

Executive

Devolution and Public Service Reform Item No 6

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Summary:

This paper reports on London government's work on devolution and public service reform – including updates regarding the progress against the Memorandum of Understanding with Government on further devolution to London, particularly in relation to:

- Business Rates retention
- Adult Education Budget and progress towards wider skills devolution
- The London Work and Health Programme
- Industrial and Economic Development Strategy
- Health devolution
- Devolution of the Criminal Justice Service
- Housing devolution

Members of the Executive are asked to:

- Consider and comment on the progress of London government's work on devolution and reform.
 - Provide guidance on shaping the next stage of London's negotiations with Government.
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Devolution and Public Service Reform

Introduction

1. London Borough Leaders have driven a programme of work in pursuit of devolution and reform of public services in London, working closely in partnership with the Mayor of London and the GLA. This led to a programme of joint action that being taken forward following the Mayor's Devolution Summit in July 2016, followed by an agreement between Government, the Mayor of London and London Councils of a Memorandum of Understanding (MoU) for further devolution to London, announced as part of the Spring Budget in March 2017.
2. The MoU provides a platform for work by the Government, the GLA and London Councils to bring forward devolution of additional powers, freedoms and flexibilities for London government. The key themes for further devolution to London agreed in the MoU include the development and funding of infrastructure through a Development Rights Auction Model, a commitment to explore business rates retention, investment to tackle urban traffic congestion, and commitments to further health, housing, criminal justice, skills and employment devolution. The Chair of London Councils and the Mayor will be meeting Ministers on this agenda throughout the devolution process.
3. A Member Devolution Group comprising the Mayor of London and lead members of London Councils was established in September 2016, and met twice with the Mayor of London to help progress further devolution to London. This joint work is now being taken forward under the auspices of the Congress of Leaders and Congress Executive. The Congress of the Mayor of London and Leaders last met on 10 October 2017 to consider the opportunity for London to pilot full business rates devolution from April 2018 and to note progress towards the London devolution agreement with Government.
4. This paper provides an update on London government's continuing negotiations with Government in relation to the MoU and wider devolution issues, in particular the following areas:-
 - Business Rates retention
 - Adult Education Budget and progress towards wider skills devolution
 - London Work and Health Programme
 - Industrial Strategy

- Health devolution
- Devolution of the Criminal Justice Service
- Housing devolution

Business Rates

5. At Leaders' Committee in October 2017, Leaders agreed to support in principle an application to Government for a London-wide business rates pilot pool for 2018/19 and that in the event that the pilot pool continues, it should not last for more than two years (i.e. beyond 2019/20) without a positive recommitment by all participating authorities. It was also agreed that proposals should be developed (subject to further legal advice) by which the boroughs delegate authority to a new joint committee of Leaders and the Mayor to agree the allocation of strategic investment resources to specific projects in accordance with the principles and voting arrangements to be contained within the agreed framework for operating the pool.
6. A report regarding the London-wide business rates pilot pool for 2018/19 is included as a separate agenda item.

Skills Devolution

7. London government is continuing to make the case for skills devolution, based on the need for the national system to be more responsive to employer demand and to provide inclusive opportunities for all learners and businesses in London. The process of leaving the EU will provide a series of challenges and opportunities that support the case for a more agile and responsive skills system in London.
8. As part of the Spring Budget MoU on further devolution to London, the Government reiterated its commitment to devolving the Adult Education Budget (AEB) to the Mayor of London by 2019/20, subject to a series of readiness conditions. Progress towards concluding the AEB devolution deal between Government and the Mayor has been slow, with delays occurring due to the general election earlier this year and a lack of clarity around the readiness conditions associated with the deal. The Mayor of London and Chair of London Councils recently met with the Secretary of State for Education and pressed her to inject pace and resources into the AEB devolution process.

