

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Fourth Delegated Legislation Committee

DRAFT COMBINED AUTHORITIES (BORROWING)
REGULATIONS 2018

Monday 23 April 2018

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The Committee consisted of the following Members:

Chair: JOAN RYAN

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| † Berry, Jake (<i>Parliamentary Under-Secretary of State for Housing, Communities and Local Government</i>) | † McFadden, Mr Pat (<i>Wolverhampton South East</i>) (Lab) |
| † Clarke, Mr Simon (<i>Middlesbrough South and East Cleveland</i>) (Con) | † Morgan, Stephen (<i>Portsmouth South</i>) (Lab) |
| Cooper, Rosie (<i>West Lancashire</i>) (Lab) | Nandy, Lisa (<i>Wigan</i>) (Lab) |
| † Costa, Alberto (<i>South Leicestershire</i>) (Con) | † Sheerman, Mr Barry (<i>Huddersfield</i>) (Lab/Co-op) |
| † Elmore, Chris (<i>Ogmore</i>) (Lab) | † Shelbrooke, Alec (<i>Elmet and Rothwell</i>) (Con) |
| † Fabricant, Michael (<i>Lichfield</i>) (Con) | † Skidmore, Chris (<i>Kingswood</i>) (Con) |
| † Fovargue, Yvonne (<i>Makerfield</i>) (Lab) | † Tolhurst, Kelly (<i>Rochester and Strood</i>) (Con) |
| † Grant, Bill (<i>Ayr, Carrick and Cumnock</i>) (Con) | Nina Foster, <i>Committee Clerk</i> |
| † Huq, Dr Rupa (<i>Ealing Central and Acton</i>) (Lab) | |
| † Jenkins, Andrea (<i>Morley and Outwood</i>) (Con) | † attended the Committee |

Fourth Delegated Legislation Committee

Monday 23 April 2018

[JOAN RYAN *in the Chair*]

Draft Combined Authorities (Borrowing) Regulations 2018

6 pm

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

That the Committee has considered the draft Combined Authorities (Borrowing) Regulations 2018.

It is a pleasure to serve under your chairmanship, Ms Ryan—I believe for the first time—and to learn just before this sitting that you were the northern powerhouse before it was even invented.

The regulations, which were laid before the House on 12 March 2018, will implement a commitment, made by my right hon. Friend the Chancellor of the Exchequer, to extend the borrowing powers of mayoral combined authorities that have agreed debt caps with Her Majesty's Treasury. The extension of borrowing powers is an essential further step for mayoral combined authorities in England, which wish to be able to invest in economically productive infrastructure, giving local government the tools necessary to stimulate local economic growth and, crucially, productivity.

At present, primary legislation provides that mayoral combined authorities can borrow only for transport functions, with the exception of Greater Manchester, which inherited its predecessor organisations' borrowing powers in relation to its fire, police and waste functions. In comparison, a local authority may borrow for any purpose relevant to its functions or for prudent management of its financial affairs.

The Chancellor announced in the 2016 autumn statement that he would extend mayoral combined authorities' borrowing powers. That followed commitments made in the devolution deals with each mayoral combined authority, which consider that their limited borrowing powers could weaken their ability to drive and deliver growth for the people they have the privilege of representing.

The draft regulations confer additional borrowing powers on the six mayoral combined authorities to allow them to borrow in relation to all their existing functions. The six mayoral combined authorities include: Cambridgeshire and Peterborough, under the leadership of its Mayor, James Palmer; Greater Manchester, under the leadership of Andy Burnham; Liverpool City Region, under the leadership of Steve Rotheram; Tees Valley, under the leadership of Ben Houchen; the West of England, under the leadership of Tim Bowles; and the West Midlands, under the leadership of Andy Street.

Mr Barry Sheerman (Huddersfield) (Lab/Co-op): The Minister and I both hope that there will be more elected Mayors in future, and certainly there will be one in

Sheffield, and possibly others in Yorkshire. Will we have to come back here again, or will these regulations also cover the new authorities?

Jake Berry: I have a bottle of fizzy water on ice, ready for the outcome of the election of the Mayor in South Yorkshire—I hope it is a Conservative. If by some chance a Labour Mayor is elected, he will not be affected by these regulations. These regulations, if approved today, are the secondary step that Parliament will take to agree the additional borrowing powers if—and only if—they agree the debt cap with the Treasury.

Michael Fabricant (Lichfield) (Con): The Minister rightly mentioned Andy Street, the Mayor of the West Midlands, who I know will welcome these powers. I have no background in local government whatsoever, so I would like to know this: how will the interest rates for the borrowing be determined, and from whom will the combined authorities borrow? Will they borrow from the Treasury or from commercial organisations? What supervision will there be on the rates of interest?

Jake Berry: I was beginning to worry about my hon. Friend, because he did not jump up to intervene the moment I mentioned Andy Street. The Mayors are free to borrow the money, if it is under the borrowing cap, from anyone they choose. My guess is that they are most likely to borrow from the Public Loan Works Board, which at the moment has an interest rate of 1.91% for a five-year loan. My hon. Friend will understand that the rate changes over time—the Bank of England is rightly independent of Government and will set future rates. The borrowing powers are subject to an overall borrowing cap, to be agreed with the Treasury, for either two or three years, or perhaps for longer in future, and they are covered in the same way as every local authority is now by the prudential borrowing regulations. Not only will they have to remain within their borrowing cap, but they will have to comply with the prudential borrowing regime, if the Committee accepts these regulations.

