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GENERAL COMMITTEES

Public Bill Committee

INFRASTRUCTURE BILL [*LORDS*]

Sixth Sitting

Thursday 8 January 2015

(Morning)

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Monday 12 January 2015

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: †Mr Jim Hood, Sir Roger Gale

† Blackman-Woods, Roberta *(City of Durham)* (Lab)
† Browne, Mr Jeremy *(Taunton Deane)* (LD)
† Burden, Richard *(Birmingham, Northfield)* (Lab)
† Burt, Alistair *(North East Bedfordshire)* (Con)
† Coffey, Dr Thérèse *(Suffolk Coastal)* (Con)
† Greatrex, Tom *(Rutherglen and Hamilton West)* (Lab/Co-op)
† Hayes, Mr John *(Minister of State, Department for Transport)*
† Heaton-Harris, Chris *(Daventry)* (Con)
† Jenrick, Robert *(Newark)* (Con)
† Jones, Graham *(Hyndburn)* (Lab)
† Kwarteng, Kwasi *(Spelthorne)* (Con)
† Miller, Andrew *(Ellesmere Port and Neston)* (Lab)
† Newmark, Mr Brooks *(Braintree)* (Con)
† Parish, Neil *(Tiverton and Honiton)* (Con)
† Raynsford, Mr Nick *(Greenwich and Woolwich)* (Lab)
† Ruane, Chris *(Vale of Clwyd)* (Lab)
† Rudd, Amber *(Parliamentary Under-Secretary of State for Energy and Climate Change)*
Shannon, Jim *(Strangford)* (DUP)
† Whitehead, Dr Alan *(Southampton, Test)* (Lab)
† Williams, Stephen *(Parliamentary Under-Secretary of State for Communities and Local Government)*
† Zahawi, Nadhim *(Stratford-on-Avon)* (Con)

David Slater, Marek Kubala, *Committee Clerks*

† attended the Committee

Public Bill Committee

Thursday 8 January 2015

(Morning)

[Mr Jim Hood *in the Chair*]

Infrastructure Bill [*Lords*]

11.30 am

The Chair: Happy new year to everyone.

Andrew Miller (Ellesmere Port and Neston) (Lab): On a point of order, Mr Hood. I reciprocate your good wishes for the new year. Last week, we discussed the infrastructure commission, and that day the Institute for Government published an important document called "The Political Economy of Infrastructure in the UK". May I take this opportunity, through your good offices, Mr Hood, to bring that to the Minister's attention so that he has an opportunity to read the document before he formally responds to the debate? I have brought with me some copies for the convenience of the Committee.

The Chair: I thank the hon. Gentleman for my first point of order of the new year, although it may come as a surprise to him to discover that that was not a point of order. It was not a matter for me but a matter for debate.

Clause 29

Transfer of responsibility for local land charges to Land Registry

Roberta Blackman-Woods (City of Durham) (Lab): I beg to move amendment 59, in clause 29, page 33, line 37, at end insert—

'(3) This section shall not come into force until the Secretary of State has laid an independent report before both Houses of Parliament on the effects of the transferral of responsibility for local land charges to the Land Registry, and the report shall include—

(a) an implementation plan;

(b) an assessment of the impact it will have on local authorities;

(c) an assessment of the impact it will have on businesses; and

(d) an assessment of the impact it will have on home buyers and sellers."

It is a pleasure to serve under your chairmanship, Mr Hood, and I wish you a happy new year.

Currently, in England and Wales, a local land charge search is one of two searches undertaken as part of the standard conveyancing process for the purchase of land and/or property. One part of that search is for an LLC1 form and the other is the CON29 search, which compliments the LLC1 search. Local authorities currently provide a full local search service covering both documents, which is understandable as it is well documented that most people currently undertake the two searches together.

Clause 29 will transfer responsibility for maintaining and searching the LLC register from local authorities to the Land Registry. It is important to note that responsibility for collecting LLC information will continue to rest with local authorities, which will pass the information on to the Land Registry. Further, local authorities will continue to be responsible for CON29 searches.

The Opposition believe that peeling off part of the service will make the service worse, not better, and that the delivery, impact and cost implications of the change have not been properly assessed or considered. That sentiment is echoed by organisations across the industries that will be affected by the changes. In order to change such an ill thought-out fragmentation of such an important service, my colleagues and I have tabled amendment 59, which is designed to ensure that the proposals in the clause do not come into force until the Secretary of State has laid before Parliament a detailed, independent report on the transfer, setting out an implementation plan, an assessment of the effect of the changes on local authorities, and an assessment of the wider effect of the transfer on businesses, home buyers and sellers.

In January 2014, the Land Registry published a consultation document, "Land Registry: Wider Powers and Local Land Charges", which noted that it had agreed a new strategy; namely, that it should take a wider role in the property sector. As an aside, I draw the Committee's attention to the fact that the Land Registry undertook the consultation on its own proposals and evaluated the responses on behalf of the Government, so it was judge and jury on its own proposals. The consultation document stated that the Land Registry should be able to engage in new activities—specifically, that it should be responsible for local land charge searches and the local land charges register. The consultation closed in March 2014 and the Land Registry published its response in June 2014.

Part 1 of the consultation concerned widening the existing powers of the Land Registry, but the majority of respondents did not want to see the Land Registry play a greater role in the property market by providing information and registering services additional to the land registration service, or by providing consultancy and advisory services relating to land and other property.

Part 2 of the consultation concerned the Land Registry assuming responsibility for local land charges. The response document noted:

"The majority of respondents to this question felt that the reasons given in the consultation to change LLC services were not supported by the evidence produced and that the perceived problems with the current service had been overstated. Many felt that the consultation did not provide sufficient information of how the proposals would work in practice and that they would not produce the costs benefits or a centralised one stop shop."

As the Minister will know, the response document goes on to say:

"An overwhelming majority stated that the services should all remain with local authorities."

It also shows that an overwhelming majority of respondents did not think that the Land Registry had considered "all feasible options",

"with the majority stating that LR had been quick to dismiss all options other than the preferred option referred to in the Consultation and that no real consideration had been given to any of the other options and that LR had been too dismissive of them."

The impact assessment states:

"Several respondents have said that we"—

that is, the Land Registry—

"have underestimated the level of integration between the CON29 and LLC1 service, and what the effect would be if the LLC1 service were to be removed from local authority delivery."

There was overwhelming opposition to the proposals from local authorities. As the response document shows, 51% "strongly disagreed" with them and a further 15% "disagreed" with them. The response document says:

"An overwhelming majority of respondents disagreed or strongly disagreed with the…perception that the current services would benefit from reform."

Can I ask the Minister what made the Government press ahead with the proposals despite the magnitude of opposition that is so well documented in the response to the consultation?

As for the Government's evidence base for the proposals, other than the consultation itself it seems that they drew on very little. The origin of the proposal is unclear, and there has been no independent assessment of its merits. The only Government rationale for the proposal that appears in the impact assessment is that the lack of a standard fee makes it difficult for conveyancers to supply quotes to potential clients, and standardising the fee is cited as the No. 1 policy objective for the proposal.

