

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT  
GENERAL COMMITTEES

## Public Bill Committee

### LOCAL GOVERNMENT FINANCE BILL

*Fifth Sitting*

*Tuesday 7 February 2017*

*(Morning)*

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SCHEDULE 1 under consideration when the Committee adjourned till this day at Two o'clock.

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**Saturday 11 February 2017**

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**The Committee consisted of the following Members:**

*Chairs:* SIR DAVID AMESS, † MIKE GAPES

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

## Public Bill Committee

Tuesday 7 February 2017

(Morning)

[MIKE GAPES *in the Chair*]

### Local Government Finance Bill

9.25 am

**Mr Gareth Thomas** (Harrow West) (Lab/Co-op): On a point of order, Mr Gapes. You will remember that last week the Minister helpfully promised us that he would ensure that the 400-plus submissions to the 2016 consultation document would be published soon. To date I have not seen anything on the Department's website, but I wonder whether you have more information as to when they might be available, to make possible better scrutiny of the Bill.

**The Chair:** I do not have any information at all, but if anyone does perhaps they can inform us.

**The Parliamentary Under-Secretary of State for Communities and Local Government (Mr Marcus Jones):** Further to that point of order, Mr Gapes. I have made it clear to the Committee, including when I gave evidence, that we will shortly bring forward a summary of the responses to the consultation. We will certainly do that.

#### Schedule 1

##### LOCAL RETENTION OF NON-DOMESTIC RATES

**Mr Thomas:** I beg to move amendment 24, in schedule 1, page 33, line 13, at end insert—

“(1D) The principles of allocation statement must be approved by a resolution of the House of Commons.

(1E) In the year prior to any reset of the Business Rate Retention Scheme a principles of allocation statement must be approved by a resolution of the House of Commons.”

*This amendment, together with amendment 25, would require a principles of allocation statement to be approved by the House of Commons. Subsection (1E) would in particular require a principles of allocation statement to be approved by the House of Commons in the year before any reset of the Business Rate Retention Scheme.*

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

Amendment 25, in schedule 1, page 33, line 27, at end insert

“and that statement has been approved by resolution of the House of Commons.”

*See explanatory statement for amendment 24.*

Amendment 26, in schedule 1, page 34, line 42, leave out sub-paragraph (4) and insert—

“(4) In sub-paragraph (4), at end insert ‘, which must be approved by a resolution of the House of Commons.’”

*This amendment would retain the requirement that an amending statement be laid before the House of Commons and additionally would require that the report be approved by a resolution of the House.*

**Mr Thomas:** It feels a little like the morning after, and I cannot promise to wake up Members and act as caffeine, as I usually like to try to do after a late night. The amendments are about parliamentary scrutiny. In a sense, last week's proceedings were an hors d'oeuvre to the main course: the case for ensuring that there is proper parliamentary scrutiny of local government finance.

Last week the hon. Member for North Swindon made an enlightening contribution to the Government's case. It is a pity that the Minister could not achieve the same heights. Given that the hon. Gentleman for North Swindon works closely with the Whips, what he said was revealing, and this is why parliamentary scrutiny matters. He did not have much interest in the case for redistribution of local government finance, and foresaw a new Jerusalem as economic growth incentives kick in.

To be fair to the Minister, there was a small benefit in terms of parliamentary scrutiny when he revealed, after much mulling over, that any local authority that cut its multiplier in the future would not be entitled to any top-up under the new system. I suspect that that means that few local authorities will rush to cut business rates.

Those two small indications—the Government mindset, which the hon. Member for North Swindon helped us to understand a little better, and the Minister's indication of how future arrangements underpinning the Bill will work—serve as a reminder of the importance of continuing parliamentary scrutiny, which is what the amendments would help to embed in the Bill.

It may be worth reminding the Committee how accountability to the House of Commons is envisaged under the Bill. Paragraph 7 of schedule 1 repeals the requirement to provide a local government finance report that must be approved by the House of Commons. Instead, under paragraph 12 the Secretary of State will be required to publish a principles of allocation statement, which will set out how the tariff and top-up levels have been calculated. Everyone expects that that will substitute for the local government finance settlement.

Under the Bill, the Secretary of State could publish a principles of allocation statement covering several years at once. Indeed, the requirement to publish a statement annually is abolished by the Bill. Paragraph 15 of schedule 1 provides that an amending statement may be made, and again that would not have to be put to the House of Commons for approval. That amending statement allows for tariffs and top-ups to be altered retrospectively up to a year after the financial statement, so presumably the tariff and top-up could in the most dramatic cases be axed completely. I grant that there has to be a consultation with local authorities, but in theory dramatic change to local councils' spending power could be the result of such retrospective change.

The amendments stand in my name and that of my hon. Friend the Member for Oldham West and Royton. Amendments 24 and 25 would require the principles of allocation statement to be approved by Parliament in the same way as the existing local government finance report. Similarly, amendment 26 would require that any amending statement to the principles of allocation statement would need approval by the House of Commons.

Why on earth would Parliament want to ensure scrutiny for local government finance in future? There is a series of reasons, which I will take a little while to explore. A House of Commons occasion such as the local government

finance settlement provides a moment for change whereby the Executive can be held to account for their performance, or lack thereof. That is crucial. For example, the issue of social care has been debated in many guises, both by this Committee and by the House, and last September's local government finance statement provided an important opportunity to scrutinise the Department for Communities and Local Government on its handling of the social care crisis.

There is also the question of how local government finance should be scrutinised. Should it be done purely by Members of Parliament seeking to discuss their individual local authority's situation through a Back-Bench debate? There is of course a case for that. I had the pleasure of taking part in a debate on the local government finance of midland authorities, including Birmingham. My hon. Friend the Member for Coventry South (Mr Cunningham) also took part in that debate.

The role of individual Back-Bench MPs in securing an Adjournment debate and fighting their local council's corner will always be an important way of scrutinising local government finance. Before I returned to a Front-Bench post, I, too, sought to do that, on a number of occasions raising the difficult financial situation of Harrow Council. Before my hon. Friend the Member for Oldham West and Royton joined the Front-Bench team, I had the pleasure of hearing him fight the corner of his local authority of Oldham.

Under reforms to Parliament, Back-Bench MPs on both sides of the House now have the opportunity to work together to secure time—usually on a Thursday and sometimes in Westminster Hall—for a particular subject to be debated. I pay tribute to the hon. Member for Thirsk and Malton for his support in securing a Back-Bench debate on maternity discrimination. Perhaps it would also be legitimate for Back Benchers to work together to secure debates on issues relating to local government finance.

Her Majesty's Opposition might want to use one of our Supply days to focus on local government finance. Indeed, in this session we have already used one of our Supply days to highlight the problems of social care. The Communities and Local Government Committee has done excellent work looking at local government finance. I will come back to that. Yes, there is a role for Back Benchers, for the Select Committee and for Opposition-led debates, but surely an annual debate on the state of local government should be timetabled in the House. Without our amendments, I fear that that opportunity will be lost.

**Mr Jones:** I want to explore what the hon. Gentleman has just said. He says that he wants an annual debate and a vote on the settlement, but that does not seem to concur with his amendment. What does he want to get out of this?

**Mr Thomas:** I appreciate the fact that the Minister may have had too much caffeine in the wake of very few hours' sleep, but I encourage him to be patient. I will come to the merit of the amendments and what they seek to achieve.

I would not have thought that the Minister was naturally frightened of appearing before the House, although he has a track record of getting things wrong.

He was recently a member of the Standing Committee that considered the Housing and Planning Bill, which tried to introduce a pay-to-stay scheme. Our parliamentary scrutiny in that debate helped to begin the process of getting Ministers to cave in and to recognise that they were wrong. There is a strong case, not for less parliamentary scrutiny, as the Minister envisages with this Bill, but at least for maintaining, if not increasing, the scrutiny of local government on the Floor of the House.

**Jim McMahon** (Oldham West and Royton) (Lab): Does my hon. Friend agree that it is difficult to give an adequate response when the Minister has not bothered to say why scrutiny has been taken away in the first place?

**Mr Thomas:** As my hon. Friend knows, one of the reasons that I tabled the amendments was to try to draw out from the Minister why he does not want sustained and effective scrutiny of local government finance.

