

# PARLIAMENTARY DEBATES

HOUSE OF COMMONS  
OFFICIAL REPORT

Third Delegated Legislation Committee

DRAFT TEES VALLEY COMBINED  
AUTHORITY ORDER 2016

*Tuesday 15 March 2016*

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**The Committee consisted of the following Members:**

*Chair:* MR PETER BONE

- |   |   |
|---|---|
| † Allen, Mr Graham ( <i>Nottingham North</i> ) (Lab)                      | † Parish, Neil ( <i>Tiverton and Honiton</i> ) (Con)  |
| † Baker, Mr Steve ( <i>Wycombe</i> ) (Con)                                | † Smith, Julian ( <i>Skipton and Ripon</i> ) (Con)  |
| † Blenkinsop, Tom ( <i>Middlesbrough South and East Cleveland</i> ) (Lab) | † Solloway, Amanda ( <i>Derby North</i> ) (Con)   |
| † Cartlidge, James ( <i>South Suffolk</i> ) (Con)                         | Trickett, Jon ( <i>Hemsworth</i> ) (Lab)  |
| † Cruddas, Jon ( <i>Dagenham and Rainham</i> ) (Lab)                      | † Wharton, James ( <i>Parliamentary Under-Secretary of State for Communities and Local Government</i> ) |
| † Davies, Glyn ( <i>Montgomeryshire</i> ) (Con)                           | † Whately, Helen ( <i>Faversham and Mid Kent</i> ) (Con)  |
| Goodman, Helen ( <i>Bishop Auckland</i> ) (Lab)                           |   |
| † Griffiths, Andrew ( <i>Burton</i> ) (Con)                               | Glenn McKee, <i>Committee Clerk</i>   |
| † Lefroy, Jeremy ( <i>Stafford</i> ) (Con)                                |   |
| † Morris, Grahame M. ( <i>Easington</i> ) (Lab)                           | † <b>attended the Committee</b>   |

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

- |  |   |
|--|---|
| Cunningham, Alex ( <i>Stockton North</i> ) (Lab)     | McDonald, Andy ( <i>Middlesbrough</i> ) (Lab) |
| Lewell-Buck, Mrs Emma ( <i>South Shields</i> ) (Lab) | Turley, Anna ( <i>Redcar</i> ) (Lab/Co-op)    |

## Third Delegated Legislation Committee

*Tuesday 15 March 2016*

[MR PETER BONE *in the Chair*]

### Draft Tees Valley Combined Authority Order 2016

8.55 am

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

That the Committee has considered the draft Tees Valley Combined Authority Order 2016.

It is a pleasure to serve under your chairmanship, Mr Bone. From the outset, I should declare my interest, in every sense, in a draft statutory instrument that is an important piece of legislation for the area that I represent and the Tees Valley as a whole.

The draft order, which was laid before the House on 11 February 2016, if approved, will create a combined authority for the Tees Valley. It will be made pursuant to the provisions of the Local Democracy, Economic Development and Construction Act 2009, as amended by the Cities and Local Government Devolution Act 2016.

The Government are committed to “devolve powers and budgets to boost local growth in England”, and combined authorities are the mechanism for doing that. The process to establish a combined authority is instigated from the bottom up. It is led by the councils involved and, in this case, the proposal was made by the five constituent councils of Darlington, Hartlepool, Middlesbrough, Redcar and Cleveland, and Stockton-on-Tees. If the draft order receives parliamentary approval, the Tees Valley combined authority will be the sixth established in the past five years.

Establishing the Tees Valley combined authority is a first step in the implementation of the devolution deal agreed by the Government and local leaders in October 2015. The Secretary of State intends, subject to statutory requirements and parliamentary approval, to make further orders to implement that deal fully. Measures will include the creation of a mayor and the transfer of budgets and powers in skills and transport, as well as the establishment of the first mayoral development corporation outside London.

The draft order provides for the constituent councils to assume responsibility for economic development, regeneration and transport across the Tees Valley. It will enable the five councils and their partners, including Tees Valley Unlimited, to work together more effectively and efficiently to promote growth, secure investment and create jobs. There will be a separate order to create the position of mayor; the mayor will be elected in May 2017. Further future orders will provide the combined authority and the mayor with additional responsibilities reflective of the proposals in the devolution deal.

In laying the draft order, we have followed the statutory process specified in the 2009 Act, as amended by the 2016 Act. I confirm to the Committee that we consider the statutory tests to have been met unambiguously by the proposal, so we seek the Committee’s approval of the draft order.

In considering the draft order to create a combined authority for the Tees Valley, we have reached another significant milestone in the Government’s agenda to make a real difference to communities throughout the UK and in particular in the north of England, where we want to build and deliver on the northern powerhouse and to unlock the huge economic potential that we know exists. If the order is approved it will open the way for the five councils in the Tees Valley to work together in a formal capacity across the areas of economic development, regeneration and transport. That will empower local decision makers and will be a first step in the implementation of the Tees Valley devolution deal. I commend the draft order to the Committee.

**The Chair:** It is very good to see so many extra Members here today. I remind everyone that Members who are not on the Committee may take part in the debate, but cannot vote.

8.58 am

**Anna Turley (Redcar) (Lab/Co-op):** Thank you, Mr Bone. It is a pleasure to serve under your chairmanship.

We have always welcomed the principle of devolution in the Tees Valley, but the existing proposal is wholly insufficient for our local authorities to be able to confirm their commitment to a mayoral combined authority. They entered into the deal in good faith, as we are sure the Government did, and they are still committed to delivering it, but not at any cost. They and I do not believe that what is on the table is consistent with the vision that was signed up to last October.