9. Devolution of the AEB remains scheduled to start in 2019/20. Discussions around joint governance arrangements between the GLA and London boroughs are underway, with the GLA proposing that London Councils portfolio holder and each sub-regional lead member for skills are represented on an Adult Education Budget (AEB) Programme Board that will directly advise the Mayor on decisions around the AEB. Further discussions are taking place between London Councils, GLA and sub-regions to explore the sub-regional role in governance. The aim is to put a paper outlining proposal to Leaders' Committee in December. The Government will need to formally consult on AEB devolution with London boroughs and the London Assembly. This is due to take place during February and March 2018.
10. As agreed at the Congress of the Mayor of London and Leaders on 10 October 2017, London Councils and the GLA are putting together a joint letter and paper to Government on proposals for how the UK Shared Prosperity Fund (UKSPF) should operate and how it might be used in the capital. The UKSPF will replace European Structural and Investment Funds, worth around £580m over the current programme (2014-2020).
11. Work is also underway to consider how best to commission and measure the impact of Adult and Community Learning (ACL) services in London as part of a devolved skills system, which are primarily managed and/or provided by London boroughs. Services are also working sub-regionally to consider how best to collaborate to make ACL services more efficient and effective, building on recommendations from the ACL review completed last year.

Work and Health Programme

12. The devolved Work and Health Programme (WHP) will provide employment support for Jobseekers Allowance (JSA) or Employment and Support claimants with long term health conditions and disabilities, as well as JSA claimants who have been unemployed for two years or more. London's sub-regions will receive devolved funding from the DWP worth up to £70m over five years. This is being match-funded by an additional £65m from the European Social Fund, to support London's 50-55,000 long term unemployed and people with disabilities and health conditions to seek employment.
13. The procurement of the Programme is currently on track, with all sub-regions expecting to announce successful providers by December 2017 and for each programme to have

started by the end of March 2018. London Councils, sub-regions and Jobcentre Plus/DWP are also developing a joint approach to generating sufficient and suitable referrals to the WHP.

Industrial and Economic Development Strategy

14. London Councils and the GLA both responded to the Government's Industrial Strategy Green Paper, shortly before the General Election was announced. Both responses made the case for further and wider devolution and a place-based strategy that would benefit both the Capital and the UK as a whole.
15. Given the Government's commitment in the Queen's Speech to create a modern industrial strategy, there may be further opportunities for London Councils to work in partnership with the Mayor of London as the Strategy develops. It is anticipated that the Government will publish its Industrial Strategy White Paper in late November or December 2017, after the Autumn Budget announcement.
16. The Mayor's Economic Development Strategy and wider revamped London Plan may provide opportunities to make the case for inclusive growth in the capital as well as securing the powers and responsibilities that London boroughs will need to achieve increased productivity. London Councils will work closely with the boroughs and sub-regional partnerships to engage with the development of the Mayor's Economic Development Strategy and subsequent London Plan.

Health Devolution

17. Members will be aware that London partners (including London Councils, GLA, NHS England, Public Health England and the London office of CCGs) are working with No. 10 and the Department of Health to finalise a health devolution MoU that will facilitate the next steps of the Health collaboration agreement made with Government in December 2015. The MoU will be an enabling document allowing local areas to opt-in to detailed devolution proposals that build on learning from the London pilots on integration, prevention and reinvestment of capital estate receipts.
18. Final drafting revisions, most notably around prevention and capital receipts from estates, have been agreed by London Partners and a proposed Memorandum of

Understanding (MoU) has been sent to Ministers for consideration. Ministers' collective agreement process is underway at the time of writing and we expect a finalised MoU to be agreed before the Autumn Budget. A verbal update on progress towards the final MoU will be provided at the meeting.

19. The agreement of a MoU between Government and London partners is an important stage in the health devolution process that should enable a more preventative, integrated health system to be delivered locally in London. This is linked to London's wider health and social care transformation aspirations, such as improved effectiveness of partnership working between health services and local government as well as deeper integration of health and care systems.