There is a timing issue. You will remember, Mr Gapes, from our debates last week that under the Minister's plans we can expect a series of new responsibilities to be devolved to local government as the quid pro quo for the extra £12.5 billion being handed down under the 100% business rates devolution. Surely there should be an opportunity, when we know what those new responsibilities are, to be able to debate how, in the context of local government finance, they are likely to be handled by local government up and down the country. Again, proper parliamentary scrutiny and a clear requirement for the House to approve the principles of allocation statement would provide an opportunity for a debate on how those new responsibilities will work in practice.

In addition, this is effectively a completely new system of finance. Sure, we have been working with 50% business rates devolution for three or four years now, but to have 100% of business rates devolved and the revenue support grant, along with a whole series of other Government grants, axed is a very different landscape for local government finance. Surely there should be a regular opportunity to test how that new system of finance for vital public services up and down England is working. It would be sensible to at least maintain the current level of parliamentary scrutiny as part of the new order.

There are also significant unknowns about the future pattern of local government finance. We do not know how the system of tariffs and top-ups will work in practice. We have had only mild illumination from the Minister. We know that people who reduce their business rates will not be entitled to a top-up, but we do not know any arrangements for tariffs. Last week I gave the example of Heathrow and the third runway. I will come back to that later, too, but what about tariffs that might or might not be imposed on Hillingdon and Maidenhead councils, both of which potentially stand to gain significantly from a third runway at Heathrow? Many local authorities want to know whether there will be an enhanced contribution from such local authorities to help with the redistribution process. Surely how little we know about how tariffs and top-ups will work in practice underlines the case for at least maintaining, if not enhancing, the level of parliamentary scrutiny.

I know that England matters hugely to you, Mr Gapes, with your ongoing interest in West Ham football club. In essence, the local government finance settlement is

[Mr Gareth Thomas]

an opportunity for England to take centre stage in the House of Commons and in our political process. Conservative Members, however, seem determined to axe an opportunity for England to take centre stage. That, frankly, is something that we are profoundly disturbed about.

Lastly—well, not “lastly”, I would not want to create a false impression—under the Bill, a range of powers will be available to the Treasury, to the Department for Communities and Local Government and to the Minister to interfere in local government finance. Although the Minister likes to see himself as the Che Guevara of local government finance, ushering in a radical new process, in practice there will be plenty of scope for the nanny state in the form of the Department for Communities and Local Government to continue to meddle in local government finance up and down the country. Indeed, thanks to the House of Commons Library, we know that the Bill—should it go through unamended—contains at least 56 new opportunities for the Treasury, the Minister or other Communities and Local Government Ministers to meddle in how local government finance will operate. Surely that makes another aspect of the case for continued serious scrutiny by the House of Commons and the House of Lords.

The Treasury or the Department for Communities and Local Government may want to introduce new reliefs to help business in future. The official Opposition, as a pro-business party, want to help businesses—*[Interruption.]*

**The Chair:** Order.

**Mr Thomas:** There might also be a case for ensuring that various public services are not subject to business rates relief. We want to explore that question a little later in our proceedings.

9.45 am

**Rob Marris** (Wolverhampton South West) (Lab): On the question of debate and the lack of scrutiny of reliefs, is my hon. Friend aware—he has talked about the Government possibly introducing more reliefs—that a couple of years ago, the National Audit Office found that approximately 1,200 tax reliefs are in operation and that the Government keep track of the effectiveness of fewer than 300? Therefore, the debate sought by these amendments would be extremely helpful in respect of any reliefs relating to local government.

**Mr Thomas:** I was not aware of that work by the National Audit Office, or indeed that so many reliefs are not properly scrutinised. That merely underlines the case not only for the work the NAO does generally, but in particular for the work, perhaps by the NAO, relating to local government finance, as well as the more general case for at least maintaining the scope for effective scrutiny of local government finance.

Perhaps this is my last point on the case for scrutiny of the Department, before I seek to develop these arguments further. Given that an amendment to the principles of allocation statement can be laid at any time, albeit after consultation with local authorities,

and given that it could have a significant impact on local government finances, surely there should be the opportunity to look at why those tariffs and top-ups have been amended and the impact on councils. Therefore, there are probably eight arguments for maintaining the level of scrutiny. I hope, Mr Gapes, with your permission, to develop the argument a little further to help Conservative Members, who are not always the quickest at getting the argument and the point I am seeking to make. They are a little slow, if I may say so, to react to the point.

Let us think of the series of ways in which local government finance is going to operate. We heard from the Minister last week that section 31 grants will still be able to be offered to local councils.

**Rob Marris:** Discretionary.

**Mr Thomas:** Entirely discretionary, as my hon. Friend says from a sedentary position. One thinks of a situation where perhaps there is a large influx of refugees. I can foresee, sadly, another situation of flooding—the Conservative party has failed to properly protect our country from the impact of climate change—or coastal erosion, which I know the hon. Member for Waveney is particularly interested in. There will potentially be scope for discretionary section 31 grants to local authorities. There will be an assessment of need. We have no idea yet what that assessment of need for each English local authority will look like. We do not even have any sense of when it will be published. All we know is, mañana—it will be published at some distant point in the future, when the Minister and his officials can get around to it. Bearing in mind that the Minister and his officials cannot get round even to publishing the 400 submissions to last year’s consultation on the Bill, we cannot have much confidence that that assessment of need will be brought forward any time soon.

We do know that the expectation is that, aside from business rates, local councils will have to depend even more not only on the fees and charges they can raise from different services they offer, but, crucially, on council tax. My hon. Friend the Member for Oldham West and Royton reminded the Committee of the Government’s own assessment that, over the lifetime of this Parliament, there will be a 25% increase in council tax. One wonders whether that is on the conservative side, bearing in mind what Surrey County Council has done with its planned referendum and the case that it is making for a 15% increase in council tax, such is the terrible state of social care funding for that authority. We have not yet heard from the Minister how he is going to recommend the citizens of Surrey and Members of Parliament who represent Surrey should vote in that referendum. I look forward to hearing from him on that subject.

We know from the way in which Conservative Chancellors have sought to meddle with local government finance that additional reliefs will probably be announced at different times. Local government will get its finance in a series of ways in the new system. Surely there should be an opportunity to debate the way in which those different sources of finance dovetail with each other, so that we can see how individual local authorities throughout England, our great nation, are able to provide—or are not able to provide, as I fear will be the case—the public services that the citizens of England expect.

Bear in mind that Opposition Members, over the last six years or so, have been able to highlight just how much funding local government has lost over the terrible years since 2010, when the Conservative party came to power. By 2020, many councils will have lost more than 60% of their income. Arguably, an annual debate—or at least a regular debate—on local government finance will be all the more important in the first years after the introduction of the system.

It would be helpful to hear from the Minister why he thinks the requirement for a local government finance settlement report should be axed now. Why should there not be a 2018 local government finance settlement report, given that the new system will not be in force? Why should there not be one in 2019? We will hopefully have a little more information than we have now. We hope that, by 2019, the Minister may finally have got around to publishing the 400 submissions that have been put in as a result of the 2016 consultation paper. I hope, perhaps, that the Select Committee on Communities and Local Government might have had the chance to wade through those reports to give us its considered take on the concerns, or not, about the future of local government finance. Specifically, it would be interesting to hear from the Minister not only why he thinks parliamentary scrutiny of local government finance should be reduced in the way that the Bill proposes, but why it should be reduced before the new system has been introduced in its entirety.

We are the most centralised country in the western world. Almost 90% of local government finance is delivered by central Government—all the more reason for scrutiny of local government finance in the way we at least have at the moment. I suggest that it should be enhanced, not reduced in the way the Minister envisages. Our political system is weighted overwhelmingly to the power of the Executive in Whitehall. Notwithstanding the excellent contribution that the judiciary occasionally make to keep the Government honest on issues such as exiting the European Union—at this point, one should surely pay tribute to Gina Miller and her advocacy for scrutiny by Parliament—

**The Chair:** Order. I am sure that there will be lots of opportunities in the Committee that is considering the European Union (Notification of Withdrawal) Bill to raise those points. I would be grateful if they are not raised in this Committee; we have other matters on the amendment paper.

