

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

First Delegated Legislation Committee

DRAFT WEST MIDLANDS COMBINED
AUTHORITY ORDER 2016

Monday 6 June 2016

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Friday 10 June 2016

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The Committee consisted of the following Members:

Chair: PHILIP DAVIES

- | | |
|---|---|
| † Cunningham, Mr Jim (<i>Coventry South</i>) (Lab) | † Poulter, Dr Daniel (<i>Central Suffolk and North Ipswich</i>) (Con) |
| Godsiff, Mr Roger (<i>Birmingham, Hall Green</i>) (Lab) | † Smith, Henry (<i>Crawley</i>) (Con) |
| † Graham, Richard (<i>Gloucester</i>) (Con) | † Smith, Julian (<i>Skipton and Ripon</i>) (Con) |
| † Knight, Julian (<i>Solihull</i>) (Con) | Stuart, Ms Gisela (<i>Birmingham, Edgbaston</i>) (Lab) |
| † Loughton, Tim (<i>East Worthing and Shoreham</i>) (Con) | † Tolhurst, Kelly (<i>Rochester and Strood</i>) (Con) |
| † McInnes, Liz (<i>Heywood and Middleton</i>) (Lab) | † Wharton, James (<i>Parliamentary Under-Secretary of State for Communities and Local Government</i>) |
| † Mahmood, Shabana (<i>Birmingham, Ladywood</i>) (Lab) | † Wheeler, Heather (<i>South Derbyshire</i>) (Con) |
| † Morris, Grahame M. (<i>Easington</i>) (Lab) | Jonathan Whiffing, James Harrison, <i>Committee Clerks</i> |
| † Morton, Wendy (<i>Aldridge-Brownhills</i>) (Con) | † attended the Committee |

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

Spellar, Mr John (*Warley*) (Lab)

First Delegated Legislation Committee

Monday 6 June 2016

[PHILIP DAVIES *in the Chair*]

Draft West Midlands Combined Authority Order 2016

4.30 pm

The Chair: Before I call the Minister to move the motion, I should inform Members who are not on the Committee that it is in order for them to speak but not to vote.

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

That the Committee has considered the draft West Midlands Combined Authority Order 2016.

It is a pleasure to serve under your chairmanship, Mr Davies. The draft order was laid before the House on 28 April 2016. If approved, it will create a combined authority for the west midlands. It will also dissolve the West Midlands integrated transport authority and the West Midlands passenger transport executive and will transfer their functions to the newly established combined authority. The draft order is made pursuant to provisions of the Local Democracy, Economic Development and Construction Act 2009, as amended by the Cities and Local Government Devolution Act 2016.

The seven constituent councils of Birmingham, Coventry, Dudley, Sandwell, Solihull, Walsall and Wolverhampton have led a truly local and bottom-up process to produce a proposal for the establishment of the combined authority. They believe that this governance model is the most appropriate way for the west midlands to achieve stronger, more efficient and more effective delivery of economic development, regeneration and transport responsibilities. If the draft order receives parliamentary approval, the West Midlands combined authority will be the second combined authority established since the amendments to the 2009 Act made by the 2016 Act, and the seventh established in the past five years.

While establishing the combined authority in no sense commits the councils concerned, or indeed the Government, to creating a mayor for the area or devolving powers to the area, the councils and the Government both intend to use the combined authority as the foundation for implementing the devolution deal that we have agreed with the west midlands.

The draft order provides for the combined authority to assume responsibility for economic development, regeneration and transport. It will enable the seven councils and their partners, including the three local enterprise partnerships and the five non-constituent members—Cannock Chase, Nuneaton and Bedworth, Redditch, Tamworth, and Telford and Wrekin—to work together more effectively and efficiently, to promote economic growth, to secure investment and to create jobs.

In laying the draft order, we have followed the statutory process specified in the 2009 Act, as amended by the 2016 Act. A combined authority can be established only if the councils concerned consent, if the Government agree and if Parliament approves the necessary secondary legislation. That is the case here: the seven constituent councils have consented to the order; the Government have agreed the draft of the order; and we are now seeking Parliament's approval for making the order, which will establish the combined authority on 10 June. We have considered the particular circumstances of this proposal for a combined authority, and we have concluded that all the statutory conditions are met. We are satisfied that the order is likely to improve the exercise of statutory functions in the area to which it relates, and we also consider it appropriate to establish the combined authority, having regard, as the 2009 Act requires, to the need to reflect the identities and interests of local communities and to secure effective and convenient local government. Finally, we have considered the public consultation carried out by the constituent councils of the west midlands on the proposals. I can confirm that we believe the conditions have been met, and we therefore seek the Committee's approval of the draft order. I am pleased to commend the order to the Committee.