The most pressing issue of concern is the single capital pot. The Tees Valley devolution deal agreed in principle gave the combined authority a flexible, multi-year settlement, providing the freedom to deliver its growth priorities, and a further allocation of £15 million per annum for 30 years.

Our local authorities were given commitments that they would be given details of the funding streams to be included after the autumn statement. That did not happen. They were then promised the same by Christmas. They raised the issue of the lack of progress on the single capital pot with the Minister with responsibility for the northern powerhouse in January. Incredibly, they have still not had confirmation of what will be included in the pot and when it will come to the combined authority.

A letter from the Department for Communities and Local Government was received on 4 March, setting out that, initially, the single pot will consist of three funding lines: the investment fund, the devolved transport grant and the local growth fund. Those will be joined by the adult education budget in 2018-19 and can be augmented by local revenue streams, such as the future mayoral business rate supplement.

That, I am afraid, is completely unacceptable and not what was signed up for. Two of the three funding streams—the devolved transport grant and the local

growth fund—are already devolved to our local authorities, and the third is the £15 million per annum that was already agreed in October.

In the Tees Valley, there are five local authorities with a long and successful record of working together. They have a mature, robust partnership with the local enterprise partnership, which has a 10-year track record of delivery, and they are committed to making the devolution agenda work. By acting like this, however, the Government are stretching their patience.

We must put this proposal in the broader context of cutting £90 million over 10 years from Redcar and Cleveland alone and the Government's abject failure to intervene and save SSI jobs. That is on top of the proposals to make public services totally dependent on locally raised funds, when we have just lost more than £10 million in business rates a year from the closure of SSI. The Government are also continuing to peddle the myth of the northern powerhouse while, in reality, investing to support more development and growth in Tory heartlands.

Our local authorities have tried to enter into this with a positive, constructive spirit, but their patience is wearing thin.

9.1 am

**Mr Graham Allen** (Nottingham North) (Lab): It is a great pleasure to serve under your chairmanship, Mr Bone. I strongly welcome this statutory instrument and hope that other people throughout the English regions—and particularly in Nottingham, Derby, Nottinghamshire and Derbyshire—seize the opportunity that the Government have offered to devolve power. None the less, as my hon. Friend the Member for Redcar has pointed out, important details on a number of other issues need to be resolved, and I believe that the Tees Valley combined authority will be a very good vehicle for adding extra muscle to make sure that the inequalities that undoubtedly exist—and which have, in some cases, been exacerbated by the Government—can be ironed out. I hope that the Minister, given his location geographically, will take this vehicle very much to heart and ensure that this combined authority, as much as any other, works effectively to deliver things that people in the local area need, and particularly the grant aid to which my hon. Friend referred.

We should say, using our political judgment, that this is probably the second such piece of legislation, after the Scotland Bill, to come before both Houses, and therefore, it is in my view a demonstration of the Government taking devolution seriously. Those who are critics of devolution in general should understand that if a Bill becomes an Act early in a Parliament, there is plenty of room in a five-year Parliament for further devolution Bills to come forward. I therefore urge my very good friends who will make up the Tees Valley combined authority collectively to work together to help Government frame the next devolution Bill, and the one after that, that will come before a general election in 2020. This is the first important step on a long path, as the Tees Valley combined authority—the TVCA, as we will no doubt come to call it—make its progress.

I pay tribute to the leadership that has been shown in Tees Valley; Bill Dixon in Darlington, Chris Akers-Belcher in Hartlepool, David Budd in Middlesbrough, Sue Jeffrey

in Redcar and Cleveland, and Bob Cook in Stockton-on-Tees have done a superb job in pulling this together. I know from the experience in the east midlands how delicate and sensitive such discussions are, but it looks, from the outside at least, that these were conducted in a really positive, creative and imaginative way.

**Andy McDonald** (Middlesbrough) (Lab): My hon. Friend is absolutely right to recognise and commend the excellent work of the five authorities across Tees Valley. They have worked consistently in a collaborative and collective way for long enough, and I welcome that this combined authority will underpin that. My grave concern is the lack of funding that follows it. Addressing the issues of transport, economic development and regeneration functions with the sort of sums that this Government are talking about is frankly, insulting, and rather than propelling us forward, this may do worse and set us back. Does he recognise that there are inherent dangers in the financial settlement?

**Mr Allen:** There are difficulties that will need to be negotiated. A forceful Tees Valley combined authority will add to the individual efforts of local authorities to make sure that this is properly funded. I hope that the mechanisms the Minister outlined will be used effectively to listen to those questions. I am very conscious of one thing that has been strongly on our agenda in this place—namely, the steel closure that has ruined a community. My hon. Friend the Member for Middlesbrough South and East Cleveland is a member of this Committee and might want to say something about that. It would be a travesty if this authority cannot be seen to deliver something on that. It is almost a test to make sure that the authority is seen in a good light. My hon. Friend has been foremost in the campaign to save the steelworks, so I will give way to him with pleasure.

**Tom Blenkinsop** (Middlesbrough South and East Cleveland) (Lab): I thank my hon. Friend for giving way. SSI is a key issue and we hope that the combined authority will work on that, although its powers are somewhat limited at the moment, but we want to build on that—my hon. Friend mentioned future devolution Bills. However, the economic issues in our area and covered by the TVU umbrella are not just to do with SSI. There are also the events happening at Boulby potash, the stalling at Air Products, the closure of Caparo, two tax offices that are scheduled to go—on top of other downstream jobs. As a local MP, the Minister has been pretty weak in mentioning those. In fact, he has refused to speak about them on many occasions.