**Mr Thomas:** I am always grateful for your guidance, Mr Gapes, particularly early in the morning.

**The Chair:** It will not change.

**Mr Thomas:** I am very glad to hear that.

My point simply is this: there are few safeguards on the Executive's power, and one of those is the transparency, openness and scrutiny that Ministers and their officials are subject to through the work of this great House. I struggle to understand why Ministers propose to abolish any scope for further debate about local government finance. They almost want to rush things out quietly. The principles of allocation statement will no doubt come out on the last Friday before the summer or just before Christmas so there is not even a great opportunity for proper media scrutiny of local government finance.

I had the privilege of serving as a Minister, and I have felt the fear of sitting where the Minister sits. I understand that Opposition Members often take delight in trying to catch Ministers who perhaps have not done the work off-guard. Fortunately, I was never caught off-guard or exposed for lack of information in the way that the Minister has been already during the passage of this Bill and his boss was over pay to stay during scrutiny of the Housing and Planning Bill.

As a Minister, I recognised the benefit of parliamentary scrutiny. If a Minister knows that there are difficult, dedicated, serious Back Benchers like my hon. Friend the Member for Wolverhampton South West—I remember a case when he almost caught me off-guard with one of his questions—on a Committee, that keeps them honest in terms of the work that they have to do to prepare for debates. It makes them go through legislation with a fine-toothed comb and work hard late into the night trying to think of all the difficult questions they might be asked. In so doing, they ask their officials similarly difficult questions to try to move things forward if there is a concern that things are not moving forward in the right way, or to understand why things might have gone wrong.

The leverage of a Minister having to stand in the Chamber and answer questions about local government finance up and down the land is hugely important in its own right and may help to ensure high-quality decision making. I fear that will be lost if the current opportunities for parliamentary scrutiny of the local government finance settlement are, if not abolished, swept under the carpet, as the Minister seeks to do by sweeping away the principle of accountability to the House of Commons for local government finance decisions.

It is surely important to air the big issues that affect local government. Social care is a classic example. When the local government finance settlement statement was made in December, Ministers knew that they would face sustained media scrutiny and, crucially, parliamentary scrutiny of their performance on local government finance, particularly in so far as it related to social care, not least because a disagreement between the Prime Minister and the Chancellor of the Exchequer had meant that that issue was not addressed in the autumn statement. Even though the Secretary of State brought forward a dismal package, one has to acknowledge that there was at least an attempt to begin to answer the question that council leaders, the Association of Directors of Adult Social Services and social care professionals up and down the land were asking about how we would continue to finance the system. The local government finance settlement statement forced Ministers to know that they were going to have to come up with at least some semblance of an answer to that big question. Sadly, the response was dismal, and the Secretary of State has continued to be chided by Conservative council leaders, Labour council leaders and many Conservative Members of Parliament—one thinks of the contribution of the Chair of the Health Committee.

10 am

I can see the logic from the Secretary of State's point of view. He does not want to be held to account or do the detailed work. He wants to be able to go on another trip to a nice Republican think tank, rather than do his day job of thinking about the future of local government

finance. I am not suggesting that the Minister would be invited to such a gathering, but the Secretary of State has a penchant for that type of thing.

Parliamentary scrutiny is essential because councils are the very embodiment of the power, capability and spirit of the people of England. Councils were created by the Municipal Corporations Act 1835, and in the last decades of the 19th century, local authorities, acting on their own initiative, pioneered welfare provision, cleared slums and built homes, parks, hospitals, museums, libraries, swimming pools and playing fields. They were great examples of the English entrepreneurial spirit at its very best, and also of the very best of the English Christian sense of responsibility for the circumstances of others. They introduced gas, water, electricity and transport services, which made a huge difference to our fellow citizens. We should genuinely free local councils in the way the Labour party envisaged in our manifesto, not only in memory of their past contribution. I hope the hon. Member for Torbay has now read the excerpt from our manifesto. The Prime Minister seems to have a copy by her bedside, and it now appears that the Secretary of State for Communities and Local Government dips into it regularly—one thinks of one or two of the provisions that will be in the housing White Paper.

At their best, local councils are still champions of change for the better for the citizens in their communities. As Members of Parliament, we should continue to challenge them, as I suspect we have all done at one time or another, but we should also ensure that they are stood up for and that their voice is heard in Parliament, given the significance of the Executive's decisions on how they can stand up for their people. By weakening the accountability of the Department and its Ministers to this House, as the Minister wants to do, there is a risk of saying that the people of England matter a little less in terms of how their services are provided.

If the Minister and his colleagues are struggling to understand the strategic case for at the very least maintaining the current level of parliamentary scrutiny when funding settlements or principles of allocation statements are reduced, let me give him some examples that may help him understand the case for parliamentary scrutiny. One thinks of the councils of Nuneaton and Warwickshire. Thanks to the excellent work of that superb trade union, Unison, we know that Nuneaton and Bedworth Borough Council was facing a loss of more than £2.5 million in revenue support grant. Under the current system of business rates retention, it was expecting to gain less than £339,000 back in business rates income. Given the scale of additional responsibilities that will no doubt be loaded on to that council by the Minister as part of the fiscal neutrality requirement for the measures, and given that one suspects 100% business rates retention will not generate huge increases in revenue, there is clearly a continuing imbalance in Nuneaton's funding.

Money from central Government is disappearing, and money from business rates income that the council can generate at a local level is not increasing. Without parliamentary scrutiny, the next Member of Parliament for Nuneaton will not be able to fight Nuneaton's corner quite as well as the current one should do, were he to defect and come over to the Opposition's side.

Warwickshire County Council is another local authority of which the Minister may have some knowledge. Again, thanks to Unison, we know that Warwickshire County Council, as a result of the local government finance settlement, expects a loss of some £53.86 million in revenue support grant. It is gaining just over £5.8 million from its share of the 50% business rates devolution at the moment. Given the extra responsibilities that the Minister will no doubt load on to that council, and given that 100% business rates devolution is not likely to mean a substantial increase to make up for the loss of revenue support grant, the citizens of Warwickshire might expect to see their Members of Parliament standing up and demanding an explanation from DCLG as to why their council is being so badly funded under the local government finance settlement that the Conservative party is introducing.

Revealingly, we know that Warwickshire County Council is deeply worried about its financial situation and estimates that it will have to cut more than £18 million—the equivalent of just under 20%—from the adult social care budget by 2019-20. Those who have elderly relatives and people who are vulnerable in Warwickshire might be entitled to expect Members of Parliament from across the country, but particularly those who represent them in the House of Commons, to take the opportunity of a local government finance settlement report or a principles of allocation statement being debated on the Floor of the House of Commons to ask why there is not sufficient funding in the adult social care budget in Warwickshire. I suspect we will not hear anything from Warwickshire MPs until they are replaced by Labour MPs and those citizens get representatives who are determined to fight their corner.

If the Minister is not worried about the example of Warwickshire and why MPs representing that area should have the chance to debate the local government finance settlement or the principles of allocation statement in the new world of 100% business rates devolution, let us take the example of Waveney District Council. That council is set to lose some £2.53 million in revenue support grant between 2015-16 and 2019-20. It has gained just £370,000 under business rates devolution. We had some discussion last week about the constraints on Waveney District Council as a coastal authority facing an obvious natural barrier to economic growth. It is probably not expecting to see a huge increase in business rates income when 100% of business rates are fully devolved as a result of the Minister's pronouncements. Waveney may have contributed to the big consultation, but we have not had a chance to see the response—the hon. Member for Waveney may be able to tell us during our proceedings. We know that Waveney District Council is losing significant sums in revenue support grant from the council and we know it will be expecting new responsibilities to be devolved to it as part of the fiscally neutral requirement of this package, but we expect that the increase in business rates income will not make up for that shortfall. Understandably, Waveney District Council is worried about that.

**Peter Aldous** (Waveney) (Con): I am grateful for the hon. Gentleman's care and attention to my constituency. Does he agree that business rates retention needs to go hand in hand with a review of core spending and the needs assessment? The Minister has already provided that assurance.



**Mr Thomas:** Of course it needs to go hand in hand with the needs assessment. Not only that, it needs to go hand in hand with the fair funding review. It would be lovely to know what the needs assessment will be for each council and what the fair funding review will mean for each council, but the brutal truth is that we do not know. I suggest the hon. Gentleman looks at one of the last amendments on the amendment paper to be considered on Tuesday 21 February, which deals with commencement of the Bill. We should wait for the full picture before we allow the Bill to come into force.

