

Devolution and Public Service Reform – Update

Introduction

1. The Mayor and London Borough Leaders have driven a programme of work over the last two years in pursuit of devolution and reform of public services in London. This led to the development of the London Proposition which set out practical ideas for further devolution to London in support of public service reform.
2. This report notes progress on components of the London Proposition for devolution since the Spending Review. It goes on to describe continuing negotiations and developments in relation to the individual components of the proposition.

Progress on Employment Support Devolution

3. The Spending Review announced the creation of a new Health and Work Programme. This will effectively replace the Work Programme and Work Choice from 2017. In doing so the government made the specific commitment that the Mayor of London and London boroughs will jointly commission employment support (outside the Jobcentre Plus regime), to assist the very long term unemployed and those with health conditions and disabilities to (re)-enter work.
4. Discussions relating to the development of the Work and Health Programme with DWP are on-going. Key issues include ensuring that commissioning will take place at a sub-regional level in London, the extent to which London can lead and shape the programme and exploring the possibility of securing other resources to this programme such as European Social Fund (ESF) and skills funding.
5. It may be that in the longer term further progress in this area prompts a more substantial consideration of devolved governance arrangements in the capital in order to support effective operational integration at the local and sub-regional level.
6. London government is also continuing discussions around the development of local employment hubs in London. This will deliver cost savings on office colocation. It also has the potential to provide a single front door for local and Jobcentre Plus employment support services, building on the commitments from government to increase co-location

between JCP and local authorities and to support the effective roll-out of Universal Credit and the support for more vulnerable claimants.

Progress on Skills Devolution

7. London Councils and the GLA continue to have discussions with government on skills devolution, with a view to concluding negotiations before July 2016.
8. The government has indicated that the Adult Education Budget (AEB) will be devolved to London government from 2018/19 onwards. The AEB currently amounts to approximately £400m based on 2014/15 allocations in London. London government would need to meet current statutory entitlements¹ using this funding, but would be free to create additional entitlements and set outcome measures. In addition, relevant powers² may also be transferred from the Secretary of State to the Mayor.
9. Government has set out a high level, staged process for devolution of the AEB over a three year period:
 - I. In the 2016/17 academic year localities will have the opportunity to develop delivery arrangements with grant funded providers about what should be delivered in return for allocations;
 - II. For the 2017/18 academic year, the government will work with devolved localities to vary the block grant allocation made to providers via local outcome agreements.
 - III. From 2018/19 there will be full devolution of funding. Devolution will be subject to a number of 'readiness conditions' being in place. These are set out in Appendix 1. A funding formula for calculating the size of the grant to each devolved area will be developed, taking into account a range of demographic, educational and labour market factors.
10. The London proposition proposed a two tier commissioning system for the devolution of adult skills funding – at a pan-London and a sub-regional level. Commissioning at the sub-regional level provides the opportunity to join up employment and skills activity across London.

¹ To first full Level 2 qualification, English and Maths to Level 2 and first full Level 3 for 19-23 year olds

² Under the Further and Higher Education Act 1992.

11. London Councils and GLA officers are continuing discussions with government officials on the following issues before making recommendations about any skills devolution deal:

- Making the case for sufficient administrative resources to be devolved alongside the Adult Education Budget so there can be effective management;
- Being clear on the extent of any financial risk that could be transferred to devolved areas;
- Being clear on the system requirements for managing the AEB and whether there will initially be access to any systems or services within the Skills Funding Agency (SFA).
- Ensuring that London receives a fair share of resources through any new funding methodology for the AEB.

12. The government has indicated that devolution of apprenticeships funding (where funding follows the learner) and 16-18 funding are not being offered as part of any devolution deal. However, officers will continue to discuss how London government can influence this funding in the capital, alongside adult learning loans, as part of any skills devolution deal.

