

PARLIAMENTARY DEBATES

HOUSE OF COMMONS
OFFICIAL REPORT

Second Delegated Legislation Committee

DRAFT DEVON AND TORBAY COMBINED
COUNTY AUTHORITY REGULATIONS 2024

DRAFT GREATER LINCOLNSHIRE COMBINED
COUNTY AUTHORITY REGULATIONS 2025

DRAFT HULL AND EAST YORKSHIRE COMBINED
AUTHORITY ORDER 2025

DRAFT LANCASHIRE COMBINED COUNTY
AUTHORITY REGULATIONS 2024

Tuesday 21 January 2025

No proofs can be supplied. Corrections that Members suggest for the final version of the report should be clearly marked in a copy of the report—not telephoned—and must be received in the Editor’s Room, House of Commons,

not later than

Saturday 25 January 2025

© Parliamentary Copyright House of Commons 2025

This publication may be reproduced under the terms of the Open Parliament licence, which is published at www.parliament.uk/site-information/copyright/.

The Committee consisted of the following Members:

Chair: DAVID MUNDELL

- | | |
|--|--|
| † Brash, Mr Jonathan (<i>Hartlepool</i>) (Lab) | † McMahon, Jim (<i>Minister for Local Government and English Devolution</i>) |
| † Campbell-Savours, Markus (<i>Penrith and Solway</i>) (Lab) | † McAllister, Douglas (<i>West Dunbartonshire</i>) (Lab) |
| † Charters, Mr Luke (<i>York Outer</i>) (Lab) | † Simmonds, David (<i>Ruislip, Northwood and Pinner</i>) (Con) |
| † Cocking, Lewis (<i>Broxbourne</i>) (Con) | † Slade, Vikki (<i>Mid Dorset and North Poole</i>) (LD) |
| † Cooper, John (<i>Dumfries and Galloway</i>) (Con) | † Smith, Rebecca (<i>South West Devon</i>) (Con) |
| † Cox, Pam (<i>Colchester</i>) (Lab) | † Uppal, Harpreet (<i>Huddersfield</i>) (Lab) |
| † Dixon, Anna (<i>Shipley</i>) (Lab) | † Yasin, Mohammad (<i>Bedford</i>) (Lab) |
| Farron, Tim (<i>Westmorland and Lonsdale</i>) (LD) | William Opposs, <i>Committee Clerk</i> |
| † Gilbert, Tracy (<i>Edinburgh North and Leith</i>) (Lab) | † attended the Committee |
| † Kitchen, Gen (<i>Wellingborough and Rushden</i>) (Lab) | |

Second Delegated Legislation Committee

Tuesday 21 January 2025

[DAVID MUNDELL *in the Chair*]

Draft Devon and Torbay Combined County Authority Regulations 2024

9.25 am

The Minister for Local Government and English Devolution (Jim McMahon): I beg to move,

That the Committee has considered the draft Devon and Torbay Combined County Authority Regulations 2024.

The Chair: With this it will be convenient to consider the draft Greater Lincolnshire Combined County Authority Regulations 2025, the draft Hull and East Yorkshire Combined Authority Order 2025 and the draft Lancashire Combined County Authority Regulations 2024.

Jim McMahon: It is a pleasure to serve under your chairmanship this morning, Mr Mundell. Regulations were laid before Parliament on 26 November 2024 for Lancashire and for Devon and Torbay. The Hull and East Yorkshire Combined Authority Order 2025 was laid before Parliament on 4 December 2024, and the Greater Lincolnshire regulations on 11 December 2024. Although I recognise that combined authorities and combined county authorities are distinct legal bodies with different enabling statutory instruments, I hope Members will be content for me simply to use the term “the combined authorities” hereafter, unless there is a specific reason to separate them out.

To deliver on our manifesto commitment, in December 2024 the Government published the “English Devolution” White Paper, which sets out how the Government will widen and deepen devolution across England as part of our central mission to drive economic growth and improve living standards. These instruments are part of fulfilling the mission to move power out of Westminster and back to those who know their areas best. They are significant milestones in the devolution journeys of these four areas. The instruments provide for the implementation of the devolution agreements confirmed on 19 September 2024 between the Government and upper-tier councils in each of the areas concerned. On 18 November 2024, all the respective constituent councils consented to the making of these instruments.