We do not know what that needs assessment will be or what that fair funding review will look like for Waveney. We would know more if the Minister and his officials had got around to publishing the 400-plus responses to last year's consultation document, which may include a contribution from Waveney District Council. However, he has not published the responses, so we do not know what the council thinks of it. All we know from the papers we have seen from Waveney District Council is that it is extremely concerned about the financial position it faces. In its report on the budget and council tax for 2016-17 on 24 February 2016—it was looking ahead—it said there is

“potential to create an extremely serious financial position for the Council, with genuine issues regarding the Council's financial viability and ability to set a balanced budget”.

The council is worried about its very serious financial position, its financial viability and its ability to set a balanced budget as early as 2018-19. It said that reductions to revenue support grant

“are now much larger and faster than previously forecast”.

Revealingly, it added that

“the Council is not well placed to generate additional localised funding from council tax and business rates—there is very limited potential for growth in the medium term to offset these huge reductions”

in revenue support grant and new homes bonus.

In the new Jerusalem of the hon. Member for North Swindon, everything will be all right in his constituency, but we know from those at the sharp end in Waveney that the situation will be much tougher. The hon. Member for Waveney does a very good job fighting for his constituents—not that a Labour Member of Parliament would not do it ever better, but in the meantime he does a good job. I gently suggest that he might relish the ongoing opportunity to question Ministers on the Floor of the House, either on the fact that a local government finance settlement and report is still to be approved by the House of Commons, or that a principles of allocation statement—the device that Ministers want in the new world—is yet to be approved by the House. He can challenge the Minister or the Secretary of State to think about the problem facing his constituents.

**Peter Aldous** *rose*—

**Mr Jones** *rose*—

**Mr Thomas:** I always support the rights of Back Benchers, so I will give way to the Minister's Back-Bench colleague before giving way to him.

10.15 am

**Peter Aldous:** I thank the hon. Gentleman for his caring contribution. He very much supports the need for a radical reform of the fair funding formula to address the concerns of councils such as Waveney.

**Mr Thomas:** I am always up for things that are radical and transformative, but I like to see the detail before I decide whether they are radical or transformative in a positive way. The hon. Member for Thirsk and Malton, of whom I am very fond—I am always keen to promote him to his Whips—made a series of interventions about the case for rural authorities in north Yorkshire. I gently suggest that his contributions were, sadly, slightly less impressive than those of the hon. Member for Waveney. The hon. Member for Thirsk and Malton sought to bash London at every opportunity, which I would gently suggest is par for the course for him.

**Kevin Hollinrake** (Thirsk and Malton) (Con): Will the hon. Gentleman give way?

**Mr Thomas:** I will give way in just a second to the hon. Gentleman. In his contributions to date—he might be about to recover the situation—he failed to mention any assessment of need in London, or indeed in any authority outside the particular ones in north Yorkshire that I suspect he cares about.

**Kevin Hollinrake:** I am grateful for the hon. Gentleman's kind comments, which of course are reciprocated.

The hon. Gentleman misquoted me. In my remarks to him, I talked about the differential between Harrow and North Yorkshire—it is £80 more spending per person, per year, despite the income and age demographics. He has a younger and richer population in Harrow. I am not saying that those are the only demographics and the only cost drivers that we need to look at, but the key is fairness. Would he support a system that is fairer and that truly reflects the cost drivers in Waveney, North Yorkshire and Harrow, even if that disadvantages his local area?

**Mr Thomas:** Of course I would support a fairer system. I think of the ways in which the system is not fair in relation Harrow council's finances—£80 million plus of cuts in the last four years. I wonder how that is fair.

The exchange that the hon. Gentleman and I have had about fairness is an entirely reasonable debate. I simply think it should be had on the Floor of the House on an annual basis on the local government finance settlement.

**Mr Jones:** Will the hon. Gentleman give way?

**Mr Thomas:** I will give way to the Minister. I have not forgotten him. I am trying to but not succeeding.

We should have that debate on fairness in local government finance, and on how spending power is allocated across local authority areas, on a regular basis, and ideally on an annual basis, when we debate the local government finance settlement. I cannot understand why it should be abolished before the new system comes in. When there is a principles of allocation statement or an amending statement, surely that should provide the hook for a debate on the Floor of the House of Commons about fairness and a series of other issues related to local government finance.

I will give way to the Minister before I come back to Suffolk, which I know will be of interest to the hon. Member for Waveney.

**Mr Jones:** With his usual charm and wit, the hon. Gentleman decided to go off on a tangent and talk about coffee rather than answer my earlier question. He still seems to want to back two horses. Does he want an annual vote, or does he want a vote to set the principles at the start? His amendment says one thing, but he seems to be speaking another language at the same time. What does he actually want?

**Mr Thomas:** Given the sorry state of local government finance, I would be up for a debate every three months if it was going to lead to action on social care.

The point of the amendments, a couple of which are probing amendments, is to explore the issue of scrutiny by the House of Commons. The Minister—let me be generous to him for a second—in responding to an intervention by the Chair of the Communities and Local Government Committee on Second Reading appeared to hint that he might be willing to look at this question. I gently encourage him to do so.

There is a long tradition of Members of Parliament raising the concerns of their local authorities, be they North Yorkshire, Thurrock, Torbay or wherever, on the Floor of the House when we debate the local government finance settlement. I hope the Minister has some respect for local authorities and for the role that this great House plays in helping local government to ensure that there is a regular opportunity for scrutiny of local government finance.

I was dwelling on the authorities of the hon. Member for Waveney as part of the case for such ongoing scrutiny. If the situation in Waveney is bad—this time last year, Waveney was extremely worried about its ability to survive and prosper—the situation for Suffolk is surely as dramatic. The local government finance settlement for Suffolk suggested that it was set to lose more than £73 million in revenue support grant between 2015-16 and 2019-20, and that it was gaining only just over £9.3 million under the system of 50% devolution of business rates.

Suffolk County Council will clearly recognise that more responsibilities are coming its way in the brave new world of 100% business rates devolution. I suspect it will be sceptical that it, like Waveney, can generate significant additional business rates income. If it is getting only £9.3 million under 50% business rates devolution, it seems unlikely that it will be able to get anywhere close to the £73 million in revenue support grant that it has lost or is going to lose by the end of this Parliament.

Let us take an extract from the January 2017 cabinet meeting of Suffolk County Council on 24 January, where that Conservative council says:

“The Council should be under no illusion that the future financial outlook continues to be extremely challenging and deep ‘cuts’ to services will be required to remain viable even with a future general council tax increase.”

Among its proposals were cuts to libraries and archive services; culture, heritage and sport facilities in Suffolk; children and young people’s services; the travel support budget for children and young people; help for local schools with their budgets; public health; and housing. That is the scale of financial difficulty Suffolk County Council faces.

I have a suggestion for the hon. Member for Waveney, who I know will be as concerned about the financial situation facing Suffolk County Council as he is about the one facing Waveney District Council. His leverage as a Member of Parliament will be weakened if Parliament does not have to approve the principles of allocation statement. If there is not an opportunity on the Floor of the House of Commons for a debate, he might be able to persuade Mr Speaker to grant a Back-Bench debate on the finances for Waveney or Suffolk councils or both. He might be able to persuade Opposition Members to come together to look at the local government finances facing the east of England for a Back-Bench debate. He might even be able, if he whispers in my ear, to persuade the Opposition on occasion to use one of our Supply days for a debate on local government finance. Those are all good things in their own right. However, his leverage as a Member of Parliament for his two authorities will be weakened by the provisions in the Bill and the loss of parliamentary accountability envisaged in it. I gently suggest to him that that is surely negative and that he might want to use his considerable influence and charm on the Secretary of State to persuade him to think again.

