

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT TEES VALLEY COMBINED AUTHORITY
(FUNCTIONS) ORDER 2017

Tuesday 21 February 2017

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Saturday 25 February 2017

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The Committee consisted of the following Members:

Chair: MR NIGEL EVANS

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| † Blenkinsop, Tom (<i>Middlesbrough South and East Cleveland</i>) (Lab) | † Pearce, Teresa (<i>Erith and Thamesmead</i>) (Lab) |
| † Brazier, Sir Julian (<i>Canterbury</i>) (Con) | † Percy, Andrew (<i>Parliamentary Under-Secretary of State for Communities and Local Government</i>) |
| † Campbell, Mr Alan (<i>Tynemouth</i>) (Lab) | † Shah, Naz (<i>Bradford West</i>) (Lab) |
| † Caulfield, Maria (<i>Lewes</i>) (Con) | † Shuker, Mr Gavin (<i>Luton South</i>) (Lab/Co-op) |
| Cunningham, Mr Jim (<i>Coventry South</i>) (Lab) | † Tugendhat, Tom (<i>Tonbridge and Malling</i>) (Con) |
| † Harris, Rebecca (<i>Castle Point</i>) (Con) | † Wheeler, Heather (<i>South Derbyshire</i>) (Con) |
| † Herbert, Nick (<i>Arundel and South Downs</i>) (Con) | Danielle Nash, Lauren Boyer <i>Committee Clerks</i> |
| † Lilley, Mr Peter (<i>Hitchin and Harpenden</i>) (Con) | † attended the Committee |
| † Mercer, Johnny (<i>Plymouth, Moor View</i>) (Con) | |
| † Morris, Anne Marie (<i>Newton Abbot</i>) (Con) | |

The following also attended, pursuant to Standing Order No. 118(2):

Malhotra, Seema (*Feltham and Heston*) (Lab/Co-op)

Third Delegated Legislation Committee

Tuesday 21 February 2017

[MR NIGEL EVANS *in the Chair*]

Draft Tees Valley Combined Authority (Functions) Order 2017

2.30 pm

The Parliamentary Under-Secretary of State for Communities and Local Government (Andrew Percy): I beg to move,

That the Committee has considered the draft Tees Valley Combined Authority (Functions) Order 2017.

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

The draft order, if approved and made, will be another important step in bringing to life the devolution deal that the Government agreed with the Tees Valley in October 2015. It will confer on the combined authority a power, to be exercised by the Mayor, to designate a mayoral development area. That is a necessary step in advance of the creation, by order, of a mayoral development corporation.

The order also includes transitional arrangements to allow the combined authority to act in place of the Tees Valley Mayor, before he or she is elected on 4 May 2017. The functions being conferred correspond to those held by the Mayor of London in relation to the Greater London area. The order confers the functions with appropriate modifications—I will restrain myself from talking about those at this stage but can say more later—to reflect the different conditions in the Tees Valley.

The implementation of the devolution deal agreed between local areas and the Government has already seen two orders made in relation to the Tees Valley, and there will be more. The first was the Tees Valley Combined Authority Order 2016, which establishes the combined authority from 1 April 2017 and includes the functions relating to economic development, regeneration and transport. The second order taken through the House is the Tees Valley Combined Authority (Election of Mayor) Order 2016, which creates the position of Mayor for the Tees Valley, with the first election being on Thursday 4 May.

The order that we are considering this afternoon is the next step in implementing the devolution deal and it will enable the establishment of a mayoral development corporation in the south Tees area by summer 2017—but only, of course, if the Mayor and the combined authority wish to see that. We will confer further powers on the Mayor and the combined authority at a future date; indeed, we laid an order before the House on 6 February to do just that.

The draft order is made under the Local Democracy, Economic Development and Construction Act 2009, as amended by the Cities and Local Government Devolution Act 2016. Before laying the order, the Secretary of State considered the statutory requirements set out in the

2009 Act and he is satisfied that they have been met. In short, they cover the conferring of the functions on the combined authority being likely to lead to an improvement in the exercise of statutory functions across the Tees Valley. The Secretary of State has also had regard to the impact on local government and communities and, as required by statute, the five constituent councils and the combined authority have consented to the making of the order.

On the detail, the order confers on the Tees Valley Mayor and the combined authority the powers—appropriately modified, as I said—that the Mayor of London and the London Assembly hold to establish mayoral development corporations. Those powers include the power to designate mayoral development areas. The Mayor is required to notify the Secretary of State of a designation and the latter is then required by order, subject to the negative procedure, to establish the mayoral development corporation.