However, the evidence provided for the idea that regional variations in fees pose a significant problem to conveyancers is based only on "informal consultations", and as those are not documented we have no idea what information they actually produced. We also know from the wider consultation exercise that conveyancers do not identify searches as a significant cause of delays, and that 82% of conveyancers found the Land Registry proposal unappealing or very unappealing. If that issue were the problem for the sector that the Government are trying to suggest it is, why is the sector not complaining about it? In fact, no one seemed to think that the lack of standardisation was such a problem. Alternatively, some people thought that if it was such a problem, the Government could simply issue a regulation saying that there should be a standard fee set across the whole country.

In transferring responsibility for searching and maintaining the local land charges register to the Land Registry, the Government have singled out one aspect of a service, which make the proposals particularly hard to comprehend even from the Government's standpoint—although to be honest, I do not really know why I am trying to do that. The Land Registry will hold the data and will carry out searches of the register, but local authorities will continue to collect the information to go in the register and all other local land charge data. That simply does not make sense, because the Land Registry will take on only one part of the service, leaving the more complex part of the service with local authorities. As the Land Registry itself has noted,

"92% of applications are for both LLC1 and CON29 together."

So, as I say, this fragmentation simply does not make sense.

I am absolutely mystified as to how splitting up the service will achieve the Government's stated policy objectives—it seems that it will not. Despite the Government's key objective of speeding up the service, their own impact assessment, published in October 2014, admitted that they could not claim there would be "any significant time savings" as a result of the change.

The Local Land Charges Institute has pointed out that the preferred option will not meet Government objectives for time efficiencies and standardisation at this stage. However, in a letter to the institute dated 19 February 2014, the then Minister, the right hon. Member for Sevenoaks (Michael Fallon), cited delays in the provision of searches as a key reason for the change. On the question whether the problems would be resolved by the Land Registry taking over the service, he responded:

"Standardising the current disparate datasets and digitising the remaining data, which still exists in paper format will provide efficiencies in the service."

We actually agree, but there is no reason why that digitisation cannot be supported in the local authority sector, as well as in the Land Registry.

On the financial implications of the proposals, or what we know about them, the Council of Property Search Organisations notes that the current proposals risk stripping councils of income while leaving them with many of their current responsibilities and costs. The Government's impact assessment further notes the

"possible redundancy costs for local authority staff"

and that

"these costs have been calculated for illustrative purposes"

and have the potential to be between £6.6 million and £16.8 million, with a budgeted contingency of £11.2 million. The impact assessment goes on to say:

"It is possible that there may be redundancies among the 850 local authority staff who deal with local land charges. Such staff would typically have other responsibilities in addition to working with local land charge data, which account for up to 75% of their time…Some local authority staff will still be required to update the register and deal with enquiries from data users…There is no evidence available on the likely redundancy or redeployment policy at the local authority level, and so redundancy costs have not been quantified in the impact assessment."

Surely that is extraordinary. What estimate has the Minister made of the number of staff local authorities will need to retain to continue collecting local land charge information? How could those staff be paid for?

Further to the issues I have already discussed, a number of organisations have been doing extremely important work on the impact of the proposals, and they have been vocal in their opposition to not only the content of the proposals, but the way in which they have been devised and assessed.

The Minister will know that the Local Government Association has called for clauses 29 and 30 to be deleted. In the event that that is not possible, it has made clear its support for agreeing to amendment 59 to ensure that the Government's proposals do not come into force until a proper assessment has been made.

The LGA gives two key reasons for its opposition to the proposals. It states:

"The land charges service supplied to businesses and residents is best improved locally. The upheaval of a national transformation would have a negative impact on the quality of the conveyancing process, and will remove local knowledge and expertise from the process that may in turn lead to delays"

and increased costs, because it will take more time for queries to be resolved. It also says:

"The case for this change has not been made."

[Roberta Blackman-Woods]

In addition, it points to the fact that the majority of the responses to the Government consultation opposed the proposals. Should clauses 29 and 30 remain in the Bill, the LGA calls

"for a firm commitment on the face of the Bill that the transitional costs are met in full under the new burdens doctrine, and all ongoing costs based on an independent cost assessment are funded by central government. This is especially important as the current proposals in the Bill risk stripping councils of income".

The District Councils Network is also concerned that centralising local land charges registers entails high risk, and it is of the view that the proposals should be reconsidered. It has a particular concern about the impact on the operation of the property market if there are problems with the IT system that is being developed to support the centralised local land charges register when the Government try to transfer the data from local authorities.

11.45 am

The Law Society has registered doubts that the proposals will achieve their stated objectives, and the Local Land Charges Institute believes that the proposed takeover of part of the local land charges service by the Land Registry will lead to

"a more fragmented, more costly and less reliable service than that which already exists and would result in a poorer service for the property-buying public and the businesses that assist them."

Yet the Land Registry proposes spending between £40 million and £60 million on the scheme, for which there is no demand and no guarantee of success, with no benefit to consumers. The LLCI says that the scheme also fails to meet its stated policy objectives, and it urges the Committee to scrap the proposal.

The Council of Property Search Organisations has said:

"The proposed changes to centralise Local Land Charges Registers have not been thoroughly considered and will jeopardise hundreds of jobs and businesses which rely on the Local Land Chargers Registers to provide searches. This will also negatively impact on the housing market, causing delays to the home buying process".

That would cause potential deals to fall through. CoPSO understands

"the need to digitise the register but it is clear the government have not considered all viable options… The sector is currently operating well and there is no clear implementation plan".

The views of the seven local authorities involved in the trial scheme do not represent the views of the vast majority of local authorities, which are against the changes:

"CoPSO contacted every LA and of the 83 responses received, 54 said they were very concerned about or completely against the changes."

Furthermore, absolutely everyone understands that, as the local authority is still responsible for CON29, the changes are nonsensical. I could go on, but I will not. The Chartered Institute of Legal Executives, the Association of Independent Personal Search Agents, the Society of Local Authority Chief Executives and Senior Managers, the Public and Commercial Services Union and Unison are all totally against the changes.

So given the significant opposition to the transfer of responsibility for local land charges to the Land Registry, the confusion surrounding the impact of the change and the limited evidence that the change is necessary, surely if the proposals in clause 29 are to come into force, at the very least Parliament will need to see a more detailed, independent report on the transfer.

The Chair: Before I call the next speaker, I inform the Committee that I will take clause stand part with amendment 59.

The Parliamentary Under-Secretary of State for Communities and Local Government (Stephen Williams): It is a pleasure to serve under your chairmanship for the first time, Mr Hood.