**The Chair:** Order. Interventions are supposed to be short and to the point. I am not sure that that was either.

**Mr Allen:** Or they can number more than one. I am happy to take further interventions from colleagues who have serious tests to raise about how the Government are taking this forward. As the Minister knows, in principle I am totally committed to this, and future, devolution—but it undermines all of us who believe in that concept if it does not deliver stage by stage, however modestly. It must be seen to deliver for people in the area. Otherwise the same old arguments flow in: "Yet

[Mr Graham Allen]

another structure of government”, and so on. This structure of Government needs to be given life and to prove its worth, swiftly. I know the Minister is aware of that.

**Andy McDonald:** Does my hon. Friend agree that the Government’s record speaks to these issues? My hon. Friend the Member for Middlesbrough South and East Cleveland makes a valid point. We are addressing the prospect of devolution and a northern powerhouse, yet our received wisdom is a history of job losses and failures, and of the Government failing to intervene. Does my hon. Friend agree that we are entitled to be circumspect about the continuous promotion of this as jam tomorrow?

**Mr Allen:** My hon. Friend hits the nail on the head. This authority, and the Government’s whole concept of devolution, needs to deliver—and deliver speedily. The general competence around who does what—whether it is central or local government—is a serious issue. Local government used to be a jewel in the crown; it was where the real decisions were made, locally. One thinks back to the London authority, the Birmingham authority and many local authorities who ran their water, gas and electricity supplies, their transport and their cleansing—which was particularly important in the days I am talking about. Local government has been reduced to a subservient holder of a begging bowl, asking for crumbs, when serious things happen locally that only sensitive, dynamic local government can answer effectively. That is what devolution seeks to build, and the perpetuating of the begging bowl mentality has to finish. I hope that devolution can deliver that and that the Government push devolution on, which was not done, sadly, when we had our spell in government. I know you would bring me to order, Mr Bone, if I went over old ground about how the north-east referendum took place four years after the momentum of Scotland and Wales.

**The Chair:** Order. Just to help the hon. Member, it is my style to allow Members to talk more widely in context, as I think the hon. Member is. However, we do not want to have a debate, for instance, on the steel industry, as important as it is.

**Mr Allen:** You are absolutely right, Mr Bone, as always in the Chair. There are colleagues, of course, who will see the future of the steel industry as one of the tests of a new set of machinery of government. If it fails that test, it will undermine devolution for another 20 years.

I have been here long enough to have seen the disaster wrought on devolution by the way in which we half-heartedly moved forward in 1999, 2000 and 2001. We are only now recovering from that. We are in the effort of recovery at the moment, so that has to be done well, listening to people and their concerns, whether they are about the steel industry or other areas, such as the funding stream.

On the funding stream, which is referred to in the order, it is important that local authority leaders, with their Members of Parliament, look north a little and see

what has happened on funding in Scotland, where there is assigned income tax and where a level of financial competence is a given. It is in law that they can spend a percentage of the income tax in a way that they, rather than the man in Whitehall, feel appropriate. That ultimately is the bid that has to go in from the Members of Parliament and the local authority leaders to make Tees Valley combined authority an even more powerful institution.

That is the vision that I hope they will pitch for. It is not a vision based on thin air. As we see in articles 7(2) and 7(3), economic regeneration is central to delivery in the combined authority. That is not something that has just happened, that they had a think about and just came up with. Tees Valley Unlimited has been going for six or seven years already and great work has taken place. A lot of people feel devolution must come out of thin air and deliver on day one. I remind people that the Manchester pioneers worked together for more than 10 years in a collegiate way to take things forward, and they were therefore prepared to move forward when an opportunity arose.

I should also say a word about mayoralty. I do not want to go over old ground, because the law is in place now. I again want to put it on the record, as the statutory instrument talks about the machinery of government, that the election of mayors will be far stronger in future if those mayors are put in place by the people in the area they seek to represent. The imposition of a mayor almost guarantees a reaction and a view that it is Whitehall talking devolution but imposing a political system.

Mayoralty should be one of many possibilities on a menu. I hope that the statutory instruments and devolution that follow this order will give people a choice, possibly even to change from a mayoralty to something else. Those who do not have a mayoralty would be allowed to join the party, possibly try it or many of the other systems, whether committee or leadership based, that will have local resonance and legitimacy.

If we impose, all we are doing is turning devolution into decentralisation, which is something that can be given by and taken away by the centre. I know that is not what the Minister intends, but imposing the mayoralty on combined authorities means that that might be the outcome. None of us wants that who wants devolution and genuinely independent local government with a statutory right to exist on its own terms, built into a constitutional settlement so that local government can look after itself, have its own legitimacy, and decide its financial arrangements, governance and local election system with its people. That is what is commonplace in most European and north American countries. We are the people dragging at the heels of that development in democracy. The order allows us to start a journey toward creating independent local government that can follow its own view and that of its people about what is best in their locality.

The order contains a power under section 117 of the Local Democracy, Economic Development and Construction Act 2009, as amended, and paragraph 3.1 of the explanatory memorandum discusses the possibility of the Minister amending some of the proposals. People have read it and said that it is draconian, because he could take away some of the things agreed. I would rather look at it the other way around: the power allows

the Minister, when he and Whitehall are satisfied—whether or not I like it, that is the system that we have at the moment—to go further and to amend the rules before us to enable some of the things that colleagues have discussed to happen.