The powers also include the power to transfer property to the mayoral development corporation and to decide that the corporation has certain functions, in particular whether it is to be a local planning authority. There is also the power to appoint members to any such corporation. There are modifications that make the powers different from those that exist in London, but I will not go into detail about those at this moment.

The process for establishing a mayoral development corporation in the Tees Valley would be as follows. The Mayor would designate a mayoral development area if the Mayor considered that the designation would further economic development and the regeneration functions of the combined authority; if the Mayor had consulted on the proposal and had had regard to that consultation; if the Mayor had published the proposal and it had not been rejected by the combined authority within 21 days—the buy-in of the combined authority is important and gives a further element of local accountability; and if the Mayor had received the necessary consents from combined authority members and the North Yorkshire Moors National Park Authority.

Once the Mayor has made the designation and notified the Secretary of State, the Secretary of State must make the order to establish the mayoral development corporation. If the Mayor has yet to be elected, the chair of the combined authority takes the place of the Mayor. Members of the Committee may be aware that the combined authority is currently consulting on a proposal for a mayoral development corporation to cover the SSI site and the wider 500-acre industrial site located there. That consultation started last December and runs for 11 weeks, closing on 10 March. As I mentioned, the order includes transitional arrangements that will allow work to continue at a pace to create a mayoral development corporation in the Tees Valley. The order also provides for the necessary funding arrangements to support the Mayor and the combined authority in delivering the functions.

In conclusion, the order devolves brand new powers to the Tees Valley combined authority, gives effect to the significant devolution deal that we have negotiated with the area, and puts local people and business leaders in a strong position to drive economic growth and regeneration in the Tees Valley. I commend the draft order to the Committee.

2.37 pm

Teresa Pearce (Erith and Thamesmead) (Lab): It is a pleasure to serve under your chairmanship, Mr Evans. I am standing in for my hon. Friend the Member for Oldham West and Royton (Jim McMahon), who leads on devolution for the Opposition. I would like to put on the record my thanks to him for his valuable work in scrutinising the devolution deals.

Today's draft order is the next step in the process towards implementing the Tees Valley devolution deal. The Tees Valley combined authority has been created, and I look forward to supporting Sue Jeffrey in her bid to become the first female metro Mayor in the country.

The order gives the Tees Valley combined authority the functions it needs to execute the powers handed down by central Government in the devolution deal. That includes devolved responsibility for transport; the creation of a mayoral development corporation to examine what strategic sites should be developed; and the creation of a Tees Valley investment fund. Local leaders are supportive of devolution to Tees Valley, but their support is caveated. Local leaders did not welcome the imposition of a Mayor for the Tees Valley combined authority, but they have accepted it. In evidence to the Select Committee on Communities and Local Government, Councillor Sue Jeffrey, the leader of Redcar and Cleveland Borough Council, said:

"It is a price we are having to have, so we will make it work...We have to take what is on offer and do what we can with it."

That smart and pragmatic approach has been adopted by all five councils and shows how people in local government operate best: taking what they can get to defend local communities even when the conditions are set by others. The imposition of a directly elected Mayor has been a barrier for a lot of other devolution deals that have not made it through.

The Opposition support devolution, but it needs to be real and meaningful. We would do things differently. We believe that devolution should be bottom-up, not top-down. Forcing totally different parts of the country to adopt a one-size-fits-all, top-down approach contradicts the essence of true devolution. We are not opposed to the concept of Mayors where a well-run mayoralty can provide visible leadership and accountability, but we do not support imposing rigid governance arrangements, such as Mayors, as a prerequisite for the devolution of powers.

Devolution should mean that people and communities are free to choose the most appropriate model for their community. These devolution deals should be an opportunity to bring powers and decision making closer to the people. However, the imposition of Mayors contradicts that and risks undermining public confidence in devolution. Does the Minister accept that different areas require different governance models, and that true devolution supports them to create their own suitable models?

People feel that the proposed devolution process is being done to them rather than being done with them. We have serious concerns about how that devolution process has been handled and the lack of buy-in from the public. We need to get that buy-in and to get them on side, but at the moment they are not a meaningful part of the debate. People do not feel remotely connected

to the current devolution process, and because the public have not been brought on the journey, voter turnout in lots of areas could be very low. The Communities and Local Government Committee has warned the Government that such a disconnected, remote system, which has led to low turnout, will have implications for the democratic legitimacy of some elected Mayors.

The fledgling proposals could be undermined from day one, and mayoral positions could be tainted going forward. The Government must consider that possibility when designing the devolution deals. What are they doing to ensure greater public engagement and community buy-in for future devolution deals?