The hon. Member for City of Durham is more fundamentally opposed to the proposals than I had thought, but none the less I will try to allay the concerns that we anticipated and address the concerns that she has raised. She has called for a further report. Some members of the Committee will have served on Finance Bill Committees, some of us on rather more occasions than we would have liked, and will recognise how common calls for reports are from Labour Front-Bench Members. They suggest reports rather than tabling alternative proposals, particularly during this Parliament. A further report is unnecessary because a lot of work and preparation has already gone into the proposal. It would delay the implementation of the service, which would have an impact on the services currently provided to the public and would perpetuate uncertainty for staff within local authorities.

Let me set out why we wish to proceed along these lines and the rationale behind that. Many local authorities operate systems that are either wholly or in part reliant on paper records which, of course, decay over time. It was even said to me during my preparation for this session that some of these paper records have, over the years, been affected by floods and other environmental damage. That, of course, is a serious risk for the public in accessing accurate information before they go ahead and buy a property.

On the visits that the Land Registry has conducted around the country, I was rather startled—so startled that I wrote it down—that the hon. Lady said it was an "ill thought-out" and fragmented approach to what we are doing. There have actually been three years of consultation, preparation and discussion with local authorities. As part of that, the Land Registry has visited more than 200 local authorities over the past three years to see for itself the practice on the ground. In some cases, it found that there is a digital service, which is what we want to proceed to. In many cases, there is an entirely paper-based system and in some cases there is a microfiche system.

I have a history degree. I enjoy researching primary records, and I have done that for dissertations in the past. I am also a genealogist. It is wonderful to turn up to Taunton's record office, which is in the constituency of my hon. Friend the Member for Taunton Deane. I have never actually been to Taunton—I will have to rectify that at some point—but I have been to its outskirts, where the county record office is in Somerset, to research some of my family history. There is no substitute for going through the paper records of parish registers. It can be slightly enjoyable to go through the microfiche, turn the wheel and look for the Seward family name, which I was looking for that time. It is rather more

frustrating, though, when looking for a Williams, an Evans or a Davis, which are the other surnames I have looked for. Although it is more interesting and perhaps more rewarding for someone to do that primary research themselves, I have to concede that looking at digitised parish records and census returns via a secure website from a living room or, indeed, an iPad leads to quicker and usually more accurate results. That is precisely what we are trying to ensure here.

Chris Ruane (Vale of Clwyd) (Lab): In my county of Denbighshire, the local authority is considering cutbacks to the county archives where such records are stored. What assessment has the Minister made of the impact of local government cuts on the accessibility of these archives to ordinary people?

Stephen Williams: I was using archives as a way of illustrating and bringing to life the sorts of issues we are discussing. I do not want to go off into a discussion about county record offices in general. I have actually been to Denbigh record office in the past, when I had a scholarship to stay at St Deiniol's library. We have heard about lots of things thanks to my hon. Friend, but we have not heard about Gladstone. We have heard about Disraeli, so it is about time that we heard about Gladstone. Gladstone, of course, left his book collection and many records at St Deiniol's library, some of which are held in Denbigh record office. I have been there, and it is a marvellous service. I hope that it will continue. However, this is nothing to do with our county record offices. *[Interruption.]*

The Chair: Order. The hon. Member for Vale of Clwyd should not heckle the Minister when he is addressing a point which the hon. Gentleman made. It is not right and I will not have it.

Stephen Williams: Thank you, Mr Hood. I was simply using county record offices to bring to life what we are discussing. I will return to local property searches, which is what we are discussing. We want to replace this service, which is currently fragmented and spread over 300 local authorities in England and Wales, as we have heard, and replace it with a modern, digitised service which we think will be to the benefit of all. The transfer of the service will be phased. For each local authority, the first step will be collating the data it holds and checking that they are accurate. The checked datasets will then need to be transformed into a digital format before being transferred into the central local land charges register which will be created under the clause. The local land charges service will only transfer from individual local authorities to the Land Registry once that process has been completed and is functioning.

Implementation will also require a range of secondary legislation to support the changes; an example is land charges rules. That will ensure that Parliament has the opportunity to monitor progress and to ask further questions.

The impact on local authorities was the thrust of what the hon. Member for City of Durham was speaking about, although I want to refer also to the impact on businesses and home buyers and sellers, which is the reason why we are coming forward with the proposals. We have recognised from the start that we need to ensure that the new system takes account of concerns in that regard. That is why we have involved local authorities, as I said, at every step, including prototyping the service with seven of them. Indeed, one of the seven authorities subject to that prototype was that of the hon. Member for Vale of Clwyd—Denbighshire. One of the prototypes taking part was Denbighshire. Liverpool city council, not far away over the Dee and the Mersey, was also one of the prototypes, and I will quote what it said for the benefit of the record:

> "Together we demonstrated that this could work and that if Land Registry were to roll this out then there could be benefits to the conveyancing process in the UK".

Under the new service, local authorities will continue to retain responsibility for keeping the information on the register up to date, so there is an important continuing role for local authorities to populate the register with all the relevant pieces of information: charges, tree preservation orders and everything else that needs to be on it. However, they will not be maintaining the register in its new digitised, nationally accessible format and will not need to provide a search service.

As I said, the Land Registry has already met a huge number of local authorities to answer any questions and to complete a profile of each authority. A number of interviews have also taken place with HR departments. The hon. Member for City of Durham asked about the impact on employees and how many employees are affected. Obviously, there is variation between authorities. Clearly, there is a big difference between Birmingham city council and, to pick a small council off the top of my head, Breckland or West Somerset, which might also be providing the service. However, the information that I have is that an average of two people per local authority are involved in this work. Obviously, in some local authorities, there may be a larger team than two, but typically in the smaller authorities, from what I have heard, the staff members involved in this work will also have other responsibilities in the authority; this is not their sole reason for working for the local authority. However, the practice varies, depending on the size of the authority.

The engagement with local authorities and the LGA will continue. Key stakeholders have been invited to join a local land charges advisory board. Local authorities will also have a role in implementation. The most cost-effective methods of digitisation and data preparation are being explored to ensure minimal disruption to local authorities and users of the existing service.

The hon. Lady asked about costs to local authorities, and I can confirm that all the costs of the conversion from the various databases held locally at the moment, whether they involve paper, microfiche or any other format, to a digitised process will be met by the Land Registry; those costs will not fall on the individual local authority. I hope that that gives her an important reassurance on that front.

Alistair Burt (North East Bedfordshire) (Con): On a point of order, Mr Hood. You might be aware that at 12 noon, MPs and others are gathering in Westminster Hall to remember the journalists killed yesterday. I wonder whether you would mind suspending the Committee for a minute so that in this room we could all stand and remember the journalists who lost their lives yesterday

[Alistair Burt]

and remember what they stood for, in solidarity with our friends downstairs. Could we just take a minute of our time to do that at 12 noon?

The Chair: I have no objection at all to that if all members of the Committee agree.

Roberta Blackman-Woods: I totally support that, Mr Hood.

12 noon

Sitting suspended.