Again, as a demonstration and test of the power, I hope that the first time the Minister uses it, he does so in such a way that colleagues on the ground know that he has done so to enable local authorities and the Tees Valley combined authority to do something positive that people in the area want to do. If he uses it for the first time to constrain a local authority and change the rules, it will send a very bad signal. I hope that he will go away with his local knowledge—and, I am sure the friendly relations he has with colleagues—pick up one of the key issues, maybe the steel plant, or maybe something else, I do not know, and say, “I’m going to use that amending power to enable you to do one of the things that you really want to do, because you can’t do it under the current SI. I’m going to take what could be a draconian power and make it into a demonstration of what can happen in the next devolution Bill that comes before us.”

The other thing to which I draw the Committee’s attention is the order’s relationship with the Standing Orders of the House of Commons, particularly Standing Order No. 83P, which deals with devolved legislative competences. It basically says that what we are doing in England is coming pretty much into line with Northern Ireland and the Assembly, Scotland and the Scottish Parliament and Wales and the Welsh Assembly. That is a good thing in itself, but I have one thing to add. If we are effectively making Whitehall the competent authority for the whole of England, thought needs to be given to the broader democratic representation that should take place across England.

That is a big issue. I will leave it open, Mr Bone, in case you call me to order once again, and say something a little more precise. It is incumbent on the Minister and the Government to consider where power then stops. I congratulate the Government on what they have done in pushing power to town halls and devolved authorities such as the Tees Valley combined authority, but I ask him again to use his amending power to consider what happens on what we now call double devolution. If power just stops at the town hall or the authority, it could be argued that we come to a dead end. Fundamentally, devolution means involving people in the localities. It means taking it beyond what the Scottish National party has done in Holyrood.

**Glyn Davies** (Montgomeryshire) (Con): We must be cautious and acknowledge that devolution does not always deliver power closer to the people. To take what is happening in Wales as an example, power has been devolved to local authorities and immediately snatched in by the Welsh Assembly. Recently, a power over planning was given to local authorities across England and Wales, and on the same day the Welsh Assembly took that power to itself. It does not always work out in the way we want.

**Mr Allen:** It is marginally better to be abused by the Parliament or Assembly of your country than by Whitehall—but only marginally. I agree with the hon. Gentleman that there has to be a second phase.

Communities, neighbourhoods and localities need to have a power vested in them, which they can draw down and use the courts to enforce. In Scotland, if power stops in Holyrood under the Scottish National party, as it undoubtedly has, we are no better off. Indeed, in Scotland we have seen power being sucked up, and I would hate the statutory instrument to repeat that in England. For example, in Scotland one police force has been established—one LEP effectively—and Holyrood exercises an overarching dominance over further education. The power is being sucked upwards.

Using the power vested in the Minister, the statutory instrument needs to provide the ability to say initially, “Before I sign any more orders off, I need to know what your double devolution plans are. We are not going to sign any more off until we know how you push power down rather than just devolve it to town hall.” I would go further and say that this is one of those things that needs a national framework. National rights must be vested in localities, communities and neighbourhoods so that they have the strength to draw the power down in a way that they would be unable to do in their own locality because of the dominance of their local government. That refers, Mr Bone, to paragraph 3.6 of the explanatory memorandum—I know you are keen that we stay in order.

Finally, I refer briefly to the powers mentioned in part 4, article 7(1), which relate to economic regeneration and regeneration in the localities. Part of that process concerns how power goes lower than local government as it is currently constituted and down into the localities. These days, regeneration often takes place at a local level, inspired by charities, the voluntary sector, local councillors and people who are up against particular problems and self-organise. They all need to have a place in economic regeneration. That might be difficult when trying to replace a steel plant, but certainly for estates up and down the land outside London that have been hit by manufacturing issues, we need genuinely to empower people and not just local councils, and not have rule from the town hall rather than from Whitehall.

The measure we are considering today must be just the first step of many. I encourage the people in the Tees Valley combined authority to get together and use their first meetings to pitch hard to the Minister, who lives locally, to ensure that he understands what they want on the next menu of powers, which will certainly come within the next couple of years. If we have a coherent programme, we all, including the people of Nottingham, will benefit from that example.

9.23 am

**Alex Cunningham** (Stockton North) (Lab): It is a pleasure to serve under your chairmanship, Mr Bone, bright and early this Tuesday morning. It is a particular pleasure to follow my hon. Friend the Member for Nottingham North, given his vast knowledge of constitutional affairs and devolution. I strongly agree about the importance of devolving power all the way down to communities.

The proposal for a Tees Valley combined authority pre-dates negotiations on devolution for the Tees Valley, but although the debate is about the establishment of the combined authority, there is a clear link, as the Minister has said, to the devolution deal.

[Alex Cunningham]

As my hon. Friends the Members for Redcar and for Middlesbrough have said, the Tees Valley authorities have a long and successful history of working collaboratively, not least on economic growth in the sub-region. There is also a strong history of working with the private sector, and since 2012 a key vehicle for doing so has been the LEP, Tees Valley Unlimited. Believe you me, Mr Bone, it could teach other LEPs a few lessons about how to do business properly.

I support the measures being proposed today, which formalise what has been happening for years, although I question where the added value will come from. That is not because I do not have confidence in the leaders of our Tees Valley authorities; they have great ideas, and the ability and the will to make this change, if they are granted the powers and resources to do so. My mother used to say to me, “If is a very small word, with a very, very long meaning”, and it certainly has, because it is those resources for the combined authority that I worry about.