I want to dwell briefly on another issue linked to parliamentary scrutiny—the mandate for the changes. There was no indication in the Conservative party manifesto. I hope the hon. Member for Torbay has learned the lesson of his experiences of intervening in debates so far—one should read what one’s opponents say before challenging them. I have read the Conservative manifesto—and what a dismal read it was. That is a part of my life that I will not get back. [*Interruption.*]

**The Chair:** Order. Can we just calm down a little bit, please?

**Mr Thomas:** I am grateful to you, Mr Gapes, for getting Conservative Members under control again.

I return to the essential point: there was no mandate for what the Minister and the Secretary of State propose. There was no mention of a shift to 100% business rate retention in the 2015 Conservative party manifesto. There has been no Green Paper and no White Paper about the changes. There has, of course, been a great session of the Select Committee on Communities and Local Government, of which the hon. Member for Thirsk and Malton is an excellent member, but the only commitment I could see in the manifesto was to a pilot scheme for allowing councils to keep a higher proportion of business rates in Cambridgeshire, Greater Manchester and Cheshire.

**Kevin Hollinrake:** Is the hon. Gentleman in favour of 100% business rates retention or not?

**Mr Thomas:** The hon. Gentleman is in danger of suffering from the same disease as the hon. Member for Torbay, and of repeating his question. Of course I am in favour of the principle of 100% business rate devolution. Indeed, we had it in our manifesto as part of a much bigger package of devolution than anything envisaged by the Conservative party. Perhaps the hon. Member for Thirsk and Malton, who has a reputation for hard work, would like to dig out a copy of the Labour party

manifesto, where he can check the section on local government. I will happily pay for him to have a cup of tea with the hon. Member for Torbay so he can point out to him the passage about the increased spending power that councils would have had if Labour had been in charge.

**Mr Jones** *rose*—

**Mr Thomas:** I hope the Minister's contribution will be better than those he has made to date.

**Mr Jones:** It is good to be back on the Committee with the hon. Gentleman. I have looked at the Labour party manifesto: there was a significant commitment to devolve additional responsibilities for additional funding, but did the former shadow Chancellor, who lost his seat at the general election, say there would not be a penny piece more for local government if the Labour party were elected?

**Mr Thomas:** I am struggling. I thought that I had helped the hon. Member for Torbay not to make that mistake. Hearing the Minister make the same mistake as a Back-Bench Member is too much. A £30 billion increase in revenue spending power for councils was the centrepiece of our manifesto for local authorities, together with an English devolution Bill.

**Kevin Hollinrake:** Page 13 of the Conservative party manifesto clearly states that

“we will pilot allowing local councils to retain 100 per cent of growth in business rates”.

Was not the direction of travel clearly expressed in the manifesto?

**Mr Thomas:** “We will pilot” is somewhat different from “we will introduce”. One might have thought that the hon. Gentleman's party would follow up with a Green Paper and a White Paper. Where is the Green Paper? *[Interruption.]*

**The Chair:** Order. Mr Marris, perhaps you could keep the noise down. I cannot hear what Mr Thomas is saying.

**Jim McMahon** *rose*—

**Mr Thomas:** I give way to my hon. Friend.

**Jim McMahon:** I am intrigued that Conservative Members have to check Google to find out what their manifesto commitments were. We are very clear what ours were, and we are very clear that a number of them have been taken on in the Housing and Planning Act 2016 and the Bill. Does my hon. Friend agree that the Labour party's manifesto commitment was very clear: the local government and health budgets would be brought together, with local government in the driving seat making efficiencies in health to help properly fund adult social care?

10.30 am

**Mr Thomas:** My hon. Friend is absolutely right, and not only that but we committed to the fair funding, which the hon. Member for Thirsk and Malton wanted to see. I was trying to move on, before being interrupted by interventions from Conservative Members, to explore one of the other concerns about the way in which business rates retention has worked to date and how it

might work over the rest of this Parliament. We would not be able to explore that if the local government finance settlement report did not have to be voted on by the House of Commons.

It has been gently pointed out to me that there is a surplus on the main non-domestic rate account. As we all know, in 2013, the Government changed the system, allowing councils to keep 50% of business rates, with the remaining 50%—crucially—paid into a central Government account: the main non-domestic rate account. Councils then still needed £15 billion in funding from central Government on top of the 50% of business rates that were kept. That was called the revenue support grant. In the first two years of that 50% business rates devolution scheme, the Government's share of business rates was less than the amount they paid out to councils in revenue support grant. However, in 2015-16, the account moved into surplus.

That growing surplus releases resources for the Treasury to use for other purposes such as reducing corporation tax for Sports Direct or banks, reducing capital gains tax, increasing inheritance tax allowance or other things. In 2015-16, this so-called surplus from the central share alone was some £1.9 billion, rising to £4.2 billion this year as revenue support grant continues to be cut further. Crucially, the surplus will reach more than £10 billion in 2019-20. Here is a major source of income for local authorities that is, in effect, being top-sliced by the Government for a whole series of other purposes when it could be used to fund the spending pressures facing local councils.

According to published accounts, in 2015-16, the Secretary of State debited the account by £12.89 billion but only £9.34 billion of that was used to pay revenue support grant to local councils, leaving a surplus of some £3.5 billion. That surplus will grow by at least £2.4 billion in 2016 and at least a further £2.4 billion in the coming financial year. No decision has yet been made about what that £2.4 billion growth in 2017-18 will be spent on. There is an opportunity for the income generated by business rates to be spent on tackling the biggest crisis facing local government spending at the moment: social care. We will have fewer opportunities to debate that if the Minister has his way and parliamentary scrutiny is dramatically rejected.

If that were not reason enough for Conservative Members to be further convinced of the case for change, it is worth pointing out that in the autumn statement and spending review in 2015 the then Chancellor of the Exchequer, before he was sacked for incompetence by the current Prime Minister, cut the funding for local government from central Government for a further five years. He also introduced a series of new reliefs. There was no consultation with local government on the cut in revenue support grant or on the impact on business rates income of introducing those new reliefs, even though both would have a significant impact. We had an opportunity to debate those measures, and seized that opportunity, in terms of the local government finance settlement at the time, but they indicate the way in which the Treasury and the Executive more generally can interfere with local government finance—sometimes for the best of reasons, but nevertheless with a significant impact on local government finance. Surely there is, therefore, a need for ongoing scrutiny.

**Kevin Foster** (Torbay) (Con): Will the hon. Gentleman give way?

**Mr Thomas:** I see the hon. Gentleman has woken up. I give way to him.

**Kevin Foster:** The hilarity that the hon. Gentleman has been causing has certainly kept me awake all the way through the last hour and 10 minutes. To help my hon. Friend the Member for Thirsk and Malton, I point out that he can find the Labour party manifesto in the fiction section of the House of Commons Library. The point that I wished to intervene on is this. The hon. Member for Harrow West has just criticised the previous Chancellor's decision on business rate reliefs. He said that that was not consulted on. Will he tell me which one of those reliefs he opposed the introduction of?

**Mr Thomas:** My point was not about whether one opposes particular reliefs, but about the impact on local government finance. There is a consequential impact for local government, which we are debating today—a consequential impact on the finances of the hon. Gentleman's local authority, my local authority and, indeed, the local authorities of all members of the Committee—and surely those consequential changes need to be considered. My point is that, under the Minister's proposals, which I suspect the hon. Gentleman has been told he has to support, come what may—that is the reason he has the privilege of serving on the Committee and being mentored by Opposition Members—parliamentary scrutiny is being weakened in relation to local government finance. There may well be further justification for further reliefs to business, or for further public services to benefit from reliefs. We will seek to explore that later. However, there should be an ongoing opportunity to explore the consequential impacts of decisions that the Chancellor or other parts of the Executive might make on local councils' finances.

**Rob Marris:** Does my hon. Friend agree that it is right, as the Bill provides, that before making a principles of allocation statement, the Secretary of State will have to consult representatives of local government? That is good, but the Secretary of State will not have to consult or be answerable or accountable to Members of Parliament on the principles of allocation statement, so one thing is being done right and the other is being done completely wrong. The amendments would rectify that imbalance.

**Mr Thomas:** My hon. Friend makes a very good point and one that I realise I have not dwelled on until now. Of course he is right to say that local government leaders and their councils should be properly consulted, but one suspects from the contributions that we sometimes see in private from Conservative-led local authorities that they sometimes look to the Opposition to make their case more vigorously in public than they feel they can make it to their own Ministers, and that opportunity will be reduced if there is not similarly a requirement to be answerable to Members of Parliament.