12.1 pm

On resuming—

Stephen Williams: I am sure that all of us were deeply shocked watching the news last night or reading in great detail in the newspapers this morning about what happened in Paris. We would certainly all want to join with our colleagues elsewhere on the parliamentary estate in showing solidarity with the people of Paris and France.

I will now return to the rather more prosaic matters of digitising local authority records. Work is under way with both the Department for Communities and Local Government and local authorities to assess any financial impact of the changes and ensure that they are appropriately addressed. The hon. Member for City of Durham asked me whether there will be any benefit to the public from proceeding with these changes. As a result of the Land Registry's visits around the country, we have found a variety of practices in not just the method of record keeping itself but the service impact on people. There is great variation in the service turnaround times for purchases of property. I will give two examples at either end of the spectrum, which might be politically pleasing to the hon. Lady. Bolton council, which I believe is run by the Labour party, has already moved to a digital service and returns official service results within one day. Bath and North East Somerset council is—unhelpfully, in the example I have here—run by the Liberal Democrats, and I am sure that it will continue to be so for some time. It says on its website that it takes 20 days to turn around a local search. There is a variety of service level out there. By digitising all the records, we want everywhere to be able to emulate Bolton council and provide that one-day turnaround service, so that we have uniform good practice around the country. That will be the advantage of having a national database which can be accessed locally.

Taxpayers rightly now expect this sort of service locally. Whenever we renew our tax disc or driver's licence, we now expect digital by default from Government, which is something that the previous Government did and that this Government are continuing to do. It is about time that the local Land Registry service caught up with that approach, saving costs but also providing a better service to the public elsewhere in the full range of Government services. I hope that, with those remarks, I have picked up all the questions that the hon. Lady asked me in the course of her remarks.

Roberta Blackman-Woods: My question about cost was not only about the cost of digitising the service; it was about the loss of income to local authorities and who had worked out the impact of that.

Stephen Williams: I can happily deal with that from memory. The cost recovery provided in the service at the moment is precisely that: cost recovery. It is not a revenue stream that can be spread elsewhere among local authority services. It is meant to purely cover the cost of providing the search facility service. The cost of populating the database is not meant to be recovered from that, because that cost falls within general local government responsibilities that will continue. Given that local authorities will no longer be providing the search service, there will not be a cost to recover, so it is therefore neutral.

We are talking about two elements of local property searches that are currently done by local authorities—I had hoped we would not get into this area. There is the LLC1 search, which is what we are considering here. That will be digitised and searched nationally. There is also CON29, which is an all-embracing sweep-up of other things that might affect property. That will continue to be provided by local authorities, and revenue will still accrue to them for providing that service. With that final reassurance, I hope that the hon. Lady will withdraw her amendment.

Roberta Blackman-Woods: I am not convinced by the Minister's response. It is one thing to ridicule the Opposition—we might expect that—but it is quite another to dismiss what almost every single organisation in the sector is saying about the provisions in the clause, including the Chartered Institute of Legal Executives and the LGA. If the Government have got local authorities on board, it is peculiar that the LGA has come out so strongly in saying that the clauses should be deleted. I could go on. The Local Land Charges Institute and the organisations that represent estate agents are opposed. Opposition is absolutely widespread. Not only people in local government, but people right across the sector, with the exception of the Land Registry itself, are opposed.

Stephen Williams: If I understand it correctly, most of the objections from local authorities—directly or via the LGA—were purely on the subject of uncertainty about whether the cost of moving to the new service would be covered. I have answered that and given reassurance that the cost will be covered. That is what most of the objections were about, or so I am told.

Roberta Blackman-Woods: The concern from local authorities is on two fronts. It is about how they will manage, without the fee for the LLC1 form, to collect the information that is necessary for the CON29 form, which will remain their responsibility. They are also concerned about fragmentation of the service and about the lack of local knowledge underpinning the register itself, which might happen over time. That is why we were not simply asking for an additional report, but an independent report.

Stephen Williams: On the point about local knowledge, I reiterate that the main responsibility for local authorities is populating the database in the first place with everything from tree preservation orders to any charges that exist on the property other than the primary mortgage that an individual householder may have, and a range of other encumbrances and charges that may be against

that property. That responsibility will remain with local authorities, and that is where the local knowledge and expertise is germane. Providing the search service does not really require local expertise, particularly when it is digitised.

Roberta Blackman-Woods: I appreciate that, as do local authorities at the moment. The concern is about where the next stage might go. If local authorities are losing money and cannot support CON29, it might be that CON29 will go over to the Land Registry as well. So a set of anxieties have not been addressed. I urge the Minister to go away and read what the people who work in the sector are saying about this. They are greatly concerned that we are moving towards digitising the service in the Land Registry without thinking through what is already happening.

The Minister made my case for me by giving the example of Bolton. The local authority there has digitised its service and shown that the Government did not need this proposal. If the Government wanted the service to be digitised, they could simply have helped local authorities to do that, without fragmenting the service. We therefore need to think more about the clause, but, for now, I beg to ask leave to withdraw the amendment.

Amendment, by leave, withdrawn.

Clause 29 ordered to stand part of the Bill.

Schedule 4 agreed to.

Clauses 30 and 31 ordered to stand part of the Bill.

Clause 32

PROVISION IN BUILDING REGULATIONS FOR OFF-SITE CARBON ABATEMENT MEASURES

Roberta Blackman-Woods: I beg to move amendment 60, in clause 32, page 34, line 23, at end insert

"and shall relate to buildings or developments of any size".

The Chair: With this it will be convenient to discuss amendment 34, in clause 32, page 36, line 5, at end insert—

'(7) No variation to the requirement of the building regulations in respect of a building's contribution to or effect on emissions of carbon dioxide may be made solely by regard to the number of buildings on any particular building site."

Roberta Blackman-Woods: Before I begin, I want to thank the right hon. Member for North East Bedfordshire for requesting a suspension to our proceedings earlier. I forgot to say that when I was last on my feet, but I am sure the Committee appreciates his action.

Clause 32 is probably one of the most pernicious provisions in the Bill. The amendment would prevent exclusions under the clause or subsequent regulations that allowed small sites to be exempted from the building regulation standards for zero-carbon homes or from the allowable solutions obligations that should be applied to development sites.

It is most unfortunate that the matter has come so late in our consideration of the Bill and that we are debating it when the Government's consultation on it has only just closed, which means that the outcome is not in the public domain.

In its briefing to the Committee, the UK Green Building Council tells us that it has yet to see any evidence that exemption from the zero-carbon requirements or allowable solutions obligations would stimulate more house building by small builders. The business challenges for small builders were summarised in a National House Building Council report published in October 2014. In a qualitative survey, the report identified the top barriers as planning and process obligations, obtaining funds, the availability and cost of land and skilled labour, and the cost of labour. Legislation and red tape were named by only 4% of the 363 companies surveyed.

It is a little odd, to say the least, therefore, that the Government have chosen to concentrate on exempting small sites from the allowable solutions obligations, rather than on trying to make it easier for small companies to obtain funds or, more critically, on addressing the availability and cost of land, which is the top reason small companies give for being unable to build houses. However, as we discussed when we last sat, the Government say nothing about that.