Progress on Health and Care Devolution

13. On 15 December, negotiations with government concluded and two public agreements were announced:

- I. A London Health and Care Collaboration Agreement between London Partners, CCGs, London boroughs, the Mayor of London, NHS England in London and Public Health England in London
- II. A London Health Devolution Agreement between the Chancellor, Mayor of London, the Chief Executive of the NHS, the Chair of London Councils, the Secretary of State for Health, the Chair of the London Clinical Commissioning Council and the Chief Executive of Public Health England

14. The London Health and Care Collaboration Agreement describes the role of five pilots in delivering transformation across London:

- Sub-regional care transformation – Barking and Dagenham, Havering and Redbridge
- Sub-regional estates – Barnet, Camden, Enfield, Haringey and Islington
- Local care integration – two pilots – one in Hackney and one in Lewisham
- Local prevention - Haringey

15. It also sets out the commitments made by each of the London partners to meet the aspirations of the programme. Specifically, the Mayor commits to ensuring that the London Land Commission supports work to transform the health and care estate and to lead engagement with Londoners on the future shape of the health and care system in the capital. London boroughs and CCGs commit to working towards the success of the pilots in their areas, while in other areas the commitment is to prepare for the swift transfer of learning from pilots areas to the rest of London.
16. The London Health Devolution Agreement describes agreements to jointly explore reform and devolution across six areas: capital and estates; system finances; provider regulation and inspection; workforce and skills; transformation funding; public health; and, employment and health. Detailed work in each of these areas will emerge over the course of 2016.
17. Taken together both agreements present a significant programme of work for London boroughs engaged in the devolution pilots and will require governance at a borough, sub-regional and pan-London level. With regard to the latter, a pan-London Devolution Programme Board is being set up, comprised of senior officers across partner organisations and accountable to the London Health Board.

Progress on Crime and Criminal Justice

18. The London Proposition presented a number of proposals for the devolution of crime and criminal justice responsibilities to London, including: the integration of London's blue light services and a proposal to test the devolution of youth justice budgetary, performance and commissioning responsibilities to the capital.
19. Progress in both these areas has been influenced by developments at a national level, including the Secretary of State for Justice's ambitions for wider reform of the criminal justice and prison systems, and senior officers from London Councils, London boroughs and MOPAC are currently in discussion to further develop a proposition that aligns with these factors. This collaborative approach was recently endorsed by the London Crime Reduction Board.

Progress on Enterprise Support Devolution

20. London's proposals for the devolution of enterprise support are progressing and senior officers from the Greater London Authority are in regular contact with officials from the Department for Business Innovation and Skills. Following the end of the national Growth Accelerator Programme the LEP has been awarded £1,040,000 payable over

the next two years, to further develop the Growth Hub in line with London's proposals for business support devolution. More detail on these arrangements is expected to emerge in the coming months.

Conclusion

21. Substantial progress has been made on proposals for devolution and public service reform across a number of areas contained in the London Proposition. Continued engagement and support by officers from London boroughs, London Councils and the Greater London Authority will be needed to ensure momentum is retained in the coming months. In the longer term it may be that the detail of these arrangements prompts a more substantial consideration of governance arrangements across the capital by the London Congress and the London Congress Executive.
22. Borough officers from different council groupings pursuing elements of the reform and devolution agenda have suggested that Leaders may well find it useful to see relevant appendices updating on progress in each of the appropriate groupings. Subject to any comments Leaders may have, officers will seek to include this development in future reports.

Recommendations

Leaders' Committee is asked to:

1. Note the progress that has been achieved following submission of the London Proposition on devolution and public service, particularly in respect opportunities that are now available to boroughs in relation to:
 - Employment
 - Skills
 - Health (including the London health pilots)
3. Note the work which is progressing within boroughs and borough groupings, to ensure that these opportunities can be realised. Subject to any comments Leaders may have, further update reports will seek to include relevant appendices detailing specific activities in each of the council groupings pursuing elements of the devolution and reform agenda.

Financial implications for London Councils

None

Legal implications for London Councils

None

Equalities implications for London Councils

There are no direct equalities implications for London Councils as a result of this paper.

Attachments

APPENDIX 1 Readiness conditions for devolution of skills

Readiness conditions for devolution of skills

- a) Legislative changes are made to transfer to GLA the current statutory duties on the Secretary of State to secure appropriate facilities for further education for adults from this budget and for provision to be free in certain circumstances;
- b) Completion of the Area Review;
- c) After the area reviews are complete, agreed arrangements are in place between central Government and the Combined Authority to ensure that devolved funding decisions take account of the need to maintain a sustainable and financially viable 16+ provider base;
- d) Clear principles and arrangements have been agreed between central Government and the Combined Authority for sharing financial risk and managing failure of 16+ providers, reflecting the balance of devolved and national interest and protecting the taxpayer from unnecessary expenditure and liabilities;
- e) Learner protection and minimum standards arrangements are agreed;
- f) Funding and provider management arrangements, including securing financial assurance, are agreed in a way that minimises costs and maximises consistency and transparency.