I will offer up to the Committee one further example of a very significant change to local government finance. If something like this were done in the future, we might not have the opportunity fully to explore the consequences. I am referring to the decision by the then Chancellor to switch the indicator, in terms of business rates going up

or not, from the retail prices index to the consumer prices index. That is likely to have a significant impact on local government finance. In the 2016 Budget, Ministers suggested that it would reduce business rates income by £370 million in 2020-21. In 2020-21, under the Minister's plans, there will not necessarily be an opportunity for a debate on the Floor of the House on the principles of allocation statement or the local government finance settlement report, to see what the consequences of that change are in that year for local government finance.

And that is just one year. Each year, that reduction in income generated by business rates for local authorities will continue. Over a decade, it is estimated that councils will lose over £3 billion. That is a £3 billion benefit to business, and there is a debate to be had outside this Committee on whether that is the right support to give to business. In the context of this debate, there must be an issue as to whether it is the right choice for local government finance and the public services such as social care that are being provided.

How will Nuneaton, Warwickshire, Waveney, Suffolk, Torbay or North Yorkshire be able to provide public services if they are seeing their authorities hit by their share of that £3 billion cut in capital funding? Sadly, there was no consultation with local authorities about that switch from RPI to CPI. I want to dwell on that issue a little more as part of the clause 5 stand part debate, which I hope we will get on to soon.

**Rob Marris:** Shortly.

**Mr Thomas:** Shortly. But it is another example of the way in which the Executive can make significant changes that may have substantial merit in their own right in terms of the support they give to business—one could think of other such examples—but which nevertheless have a significant impact on local government finance. Surely it is the responsibility of this House to think about local government finance in detail and about all the complexities that are envisaged, and to worry about what those might mean in future. Amendments 24, 25 and 26 stand in my name. Two of those are, I suspect, amendments that we will continue to regard as probing amendments, but the principle of scrutiny by the House of Commons is something that we on the Labour Benches take extremely seriously.

It was remiss of me not to provide members of the Committee with the opportunity to reflect a little further on one of my favourite areas of the country: Allerdale in the Lake district and the local authority there. After the post-tariff top-up was introduced, it benefited from just £3.64 million in 2013-14 under business rate retention. That went up slightly to £4.91 million in 2014-15. Then it went down to £4.63 million in 2015-16 and by 2016 it had gone up slightly again, to £4.7 million. That is not very much business rates income under the 50% scheme. One assumes that it will get a little more income under 100% business rates retention.

The council is surrounded by agricultural land, which is not rated in business rate terms, and has significant natural barriers to further economic growth—I am thinking of the wonderful lakes of Derwentwater, for example, and the wonderful mountains of Skiddaw. The council faces natural barriers to economic growth, with which the hon. Member for Waveney will sympathise. Surely we have a responsibility—even though we represent other authorities as individual Members of Parliament—to

think about the impact on authorities such as Allerdale, whose financial means might otherwise be forgotten if there is not the ongoing opportunity for parliamentary scrutiny.

10.45 am

It would be even more remiss of me if I did not dwell briefly on the situation facing my local authority. In 2013-14 it was fortunate to retain some £34.88 million in business rates. That went up slightly to just over £35 million in 2014-15 and to almost £36 million in 2015-16, but sadly it drops to £34.5 million this financial year. Members might expect me to fight my local authority's corner, and of course I do. They might also expect the hon. Member for Harrow East (Bob Blackman) to fight its corner, although he seems to spend more time fighting the local authority in Harrow.

**Mr Jones:** I thank the hon. Gentleman for his generosity in giving way. He seems to be criticising my hon. Friend the Member for Harrow East (Bob Blackman). Does he not know that during the settlement process this year, my hon. Friend brought in a finance officer from Harrow Council to discuss its settlement with me? I have not seen any evidence of the hon. Gentleman doing that.

**Mr Thomas:** I was not going to criticise the hon. Member for Harrow East (Bob Blackman), although the Minister almost provokes me to do so; I was merely suggesting that he might not want to criticise Harrow Council quite so much. I welcome the fact that he brought in the finance officer from Harrow Council. Indeed, I knew about that, and suggested that if I came along too I might upset the Minister inadvertently, so it was probably best for the finance officer to go in with just the hon. Gentleman. I deliberately stood back so as to try to ensure—[*Interruption.*]

**The Chair:** Order. I know we have all had relatively little sleep after a late night. Nevertheless, I would be grateful if we could calm down. It will not be long before we adjourn the sitting, but I would like to make a little bit of progress. Mr Thomas, are you coming to the end of your remarks?

**Mr Thomas:** I am getting closer, Mr Gapes. I thought the Minister's intervention did not do him justice. I fight for my local authority and I respect the contribution of the hon. Member for Harrow East, although I try to guide him to make better defences of the local authority. I hope that the Minister listened carefully and will act on what the finance officer from Harrow Council said.

Sadly, one thing we have not touched on thus far is bus services—a small issue in the context of the state of local government finance, but it matters—and there will be even less scope to debate it if our amendments are not accepted. You may not know this, Mr Gapes, as, like me, you are a London Member of Parliament—we are lucky to be north London Members of Parliament in particular—but around the country, local authorities that have direct responsibility for bus services say that those services face substantial cuts. That is a concern. There is obviously scope for that to be debated in part at Department for Transport questions, but given that those services are financed by local government, surely that should be part of the issues relating to local government finance considered by the House regularly.

The Campaign for Better Transport says that reductions in local authority funding have already resulted in thousands of bus services being reduced or cancelled in recent years. According to its research, people in Lincolnshire, Derbyshire, Leicestershire, Somerset, Dorset, West Berkshire, Wiltshire, Oxfordshire, Hertfordshire, North Yorkshire and Lancashire will be among the worst affected by the cuts in funding to local authorities—cuts that they will have to pass on to bus services. Surely that is an issue that Members of Parliament want to debate. Certainly, Opposition Members regularly seek to raise it through Adjournment debates or in questions, but it is surely part of the broader picture of local government finance and should be considered properly.

**Kevin Hollinrake:** The hon. Gentleman said earlier that I was trying to stand up for rural areas as against urban areas, but that is not the case. The biggest disparity is between London and the rest of the country. He talks about transport in London, but we need only walk outside to see buses, trains and trams galore. The top 10 authorities for spending power per head—including Camden, Kensington and Chelsea, Islington, Hackney, Tower Hamlets, Southwark, Hammersmith and Fulham, and Lambeth—all have about £400 more per person per year than North Yorkshire and many other places. The lowest-spending authority in the country is York, an urban area. The disparity is between London's spending power and that of the rest of the country. That is what needs to be dealt with, and that will also be reflected in our ability to provide decent bus services in rural areas.

**Mr Thomas:** Over the course of our proceedings, I have been gently suggesting to the hon. Gentleman the need for a proper fair funding review—I strongly support that—but he is a little misguided in his assessment of the level of need in London. It is not an issue of rural and urban outside London against London—that would be a huge mistake to make—but an issue of the quantum of local government finance, and spending power being savagely reduced by the party of which he is a member, in the misguided belief that that will somehow lead to a substantial reduction in the national debt. We know how that played out: the previous Chancellor of the Exchequer got sacked.

I therefore gently suggest to the hon. Member for Thirsk and Malton that if he has been unable to support any amendment of mine up to now, and cannot be tempted—although I hope he will be—to put pressure on the Minister to give way on the issue of ongoing levels of parliamentary scrutiny, he might want to consider the matter of when the Bill should come into law. Should it do so when we know the details of the fair funding review and of the regulations, and when the Minister finally gets around to publishing the 400-plus responses to the consultation document? Should the Bill not take effect at that point, instead of in this financial year?

**Kevin Hollinrake:** The hon. Gentleman's point about the distribution is absolutely right. I support a review of the funding formulae that will be introduced before the Bill takes effect in 2020. His point about quantum was interesting, but to increase quantum he has to do one of two things: take spending power from elsewhere in the economy, from other Departments; or raise taxes. Which

[Kevin Hollinrake]

one would it be? Will he specify which one of those two things he would do, or which Departments he would remove funding from?

**Mr Thomas:** The hon. Gentleman, in his usually charming way, is tempting me down a path that will get me into a lot of trouble with the shadow Chancellor. [Interruption.] “Be brave!” say Conservative Members, and I am, but nevertheless I will not use the Committee to announce future Labour party policy. It would feel like a missed opportunity if only a few party members were present to hear about the new direction that Labour will take when it returns to government.