If we believe in devolution and in power being distributed closer to the communities that we serve, we need to let go of that power; we must not put unnecessary requirements on local areas to receive that power. Although Tees Valley has accepted the conditions of the devolution deal, we want to see progress made in places where a Mayor is not an acceptable option. Concerns have been expressed about the creation of a fourth or even a fifth tier of local government that could create a complex, over-bureaucratic, costly system of representation that does not reflect an area's needs. It is wrong, however, that some areas are not being given devolved powers because of that. If the principle behind the order is about getting devolution going, at some point we will have to come forward with a devolution framework for all of England—one that does not pick off one area against another.

I hope that the Government will ensure that every area will get the type of devolution currently available only in some areas. Devolution should not mean excluding some places or leaving communities behind. What will the Department for Communities and Local Government do to ensure that those areas that did not accept a directly elected Mayor still enjoy the benefits of devolution?

On Brexit funds, we need an assurance from the Minister about the implications for future EU funding. A key benefit of the Tees Valley deal was control over EU structural funds; the Tees Valley has been a long-term beneficiary of European funding and has secured a commitment worth £169.8 million over the current EU funding period. The combined authority was going to control that funding, and that control was an essential part of the devolution deal. In the light of the Brexit vote, Tees Valley needs clarification in view of the current instability about inward investment. Can the Minister offer reassurance to the Tees Valley combined authority that expected levels of funding, including those expected from the EU, will be maintained—not just until 2020, but after that? Will there be local control of those funds?

I appreciate that I have asked the Minister a number of questions; if he cannot answer them today, I would like him to commit to answer me in writing in the near future.

We share concerns about regional investment in the light of the gross disparities in infrastructure spending in the capital compared with the regions, so we are glad that the Tees Valley devolution deal includes control of the new £15 million a year funding commitment over 30 years; a comprehensive review and redesign of the education, skills and employment support system in the region; and responsibility for business support. That is

[Teresa Pearce]

key to the Tees Valley, given the importance of the chemical industries cluster and associated manufacturing industry.

I commend the work of the five councils in the Tees Valley combined authority and their efforts to secure the best possible deal for their area and community despite the constraints placed on them. However, the £15 million devolution deal over 30 years does not come close to compensating for the cuts that those councils have already seen to their budget—the Tees Valley area has seen cuts in excess of £240 million per year since 2010, which is a huge sum to lose from local authority budgets. Local authorities as a whole are facing a £5.8 billion funding gap by 2020.

One of our major criticisms of the Government's approach to devolution is how they expect communities to flourish when they have systematically underfunded local councils and run down public services. I think the Minister would accept that we cannot empower local government by impoverishing it. The Labour party, in Parliament and in local government, is committed to supporting local areas to secure the deals that best suit local need and will best help them to meet the challenges they face in supporting their local communities. It is absolutely right that we continue the devolution journey.

The order is an important step if people believe in devolution and in taking power away from the centre and giving it to communities. Members on this side of the Committee welcome the order but we caution against this type of top-down devolution in the future, and express serious concerns about future funding. Nevertheless, we accept that this is another step on the journey to devolution across England.

2.45 pm

Andrew Percy: I thank the shadow Secretary of State for what was a generally positive response to the journey of devolution if not, necessarily, to its structure. She is right about the shadow Minister. He and I have gone to head to head on every single one of these orders thus far. In every instance, we have debated the issue of a mayoralty, whether it was within or outwith the particular order before us, and have debated at length the future of devolution across the rest of England and the different structures and options available to local authorities that might wish to reform themselves.

We have also debated turnout, at length. In today's Opposition it is not always clear that there is consistency but we certainly had consistency today from the shadow Secretary of State, which is something we do not see very often from the Opposition Benches. On that, she can go back and report positively—

Mr Gavin Shaker (Luton South) (Lab/Co-op): Very ill-judged!

Andrew Percy: This is a positive statement about the quality of the Opposition in the shadow CLG team, in that they seem to be on the same side.

The shadow Secretary of State made particular mention of a candidate, so I should even it up by saying that we have an excellent candidate in Ben Houchen. I hope, and feel, that this could be the year for us in the Tees Valley.

Tom Blenkinsop (Middlesbrough South and East Cleveland) (Lab): The Minister just mentioned the Conservative candidate for the Tees Valley mayoral elections. Does he agree with that Tory candidate's comments about the SSI blueprint? He said that it was a laudable example from the Government—after the loss of 5,000 jobs, a massive impact on GDP and the Tees Valley economy, and business rates lost to the local area. Does he agree that the mayoral candidate was right to celebrate that catastrophe for the Tees Valley as a success?