Yvonne Fovargue (Makerfield) (Lab): Any proposed borrowing is subject to the unanimous consent of all the constituent councils. If there is complete deadlock, is there any mechanism to allow an impartial person to step in and resolve any disagreement?

Jake Berry: These borrowing powers are intended to give effect to the desires and hopes that the Mayor will have set out in his manifesto, so it is up to the local authorities to agree and back their Mayor. There are currently no proposals on how to break a deadlock, although we would look to Mayors to provide local leadership. For example, Andy Burnham, who is the nearest Mayor to my constituency, covers both Conservative and Labour authorities, but he has been able—with some political skill, I think—to persuade them all, including Conservative-controlled Trafford Council, to back his plans to drive forward the economy of Greater Manchester. I fundamentally believe in democracy. I believe that Mayors have a huge mandate from the population they represent, and I think that local authorities should back that mandate. Of course, local authorities have their own democratic mandate, to ensure that the

Mayor is not wasting money and is considering all parts of the combined authority when he makes decisions—I keep saying “he” because currently all of them are men, but I hope that will change shortly.

Each mayoral combined authority has a bespoke set of powers, depending on the devolution deal agreed with the Government and subsequently legislated for by Parliament. The regulations allow different borrowing powers for each mayoral combined authority, reflecting the fact that each of them has slightly different powers. Each has agreed a debt cap with the Treasury, and therefore we have the necessary assurance that the proposed borrowing powers will be used appropriately.

Under the Local Government Act 2003, local authority borrowing is regulated by the prudential borrowing regime, which stipulates that a local authority can borrow lawfully only if it can demonstrate that servicing and repaying the debt is affordable. As my hon. Friend the Member for Lichfield suggested, we must be absolutely sure that any money borrowed is affordable, and the prudential borrowing regime will ensure that it is. As mayoral combined authorities are currently defined as local authorities for the purposes of legislation, they will be subject to the same rules, providing all necessary safeguards. The 2003 Act also provides that combined authorities have a power to borrow for transport purposes. The Cities and Local Government Devolution Act 2016 amended the 2003 Act to provide for the Secretary of State to make regulations extending a combined authority’s power to borrow for other specified functions in addition to transport.

In conclusion, these regulations extend borrowing powers to enable the six mayoral combined authorities to borrow in relation to all of their existing functions, as agreed in their devolution deals and announced in the 2016 autumn statement. The combined authorities have each agreed debt caps with the Treasury and are subject to the same prudential borrowing regime as all councils. We are therefore seeking parliamentary approval to make the regulations. As we approach the first anniversary of the election of the six Mayors for the combined authorities, I think this is a crucial next step towards ensuring that each Mayor has the powers they need to drive forward economic growth in their area. I therefore commend the draft regulations to the Committee.

6.11 pm

Yvonne Fovargue: We obviously welcome the regulations, because they introduce the borrowing powers that will support the combined authorities to better deal with businesses and communities. Despite the positive progress made by the combined authorities in the first year, only two devolution deals have been announced in the past two years, and the longer it takes to get the deals, the longer other parts of the country will have to wait to benefit from these opportunities.

Therefore, when will the Government engage in an honest debate about the best form of governance to enable thriving local economies across the country, including the non-metropolitan areas, ensuring that the inclusive growth is not lost? That would be aided by further detail on the proposals for a common devolution framework. Will that be coming before the House shortly?

6.12 pm

Jake Berry: I thank the hon. Lady for her comments. With regard to the two devolution deals that we have agreed, I am hugely excited that the South Yorkshire devolution deal will proceed. It means £1 billion of new money going to the people of South Yorkshire. Having spent three years of my life living in Sheffield, I know that the area will benefit hugely from that new Government investment. I am pleased that it has now been agreed, despite the local authorities being deadlocked for an extended period of time. It seems that agreement has now broken out.

I am also pleased that we are going to have a North of Tyne devolution deal, subject to all relevant legislation being passing in due course. That is a real opportunity for the north-east. I think that devolution represents a new golden age for the north-east of England, and a new golden age of relations and respect between Government and the region. As we look ahead towards Brexit, the north-east, which is the only net exporting area of England, carries a lot of hope for our country. I hope that businesses such as Nissan and the fantastic manufacturers in the north-east will play their part in creating a global Britain that can trade with the world.

With regard to further devolution deals, it is a Conservative manifesto commitment to bring forward a devolution framework for the rest of England. We continue to work on that, because determining what devolution should look like outside our metropolitan areas is extremely complicated. But I want to make it absolutely clear that we stand by our commitment that areas that are largely rural will be under no obligation to have a Mayor. That has often been the sticking point with other devolution deals that the Government have sought to negotiate, such as the one in Lincolnshire, where there was no common agreement. I hope that the change in Government policy, as set out in our manifesto, will enable us to unlock devolution in other areas.

Finally, I am very proud to be part of a Government who, for the first time ever, have taken significant power, influence and, yes, money from London and the centre here in Westminster and returned it to the people of our regions. We remain one of the most over-centralised countries in Europe. I hope that through this devolution agenda, and through the regulations we are discussing today, we can seek to reverse that trend. Over 60% of my constituents in Rossendale and Darwen voted for Brexit, and they did so because they believe that too much power is concentrated not only in Brussels, but here in Westminster. My own view is that the golden thread of Brexit is about people in Lancashire, Yorkshire and the north-east, and everywhere else in the country, taking back control of their lives. As we bring powers back from Brussels, they should not necessarily stop here in Westminster.

The Chair: I think that I gave the Minister some leeway, after he wandered off-piste.

Question put and agreed to.

6.16 pm

Committee rose.