Additional funding is good news for the Tees Valley and it should be welcomed, if—that small word again—with some caution. Devolution could bring real benefits to the area, if it results in an additional £15 million a year under the devolution deal that the combined authority will be responsible for. However, context is all-important. Combined authority measures come at a time when Tees Valley’s five local councils have seen their budgets cut by nearly half in the last five years, and they still face further huge cuts that are worth considerably more than £15 million.

Ministers have come up with a big number in the devolution deal by agreeing to a 30-year deal, which, in reality, could mean little beyond the life of the current Government. The Minister and I share the borough of Stockton-on-Tees; we represent the entire borough between the two of us. Stockton Borough Council is just one of five Tees Valley authorities that will make up the combined authority. It has faced cuts to funding of £52 million in the last six years, and that process is set to continue as elected councillors grapple with further reductions of £21 million over the next four years, bringing the overall deduction in Government funding to £73 million, which is a cut of 61% in the revenue support grant over the 10 years to 2019-20. That is £14 million worse than previously expected.

Claims that Stockton Borough Council will have the same or greater core spending power by the end of the Parliament as it has this year fail to recognise that the model being used assumes that reduced Government funding can be replaced with year-on-year council tax increases. It also assumes that Stockton Borough Council will apply the Government’s new social care levy every year for the next four years, while also assuming the building of 1,600 new houses every year for the next four years. Constructing 6,400 new homes in that period—just in Stockton and not across the whole of the combined authority area—looks extremely optimistic, when the current and recent growth is around 450 homes per year, which is much less than the target.

If that is the Minister’s intention for Stockton, which is only one of the councils in the combined authority, will he spell out why he believes that the formalised

combined authority will achieve the vision he has for the area? Also, can he tell us what additional resources, over and above the £15 million a year, will be available?

We desperately need to see the Government commit to fair funding for the individual and combined authorities within the Tees Valley, but fairness does not appear to be on the agenda. Tory MPs who were alarmed that their areas might soon see cuts similar to those imposed on the rest of the country threatened to vote down the Government’s plans, until the Secretary of State for Communities and Local Government announced a £300 million transitional grant, without confirming where the extra money is coming from. However, authorities such as Stockton, which have faced the highest and most prolonged cuts since 2010-11, did not receive a penny of additional funding from the Government’s new £300 million transitional funding grant, and neither did the other authorities that will make up the Tees combined authority. The Minister and I have our differences, but I would have thought that a Tory Minister within the Department could achieve something for our own local authority.

It is not fair that some 83% of transitional funding will be allocated to Conservative-led local authorities. Leafy Surrey, one of England’s wealthiest shires, was gifted a handout of £24 million, despite suffering far fewer cuts than our area. The Prime Minister’s county council in Oxfordshire received £9 million. That is why north-east MPs have asked the National Audit Office to examine just what criteria have been used to gerrymander the distribution of those vital funds.

As I said earlier, I support the creation of the formalised combined authority for the Tees Valley, but there are many questions to be answered about what that authority can achieve in the face of reduced budgets and new funding arrangements that will leave it dependent on development that will be hard to achieve.

I am an optimist by nature, so I hope the Minister will be able to outline what he honestly believes will be the extra that will be achieved as a result of these measures.

9.30 am

**Mrs Emma Lewell-Buck** (South Shields) (Lab): It is a pleasure to serve under your chairmanship, Mr Bone, and to follow all my hon. Friends from the north. The Opposition believe that combined authorities and devolution, both of which were trail-blazed by the previous Labour Government, can bring many benefits, not least a more co-ordinated approach to local government and services. We are therefore fiercely proud of our Labour-held councils in the north that have come together in these times of savage and disproportionate cuts to do the very best for their local population. That is exactly what the five councils and the LEP in the Tees Valley have done.

However, that is where the similarities between the Opposition and the Government end. The five councils in the Tees Valley that have come together in a shadow combined authority to enable devolution to take place have done so after suffering combined cuts of £243.2 million since 2010. It is shameless that the Government awarded transitional funding to more affluent councils just to buy off their Back Benchers and ignored areas such as Tees Valley, as my hon. Friend the Member for Stockton North said.

The devolution deal for the Tees Valley offers £15 million, but £15 million for a loss of more than £200 million is hardly much in the way of compensation. Will the Minister explain why his Government feel that that is enough fiscal devolution for an area that has been hit by significant unemployment, compounded by his Government's failure, despite the gallant efforts of my hon. Friend the Member for Redcar, to save the SSI steelworks, and the job losses at Boulby potash?

Eventually, the combined authority will have responsibility for education, skills and employment devolved to it. It is of course right that local areas are enabled to match local skills to employers and grow the future workforce, but that is against a backdrop of a Government-led further education review that will undoubtedly see the closure of further education colleges, which are the very places that would provide those vital skills to the future workforce. How on earth can the Minister reconcile the threatened closure of local colleges with the devolving of education, skills and employment?

Another key factor in the economic development of any area is transport. Connectivity and good transport links are vital for any area and the Minister knows as well as I do that the north-east has suffered from underinvestment in transport in recent years. He will know well the fact often cited by the Opposition that while £2,700 per head is spent on transport in London, a paltry £5 is spent in the north. It is good to see that transport functions will be delegated to the combined authority, but I have a concern about the devolution of central funding. That process will be pivotal in allowing the Tees Valley to plan and execute transport plans that benefit its community, but those funds are subject to the next spending review, so there is a level of uncertainty. What assurances can the Minister give that funding will be adequate? When does he expect an announcement on that will be forthcoming?