The combined authority order will be made, if Parliament approves, under the enabling provision in the Local Democracy, Economic Development and Construction Act 2009. The three sets of combined county authority regulations will be made, if they are approved, under the enabling provision in the Levelling-up and Regeneration Act 2023. All four authorities will be established on the day after these statutory instruments are made. The Greater Lincolnshire combined county authority and the Hull and East Yorkshire combined authority have chosen to adopt a mayor for their authorities, with the inaugural elections taking place on 1 May this year. The

elected mayors will take up office on 6 May, with a four-year term, and will take up their seats on the Council of Nations and Regions.

The statutory instruments make provision for the Government’s arrangements for combined authorities. Each authority has specific arrangements, enabled by either the 2023 Act or the 2009 Act and set out in these establishing instruments. In each case, the constituent councils nominate one or more of their members to form the combined authority, sitting alongside the mayor where one is being adopted. District council representation and input into the combined county authorities is determined locally within the framework provide by the 2023 Act. I know from conversations with local leaders, and through commitments they have made, that district councils will play a key role in ensuring the success of devolution in those areas.

The instruments confer public authority and local authority functions on the respective combined authorities, as agreed in their devolution agreements and set out in each area’s proposals. To accompany the order, we have laid before Parliament a section 105B report, as required by the 2009 Act; and we have laid before the House a section 20(6) report for the regulations, as required by the 2023 Act. The reports provide details about the public authority functions that are being devolved to these authorities. They include powers over transport and Homes England concurrent regeneration functions, as well as mayoral development corporation functions for the mayoral combined authorities. Additional funding will be available to the areas through the adult skills fund, which will be devolved to the combined authorities from the ‘26-’27 academic year, as well as education and skills functions.

The Department for Education will work with the combined authorities to support their preparations and ensure that they meet the necessary readiness criteria, and we will legislate in due course when the Secretary of State for Education is assured that they are operationally ready and is satisfied that the required statutory tests have been met in each area.

As provided for in the enabling Acts, the constituent councils consulted on the proposals to establish the combined authorities based on their devolution agreements. Those consultations took place between December 2023 and March 2024 for periods of either six or eight weeks. Councils promoted the consultations using social media, communications campaigns, dedicated websites, and online and in-person events with the public. The councils also undertook targeted stakeholder engagement with businesses, the voluntary sector and key institutions in their areas. Responses could be made online via their website or email, on paper via the post or at dedicated events or collection points such as local libraries.

I can report that the necessary statutory requirements under the 2023 and 2009 Acts have been considered, and that the authorities preparing the proposals have provided the Secretary of State with a summary of the consultation responses when submitting their proposals to the Government in spring 2024.

Lewis Cocking (Broxbourne) (Con): I draw attention to my entry in the Register of Members’ Financial Interests. Some of the areas that we are looking at are still two-tier areas. Will the Minister outline the

Government's approach? Can two-tier areas create combined authorities, or is it the Government's ambition that new combined authorities will be created only in areas that are wholly made up of unitary councils?

Jim McMahon: The hon. Gentleman makes a good point about how we manage the transition from where we are today to the situation under the English devolution Bill when it eventually becomes law. We have broad ambitions to widen and deepen devolution, which means that we do not wish to wait for the English devolution Bill to be in place. The expressions of interest that we had had by the deadline last week showed that there is significant interest among local areas that want both reorganisation and devolution. There will be a streamlining of the process between devolution and reorganisation, in which a two-tier area could apply to become a combined county authority today and go through reorganisation, and convert to a combined authority in a single-tier system when that reorganisation has taken place. Those arrangements are transitional. Ultimately, by the time the devolution programme has finished, we expect that in most areas, if not all, the two-tier system will come to an end, with unitary councils forming that combined arrangement.

In laying the draft instruments before Parliament, the Secretary of State is satisfied that the statutory tests under the 2009 and 2023 Acts are met, namely that the constituent councils have consented to the establishment of the combined authorities, that no further consultation is necessary and that making the instruments would be likely to improve the economic, social and environmental wellbeing of some or all of the people who live or work in the area; would be appropriate, in having regard to the need to reflect the identities of local communities and to secure effective and convenient local government; and, in establishing the combined authorities, will achieve the purposes specified in the constituent councils' proposals. The making of the draft instruments will shift money from central Government to our regions, as set out in their devolution agreements. That includes capital funding for each area and mayoral investment funds for the areas that choose to adopt a mayor.

I personally thank the local leaders and their councils for their hard work and the vital role they play in making the Government's critical mission to widen and deepen devolution a reality in their areas. I commend the draft instruments to the Committee.