It appears, therefore, that the whole premise for exempting small sites from the allowable solutions obligations is completely wrong. That raises the question why the Government are consulting on whether the exemption should be for small sites or small builders, never mind setting out various options, which get increasingly complicated.

12.15 pm

The Government have missed a fundamental point. Does someone buying a house really want it to be less energy efficient than a similar house built down the road by a larger builder or on a larger site? That is clearly nonsense.

The Government say that all houses will need to be built to code level 4, wherever they are and regardless of the size of the company that builds them. However, the consultation paper appears to allow for circumstances in which that might not be the case. I would be grateful if the Minister could clarify that point, because the Green Building Council—and others—have said:

"Although the preferred option in the consultation is for an exemption from effort over and above the on-site standard, the Government does worryingly also consult on the possibility of a lower on-site standard for homes built on a small site, creating a two-tiered approach to Building Regulations."

That is something that the Government say they do not wish to do. Additional clarity and significant reassurance on that point from that Minister would be helpful.

Have the Government analysed whether the provisions would have a particularly negative impact on rural areas? Rural communities often have additional costs for transport, for example. As most of these small development sites are in rural areas, it would be unhelpful if this measure gave them higher energy costs as well as other additional costs.

This measure appears to be extremely short-sighted. The Government acknowledge that not all small sites are built by small building companies. Rather than realising that an exemption for small sites and small builders is wrong, the Government appear to be considering making the system even more complicated by putting in

size restriction. The example mentioned in the consultation paper is less than 1,000 square metres of floor space for a 10-unit development.

The alternative is to limit the exemption to small builders with 49 employees or fewer. Does the Government know how many firms come into that category? What about businesses that subcontract most of their work, or businesses that have subsidiaries? The Government are consulting on both an exemption for small firms and an exemption for small sites with a limited area of floor space.

As I said earlier, this is starting to look like a very complicated measure and scheme. Will the Minister tell us who is going to check all of this? The situation that will trigger an exemption will be what the builder says it is. Have the Government estimated what the costs will be for whoever carries out the assessment?

Does anybody across the sector think this is a good idea? The Solar Trade Association, the Campaign to Protect Rural England and the Green Building Council are all totally against this proposal. The Green Building Council says:

"The allowable solutions mechanism was designed specifically to enable the costs of meeting the full zero carbon standard to be reduced for sites that are unfairly burdened due to physical constraints, such as size. Smaller building sites are specifically the types of development that the allowable solutions mechanism was designed to support towards delivering zero carbon. It therefore seems perverse that these sites are now to be exempt from the part of the definition designed to ensure they can cost effectively comply."

It also says:

"We see no reason why a development of 10 units should be treated differently from one of 11."

I agree. Its written submission goes on:

"Creating a disparity between the treatment of different sites opens up the possibility of unforeseen and undesirable outcomes, and possibly exploitation, where larger sites are broken down to qualify for the exemption. The artificial division or staging of sites to attract an exemption could slow down the building of new homes, as well as impact fundamental design, orientation and place-making principles.

The proposed exemption of sites of 10 units or fewer is shown by the figures presented in the consultation to affect as much as one fifth of all homes proposed…This is clearly a considerable proportion of the stock. We believe that an exemption for such a large proportion of the stock will create confusion in the house buying market. If a house buyer cannot expect the same standard of a new home built on a small site to that built on a large site, the value of a highly efficient new home will be undermined."

Indeed, it is hardly an effective marketing tool to say that houses are being built to a lower energy efficiency standard than similar properties just down the road.

The Green Building Council also says that an exemption would

"create fragmentation in the supply chains delivering products and services for differently defined 'zero carbon' new homes. Fragmentation leads to a lower potential for cost reduction through the whole supply chain. With small builders making up the smaller part of the demand it is logical that this market will be less well served, suffering from smaller and slower cost reductions. Therefore a perverse outcome of higher costs for the smaller builder is created."

I hope that the Minister gets the gist of what I am saying, which is that there does not seem to be any support for exempting small sites or smaller builders from allowable solution obligations. A number of clarifications need to be made, and simply saying that the Government will have a review after five years is not good enough.

Mr Nick Raynsford (Greenwich and Woolwich) (Lab): I rise to speak briefly in support of amendment 34, which would have a similar—not identical, but similar—effect to amendment 59, which was tabled by my hon. Friend the Member for City of Durham. That effect is simply to make it impossible for exemptions from the building regulations to be applied solely by reference to the number of units being built on any particular site. In other words, it would not preclude the scope for allowable solutions in appropriate circumstances, but would require other factors to be present, such as that the builder is a small company that needs to be assisted or that the nature of the site makes it impossible to meet the full building regulations. Either of those would still be possible. If this amendment were accepted, it would simply not be possible for exemptions to be granted solely by reference to the number of units on the site, for very good reasons which have already been spelt out by my hon. Friend and which I have no need to repeat.

It is a simple issue of doing our best to meet the higher standards of energy efficiency. Everyone knows we must do that if we are to meet our carbon reduction obligations. We must do it in a practical and pragmatic way and assist builders to comply with these higher standards. At the same time, we need to avoid the problem of potential abuses of loopholes. We need to avoid this leading to outcomes of lower standards of housing or creating the risk, which my hon. Friend referred to, of a two-tier housing market in which different standards apply to different types of scheme. That would be thoroughly unsatisfactory for the consumer, who would be at risk of a substandard outcome on one particular site simply because of the size of the site.

We know, as the evidence already exists, that it is intellectually completely indefensible to make an exemption solely on the basis of the size of the site. It is intellectually justified to think about exemptions where it is simply not practical to comply with the full standard because of the nature of the site. When I pressed the Minister on this issue on Second Reading, he agreed that principle. I am sure he agreed with it because his predecessor, the right hon. Member for Hazel Grove (Sir Andrew Stunell), said in that debate:

"The right hon. Gentleman and I—"

he was referring to me—

"have had opportunities to disagree about things, but on this matter I wholeheartedly agree with him. Does he agree that there is no benefit—either to builders or the users of the buildings, let alone to the Government—in backtracking in any way whatever on the recommendations of the zero-carbon hub?"—[*Official Report*, 8 December 2014; Vol. 589, c. 681.]

There is a new clause coming up later that was tabled by the hon. Member for Taunton Deane and this issue can probably be covered again there because I know the right hon. Member for Hazel Grove has also put his name to it.

However, when there is such a clear consensus about the objective we should be meeting and the need to avoid loopholes and intellectually incoherent policy proposals, I ask the Government to have second thoughts on this matter. It is not a sensible way forward and will be open to abuse. There will be larger builders who

parcel their developments up into smaller groups in order to get their number of units below the threshold, whatever that threshold is. If it is 10, as I think the Government are currently thinking about, then there will be, in my experience, a large number of builders who build detached houses on quite modest sites and who will be able to parcel those sites in such a way as to ensure that every single home comes in a grouping of 10 or fewer. That kind of game playing will simply put the overall objective at risk and serve no useful purpose at all.