4.33 pm

Liz McInnes (Heywood and Middleton) (Lab): I apologise for arriving a couple of minutes late.

I am concerned about this devolution arrangement, which appears to have been imposed on the west midlands local authorities in a top-down deal. It is deeply unhelpful that the Chancellor appears to insist on making these deals behind closed doors, adding to the general public's perception that they are being excluded from having their say in what will be a major change to how they are governed locally.

Labour believes in a process of devolution that gives local people the power to make their communities and economies stronger and fairer. We stand for a bottom-up approach to the devolution of power, which does not appear to be the case here; what is on offer demonstrates that the Government do not trust local people to decide how they want to be governed. Some may want elected mayors, others may not, but the imposition of mayors is in direct opposition to the very definition of devolution. Under this deal, the people of the west midlands have a mayor imposed upon them, whether they want one or not.

The Government's decision to impose metro mayors on local areas and combined authorities as a precondition of devolution is wrong and anti-democratic. Combined with the iron grip that the Chancellor has exercised on local councils' spending by imposing cuts on some of the most deprived communities in Britain, that does not bode well for this and other devolution deals. Instead of empowering councils, the Government are cutting funding and holding communities back.

The National Audit Office published a report on English devolution deals in April this year in which it cast doubt on the west midlands deal, suggesting that plans for the devolved so-called super-authority are "untested" and "more complex" than those for the apparently similar deal in Greater Manchester. The NAO stated:

“The first devolution deals, in Greater Manchester and Cornwall, were based on areas with established institutional arrangements and coterminous local enterprise partnership areas. More recent deals such as in the West Midlands set up more complex and untested arrangements.”

It continued:

“The arrangements are experimental and unlikely to work as intended in all areas and for all functions and services devolved.”

The NAO added that the Government should resolve issues it has identified with accountability, administrative geography and impact measurement if they want to provide confidence that devolution deals will support economic growth and value for money.

The report went on to say:

“It is not yet clear how devolution deal areas will align with the local administrative configurations of other policy areas. For example, local NHS bodies are undertaking planning to support the NHS Five-Year Forward View. The six national NHS bodies responsible for planning guidance have asked areas to define their own local health economies and to consider devolution deals while doing so. In a context where geographical configurations for devolution proposals have yet to be resolved in many areas, it is not yet clear how these two processes will align”.

The Public Accounts Committee has examined the NAO report and concurred with its views, commenting:

“The growing use of complex delivery methods, such as devolution to local areas...has often not been accompanied by clarity over accountability arrangements...Parliament needs to be assured that Accounting Officers can follow the pound through these more complex delivery systems.”

Additionally, I am alarmed by the explanatory note accompanying the draft order, which states:

“A full regulatory impact assessment has not been prepared as this instrument will have no impact on the costs of business or the voluntary sector.”

Without an impact assessment, how can it possibly be known that there will be no impact?

What we have here is a top-down devolution deal that appears to have been shaped in No. 11 Downing Street rather than by the people and communities of the west midlands. There is no new money. The combined authority will make use of existing staff and finances, and decisions will be made by the existing council leaders working together. I am disappointed by the assumption that that approach will deliver better value for money. With no accompanying impact assessment, how can that possibly be known?

I am disappointed by this Government’s lack of ambition. A much more serious, properly resourced and funded deal could have been on the table had the Government been serious about devolving powers from Whitehall. I take the concerns expressed by the National Audit Office very seriously indeed and would appreciate a response from the Minister on those points. Does he agree with the NAO that these arrangements are complex, untested, experimental and unlikely to work?

4.39 pm

Mr John Spellar (Warley) (Lab): Although I am not a member of this Committee, as a west midlands Member of Parliament I welcome the opportunity to address this order, about which there are considerable reservations, as my hon. Friend the Member for Heywood and Middleton outlined. I suspect that those reservations are shared by many on the Government Benches; apart from those on the Front Benches, who are here *ex officio*, I

notice that the Government seem to have had great difficulty in getting west midlands Members to come along to defend this proposition. We do have my colleague the hon. Member for Aldridge-Brownhills, whom I welcome, and my co-commentator—

Julian Knight (Solihull) (Con): Will the right hon. Gentleman give way?