As elsewhere, there is a lot of local frustration about the Government's insistence on an elected mayor, and rightly so when in Tees Valley the mayor will be able to act autonomously. Will the Minister clarify exactly which powers the Mayor will be able to exercise autonomously?

The order makes no provision for the creation of a directly elected mayor despite that having been forced into the Tees Valley devolution agreement. Neither the public nor the five councils want an elected mayor. The provision of a mayor, though integral to the workings of a combined authority, is being kept separate from the discussion, which adds to the opaque nature of the process we have witnessed throughout all the Government's devolution deals. One hinges on the other, so it is confusing—in fact it is misleading—to separate the two things. Given that the mayor will be the chair of the combined authority, can the Minister explain why there is no mention of them in the order, considering that it is about establishing the combined authority?

The Government say that an elected mayor ensures strong democratic accountability, yet the public were not involved at all in this matter—the public consultation did not even mention the election of a mayor. In fact, the Government have no convincing public mandate for their proposals. Just 11 representations from local residents were received by the Government on the proposals for a combined authority yet the council's consultation, despite being over the busy Christmas period, was far more

robust and received far more responses. I wonder what the Government are doing wrong in their consultation with local people.

I and others have growing unease about some of the tenets of the Government's combined authority devolution agenda. Our local leaders and councillors have taken what is on offer because it would be neglectful not to take any powers that could enable them to improve the lives of their local population and communities, but the Government, as always, seem to be saying one thing and doing another. They are devolving cuts and services they have decimated so that they do not need to be held to account for the damage they have done, and they are showing total reticence in actually delivering anything that they have promised to local areas.

Just yesterday, the leaders of the Tees Valley combined authority wrote to the Chancellor expressing serious concerns that promised progress on the proposed deal has not been forthcoming. There is a real sense of disillusionment. In the letter they state that

“we do not believe that what is now on the table is consistent with the vision that we or you”—

not you, Mr Bone, but the Chancellor—

“signed up to last October”.

The Government like to spout about the northern powerhouse from the Dispatch Box, but when it comes down to the detail and delivery, they have been exposed once again as being full of style over substance and opportunism over accountability.

I have one final question for the Minister. Given that much of what we have discussed today is subject to future spending reviews and future legislation, what is to stop the Government pulling the rug from underneath these areas and renegeing on the agreements and funding? Can he give us a cast-iron guarantee that that will not happen? It is worth noting that I do not wish to divide the Committee, but the Minister, his colleagues and the Government need to go away and think very carefully about some of the issues that I and my hon. Friends have raised. He is doing himself and the Government no favours if he is not prepared to come good on his word and deliver what they have promised to our local areas.

9.37 am

**James Wharton:** We have had an interesting and wide-ranging discussion. First, I commend the comments of the hon. Member for Nottingham North, who is a consistent and passionate advocate of devolution. He talked of the merits he sees in what is being done, but as is his habit on these occasions, he then talked of where he would like us to go further. I have no doubt that the broad thrust of what he said is true—this is only one more step on a very long journey—and I welcome the enthusiasm with which he engages with this subject and the expertise that he has brought to the Committee. We may not always agree on which steps should be taken in which order, but his contributions are always informative and helpful. I welcome them and thank him for making them.

That approach is one that some of the other Members here would do well to heed. At times this morning, the debate appeared to become broader—one that was of course within the remit of the order under consideration, under the guidance of your chairmanship, Mr Bone—about

[James Wharton]

local government revenue and funding settlements, but that is a separate matter. The money that comes with the combined authority—£15 million a year over 30 years, which can be borrowed against and used to drive economic growth—will be in the hands and control of local decision makers and is entirely separate from the local government settlement that individual authorities receive, whether people support them or not.

**Anna Turley** *rose*—

**Alex Cunningham** *rose*—

**James Wharton:** It is therefore a shame that so many of the comments seemed to focus on matters that are separate from what fundamentally we are here to discuss. More significantly, those comments were negatively phrased, as if Members have a lack of ambition for the Tees Valley and a lack of faith in the people of the Tees Valley to control their destiny and their future and to use the powers that devolution will give them to create economic growth.

We are entering an exciting period for the Tees Valley, and the combined authority will make a significant contribution towards further enabling that close co-operation—that working together among authorities—that already takes place in the Tees Valley. The combined authority is an important step towards our devolution deal and delivering on that commitment, but I want to see it go further. I welcome further proposals from the Tees Valley, whether that is the combined authority or local leaders, on the powers they would like to see and the future devolution deals they would like to do.

Today, we are taking a significant step in delivering on the deal that has been signed. We are committed to meeting our obligations under that deal. We are looking forward to continuing the work on taking that further, and we are always happy to work with constructive local partners who want to build the economies of their areas and who want to work hard to deliver a better future for their residents. For those reasons, I commend the order to the Committee and the House.

9.40 am

**Mr Allen:** I am getting to my feet to allow my colleagues to intervene on me, because they have some things to say. I am a little surprised that the Minister did not take their interventions. [Interruption.] I see that my hon. Friend the Member for Redcar is itching to intervene.

**Anna Turley:** I appreciate my hon. Friend giving way. I wanted to pick up the point about finance. I was absolutely shocked to hear the Minister dismiss that as if it is not even part of the debate. Discussion of the single funding pot is about what fund there is in central Government that will be devolved to local level to enable us to fulfil our potential. The Minister does the Opposition a disservice if he thinks that anyone here is lacking in ambition for Teesside. We see its potential, and we are here to fight for everything we can to enable it to succeed. Funding is absolutely at the heart of this devolved agenda. There is an amount of money which central Government or Whitehall has to spend, and we want to spend it better.