9.33 am

David Simmonds (Ruislip, Northwood and Pinner) (Con): It is a pleasure, as always, to serve with you in the Chair, Mr Mundell. I start where the Minister finished, with the Opposition's thanks for the work of local government leaders up and down the country, as reflected in the geographical dispersal of the draft statutory instruments that we are debating and the proposals that we know will come forward.

We are broadly supportive of the measures outlined in the draft instrument, and you will be pleased to know, Mr Mundell, that we have no intention of seeking to divide the Committee. However, I have a couple of points and questions to put to the Minister that are relevant not just to each of the instruments, but to general interest in how the Government will approach such issues in future.

The first is how we ensure that the precept that will arise for such authorities is kept within reasonable limits. Governments of all stripes have had different approaches, whether that is referendum limits on council tax or something else. However, in London, for example, there has been a huge increase in the level of the mayoral precept over the years. Council tax payers will clearly want an assurance that those precepts will not be used to backfill a shortfall in funding from central Government for things that central Government are mandating that authorities undertake. They want to know that those precepts are genuinely under local control.

It would be helpful to understand the Government's thinking on future council tax referendum limits and the expectations that they may have, or that they may have set in discussion with each of the new combined authorities, about how the precepting process will be handled, what it is intended to fund at a local level and how those who take decisions will be accountable both to local residents and to the councils that form part of the authorities.

The second thing I want to raise is how debts that may arise from the authorities will be handled. The Government have introduced several measures on combined authorities' borrowing limits and freedom to borrow. We welcome that, and it is a positive step to enable them to borrow to invest locally. However, we are very conscious that a number of authorities have overborrowed in the past.

Local authorities can access several sources of debt when they need to borrow. Historically, the public works loan board was the main source of that funding, and we all saw the significant impact when its interest rate was doubled from a modest 1% to 2% under the previous Government but one. Clearly, interest rates since that point have significantly risen, but Government can still secure debt at a much cheaper rate than individual local authorities generally can, and can make that available through the public works loan board mechanism to minimise such costs. The local government bonds agency, launched by the Local Government Association—I should declare that I am a parliamentary vice-president—is an additional source of bond funding for local authorities that wish to invest in larger scale capital projects.

In debates about local government finance and restructuring, however, many Members have expressed concern about how such debts will be handled when they are incurred as part of larger central Government capital projects—connectivity, railway infrastructure and things like that—where individual local authorities along the route may be asked to borrow to part finance elements; and when they arise through investments, particularly those that go wrong, as they sometimes sadly do.

We seek assurance that the Government have done some thinking and have identified a process, or are working on doing so, to ensure that unsustainable debt levels and long-term debt that falls over into future models of combined authority—under the local government restructuring White Paper, or under future Governments—do not become inappropriately burdensome for council tax payers.

9.38 am

Jim McMahon: I thank the hon. Member for his contribution and for his support for the measures. One thing that has stood out over quite a long period is that

[*Jim McMahon*]

belief in devolution mostly rises far above party politics. It is about a structural change in how the country is governed and where power sits. There may be differences about pace, perhaps, and about focus, and there will always be a conversation about resourcing, but Members across the House absolutely support the direction of travel that we are embarking on to take power away from Westminster and put it into the hands of those who know their areas best.

We talk often about precepts. I believe strongly that a precept is the most transparent way for taxpayers to hold to account those who spend public money on their behalf. The reality is that mayoral functions cost money. It costs money to establish a mayoral office and carry out mayoral functions. The more responsibilities and duties we devolve down—there are significant areas of competence in the White Paper—the more mayors and combined authorities will need to marshal to provide the staffing support and resource to deliver them.

There are two ways of doing that. Either we do it through a levy provided to each local authority—through what I would call the back door—that does not appear on people's council tax bills and is agreed from council to combined authority; or we do it through a precept. The benefit of a precept is that it increases transparency. It is published on everyone's council tax bill, and they know exactly what they are paying for. In terms of democracy and accountability, it makes it a lot easier for people to hold the mayor to account for the money that is being spent in their name. I accept that in broaching any idea of new taxation, we must take into consideration the fact that people are reeling from the cost of living crisis and recognise the impact of tax, but we are clear that this is not a new tax in the overall sense. This is about transparency in the tax system so that people can see where their money is really going.

The shadow Minister rightly mentions borrowing limits. We have seen examples of local authorities that have borrowed far in excess of their revenue, to the point that they are now financially unviable. We all know the local authorities in scope for that. Combined authorities will agree with His Majesty's Treasury what their borrowing cap will be, and they will only be able to borrow within that cap, providing they have the revenue to support that borrowing liability.