Mr Spellar: Yes.

Julian Knight: I inform the right hon. Gentleman that I am the Member for Solihull, which is a key part of the west midlands.

Mr Spellar: I was going to come to the hon. Gentleman after I had acknowledged the presence of my co-presenter on the midlands “Sunday Politics”, the hon. Member who comes from the east midlands. Where do the other Members come from? Gloucester is just down the M5, I suppose. The hon. Member for East Worthing and Shoreham is clearly deeply interested in the fate of the west midlands.

Tim Loughton (East Worthing and Shoreham) (Con): I went to university in the midlands.

Mr Spellar: That sounds like what people always used to claim when they went to selection conferences: “My great grandfather worked in this town” or whatever. We also have the hon. Members for Central Suffolk and North Ipswich and for Rochester and Strood.

Tim Loughton: Before the right hon. Gentleman takes up more of the Committee’s time going through the CVs of every Government member of the Committee, may I inform him that I spent three glorious years at university in the west midlands? Is not the point that we are representatives of the United Kingdom, we have experiences, whether from devolution or not, in different parts of the United Kingdom, and those experiences are relevant to the Committee’s deliberations about whether devolution should apply to the west midlands? As such, we have every entitlement to be here.

Mr Spellar: The interests of the hon. Gentleman’s constituents may not coincide much with the interests of the constituents of those of us who represent the great conurbation of the west midlands. That is one of the problems: we have had people meddling in local government—this applies on both sides of Parliament, by the way—who in many cases have had no experience in local government. That is why they so cavalierly ride over the wishes of local councillors. In the referendums that were imposed on our great cities, we saw all but one of the cities that were asked turn down the proposition of elected mayors. I shall come back to this in a minute, but interestingly, two of those cities, Coventry and Birmingham, which rejected elected mayors by an overwhelming majority, are now being forced to have one. I understand that that will come later, but it is part and parcel of this scheme, which has many merits in itself. As my hon. Friend the Member for Heywood and Middleton said, if these things are properly applied, there is great merit in the ideas of having a combined

[Mr Spellar]

authority and of authorities working together, but not in the context of the enormous cuts that have taken place and that have been directed principally at the metropolitan authorities. I am talking not just about the disproportionate cuts to council spending but about cuts to the West Midlands police authority, which, along with one or two other of the metropolitan authorities, has borne the biggest percentage cuts of any of the authorities, as has the fire service in the west midlands. That may be why there are so few west midlands Members on the Government side prepared to defend this scheme.

Julian Knight: As a west midlands Member on the Government side, I thank the right hon. Gentleman for giving way. Will he reflect on the facts that the Government came to a special arrangement with West Midlands police that will enable them to levy an extra precept to cover any potential shortfall, and that the current Labour police and crime commissioner is sitting on £100 million of reserves and not spending them?

Mr Spellar: I am interested to hear the hon. Gentleman concede that the Government have exercised disproportionate cuts on the west midlands. I am surprised that he is not prepared to stand up against the Chancellor of the Exchequer for the interests of the public and the council tax payers of the west midlands.

We must beware some of the traps that lie here. In various of these authorities, the transfer of further health functions from the NHS is being examined. We have had experience of that. Councils have had a number of responsibilities transferred to them, but unfortunately the money—or the sums that were previously being spent—did not follow. Yes, the responsibilities were transferred, but so were increasing liabilities, meaning that other council services have had to be cut.

Although there is great merit in devolving responsibilities as long as there is funding, some problems do not go away. I recollect that when I was a Transport Minister, there were concerns that for peripheral areas of larger authorities or regions—in particular where there was a transport interface with another region, for example in the north-west and Wales—there was always a difficulty in getting funding, even though there could have been considerable benefit. That might have been more easily dealt with at a national level.

I am concerned that there are a number of unresolved questions. The order outlines the authorities that are involved. The core authorities are the councils of the old West Midlands County Council. However, discussions are taking place about whether Warwickshire will be involved, although it is unclear what stage they are at. Equally, discussions are taking place as to the involvement of Telford and the rest of Shropshire. That would be quite a different type of authority and people in the region—not just parliamentarians—want to know what the shape of the authority will be.