**The Chair:** Order. I remind hon. Members that they are entitled to speak again, so it is fine if the hon. Lady wants to make a speech in a little while.

**Mr Allen:** My hon. Friend made some excellent points. I would be very pleased to give way to the Minister so that he can reply in a friendly fashion to the concerns that my hon. Friend raised as a constituency Member of Parliament who will be impacted.

**Alex Cunningham:** Will my hon. Friend give way?

**Mr Allen:** Before I give way to my hon. Friend, I am very keen to allow space for the Minister to come back if he wishes to.

**James Wharton:** Allow the hon. Gentleman to intervene.

**Mr Allen:** The Minister is indicating that he might come back in at the end, which he is of course entitled to do.

**James Wharton** *indicated assent.*

**Mr Allen:** Another colleague wishes to come in here.

**Alex Cunningham:** I am grateful to my hon. Friend for giving way. It is deeply insulting to suggest that Members of Parliament who represent the Tees Valley do not have ambition for the Tees Valley. I wonder if my hon. Friend's expertise in constitutional affairs extends to finance. There is £15 million per year, so £450 million in total over 30 years. How much does he think that the local authorities could borrow in order to finance a capital programme that is probably very small?

**Mr Allen:** That is a really interesting question. I would be very pleased to talk at length—perhaps too long—about it. However, this is not about constitutional matters but democratic ones. This is about our democracy and how we re-engage people who clearly have disengaged from our democracy. Again, I commend the Government on introducing these proposals. It is very clear that this is a step forward, but there has to be engagement with people. There has to be engagement in this Committee on the issue of the long-term financial settlement between the centre and the localities. Dare I say it, if those who wish to leave the European Union succeed, then of course matters will be raised. There are some very prominent people, the Chair even, who may—

**The Chair:** Order. The hon. Gentleman knows that when I sit in this Chair, I have no views on anything.

**Mr Allen:** I am delighted: not that I talk to the media, but I am delighted to put it to the media that the Chair has no views on the European issue. I am sure that that will be front-page news tomorrow. More seriously, if we look at the way in which the localities, the centre and the regions operate in all our European neighbours or in the north American democracies, we see that there are regulated, clear, and constitutional—and I use the word “constitutional” very wittingly—bounds between the three levels of local, regional and national. We do not have that in this country. It is essential that we end up there, and that the umbilical cord of dependence is severed.

It does not mean that we do not have equalisation, to answer the question put by my hon. Friend the Member for Stockton North. It just means that people can be enabled to spend money—much less money—more sensitively and more accurately. It is in their interests to get value for money rather than just spend the money that appears in the begging bowl, whether that goes up or down. That level of responsibility and accountability will strengthen our democracy against any efforts to separate from the Union, and possibly against efforts to separate from partners in Europe.

I can only speculate on that but—more accurately and certainly more pertinently—it will mean that we have a different sort of governance in this country, which is built on solid blocks of who does what. There is a horrible European word, although I am sure that the Chair in his current capacity will say that it is neither horrible nor wonderful. I think “subsidiarity” is the most ugly word to describe the most beautiful concept, which is that people should be enabled to decide at the appropriate level what their governance is. Much of this can be done in the locality and by regional or sub-regional organisations, such as the Tees Valley authority. That is where we ought to be going on this. I am sorry for that rather long-winded explanation. I hope, unless other Members are prompted to intervene in my second speech, that I can move on and allow the Minister to engage seriously with the issue.

**Andy McDonald:** Before my hon. Friend moves on, was he as surprised as I was to hear the Minister in his opening remarks tell the Committee that this was the first of several steps in the route map to devolution and that it included financial settlement? That is the issue that concentrates the minds of many contributors today. Is he as surprised as I am that the Minister somehow now wishes to depart from that unity of thinking that sees this thing right through to what it ultimately delivers for the people of Tees Valley?

**Mr Allen:** I hope that this is the first step and that there are many others to come. I heard the Minister’s remarks challenging in a positive way those people who will make up the Tees Valley authority to come up with a menu—a shopping list—for the next round of devolution. I thought that was an incredibly generous and positive offer, and I hope it will be seized by those who are listening to our debate so that we can take this forward. That has to include further devolution of finance. We could end up being the odd one out in England.

We see progress in Scotland, where they now have assigned income tax, so their Parliament can take this forward and ultimately introduce its own spending programme. We have seen many developments in the Northern Ireland Assembly that allow it to change rates on particular items at particular taxation levels. We see in Wales a growing move towards the Scottish settlement, where Wales can look after much of what is appropriately done in Wales, which is quite right.

**Glyn Davies** *rose*—

**Mr Allen:** I take the hon. Gentleman’s point—and I am happy to give way to him—that that in itself is not enough. I have already dealt with the fact that there has

to be double devolution, so that there is not recentralisation. A large responsibility weighs on the Minister’s shoulders and those of the Secretary of State, to bring England to the party—to bring it to the devolution democracy that is commonplace in every other western democracy.

This is the first step. I am less critical than many. It has its faults and inadequacies—I have pointed out some of them—but I see it as the first baby step. I am not going to criticise the baby for making a baby step. We should encourage the Government to go along this route, because we have a five-year Parliament. The Government have the whip hand in this place. One of the ways in which we can move this forward is by having proper interaction between local authorities—between the Tees Valley authority and between Members of Parliament—so that we can introduce a second devolution Bill, which I predict will be before the House within 24 months. We can make it a Bill that takes us even further along the lines that I would like and to which my hon. Friends have alluded.