I urge the Government to reconsider this matter and I wholly support amendments 59 and 34.

Dr Alan Whitehead (Southampton, Test) (Lab): I rise briefly to support both of those amendments. I do not want to add to what has been clearly and succinctly put forward by my colleagues also supporting them, but to underline what is a proposal that might well not work. It could potentially produce a quagmire of competing attempts to get round the exemption level and, possibly, a lawyer's paradise on the basis of who is dealing with what site, what number of houses are being put up on what site, who is the guiding hand behind each site and whether they are the same company or not. That appears not to have been addressed or thought out at all in introducing this exemption.

Secondly, it is a rather breathtaking move to introduce legislation, which we are discussing this morning and that will presumably—if the amendments are overthrown—become full legislation shortly, at the same time as a consultation is under way to decide whether there should be legislation and if so, what kind. The consultation that my hon. Friend the Member for City of Durham says has just finished actually finished on 7 January 2015—that is, yesterday. It has a number of options for what might be done as far as exemptions for small sites are concerned, but even that consultation makes an interesting point that is at the heart of some of the arguments about whether a small site exemption is necessary at all. It says:

> "Costs of delivering zero carbon homes are expected to come down, and the impact of this would need to be analysed. The expectations on the reduced cost of delivering a zero carbon home may help bolster the case for a time limited exemption."

But of course there is not a time-limited exemption. We are perhaps about to decide that we will go full tilt for an exemption on the basis of a housing number of 10, and, as the consultation states, in terms of the most recent figures for sites of this size, exempt 21% of the new homes being built. That is not an insignificant number, but a substantial number of homes produced over the period.

12.30 pm

Such homes will not only be at a slightly lower level of code development, but effectively exempt from that code development, and therefore for a considerable period of time exempted from that code. At a future date those homes could be substantially retrofitted according to any future policy to uprate our housing standards.

So it seems to me that this proposal is fundamentally misconceived at this stage in the proceedings. That is not to say that, as my right hon. Friend the Member for Greenwich and Woolwich emphasised, there should be no such things as allowable solutions. That is not to say that protocols to enable allowable solutions to be worked out should not be undertaken. However, to do it on the basis of 10 homes with virtually no other factors being considered, while other factors are considered in consultation with the public, is not a way forward that any member of the Committee ought to support. The proposal should not be rushed through when people believe that they should have the opportunity to consult and decide on what should be the way forward. Indeed, as my hon. Friends have mentioned, if such a consultation were to be taken seriously, it would reveal that there is virtually no support for the proposal among those who might conceivably be consulted. It would reveal substantial support for different forms of allowable solutions that move us forward as far as the energy efficiency of homes is concerned. We should not downgrade the whole process, which appears to be part and parcel of what is happening to the zero-carbon homes policy at the moment.

Stephen Williams: We have quite a few amendments tabled for clause 32, Mr Hood, which is why I seek your guidance on whether we will have a stand part debate or whether it will be helpful for me now to give a little context to help the Committee on what we are trying to achieve.

The Chair: I will be guided by the Committee. If the Committee wishes to have a stand part debate, that might be sensible. If there is a demand for a single stand part debate, I would like to know now before I give a ruling.

Mr Brooks Newmark (Braintree) (Con): Will there be a stand part debate at the end of all the amendments, or is it just with this group?

The Chair: The Minister wants to know whether there will be a stand part debate. If you can express your views on stand part on the clause during the debates on the amendments, that will be acceptable to me. So we will not have a stand part debate. You can make your views known during the discussion on the amendments.

Stephen Williams: Thank you, Mr Hood. I want to start by giving some context. The shadow Minister and her colleagues have used technical language about allowable solutions, code 4 and what is done off-site and what is done on-site. It would be useful to say what we are trying to achieve in clause 32.

The clause introduces the concept of allowable solutions to allow for that concept to be introduced under the Building Act. At the moment, building regulation is amended purely by secondary legislation and is then uniform all around the country, so there is no scope for variation at the moment. The clause introduces the concept of allowable solutions, for which I heard support from all three Opposition speakers—I do not think there was any demurring from that. The concept has been around for a long time, going all the way back to 2006, in a decade during which the previous Administration first mentioned achieving zero-carbon homes by 2016.

[Stephen Williams]

An allowable solutions scheme has always been part of the furniture for what we are trying to achieve, and that is what the clause will introduce.

I mentioned 2006, which is essentially the baseline year for all the changes that have been made to the energy efficiency of homes. To give some context, the building regulations that we are discussing are technologically neutral: they do not prescribe what someone has to do, but simply give the standards that must be met. It is up to the house builder and the building industry to come forward with proposals to meet those standards. We must remember that we are discussing new houses, and the baseline for those built from 2006 onwards was, typically, a B-rated boiler, 75% low-energy lighting, double-glazed windows, and 100 mm of wall insulation, with natural ventilation.

This Government introduced the first uplift to that baseline: a 25% increase to code level 3 of the code for sustainable homes. That code is voluntary, not a Government code as such, but everyone recognises it. Most houses currently under construction will be built to code level 3, with an A-rated boiler, 100% low-energy lighting, double-glazed windows, and 130 mm of wall insulation. The most recent change, which was introduced last year, sees the same boiler and lighting specifications, but double-glazed windows with thermally efficient glass and 160 mm of wall insulation, with natural insulation. Houses that have most recently been granted permission may well be being built under the most recent 2014 standards.

Although it is distinct from what we are discussing today, if we proceed, via secondary legislation, with uprating part L of the building regulations to the equivalent of code level 4 of the code for sustainable homes, which we will, right across the country and with no exceptions—I will deal with this point in more detail in a moment, but although the hon. Member for City of Durham was trying to give the impression that houses in different parts of the country will be built to different energy standards, that will simply not happen; all houses will have to be built to the equivalent of code level 4—then that will be a 44% uplift on the 2006 baseline. Over a decade, the house building industry will have to have coped with three significant rises in what it is expected to deliver on the ground for every new house that is built.

As I said, the building regulations do not specify the technical solutions—it is up to the industry—but we anticipate that the main changes required to achieve that 44% uplift in standards for every new house, with no exceptions, will be a shift to triple-glazed windows, 200 mm of wall insulation, and more attention to thermal bridging. I know rather more about the latter now than I did a year ago. It is where builders have to be very careful to ensure that joins—particularly where the floor meets ground level and below—are insulated as much as possible to avoid leakage. Various house building bodies have published reports to show that, despite the tightening up that we have done so far, there is still some way to go before house builders build to the expected standard, so they will have to pay special attention to avoiding thermal bridging and, possibly, some mechanical ventilation in place of natural ventilation.

So, over a decade, there will be a huge shift from the 2006 baseline standards to those in the new houses that our constituents will expect to see being built around the country.