There is also concern that if the Chancellor, who—I stand ready to be corrected—has never served on a local authority, is going to force through not only the creation of an elected mayor, but an election next year in May, we could see a repeat of the stand-alone elections we had for police commissioners, where we saw incredibly

low turnouts right across the country. That should be a concern on all sides. Therefore, we need clear answers on that issue.

I notice that funding for the authority will be based on the total resident population. Therefore, it will not be based on the council tax value or on a proportion of income, but will just be a per capita charge—in other words, back to the poll tax. There are some serious questions that make this a very unsatisfactory proposal, and it is being rushed through before these important issues have been resolved locally or between Government and the relevant local authorities.

4.47 pm

Mr Jim Cunningham (Coventry South) (Lab): I congratulate you, Mr Davies, on being in the Chair. I think this is the first time I have attended a Committee with you in the Chair.

For the record, I have been in local government and have been the leader of a council. I was also chairman of the seven districts, so I do have a bit of experience in local government. I was a West Midlands councillor and, just to set the record straight, am also the Member of Parliament for Coventry South.

This discussion takes me back to the setting up of the metropolitan councils. We all remember when they set up the metropolitan councils. When it did not work out very well for the Government, they abolished them. The Thatcher Government abolished them, but it was the Heath Government that created them.

There are a number of serious issues that we have to think about. For example, the Minister says that they have consulted local authorities. Why did they not consult the public, given that, as my right hon. Friend the Member for Warley just said, the people of Coventry and the people of Birmingham rejected this idea? Yet the Government went ahead. At the same time, local councillors in Coventry and outside of Coventry were trying to say that Coventry's local authority and other Labour authorities were denying them the right to a referendum. In actual fact, whether we had had a referendum or not, the Chancellor had made his mind up that this was going to go ahead regardless.

The Minister has said that at this stage, the Government are not considering elected mayors. Elected mayors are at the bottom of this but, more importantly, the strategy has been to shift away from central Government the responsibility for paying for local services. That is the fundamental point. That is why local government in the west midlands region and up and down the country has had considerable cuts over the past five or six years. We should not lose track of that, because the Government are shifting the responsibility for funding the police, fire, certain aspects of social services and possibly the health service.

That leads me to another issue. Regardless of what the Government say, they certainly will be levying some form of precept. The Government have said that they want to move power from the centre to local areas. If they are going to move power from the top to the bottom, they should go to the bottom—local authorities—and not do it through the region. This deal is totally undermining local authorities. In other words, this is phase 2 of a long-term programme of the Conservative party, and this Government have picked up where previous Conservative Governments left off.

I cannot think of any local authority in the west midlands that really wants this deal, but the authorities know that if they do not go ahead with it, they could be subject to certain sanctions—for example, a reduction in any grants they may get from central Government. In the Chancellor's Budget statement, he said that grants to local authorities were going to be removed over a period. That goes back to my original point, which is that the underlying strategy is to shift responsibility for funding local services away from central Government.

I find this deal very difficult to support, to say the least, but local authorities have agreed to go down this road. More importantly, the deal will not bring an economic miracle in the west midlands, because that miracle has already started. In answer to one of my questions in the Chamber earlier on, the Minister acknowledged that things were taking off in the Coventry and Warwickshire areas. That is less because of central Government involvement and more because of local authority and local business involvement.

As my right hon. Friend the Member for Warley said, it looks as though Warwickshire could be an associate member. I do not think it will be a full member at this stage, but at some point—reluctantly, I add—it will get involved in this deal, because it has been put under a lot of pressure from central Government. My experience tells me that when this deal does not work out in 10 years' time, the Government will abolish it and come up with something else.

4.51 pm

James Wharton: The shadow Minister, whom I welcome to her place, is a wily foe at the worst of times and desperately effective at the best of times. She has deprived me of the opportunity to hear the dulcet tones of the hon. Member for Easington, whose contribution I had been very much looking forward to. She has tempted the Committee to stray into talking about another piece of legislation—namely, the process by which a mayor could be elected to be accountable for some of the powers that are hopefully being transferred down, should Parliament so wish it, in co-operation with the local authorities. As I am sure you are aware, Mr Davies, we are not here today to talk about that particular aspect of devolution agreements. This statutory instrument creates a combined authority that has been agreed with local authorities in a bottom-up way, rather than as a top-down deal. I remind the Committee that a deal is a two-way process. A deal must be agreed by both parties or sets of parties, and that is what we have before us today.