**Anna Turley:** I appreciate my hon. Friend giving way. Does he agree that if we are talking about the next steps of devolution, trust is absolutely integral to the whole process? If the five local authorities in the Tees Valley feel that trust is being broken and that agreements are already being reneged on, and that there is a lack of information, particularly on finance, that is going to be a barrier to any future devolution.

**Mr Allen:** I hope the Minister heard these concerns. They are not made out of partisanship, but out of genuine concern for what happens in the local communities. I hope that he takes steps to repair any mistrust. Similar concerns are being expressed in Nottinghamshire and Derbyshire. When we try to manage change and make a progressive step forward, a lot of people will be anxious about their own position and about their local authority. All those issues boil up.

It is for the Minister and the Secretary of State to ensure that they work incredibly hard—I know that they do and are committed to the measure conceptually—to ensure that Conservative colleagues, Labour colleagues and the populations of the areas feel involved and feel that their views are respected. That would repair the trust, which seems to me, although it is not my area, to be a little shaky at the moment, to put it moderately, so that everyone is ready for what the Minister wants to do, which is to take us on the next step of the devolution journey.

9.50 am

**Mrs Lewell-Buck:** I asked the Minister a series of relevant questions and my hon. Friend the Member for Nottingham North has raised a number of relevant points. Simply to dismiss them as irrelevant and separate from this statutory instrument is plain wrong and shows an ignorance of how all the issues are interlinked. Finance, funding and other things have an impact on local areas and will have an effect on this. I hope that the Minister will respond. To be very clear, the Opposition are supportive of devolution, but we would just do it differently. We would be far more ambitious than the Government.

9.51 am

**James Wharton:** How can I not respond? I will keep my comments brief, Mr Bone, for fear that the longer you are in the Chair in your neutral capacity, the less time you will have to contribute to the broader European debate. I would not want to keep you from that important task.

It is important to be clear about the separation of the two issues. There is the broader issue of local government funding, which is a matter that the House has discussed at some length and, I am sure, will continue to do so. There is then the issue of the funding that goes to the combined authority as a result of the deal it has entered into, which includes some of the funding streams that hon. Members have spoken about, including the £15 million a year, which will make a significant difference to the Tees Valley economy if it is used in the right way. In principle, the people who best know how to use it in the right way are those who know the economy and the area, are who are chosen locally to make those decisions.

It is absolutely the intention of the Government to meet the obligations in the deal that has been reached with local authority leaders of the Tees Valley. We are committed to doing that and we continue to work on it. The order is an important step towards delivering that, which is why I am pleased to commend it to the Committee.

**Alex Cunningham** *rose*—

**James Wharton:** I will give way, but I hope that we are then able to make progress in an area on which, actually, there is probably broad support.

**Alex Cunningham:** I am grateful to the Minister for giving way. My hon. Friend the Member for Nottingham North demonstrated that he might not be a mathematician but could the Minister tell us what value could be derived from £15 million in terms of borrowing? What would that mean for capital projects for the Tees Valley?

**James Wharton:** It is not for me to tell the Tees Valley how to use the money that would become available to it, but £15 million a year is the starting agreement. There will then be an assessment of how the money is used, with an opportunity to expand the fund. It will be for the Tees Valley to look at how it best wants to use it—whether it is to borrow or invest, and what it wants to invest it in.

The fund is £450 million over the life of the commitment that the Government have made, and there is potential to increase it when we look at how it is used and how economic growth is generated with it. Ultimately, it will be for the local authority, the combined authority and the mayor, when they are elected, to determine how it is best used. It is welcome and it is additional funding coming to the Tees Valley that would not be coming but

for the agreements that have been made and for the deal that is being done. The deal, important as it is, moves closer to completion through what we are here to discuss.

**Mrs Lewell-Buck:** Is the Minister seriously suggesting that £15 million is compensation for more than £200 million-worth of cuts? He cannot be for real.

**James Wharton:** As I have tried to explain, the Minister is trying to say that what is happening in local government spending with the need to bring down the deficit that the Labour Government left the country with—the economic disaster that we inherited in 2010—

**Hon. Members:** Move on.

**The Chair:** Order. I say gently to Opposition Members that they raised the issue, and the Minister has every right to say what he thinks.

**James Wharton:** Thank you, Mr Bone. The economic disaster that was left behind after 13 years of Labour government is something that we need to put right. We worked hard for five years in coalition to make progress towards that goal. We had a general election in which people could express their verdict on what that Government did. We are committed to continuing to bring down the deficit and to bring spending under control. However, that process is separate from the combined authority agreement and the additional funding that is coming in.

Regardless of the arguments about local authority funding, where that money should be spent and what settlements should be agreed with each local authority area, we are talking about an agreement that will deliver additional funding for the Tees Valley. That is welcome and it will help to drive growth. That is why, despite the comments that diverted somewhat from the core area that we were here to discuss—the combined authority and what it means—and despite the temptation for Opposition Members to discuss local government funding in a broader sense, what we are here to discuss is something that should be and, indeed, probably is welcomed by both sides once we cut through the smoke and noise that surrounds much of the debate.

The provision is about extra money, more powers, local control, real devolution and delivering on a deal that was agreed between local people and the Government. It will be good for the Tees Valley and for the people and the communities who work there, and I commend it to the Committee and to the House for that reason.

*Question put and agreed to.*

*Resolved,*

That the Committee has considered the draft Tees Valley Combined Authority Order 2016.

9.55 am

*Committee rose.*