Mr Raynsford: I do not depart from what the Minister said about the improvement, but I do not wish him to avoid the issue about the code level to be met by 2016. In the original 2006 prospectus, the expectation was that code level 6, which was seen as ultimately zero carbon, would be achieved by 2016. The current Government's proposals have watered down that commitment and that should be made clear to the Committee.

Stephen Williams: I think we will come to that in the next string or the one after. I am dealing with some stand part issues as I go along, but I will hold that one until we get to it. Perhaps the right hon. Gentleman will speak at greater length about it then.

The amendments before us are mainly about whether there should be an exemption for the allowable solutions part of what we are proposing in the clause. That is the very important point I want to get across, which is why I gave the context. Via building regulations and secondary legislation, we intend to raise, without exception, to the equivalent of code level 4 on the ground every single new home that has permission to be built from 2016. We are introducing a concept of allowable solutions and the consultation we have undertaken is purely about that allowable solutions top-up, to put it that way, on top of the uplift we are expecting for every new home built.

We will not see around the country a two-tier system, as the hon. Member for City of Durham implied. In Bristol, Durham and everywhere else, every single new house, flat or whatever will be required to be built to the same energy efficiency standards, no matter the size of the site. The only area where we are considering an exemption is from the allowable solutions scheme, which takes us to another level over and above the uplift to code level 4. I wrote to several members of the Committee at the time of Second Reading because it was raised several times then. I hope I have now provided that clarification again.

Dr Whitehead: Will the Minister make clear that the uplift is to code level 5, with code level 4 being on the basis of a contribution for allowable solutions elsewhere? Whichever way it is cut, it is actually a reduction in what was originally proposed in the previous period.

Stephen Williams: I will answer, though we are being tempted into the next string of amendments. The original code for sustainable homes, which is not a Government code but a voluntary one published in 2006, had a code level 6 standard, but that included all sorts of discretionary items in houses, such as television sets, white goods and so on. We concluded that it was unreasonable to expect house builders to know what internal consumer decisions people would make once they had bought their houses. House builders should know that they have to build a house to certain dimensions, standard of insulation and so on, but they cannot possibly know how many television sets will be installed or whether someone will have a freezer and eat only frozen food. We decided that it was

unreasonable to expect a house builder to know what the purchaser or tenant of their property would do. It would also be difficult to enforce. We have come up with a different definition, not because we want to water down what was an aspiration in 2006, but to make it more realistic that we will get a significant uplift in home energy efficiency, covering the things that every house purchaser will have to deal with such as the cost of heating and lighting their home, but not the discretionary items.

I live in a Victorian terraced house in Bristol, which is identical to its neighbours in layout, but I have one TV set and do not have a freezer. I minimise my carbon impact, leaving aside the fact that I do not live there for part of the week. Bristol is my home, not London, so in recess, when I am there all of the time, my energy use is perhaps lower than some of my neighbours because I do not have children, I do not have television sets in every room and I do not use gaming machines. It is very difficult to expect a house builder to build to a uniform standard in anticipation that every purchaser of house they build will be maxing out those sorts of consumer choice within their property.

Finally—this is a slight diversion, but I just want to close this down—it is not just that it would be unreasonable to expect house builders to build to that maximum expectation of what a property owner might use. There are other ways we can get energy efficiency, which have changed since 2006. I bought a new television set to watch the Olympics on in 2012. I have one television, so I replaced my old 1995 television set. I had all the separate units; it was attached with a video player, a DVD player and a set-top box; it did not turn itself off if I was not doing anything to it for half an hour. It is now all in one. Technology has enabled us to have these home energy efficiencies in the white goods and discretionary goods that we might buy, so it is unreasonable to design the building regulations to have to be uniform around the country in order to deal with that.

Roberta Blackman-Woods: I hesitate to interrupt the Minister's description of his television viewing habits, but is he actually saying that it will always be difficult to implement code 6? From his description, I cannot see how in five years' time we would know things about people's electricity consumption that we do not know now. I suggest that this is nonsense.

Stephen Williams: The hon. Lady says that it is nonsense, but I do not think that I have described something that none of us can associate ourselves with or understand has happened. Technology has moved on in the last decade since 2006. Although it was reasonable to write a code at that time that said televisions do not turn themselves off or other consumer units might take a lot of charging to get a battery up to full strength, technology has moved on. It would be absurd were the Government not to recognise that there are now other ways in which the consumer electronics industry can reduce energy demand. That is what this is all about: reducing the electricity consumption demand from our houses. Some of the demand reduction will come from the design of the products themselves; some of it will come from the energy efficiency of the fabric of the house, which is what we are concerned about here.

The Chair: Order. I ask the Committee to be careful not to stray into the next group of amendments.

Dr Whitehead: On the specific issue of allowable solutions and the exemption of 10 houses which the Minister proposes, I would be grateful if he confirmed my understanding of how the whole process will work. The general idea is that homes are now built not to code 6 but code 5. Under allowable solutions, they can be built to code level 4, provided they make a contribution which allows for the very energy efficiency action that he talks about to be undertaken off site for other properties, so that the overall effect is the same. However, if buildings on sites of 10 houses or fewer are exempted, none of that money goes out—indeed, it is quite a prize for a builder to not have to do that. The question of the quantum of energy efficiency, which was central to the original concept of the building code, is therefore substantially overthrown. Is that a correct understanding or am I being misled?

The Chair: Order. I remind hon. Members that interventions need to be shorter than that.

Stephen Williams: I will briefly deal with that question and then I will get back to the amendments themselves, Mr Hood. We are seeking, by secondary legislation, to uplift part L of the building regulations so that every new property is built to the equivalent of code level 4 on-site with no exemptions. There will not be a housing estate of 11 houses with a different on-site energy efficiency standard from a housing estate of 9 houses. That will not happen. It will be uniform around the country to code level 4.

Via the allowable solutions schemes, we want where possible on-site to get to the equivalent of code 5, but we recognise that that will not be possible in many cases for reasons beyond the house builder's control—it could be that the site is in a valley and does not got much sunlight. Whatever it might be, there will be practicalities on the ground, so to pay into an allowable solutions scheme either will reduce the energy demand from another property somewhere else or could generate low-carbon energy that will be of benefit to the whole country. There will be a menu of what allowable solutions might be, which I am sure we are going to get into later. So everywhere in England, all new homes will get tighter energy efficiency standards on the ground from 2016, but there will also be a series of schemes that house builders can pay into to effectively deliver the equivalent of code level 5.

I hope that is enough of a clarification, but I think we now need to return to the amendments.

Mr Raynsford: Can the Minister clarify that further? If a builder on a small site of fewer than 10 units could meet code level 5, because there is no technical reason why they could not, will they benefit from the exemption that will allow them to consider allowable solutions elsewhere solely by reference to the number of units on the site? If so, does that not breach entirely the principle that there should be no allowable solutions other than where it is impossible to meet the standard on-site?

