes. Not having to conform to a formal process around that, and being allowed to take it purely on business grounds, as they have in the past, could potentially save costs as well.

Q73 Andrew Stunell: If I could just take you back a bit further, I think you have said that really you are talking about small companies with a high-skilled work force and shared values, and so on. I think some of the critics outside have seen it as being a big-company, low-wage, low-skill risk. Are you ruling that out? Are you saying that for a company whose work force is essentially low wage and low skill this is not at all an attractive option?

Katja Hall: Out of all the companies we have spoken to, the ones who have said that they would find it attractive are all in the first category that you described: on the smaller side, fast growing, and usually in the kind of creative technology sectors where they are employing highly skilled workers.

Mike Spicer: In the short period of time we have had to talk to our members about this we do not get the sense that there is a huge groundswell of support generally, across our membership, for this. The main issue, I think, that they have with it is the idea that it could reduce the available talent pool to them. It is how it would interfere, potentially, with their process of employing people. Having said that, though, as we discussed before, for certain types of companies and particularly those at the very start of their life—such as new technology companies—this could be a very innovative proposal for them that would work in a way that would allow them to really grow their company.

Q74 Paul Blomfield: To return to the planning process and your opening comment that 97% of your members expressed concern about the planning process, the Minister has gone out of his way to assure us that actually the provisions of this legislation will affect a tiny number of local authorities—I think he said this morning not more than 10. How will that address the concerns of 97% of your members?

Katja Hall: I think there are probably two separate issues. One is the new framework that has been introduced, with the PPF, which businesses support, and the major infrastructure planning procedures. Businesses support those, but I think it will take a little bit of time for it to feel different on the ground. Secondly, I think the proposals in the Bill are tweaks to the system that will help in two ways, and I think they will incentivise local authorities to make sure they have good processes in place for looking at planning applications; and in most cases businesses will have good relationships with their local planning departments. I guess our hope is that therefore this clause would not need to be used very often; but it is useful to have there as a backstop.

I think on the major infrastructure side, around the special parliamentary procedure, we think there are enough checks and balances built into the process early on, that actually limiting this use of an open-ended special parliamentary procedure at the end will be helpful; and of course we know there are examples of companies like Avanta where this is adding a lot of delay and cost.

Q75 Paul Blomfield: What confidence would you have that the Planning Inspectorate would be able to deal with decisions more quickly than local councils? For example, I am conscious that in non-householder applications over the past year the Planning Inspectorate was something like 30% slower than councils in dealing with appeals.

Katja Hall: It would give another option and I would hope that the main benefit is just giving an incentive to local authorities that are taking too long or that have a high number of appeals upheld against them to review their own processes and, I guess, in those cases to sharpen up their act.

Q76 Paul Blomfield: But you would have confidence in the Planning Inspectorate when its performance seems to be slower than that of local councils?

Katja Hall: I think we would have some confidence that the Planning Inspectorate would be able to look at these issues in cases where the local authority has taken a very long time or where it has perhaps not considered a case as well as the developer would like. Clearly, I also do not think that it will be used in a huge number of cases, and if it were used in a huge number of cases it would be difficult for it to process all the applications. However, it is there as a backstop and as I said I think that is its main benefit; hopefully, it will not need to be used very often, but it will make local authorities just think about the processes that they have in place.

Q77 Dr Coffey: I have two different questions to ask, if that is possible.

First, this Bill very much focuses on the planning authorities. Has it been your experience with your members that some of the other consultees—say, the Marine Management Organisation, Natural England and the Environment Agency—can also add complexity, delay and cost to planning applications?

Mike Spicer: Yes is the answer to that. There are a large number of statutory consultees that are part of the wider planning system. With some of the things that we have heard, it depends on the type of application. For example, within our membership we have companies that are involved in the installation of renewable energy—wind farms, and so on. In that particular case, the kind of statutory consultees that they are going to come up against are the likes of Natural England, the Environment Agency and so on. But again, there is definitely a feeling—this is something that I think we have fed back to DEFRA and others before—that sometimes the system is not as joined-up as it could be. That came through very strongly in the Penfold review, that there is a need to rationalise the number of non-planning consents and to make sure that the processes are as aligned as they could be.

Also, some of the processes that statutory consultees such as Natural England are responsible for overlooking, for example habitat regulations assessments, are incredibly complex non-planning issues. Again, they are the very kind of thing that really encourage businesses to seek outside consultancy support for. Although we are not necessarily saying that the processes that the statutory consultees are responsible for overlooking are in themselves wrong, there is clearly scope for making sure that the system works in a more aligned way. In that respect, we agree quite strongly with some of the views that came through in the Penfold review and I know that some of the recommendations from that review are taken forward in the Bill.

Q78 Dr Coffey: Does Miss Hall want to add anything?

Katja Hall: I would agree with those comments. The only broader point that I would make, if I may, is that of course planning is a really important issue to address if we want to get infrastructure built and growth going in the UK. It is part of the solution; this Bill is part of the solution; and there are other issues around finance, for example, that are also crucial.

Q79 Dr Coffey: May I move on to clause 7, which is about installation of telecoms equipment? About 40% of my constituency is in an area of outstanding natural beauty, but business is crying out for better broadband. Are there any concerns that have been raised by your members about the changes that the Bill will make, or are they welcoming them with open arms?

Katja Hall: We are very supportive of clause 7 and our members welcome it. The UK ought to be at the forefront of the digital economy in the future, and clearly broadband is a key part of that transition. We have got some catching up to do as a country, and one of the issues that a lot of our members have raised is that of planning at a local level, so I think this clause will be very much welcomed.