I have been a councillor in Greater Manchester, and I now represent it as Member of Parliament. We were able to align locally directed money, some of which was borrowing and some of which was local authority contributions, to extend the tram system. The benefit of the tram system was that it unlocked significant private sector investment, allowed central Government to align their capital programme with what we were doing locally and, importantly, had an earn-back mechanism that allowed the ticket sale revenue to be offset against loan liability. In that sense, it is a self-financing model that can grow and grow. Ultimately, the loan will be paid off, but we will always have a tram system that people will use and buy tickets for, and that will generate revenue, create jobs and be good for the economy. Providing that the HMT cap is in place, Members should be assured that it will not be excessive.

The measure is not being introduced in isolation. We are doing a huge amount on the reform of the local government pension scheme, which I and many Members believe has untapped potential for growth in this country. It is the largest pension scheme in the UK, with £400 billion, and the sixth largest in the world. I do not think we realise the benefit of it in our towns and cities for local investment as we should. If we can unlock even a small percentage of additional investment, that could be transformational. The English devolution Bill puts a duty on mayors and their combined authorities, and on pension schemes, to work together to create a pipeline of investable products.

David Simmonds: Previous Governments introduced pensions pooling. There is already a London pool, for example, where 33 London local authorities and the City of London have a pooled pension scheme. Two issues always arise from that. The pension fund trustees have a fiduciary duty in law to serve the best interests of the pensioners. Their obligation is not to seek the best investment from the Government's point of view, but to do what generates a return so that people can rely on that income when they retire. Having been involved in changing some of the regulations to allow a greater share of the pool to be invested in infrastructure, I am aware that the Treasury has always had considerable concern about that that conflict with fiduciary duty. Ultimately, if there is a shortfall, it will fall back on taxpayers in another form because of the statutory nature of the schemes.

Another issue has to do with the profile of individual pension funds. We know that the London borough of Hillingdon, which serves about two thirds of my constituency, has a much younger workforce profile than the London borough of Ealing next door. The trustees' investment intentions are therefore based on the need to serve the longer-term interests of a much larger pool of young people who will need those pensions for 50 or 60 years ahead. Ealing's pensioners are, on the whole, older, and therefore the investment intentions are different.

I would be interested to know what regulatory change the Minister has in mind to address both the conflict between trustees' fiduciary duties and the Government's intention to see this as a sovereign wealth fund, which potentially it could be; and the fact that the different workforce profiles of individual pension funds may make their pooled investment choices more challenging.

Jim McMahon: I will be careful not to stray too far from the subject, but given that I raised it, I will say that we are out to consultation on pension funds. The exact construction of the requirement to invest via pools rather than via individual pension funds is still subject to discussion. We accept, of course, that pension fund members and boards will always have fiduciary duties. The English devolution Bill does not require blind investment regardless of the consequences; it requires an investable product to be created. That is the test. Is it safe and secure, and does it provide a return on investment that can hold water? That is a requirement.

The investment pot is £400 billion, so even 5% of that—unlocking £20 billion of investment to UK plc—would be significant and could be game-changing. We need to keep that in context, but it must be approached with caution, given that in the end, the fund must be there for pensioners and future pensioners.

The legislation delivers the commitment made in the devolution agreements with Devon and Torbay, Greater Lincolnshire and Lancashire to establish combined county authorities, and to establish a combined authority for Hull and East Yorkshire. I commend the regulations and the order to the Committee.

Question put and agreed to.

Resolved,

That the Committee has considered the draft Devon and Torbay Combined County Authority Regulations 2024.

DRAFT GREATER LINCOLNSHIRE COMBINED COUNTY AUTHORITY REGULATIONS 2025

Resolved,

That the Committee has considered the draft Greater Lincolnshire Combined County Authority Regulations 2025.—(*Jim McMahon.*)

DRAFT HULL AND EAST YORKSHIRE COMBINED AUTHORITY ORDER 2025

Resolved,

That the Committee has considered the draft Hull and East Yorkshire Combined Authority Order 2025.—(*Jim McMahon.*)

DRAFT LANCASHIRE COMBINED COUNTY AUTHORITY REGULATIONS 2024

Resolved,

That the Committee has considered the draft Lancashire Combined County Authority Regulations 2024.—(*Jim McMahon.*)

9.47 am

Committee rose.