Stephen Williams: I thank the right hon. Gentleman for that intervention. We are now returning directly to why there should be an exemption and how that exemption

[Stephen Williams]

will be designed, so I will carry on with my prepared remarks. I have extemporised quite enough in trying to identify hon. Members' questions.

The consultation on the design of the exemption did indeed close yesterday. It will be helpful to say here that we did that consultation because there was an awful lot of speculation out there about what might be proposed. The figures that I was hearing from people were that the Government were considering exempting sites of 50 houses, and that was never our intention. We have consulted on what the exemption should be. I can tell the Committee—this is the most recent information because the consultation only closed yesterday—that we have had 122 responses, of which 90% agree that there should be an exemption for small sites set at the level of 10 or fewer and that the exemption should apply only to the allowable solutions.

The consultation was open, so people have to be allowed to say things that the Government were never really contemplating, otherwise it would be a fairly meaningless consultation. It is not our intention to exempt on site size or firm size for getting to code level 4 on-site; that is not our intention at all, and it is pleasing to see that 90% of respondees agree with us that that is not something we should do. However, they do agree that the allowable solutions top-up should have some sort of exemption.

Various questions were raised about whether the measure will facilitate gaming of the system. Will house builders deliberately design new housing developments so that they can fragment them into parcels of 10 units to take advantage of the allowable solutions top-up, which will be only a marginal part of the cost of building the whole site in the first place? I have mentioned Finance Bills already and, certainly when designing tax legislation, it is important to try to anticipate how people might game a new allowance or a new threshold and to design anti-avoidance measures to pre-empt, as far as possible, any anticipated gaming. I give the Committee an undertaking that, now that we have the consultation responses, which we will go through carefully over the next few days, we will ensure, as far as we reasonably can, that the design of any exemption does not permit any house builder trying to game the system.

On a practical basis, it would be quite perverse for a national house building firm that wants to build several new houses in the City of Durham to submit more planning applications than it needs to, simply to get out of making a financial contribution into the allowable solutions scheme, given that it will have to build the homes to a higher standard to meet code for on-site, anyway. Common sense suggests that firms probably would not do it, but we have heard those concerns and will design the system to ensure that we try to pre-empt—

Mr Raynsford: Try.

Stephen Williams: No Minister, whether in my Department or in the Treasury, can ever say that no one will ever succeed in avoiding carefully drafted legislation. No one can say that, but we will try our level best to ensure that we design the scheme so that it does prevent gaming of the system. For building physically obvious, tangible assets such as housing, it ought to be a lot easier to design an anti-avoidance scheme for than something that is rather less tangible, such as money and taxes. I hope that I have given as much reassurance as I can on the first day after that consultation that we will design the scheme that way. Hon. Members have asked why there should be an exemption at all from the top-up allowable solutions scheme.

Dr Whitehead: The Minister is talking about preventing gaming the system. Does he intend to ensure that the allowable solutions fund, which may develop as a result of the depositing of money for the downgrading of code building generally, should not be available to improve the properties of builders who are building on sites of fewer than 10, as if they were off-site restitution of energy efficiency levels?

Stephen Williams: This is straying into the next section. We should return to that when we get to it. I could answer every point about clause 32 in this section, but then may as well not have the discussion about the subsequent amendments. I will deal with why they should be an exemption at all, which is the subject of this amendment.

Research published by the National House Building Council showed that there had been a significant decline in the number of small firms that have been active in house building in recent years: the number has halved between 2007 and 2013, with only 2,710 estimated to have been building in the housing market 2013. That is a dramatic fall from what the case had been before. The NHBC found that despite encouraging signs of renewed house building growth in the economy, which I am sure that we all welcome, the early stages of that recovery do not appear to show improved prospects and activity for small builders, which is something that we have discussed generally in the Department. We want more small builders to enter the market to give more flexibility in choice for house purchasers. A lot of the people who were crunched out of the construction industry from 2007 for the next three or four years have gone on to do something else; their skills have been lost to the house building industry altogether and they are not coming back, so it is going to require new entrants. The Government have a raft of policies in place to encourage new small house builders back. This is one of the measures that we hope will improve prospects for smaller builders.

1 pm

The study also reported that focus groups with small house-building firms indicated that they rely on an ability to identify and redevelop small sites, or assembling small parcels of land into larger opportunities. Small house-building firms were concerned that the availability of suitable small sites, which they prefer, was declining. It is clear that we must do whatever is necessary to support the recovery of this sector. We have consulted on whether there should be an exemption based on site size or on the size of developers, or both. Square metreage and other things appear as options in the consultation. I am sure there will be comments in the findings when we study them over the next few days.

The Government's preference has been for a site exemption based on 10 units or fewer, as we think that will be easier to monitor by building control bodies. A site size of 10 units or fewer is the right size of development.

There are a significant number of smaller builders operating on sites of less than 10, and the exemption would capture most of them. As I have said several times in response to interventions, the exemption would be only for the requirements to go further than the on-site enhancement in the building regulations that we are proposing. Only the allowable solutions part of the zero-carbon policy would not apply to smaller developers. Such an approach will offset some of the initial cost of delivering zero-carbon homes and will ensure that all homes are more energy efficient than they are being built to at the moment. I emphasise again that there will not be two sets of building regulations standards for different homes. It will simply not happen anywhere in the country.

Finally, we have set out clearly that we propose to review the exemption after five years. I mentioned earlier that once this tightening in part L takes place in order to reach the equivalent of code level 4, that will be the third tightening in a decade, so it is quite a big set of changes for the house-building industry to cope with. We will review the exemption for small builders from the allowable solutions scheme after five years, when we will be able to see what effect it is having on the ground.

Having given those prepared remarks and answers to interventions, and after some diversions into what people might watch at home or might have in their fridge, I hope I can encourage the Opposition to withdraw the amendment.

The Chair: Does the Whip wish to move the Adjournment motion?

Dr Thérèse Coffey (Suffolk Coastal) (Con): Mr Hood, I had assumed that the hon. Member for City of Durham would briefly reply so that we finish this group.

The Chair: It was a fair assumption, but you will not get any lunch.

Roberta Blackman-Woods: Once again, I am not convinced by what the Minister has said. I am surprised that he used the NHBC survey in support of his case. The survey actually showed that the main issue that deters small builders from building is the cost of land and the access to land. We know that the number of small builders building houses has been declining for three decades, so it has nothing to do with having to fulfil zero-carbon measures. That is why the premise for this measure is completely wrong.

We need more time to reflect on the Government's consultation and the outcome. Because of that, I beg to ask leave to withdraw the amendment.

Dr Coffey: Mr Hood, I had assumed the right hon. Member for Greenwich and Woolwich would speak to his amendment.

The Chair: Mr Raynsford does not have to speak—although he may wish to—but if you do not move the Adjournment, Dr Coffey, he will speak and we will not have lunch.

Ordered, That the debate be now adjourned.—*(Dr Coffey.)*

1.4 pm

Adjourned till this day at Two o'clock.