Q80 Roberta Blackman-Woods: I assume from what you have both said already that you are in favour of clause 21, which will allow planning decisions on large commercial and business developments to be taken at national level through the national infrastructure planning system. Perhaps you will confirm whether you are in favour of that, and tell the Committee whether you have given any consideration to where the threshold should be for determining what is a nationally significant project?

Katja Hall: We do support the clause. Your question about what is nationally significant is important. We would like to think about that further and have some discussion around what that would include.

Mike Spicer: I would agree with that completely. Broadly speaking, yes, we would be in favour, but there are clearly some complex issues to be taken into account about the kinds of developments that would be appropriate. For example, if you are talking about a large retail park that might be of national significance, such as a large shopping centre, how does that play out with a "town centre first" policy? There are clearly areas that need to be looked at more closely, and that is something that we will go back to our members about.

More broadly, the kind of development that we would like to see benefit from the clause would be, for example, where you have a large industrial development that is nationally significant not necessarily in the sense of floor space, but in the sense of being a company that is really contributing to getting Britain's trade deficit down through its export activities. We would like to see companies in those kinds of situations benefit from a faster planning regime, of course. I think that it is going to be about how we express that in terms of the thresholds, so that those kinds of commercial developments—ones that are really about contributing to Britain's growth, particularly export-related growth—benefit from this kind of clause.

Q81 Roberta Blackman-Woods: Do you have any examples in mind?

Katja Hall: We have spoken to manufacturing companies and we have spoken to companies that are R and D-intensive, and they see scope to use the clause, for example to build new manufacturing plants and R and D centres. To support Mike's comments, I would have thought that those kinds of developments are very much in Britain's interest not only from a local point of view in creating local jobs, but in terms of driving growth and developing Britain's industrial strengths.

Q82 Bob Blackman: To come back to the issue of broadband, obviously one area of criticism is that we might see poles and cables across areas of outstanding natural beauty and national parks. If the legislation were to be amended, either in primary legislation or by regulation, to require those cables to be buried in ducts, what would be the reaction of your members?

Katja Hall: It would clearly come down to cost. We were a little bemused by some of the processes around the broadband issue. We saw Surrey, for example, taking quite a proactive approach in encouraging investment, whereas Kensington and Chelsea rejected the vast majority of planning applications. Yet it seems to us that the residents of Kensington and Chelsea would benefit from broadband, and that having a cabinet outside in certain places would not be a big problem. However, there clearly need to be some safeguards.

Mike Spicer: The strong feedback from members, particularly in rural areas, is that broadband is a central issue for them. It is also a central issue for their employees, who may be working from home. What we have not had is any feedback on specifically what their reaction would be if you had installations that were ugly or whatever, and on what the relative benefits would be from paying the extra amount to bury those facilities underground. That is something we would have to get back to our members on. But the strong message is they want broadband and they want it now. Anything that can move that along is something they would see as a positive development, I think.

Q83 Ian Murray: Coming back to clause 23 and employee ownership, Ms Hall, you mentioned that the CBI held a study recently, in which members had suggested that employee rights were a real issue in terms of bringing on staff. Could you submit that to the Committee?

Katja Hall: Yes.

Q84 Ian Murray: Do you have any current views or survey data that would show whether any of your members have concerns about the potential increase in discrimination cases, which of course are more costly and lengthy, as a result of removing some basic rights while protecting the day one rights in terms of discrimination?

Katja Hall: That survey was our employment trends survey; I can certainly submit that. I guess it is important to remember that, under the new scheme, this category of employee would still be protected against discrimination. In terms of that as an issue for companies, there is a concern when discrimination claims are sometimes tagged on to other claims; we need to make sure they are used in genuine cases, when employees absolutely should be protected against all forms of discrimination.

Q85 Ian Murray: Would it be a worry for your members that there could be a propensity to tag discrimination cases on more regularly if someone felt that they have been unfairly dismissed but had given up their rights for, say, a nominal number of shares?

Katja Hall: I think they would be two separate issues. What happens at the moment is that somebody puts in a claim for unfair dismissal, and then sometimes—we think, on the advice of their lawyers—they tag on a discrimination case to the claim at a later stage, perhaps because it increases the potential compensation. The issue here would be to make it really clear to the employer that that person is still protected against discrimination.

The Chair: If there are no further questions from Members to the witnesses—oh, I am sorry, there are.

Q86 Roberta Blackman-Woods: I hope this will be the last question from me. If I can take you back, in a sense, to where we started, when I asked you both about evidence that planning was impeding growth, you both replied by telling us about surveys of your members. When the members were completing the surveys and saying that they thought planning was an issue in terms of growth, did they have to demonstrate that they had been in contact with the planning system in any way at all in the past three or four years? If so, have you got those data, and are they something that the Committee can see?

Mike Spicer: The answer is yes, we do. That was the question we asked our members. There are 104,000 businesses in our membership, and not all of them will have been through the planning system—the majority will not have been. When we carried out our survey, we asked them to categorise themselves in terms of whether they had submitted a planning application over a certain period of time, whether they had submitted more than one and whether they had submitted applications across different local planning authorities. If they had not, and did not fall into any of those camps, we asked what their perception of the planning system was. That

is always the danger with that kind of survey: you have to recognise that most businesses will not have had direct experience.

The Chair: Before I bring proceedings to a close, if there is anything the two witnesses want to add to the evidence they have already given, on the basis that they have not been asked the appropriate question, they should by all means feel free to do so.

Katja Hall: I do not have anything else to add.

The Chair: As there are no further questions for the witnesses, that brings us to the end of our business for the morning. The Committee will take further evidence at 2 pm this afternoon.

Ordered, That further consideration be now adjourned. *—(Karen Bradley.)*

11.14 am

Adjourned till this day at Two o'clock.