The temptation from the shadow Minister was such that the right hon. Member for Warley indulged a little in discussion of the mayor, while raising a number of points of concern to him. He commented on the membership of this Committee. I am pleased to see so many hon. Members who are so well informed about the specific geography of the area we are here to discuss, devolution more generally, and the ambitions of this Government and of local areas that want to engage in this programme and benefit from economic growth. He talked about hypothetical future transfers and what the funding arrangements for those might be. I do not wish to get into that debate in too much detail, it being hypothetical, but in our approach to devolution, it is the intention of this Government that powers will be transferred

where they are asked for by local areas. That is done by agreement. Indeed, the proposed combined authority is very much in that vein.

The hon. Member for Coventry South, who is spending much of his day in discussion with me—we earlier discussed the exceptional growth in jobs in Coventry and how welcome that is—spoke about the mayor, and about the responsibility we and local areas have to deliver for local people and to build on the economic success that Coventry in particular has enjoyed over the past six years.

I have here a letter from October 2015 from the shadow authority, which represented the leaders of some of the local councils and authorities. It states:

“The headline conclusion of the review is that establishing a West Midlands Combined Authority would improve the exercise of statutory functions in relation to economic development, regeneration and transport in the West Midlands.”

It continues:

“A Combined Authority would help maximise growth in output and jobs. A region-wide focus on productivity, competitiveness and raising skill levels would put the region in the best position to achieve its economic vision and economic goals.”

This is a deal—it is a two-way process. In these areas, we have worked with local authority leaders representing the communities they are elected to represent. We have come to an agreement about a geography and a set of powers.

Mr Spellar: Does the Minister accept that, faced with the option of going along with the deal and making the best of a bad job, and having suffered horrendous cuts—in the hundreds and thousands of millions across the conurbation—it is not surprising that, with the offer of a rebate, albeit a small part of that, those councils would accept that option? They were defending as best they could their interests against a Chancellor of the Exchequer who was using that rebate quite blatantly as a bribe to get his political project through.

James Wharton: I remind the Committee:

“A Combined Authority would help maximise growth in output and jobs. A region-wide focus on productivity, competitiveness and raising skill levels would put the region in the best position to achieve its economic vision and economic goals.”

Glancing at the letter, I do not see reference to a hypothetical argument about local government funding, which is entirely separate from the process by which either devolution or combined authorities are agreed.

Julian Knight: I am struck by this Opposition tale of woe from parties that are part of the combined authority. At the bottom of the letter is the name of Councillor Robert Sleigh, who is the leader of the shadow authority and of a Conservative authority in Solihull, and a driving force behind the initiative. We are not so poverty stricken that Solihull council has not been able to freeze its council tax for five years, while still having leading services nationally.

James Wharton: That is another comparison to draw. As we know, council tax more or less doubled under the previous Labour Administration. It has reduced in real terms by 9% over the past six years. That reduction has helped many of the people we represent, and many of

[James Wharton]

the people represented by what we are discussing today. I commend Councillor Bob Sleigh not only for his leadership on this issue, but for ensuring that this is a cross-party proposal. The deal has been agreed across the parties and it will deliver real benefits to those communities.

Mr Cunningham: It should be pointed out that Solihull agreed to get involved in the new set-up for the west midlands authority fairly recently; it was opposed initially.

James Wharton: The hon. Gentleman, sharp and observant as always, puts his finger on the key issue: this is something that more and more areas want to be part of. They see what is happening and the benefits,

and they want to sign up. It is a bottom-up process. It is not being imposed by the Government; it is a matter of local areas coming together, putting forward proposals and reaching an agreement.

This is a good proposal for the west midlands, which will help to bring together those local authorities that want to drive economic growth and build on what has already been done. I commend it unreservedly to the Committee. I trust that the Committee will support it, and I hope that the support in this place will be cross-party, as it is in those local communities that stand to benefit from what we will hopefully agree to today.

Question put and agreed to.

4.58 pm

Committee rose.