**Jim McMahon:** I find it ridiculous of Conservative Members to suggest that a tax bombshell is waiting, when we know that the only one being suggested is the council tax bombshell—a 25% increase throughout the country. That is the only tax bombshell being discussed, although not at anywhere near the level of detail that is justified. Does my hon. Friend agree that we need to see the funding formula in the round before making a decision on the Bill?

**Mr Thomas:** I do agree. I have described the changes as a triptych. One normally thinks of triptychs in connection with great works of art, and I suppose the hon. Member for Thirsk and Malton, who believes that the Bill will be a radical transformation of local government, might be tempted to see it as one, but we know that that is a long way from the truth. The Bill is only one relatively small part of the package; the needs assessment and the fair funding review will have to be done before we truly know the impact of 100% business rates retention and whether it is in the interest of all local authorities, as Conservative Members claim.

On the quantum of local government finance, I gently point out to the hon. Gentleman that Unison research shows that there is a surplus in the main non-domestic account for business rates that could be used to fund an increase in social care, if Ministers so chose. If my amendments are not agreed to, we risk having fewer opportunities to debate the quantum of local government finance, the question of how it is allocated and the consequences for the public services that local authorities throughout England are allowed to offer.

I am beginning to contemplate the conclusion of my remarks, but let me first dwell on delayed transfers of care. If my amendments are not agreed to, there will be fewer opportunities for the House of Commons to consider those, too. I have some sympathy—not a lot, but some—with the Prime Minister’s point that the speed and quality of transfers of people from hospital back to a social care setting varies among local authorities and clinical commissioning groups. I do not want to explore that issue in detail, because that would be outwith the purview of the debate, but when Hampshire County Council, a Conservative-led local authority, is responsible for the highest number of delayed transfers of care—more than 8,000 in November alone—I have to wonder whether there is a problem with its funding. I do not represent Hampshire, but I recognise that as Members of Parliament we have a responsibility to think about the fortunes of people in England, not just

in our areas but in others, and I worry about what that statistic says about the state of local government finance in Hampshire. Whenever there is a change in local government finance, there should be a regular opportunity for Members of Parliament to explore the situation, not just for each of our authorities, but for others throughout the land.

If Hampshire does not inspire concern among Conservative Members, what about Essex County Council, which had 5,684 delayed transfers of care in last November alone? In Northamptonshire, which at least one hon. Member may have some interest in, there were more than 5,400 delayed transfers of care in November; again, that suggests some difficulties with the authority’s social care funding. Surely it is our responsibility as Members of Parliament not just to focus on the authorities that we represent—on Harrow or Oldham—but to think about the citizens of Northamptonshire, and to worry and ask questions about what their local authorities’ finances look like.

In Kent, there were 4,884 delayed transfers of care—the sixth highest number in the country—in November alone. What does that say about the state of Kent County Council’s finances? Much of that wonderful county is taken up with agricultural land, so in the brave new world of 100% business rates retention, there are likely to be fewer opportunities for business rates growth there than in other areas. Again, those of us who can think strategically should be worried about the situation that Kent County Council faces. I offer those four examples of delayed transfers of care as a reason for concern, and I look forward to the Minister’s explanation of why local government finances should not be debated regularly on the Floor of the House and why the Secretary of State should not have to answer for what he plans to do.

11 am

I end, perhaps, with this reference—it is a tribute, I suppose—to the hon. Member for Thirsk and Malton. In the evidence session last Tuesday afternoon, he teased out this quote from Sean Nolan, the director of local government at the Chartered Institute of Public Finance and Accountancy:

“The Government—and, I suppose, Parliament—have an opportunity to eventually look at what will be, in their timetable, a complete review of needs.”—[*Official Report, Local Government Finance Public Bill Committee*, 31 January 2017; c. 42, Q77.]

Mr Nolan referenced the fair funding review, too. The fact that he said “and, I suppose” shows that there is doubt in the mind of a key witness about whether Parliament will really have the opportunity, on the Floor of the House, to scrutinise how the new regime will work in practice, and hold the Secretary of State to account for local government finances. In that spirit of concern for scrutiny, and the ongoing responsibility of Members of Parliament to think about the state of finances for public services in not only their areas but others, I ask the Committee to support amendments 24 to 26.

**Mr Jones:** The Bill will provide the framework for a series of reforms to help local government boost local economies and become more self-sufficient and less dependent on Whitehall. This is a move away from a centralised state. The Bill will provide a clear framework

in law for multi-year settlements, which will increase funding certainty and ensure that accountability for funding local services with local resources sits with local councils.

These radical changes require a new mindset. Under 100% business rates retention, there will no longer be a local government finance settlement to distribute central grants to support local services; local authorities will become more financially self-sufficient and will fund local services from local resources.

**Mr Thomas:** As the Minister knows, there is provision in schedule 1 for an amending statement to be made to the principles of allocation statement. Can he give an example of when such an amending statement might be required?

**Mr Jones:** The hon. Gentleman raises an interesting issue. If the country had the misfortune of another Labour Government—perhaps a discredited Labour Government, such as the one in the 1970s that went with a begging bowl to the International Monetary Fund—and inflation was soaring beyond belief, the Secretary of State might need to make some sort of amending statement to deal with the inflation and allow local authorities additional funding to deal with the mess that the Labour Government had again made. However, we are speculating, because I suspect it may be a little while before the Labour party is once again in a position to form the next Government.

**Jim McMahon:** Perhaps we can give the Minister a few seconds to capture his thoughts and reflect on the question. Does he envisage, then, that this power would be used only every 30 to 40 years?

**Mr Jones:** It is not for me to speculate on how often there will be a Labour Government. I do not think that I want to get into that this morning; I want to come back to the amendments and the Bill.

The amendments shift the focus back to Whitehall and Parliament by introducing a need for a resolution in the House of Commons, thereby jeopardising the move to more local accountability. The Government will be required to consult with local government on the principles for allocating funding over a period of years, and we envisage that whenever there is a reset of the business rates system, further consideration will be given to the allocation principles, in consultation with local government. Above all, it is important to provide as much certainty through this consultation as possible.

I am confused about the proposals, because on several occasions the hon. Member for Harrow West on the Opposition Front Bench has talked about a system of an annual vote, and about a vote at the start of the process to set the principles. He cannot have both things, but he seems to want to have his cake and eat it. I am worried that he is trying to undermine the principles of what the Government are trying to achieve.

**Mr Thomas:** Will the Minister give way?

**Rob Marris:** Will the Minister give way?

**Mr Jones:** I will. It is always best to hear Back Benchers first.

**Rob Marris:** The Minister, who I believe is moving towards suggesting that the amendment should not be accepted, just prayed in aid the consultation with local government representatives. On page 33 of the Bill, proposed new sub-paragraph (2) in schedule 1(12)(4) says:

“Before making a principles of allocation statement, the Secretary of State must consult such representatives of local government as the Secretary of State thinks fit about the general nature of the principles of allocation.”

The Secretary of State could deem two local government representatives fit under that provision. Can the Minister say a little more about how wide the consultation would be? Would it be wider than my extreme example of two, which the Bill would allow?

**Mr Jones:** The hon. Gentleman’s example was rather extreme. I would envisage that we would properly consult local government in its entirety.

**Mr Thomas:** Why does the Minister think that the principles of allocation statement should not be approved by the House of Commons?

**Mr Jones:** The point I was making to the hon. Gentleman is that I am rather confused about what he is looking for here. He has argued against the proposal he makes here and in favour of an annual vote in Parliament on this. There is very little clarity in his argument and, therefore, in what he is seeking to achieve by tabling this amendment, which seeks to undermine the principles of the Bill.

**Mr Thomas:** I hope in my closing remarks to deal with the fog of confusion that surrounds the Minister. It is the job of Opposition Members to ask questions of Ministers about the Bills they are bringing forward. The Minister needs to give us a justification for why the principles of allocation statement should not be approved by the House of Commons.

**Mr Jones:** I have spent some time in my contribution explaining that. It is always good to hear the hon. Gentleman speak from a sedentary position, like the archetypal school bully, but I will not take that to heart. I would never think he would do anything other than try to improve the discourse in the Committee.

