

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT COMBINED AUTHORITIES (FINANCE)
ORDER 2017

Monday 24 April 2017

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The Committee consisted of the following Members:

Chair: Ms KAREN BUCK

- | | |
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| † Cleverly, James (<i>Braintree</i>) (Con) | † Mann, Scott (<i>North Cornwall</i>) (Con) |
| † Djanogly, Mr Jonathan (<i>Huntingdon</i>) (Con) | Onn, Melanie (<i>Great Grimsby</i>) (Lab) |
| † Double, Steve (<i>St Austell and Newquay</i>) (Con) | † Percy, Andrew (<i>Parliamentary Under-Secretary of State for Communities and Local Government</i>) |
| † Doyle-Price, Jackie (<i>Thurrock</i>) (Con) | Perkins, Toby (<i>Chesterfield</i>) (Lab) |
| Eagle, Ms Angela (<i>Wallasey</i>) (Lab) | † Pow, Rebecca (<i>Taunton Deane</i>) (Con) |
| † Foxcroft, Vicky (<i>Lewisham, Deptford</i>) (Lab) | † Wragg, William (<i>Hazel Grove</i>) (Con) |
| † Johnson, Gareth (<i>Dartford</i>) (Con) | Kenneth Fox, <i>Committee Clerk</i> |
| † Jones, Susan Elan (<i>Clwyd South</i>) (Lab) | |
| † Letwin, Sir Oliver (<i>West Dorset</i>) (Con) | |
| † McMahon, Jim (<i>Oldham West and Royton</i>) (Lab) | † attended the Committee |

Fourth Delegated Legislation Committee

Monday 24 April 2017

[MS KAREN BUCK *in the Chair*]

Draft Combined Authorities (Finance) Order 2017

6 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 Combined Authorities (Finance) Order 2017.

The draft order was laid before the House on 13 March 2017. If approved, it will put in place the process that elected Mayors and their combined authorities will follow for setting the mayoral budget and issuing precepts. For the six mayoral combined authorities with elections this May, the processes will apply in relation to the 2018-19 year and each subsequent year. The precepting arrangement applies to all mayoral combined authorities except, of course, the West of England, which has determined that it does not wish to set a mayoral precept.

In addition, the order makes certain transitional financial provisions relating to Greater Manchester to reflect that from May 2017, its Mayor will also have responsibility as the police and crime commissioner and for the Greater Manchester fire and rescue service.

Making the order will be a further milestone—nay, a keystone—to fulfilling our manifesto commitment to implement devolution deals and devolve far-reaching powers across England. The order establishes the final element in the funding framework for mayoral combined authorities. Under the framework, the activities of combined authorities and their Mayors will be funded as follows. First, combined authorities and their Mayors, as provided for in the devolution deals, will receive new additional financial resources from Government. In particular, Government have committed up to £5 billion in investment funding, known as Gain Share, for Cambridge and Peterborough, Greater Manchester, Liverpool City Region, Tees Valley, West Midlands and the West of England.

Secondly, primary legislation—the Local Democracy, Economic Development and Construction Act 2009, as amended by the Cities and Local Government Devolution Act 2016—along with the orders already made for individual combined authorities, provides that the constituent councils can make contributions to their combined authorities and Mayors. That is important because those orders also provide that in the case of mayoral expenses, the Mayor must agree contributions with the constituent councils in advance of incurring that expenditure.

Thirdly, combined authorities can levy on their constituent councils for transport costs. Finally, mayoral functions, to the extent that they are not met by other means, are to be met by a precept. The precept is determined each year through the mayoral budget-setting process and is formally issued by the combined authority to the billing authorities for the area.

If approved by Parliament, the order will come into effect the day after it is made. The provisions will ensure an effective process, integrated into wider local government budgeting timetables and including robust arrangements for scrutiny and challenge of the Mayor's spending proposals. We have discussed that at length during debate on previous orders. The provisions are as follows: a requirement for combined authority Mayors to submit by 1 February a draft budget; a requirement for the combined authority to recommend any amendments to the draft budget before 8 February; a power for the constituent members of the combined authority ultimately to impose amendments to the Mayor's draft budget if supported by a two-thirds majority, except in the Tees Valley where the majority must be three fifths. In the absence of such a majority, the Mayor's proposals must be approved by the combined authority.

Furthermore, the combined authority must set a mayoral budget on the Mayor's behalf if the Mayor fails to submit a draft for consideration by 1 February. The Mayor must fund mayoral functions through a precept, which will be subject to the same referendum principles as council tax, which we all know well. The standard local government finance regime applies so that precepts must be issued by 1 March. To aid transparency, the Mayor is required to maintain a fund in relation to the receipts and expenses of the Mayor's functions, excluding police and crime commissioner functions, for which there is a separate police fund.