Andrew Percy: The good thing about being a diligent northerner is that I tend to read the local papers of the north-east closely and know exactly the example to which the hon. Gentleman refers. It took place at a hustings, at which the candidate in question actually stated that the Government response, including the £80 million and the swift setting-up of a taskforce, was a blueprint for how to respond to those sorts of issues. There was also general agreement among the other candidates at the event about the Government response being a blueprint. It was not at all his saying that the terrible situation there was in any way a blueprint for what the Government want to see—clearly not.

I believe that the first iteration of the story that went online in one of the local newspapers was different from the one that went up a little later, so I think there was a bit of politics going on. I am aware of the situation but, to be absolutely clear—we do not want to get into a general debate about the hustings for the mayoral election on 4 May—no candidate would ever stand up at any event and say they thought what happened at SSI was positive, or in some way a blueprint. The Government response was a blueprint and there has been general agreement on that in the region. The Government reacted quickly and £80 million was swiftly made available and that was a good blueprint for how to respond to what was, notwithstanding that, a terrible situation.

Tom Blenkinsop *rose*—

The Chair: I am all in favour of shortening the winter, but not by extending the mayoral campaign into the Committee Room, so let this be the last contribution, Mr Blenkinsop.

Tom Blenkinsop: Thank you, Mr Evans. As the only Tees MP on this Committee, it is important that I get across this point in relation to the debate held at the Materials Processing Institute, which seeks a metals strategy from the Government. The Minister knows that, as I have talked to him about it previously.

The important and pertinent point for this debate is that the £80 million never arrived. It was promised by the then Secretary of State for Communities and Local Government, who said that the Tees Valley was going to receive £80 million, but it was actually £50 million. Yet the Government, even in this debate, reiterate that it is £80 million, which is not the case. In fact, I believe that the £50 million is £16 million short of the previous Labour Government figure from 2009, when the same works did not hard close; they were actually mothballed and brought back to life. Would the Minister like to reflect on the £80 million figure and correct it?

Andrew Percy: We made up to £80 million available. I cannot talk about the previous Labour Government's record on this, because, of course, we lost 16,000 steel workers during their time in office.

Tom Blenkinsop: On a point of order, Mr Evans. As a former trade union officer for Community trade union, of which I am still a member, I should say that I was part of the cross-match committees that ensured there were no hard redundancies at that site.

Andrew Percy: We will not contest that one. All I know from representing the steelworks in Scunthorpe is that we lost a number of jobs.

The Chair: This is not about steel.

Andrew Percy: We are not talking about steelworks; I appreciate that.

It is clear that this is still a live and important issue. What this order does—this is one thing we can all unite around—is give this new devolution deal the power to create a mayoral development corporation based around that site. We have been very clear as a Government that we believe it has enormous potential.

There are huge challenges—the hon. Member for Middlesbrough South and East Cleveland knows that better than I do—but I was proud to sign the indemnity to get the works under way and to assess some of the issues with the site. I am proud that we set up the company in December to take on the day-to-day management of the site through the Department for Business, Energy and Industrial Strategy.

I continue to believe that there is huge potential in the site, as do Lord Heseltine and local MPs. The best way forward is to work together to try to secure what we can

for the future of the site. I believe this order, which gives the Mayor and the combined authority the power to establish a mayoral development corporation should they so wish, is a positive step towards the future of that site and the Tees Valley generally.

I want to respond to the shadow Secretary of State's two very direct questions. On devolution deals across the country, we remain open to discussions with other areas if they wish to come forward with proposals. A number of them are in discussion with us at the moment. Others may choose not to go down a mayoral combined authority route. Some are already openly talking about unitarisation or other ways of trying to improve the delivery of local services. That is, of course, up to them.

I must say that there is no such thing as EU funding, given that we are a net contributor to the European Union, so we give far more than we get back. The people of the Tees Valley sensibly voted in very large numbers to leave the European Union—a decision I fully agree with. We have been very clear on European funding. The commitment has been repeated time and again from the Prime Minister down, and work is ongoing to look at what we can do in terms of funding post our exit from the European Union. The commitment is very clear on that, and I am happy to write to Members if need be.

I do not think there is anything else to respond to. I am not going to rerun the whole mayoralty debate. It requires the consent of all local authorities, and I think this order is a positive move towards what we want to see with the SSI site in particular. It gives the powers to do that, and I commend it to the Committee.

Question put and agreed to.

2.54 pm

Committee rose.