Criminal Justice Devolution

20. The overarching MoU on devolution to London included a commitment to agree a specific MoU towards criminal justice devolution. The aim of the criminal justice devolution agreement will be to support collaborative working towards better outcomes for London's victims, witnesses, and youth, female and adult offenders, as well as taking positive steps to reduce reoffending in the capital. The Secretary of State for Justice reaffirmed the Government's commitment to progress the MoU in his recent response to a joint letter from the Mayor and Chair of London Councils following the General Election.
21. A series of meetings between MOPAC, London Councils and Ministry of Justice officials is currently underway to explore the scope of the criminal justice MoU, with the aim of reaching a position where a formal agreement could be concluded by January 2018. At Leaders' Committee in October 2017, Leaders agreed to delegate authority to approve the final terms of the MoU to the three London Councils' member representatives on the London Crime Reduction Board (Chair, Executive Member for Crime and Public Protection, and Conservative Group Lead for Crime and Public Protection).
22. Potential areas of devolution have been identified in order to develop a more bespoke criminal justice service for London through the MoU. These include: greater flexibility to drive pooled investment in prevention and rehabilitation services; redesign of the management, accountability and responsiveness of future London community rehabilitation contracts; provision of more specialised victims and witness services in London; the development of a more consistent, whole system approach to youth justice

including better alignment of commissioning and distribution of funding; and greater diversion of funding to support rehabilitation of female offenders in the community.

23. The MoU has the potential to deliver a range of benefits, both in terms of an improved criminal justice service at a London level, as well as direct benefits for boroughs in their wider work to reduce crime and improve public safety. Benefits could range from the establishment of a regional position on Integrated Offender Management, which would present opportunities for boroughs to link to Through the Gate provision and integrate with local housing and employment services, to direct involvement in the development of more effective and targeted alternatives to custody for London's female offenders.
24. Regular reports have been provided throughout the development of this work to the London Crime Reduction Board, which is set to play a key role in providing oversight of a more devolved and integrated criminal justice system in London following the MoU.

Housing

25. On 14 September 2017 DCLG published a consultation on the assessment of local housing need that proposes a series of new methodologies based on household growth information. As anticipated, this radically increases the housing need figure for London to 72,000 homes per annum. The increases are far from uniform across the capital as some boroughs see reductions to their targets whereas others, such as LBs Merton and Greenwich, would experience increases of 468 and 847 per cent respectively.
26. London Councils will be submitting a detailed response to the consultation, which closes on 9 November 2017. At the time of writing, the response highlights concerns regarding the way that the assessment of need has been calculated and how this has resulted in large scale increases in the targets set, as well as concerns about the centralisation of policy for housing delivery.
27. The expectation of Government that London increases its housing delivery from 20-25,000 to 72,000 homes per annum is unrealistic at present unless Government addresses the timescale in which increased capacity is to be delivered. Further powers to support land assembly in London will also be required, as will greater flexibility in the use of local authority funds.
28. The ability to generate land value capture on major infrastructure projects in London and the provision of improved transport links will be critical to increasing housing

supply. The Government needs to clarify its investment in projects such as Crossrail 2 and the Bakerloo Line Extension in order for boroughs to deliver increased levels of housing. Even given these changes, it will take time to ramp up delivery to the types of level currently expected from DCLG under the consultation proposals.

Conclusion

29. Following the General Election and in the run-up to the Autumn Budget 2017, London government has continued to engage in devolution negotiations with the aim of securing further progress in the areas highlighted in the MoU and in relation to wider devolution ambitions. London local government will also want to be prepared for new opportunities to secure devolution that may emerge in the period ahead, for example through the development of the Industrial Strategy and other areas of public service reform. This will require an agile approach at borough, sub-regional and pan-London levels. The Chair of London Councils and the Mayor will be meeting Ministers on this agenda throughout the devolution process.

30. The discussion under this agenda item will provide Executive with the opportunity to:

- Consider and comment on the progress made to date on in advancing London Government's joint work on devolution and public reform.
- Provide guidance on shaping the next stage of London's negotiations with Government.

Background Papers

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.

However, core elements of the propositions are targeted at improving outcomes for groups of people with protected characteristics, notably improving employment outcomes for disabled people.