The order also includes detailed provisions about transitional measures. The duty to issue a precept is disapplied for the year in which the first Mayor for the combined authority is elected, because for that year, the Mayor will not take office in time for the precept to be set. Mayoral expenses in the first year must be met by contributions from relevant combined authority and constituent councils.

The other key transitional provisions relate to Greater Manchester, where the Mayor will be responsible for police and crime functions and the fire and rescue service. They provide that from 8 May, the precepts for 2017-18 issued by the Greater Manchester police and crime commissioner and the fire and rescue service will fund the Mayor's activities in respect of policing and fire and rescue.

In conclusion, the draft order will support the new combined authority Mayors in funding their functions through the precept and the budget-setting proposals that I have outlined. It will complement the orders already approved by the House to implement the exciting devolution deals that we have negotiated throughout the country. I commend it to the Committee.

6.5 pm

Jim McMahon (Oldham West and Royton) (Lab): It is a pleasure to serve under your chairship, Ms Buck.

Back in December 2014, there was a young bright-eyed council leader who called for a mayoral precept. I do not know what happened to him, but I think his power has gone down. The local paper badged it as a "mayoral tax"—almost a tax bombshell—and the argument about the efficiency of a single precept and about transparency and good governance that enabled people to see what the Mayor's function cost them was lost. I am therefore pleased that the Government have adopted the idea in a way that the local paper did not at the time. I hope that

the local paper has changed its position, because to hold decision makers to account, taxpayers have to see in a transparent way how much the decision makers' function costs. It is important that in establishing the mayoral function we ensure transparency of its cost.

I particularly welcome the separation of the police and crime commissioner element of the budget, which will appear as a separate component on council tax bills. The fire and rescue precept should be treated with the same separation-of-powers approach because it has a very discrete function provided by the Mayor, but at the moment it is to be provided from the general fund. For the sake of efficiency, we will agree to the draft order rather than delaying it over a minor detail, but in future it would make sense to do one of two things. The first would be to extend to the fire and rescue element the treatment that the police element currently receives, so that the public see the cost separated on their council tax bills. The second alternative, which may be more progressive—it is certainly the direction of travel in a number of areas in which blue light services are being brought together—would be to have a single blue light emergency services precept that is separated from the general component of the mayoral precept. If we did that, the public would see where their money was going, which would hopefully make it easier for them to hold decision makers to account.

I still struggle with the referendum requirement. I struggle to see why a Mayor in a conurbation such as Greater Manchester with 2.5 million people, who had secured the mandate of a sizable number of the population to increase council tax by an amount to fund their manifesto commitments, should have to go to the Government to sign off that increase above a certain threshold. I am not sure that that is in the spirit of devolution or localism. We ought to go some way further towards more freedom and flexibility. I understand the nervousness about council tax increases, which are always politically charged, but for whoever is elected, with that power and responsibility also comes the onus to make the case to the public about where the money has gone and whether such an increase in the council tax precept was right or wrong. That is good for democracy and it is good for local people's ability to hold decision makers to account.

I will not go on any longer. I recognise that the draft order is essentially a cleaning-up exercise; it is about bringing together existing precepts and making clearer the relationship to the directly elected Mayor who will take office. However, the offer to discuss has been made a number of times, because there are good and bad ideas on both sides of the devolution debate, from

Members on the Government and Opposition Benches. Some of this is just common sense. If there were a forum in which we could work together in the spirit of local government and devolution to really iron out some of the creases, as far as I am concerned it would be an open door. I will leave that offer on the table.

6.9 pm

Andrew Percy: I place on the record my thanks to my officials, since this is the last of the devolution orders of which we have had a huge slew over the past few weeks and months, as the shadow Minister and the Whips know only too well. I thank my officials for all their support and guidance throughout the whole process. The draft order before us is the last one, which makes good on our commitments.

On blue light services, yes, the fire and rescue precept will be collected in the way that the shadow Minister highlighted, but it will also be shown separately on the bill so that taxpayers know exactly what the fire and rescue service is precepting on them.

On the referendum and the principles for precept rises, the authorities have to go not to the Government for permission, but to the people.

Jim McMahon: Will the Minister concede that the threshold for triggering a referendum is set by the Government, not the public?

Andrew Percy: It is set by Parliament, actually, which is elected by the people.

The hon. Gentleman talked about accountability. Throughout the debates we have had on these various orders I have made the point repeatedly that we require an elected Mayor at the top so somebody can be held to account for the precepting decision. If it were done through any other structure—a combined authority chair or whatever—there would not be that direct link or accountability.

I am always happy to meet the hon. Gentleman. I will be delighted to meet him to discuss the future of devolution if our constituents do us the honour of returning us here on 8 June. Of course, it is perfectly possible that he could be in my shoes on 9 June, and I could be going to him to express my support for him in his new role as the Minister with responsibility for devolution. I commend the order to the Committee.

Question put and agreed to.

6.11 pm

Committee rose.