**Mr Thomas:** Tough love.

**Mr Jones:** The hon. Gentleman mentions from a sedentary position tough love. With regard to his proposals, his version of tough love seems to be very confused. The point I am making, and the reason I urge him not to press the amendments, is that there needs to be far more clarity about what he is looking to achieve. What he suggests at the moment, particularly on having an annual vote—or not, as the case may be—seems to very much undermine the principles behind the amendments, so I ask him not to press them.

**Jim McMahon:** It is a pleasure to serve under your chairmanship, Mr Gapes. I will be quite brief, as I recognise that we are pushed for time in the morning sitting and that a vote will take place.

[*Jim McMahon*]

My hon. Friend the shadow Minister will want to reply to that very brief response from the Minister, which I struggled with. My hon. Friend explained at length the concerns we have and probed in great detail about where we are trying to get to, but the Minister could do nothing more than read out a pre-prepared statement from his folder in response. That really lacks respect for this Committee and for the amount of work and dedication that has gone into probing these provisions. I ask the Minister to reflect, before this afternoon, on whether he is happy with his performance this morning and to think about the great deal of weight and responsibility that his post carries.

It is not good enough just to dismiss the legitimate concerns raised here and bat them away as if they are not important. We are talking about the future financing of vital public services that our communities rely on. The amendments have not been tabled for the sake of it or to cause trouble and make waves; they are here because we are seeking certainty about the future sustainability of public services. For the Minister's response to be five minutes—certainly less than 10 minutes—is quite disrespectful, and not only to us. He can be disrespectful to the Opposition—that is part of the Punch and Judy of politics—but to be disrespectful to the millions of people who live in this country and rely on those services is quite unforgivable.

I would like a bit more clarity on what this provision means. We heard from the Minister in the evidence session that an additional £12.5 billion will be provided through business rates to local authority services, but no detail was provided on what grants would be taken away in lieu of that or what additional responsibilities will be pushed down. We still do not have clarity on whether mandatory relief and small business rate relief will be net of that figure. The Minister was at best confused and vague in his evidence.

Let me run through the numbers to clarify how big the gap could be depending on the financial review that is carried out. We know from the evidence session and the paper that the fantastic team at the Library have produced that the Government will release £12.5 billion, but they have not said whether the revenue support grant, the rural services delivery grant, the public health grant, the improved better care fund, the independent living fund or the early years grant will be included. They have excluded the Greater London Authority transport grant from those numbers. If we were to roll up those grants and expect them to be covered by the £4.5 billion, we would have a gap, because their total cost is £14.7 billion. Can we have clarity on whether the £12.5 billion is new money? Is money going to be taken away that is provided to local authorities through grant support at the moment?

11.15 am

**The Chair:** Order. I am conscious that we are in danger of going wider than the specific amendments under consideration. I would be grateful if the hon. Gentleman would bear that in mind. As he said, we have limited time.

**Jim McMahon:** I take that on board completely, Mr Gapes, but this is absolutely relevant to the amendments.

**The Chair:** Order. It is not a matter for argument with me. It is a matter for sticking to the terms of the amendment that we are considering at this moment. There will be other opportunities to make those points.

**Jim McMahon:** Okay. My contribution is about parliamentary scrutiny and the role of MPs, both Opposition and Conservative Back Benchers, representing their local areas in Parliament. The reason the annual statement has to come to Parliament is so that we can ask these probing questions. However, before we get there, a decision will be made on which of these grants will or will not be included. As far as I can see, there is potential for there to be a very significant funding gap. More than that, we know that the adult social care gap is £3.5 billion. We also know that, despite a 25% increase profiled for council tax, that will generate only £1.8 billion.

There is concern about the grants that have been provided and whether the £12.5 billion will be enough. There is also concern about the £3.5 billion social care funding gap and the £1.8 billion profiled council tax increase. Those questions, which I accept are detailed, are critical and the reason these amendments are so important. For a Back Bencher, this is their only opportunity to have the debate and, more important, to have a vote on the day. The vote says to their constituents that they have represented their interests in Parliament. If the amendment is not accepted, that ability will be taken away from MPs.

**Mr Jones:** Again, the hon. Gentleman is seeking an annual vote of the House. Does he not think that an annual vote would completely undermine the principles of what we are trying to achieve here, which is certainty for local government over a longer period? This is something that local government itself has wanted for some time and something that 97% of local authorities have signed up to during this spending review period.

**Jim McMahon:** I thank the Minister for his intervention and for showing that in some ways he may have a slightly better grasp of his brief than I thought. However, 97% of local authorities have submitted their multi-year financial settlement. The Minister has still not confirmed how many of those local authorities have identified a funding deficit. It is all very well saying that local authorities have submitted the plan. What we have not had is the detail of how many are in deficit and will not be able to fund statutory services over the life of that multi-year settlement. That is why the annual scrutiny of public finances in local government is really important.

We do not yet know what the safety net arrangements will be. If there is an in-year shock to the business rate base, how will we know that that will be rectified in the formula that is being assessed? How will we know that any new formula will take into account the very different geographies and demographics in our areas? It may need to be rectified mid-year. That would be picked up in an annual review.

**Mr Thomas:** I accept the Minister's point that the question of a vote on an annual basis may raise some uncertainty for local government, but it has coped with that for decades. Is there not an issue about the uncertainty for local government from new decisions that the Treasury



may make on, say, small business rate relief? I think of the Budget measure that the previous Chancellor introduced to extend business rate relief to smaller businesses and shops, which took £7 billion out of the total business rate taken in. Arguably, that had more impact on local government finances than any tiny uncertainty about a vote in the House of Commons.

**Jim McMahon:** That is absolutely right and I fully concur with it. I intend to wrap up now so the shadow Minister can respond more fully and we can hopefully move to a vote.

Think about where politics is not just in this country but in the world. People are fed up of having things done to them and being told that their lot is what it is, and that they have no voice. Parliament's very important function is to give people a voice. When people talked about getting back control, they did not mean taking power from Brussels and giving it to junior Ministers; they meant that their elected representatives should have a voice in Parliament and real power. For the Minister and the Government to introduce 56 new powers on top of local government and take away the role of Parliament is absolutely unacceptable in today's political climate.

**Mr Thomas:** It is a pleasure to have the chance to summarise the debate so far. I indicated in the middle of my remarks that at least a couple of these amendments are probing amendments. At this stage, I do not intend to press amendments 24 and 25 to a vote. I will come to amendment 26 in a second.

I gently suggest that the Minister needs to reflect a little more on this debate and the question of the accountability of the House of Commons. In his response, he did not justify taking away the requirement for the House of Commons to approve the principles of allocation statement and the amending statement, although he made a perfectly fair debating point about whether it should take place annually.

The broad thrust of my remarks was to challenge the notion that Parliament should not have to approve the principles of allocation statement and any amending statement. We will want to return to that on Report. The Minister hinted on Second Reading that he might take seriously the concern of the Chair of the Communities and Local Government Committee about the reduction in scrutiny of local government finance. When the Minister's feeling that he has been subjected to tough love on this Committee has subsided, I hope he will reflect more positively on the case for parliamentary scrutiny. He may not be able to see it at the moment, riding high as he is in the Department for Communities and Local Government, but things do come around and Governments do change colour. Perhaps he will still be a Member of Parliament in those circumstances, and perhaps the people of Nuneaton and Warwickshire will wonder why he is not doing more to raise questions about the financing of their local public services on the Floor of the House of Commons. The measure that he is locking into the Bill risks denying him an opportunity to give his constituents satisfaction in future.

I take the point that an annual vote on local government might inject an element of uncertainty into the proceedings, but the brutal truth is that parliamentary arithmetic normally allows the Government to get their way, so that element of uncertainty is rather overstated. In that context, I gently say to the Committee that, at a suitable time, I intend to press amendment 26 to a vote, because parliamentary scrutiny is so important. I hope the Minister reflects further on the fact that Conservative Members will table amendments on Report. The issue of parliamentary scrutiny no longer seeks to divide Members on both sides of the House, committed as we all are to the principles of the Bill. I beg to ask leave to withdraw the amendment.

*Amendment, by leave, withdrawn.*

11.25 am

*The Chair adjourned the Committee without Question put (Standing Order No. 88).*

*Adjourned till this day at Two o'clock.*

