

# Executive

## Devolution and Public Service Reform - Update

Item no: 7

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### Summary

This report provides an update on recent work in pursuit of devolution and reform of public services in London. This work follows the agreement to a joint approach with the Mayor of London, seeking talks with Government on the scope of a London devolution and public service reform agreement.

Work is in hand to develop the technical detail required to support this joint approach for devolution and reform. These proposals relate to:

- Skills
- Employment
- Housing
- Health
- Crime, Community Safety and Criminal Justice

### Recommendations

The Executive is asked to:

- 1) Note the progress made, including the work which is in hand to develop a platform to support negotiation with Government.
- 2) Comment on the draft discussion paper on re-commissioning the Work Programme, attached as Appendix A, and agree a submission to DWP officials.
- 3) Agree to continue influencing work around the case for London, including the drafting of a short publication for sign-off by Elected Officers.



# Devolution and Public Service Reform Update

## Introduction

1. This report provides an update on recent progress in pursuit of devolution and reform of public services in London. This follows the agreement at Leaders' Committee on 9 December 2014 to a joint approach with the Mayor of London, seeking talks with Government on the scope of a London devolution and public service reform agreement.

## Background

2. Leaders' Committee has considered a series of linked reports over the last two years on the longer-term prospects for financing local government together with wider opportunities for devolution and reform, including the London Growth Deal.
3. At Leaders' Committee on 15 July 2014, members agreed that it would be advantageous for the focus of London Councils work in this area to encompass wider public service reform initiatives, particularly given the preparations for the General Election and likely comprehensive spending review expected in the summer of 2015 and the consequent opportunities for influencing manifestos and post-election spending plans.
4. This work led to the drafting of an outline proposition, which had been designed as a platform for practical delegation of responsibility to London in relation to a range of public services, where integration at a local level would produce more effective outcomes and greater efficiency.
5. The outline proposition included proposals for governance of newly devolved responsibilities, focussed on Borough Leaders and the Mayor and building to some degree on existing joint arrangements. The powers sought and the governance arrangements to support them do not take any powers away from any existing local or regional authority. The sovereignty of individual authorities in respect of existing functions remains unaffected and paramount.
6. The Mayor of London and London Councils Executive considered the broad scope of a potential proposition at the Congress Executive meeting on 20 November 2014. There was support for an approach to Government seeking talks on the scope of a London devolution and public service reform agreement.

7. The Chair and the Conservative Group Lead for Devolution & Public Service Reform met the Chief Executive's Devolution & Public Service Reform Group in November and sought their support for the development of detailed propositions supporting the political initiative agreed with the Mayor of London.
8. At Leaders' Committee on 9 December 2014, members formally agreed the broad scope of the proposals as a potential basis for negotiations with Government. Following a formal approach by the Mayor of London and Chair of London Councils, the Chancellor wrote to confirm that the Government was happy to discuss further devolution to cities and encouraged London to pursue this through discussions with the Minister for Cities and his officials.
9. Leaders' Committee considered a report on the London Devolution Proposition at its meeting on 10 February 2015 and endorsed the approach being taken, including the work being taken by chief executives to develop the initial framework of operational detail to support negotiations with Government.
10. Increased political oversight will be added as the propositions develop, through direct engagement between relevant London Councils' Portfolio Holders and the individual chief executives who are leading specific streams of the work. In addition, the Chair and Cllr Philippa Roe are scheduled to meet with Chief Executives' Group to review progress before Easter.

### **Supporting the Proposition**

11. Operational work to develop more detailed propositions is now underway and is being co-ordinated by the Chief Executive's Devolution & Public Service Reform Group, facilitated by London Councils. The Group encompasses both borough and GLA representatives. This phase of work aims to develop credible propositions, underpinned by a thorough analysis of the available data, to support exploratory discussions with officials before the General Election. This work should also provide a detailed foundation for rapid progress in engaging with the next government once its policy priorities emerge following the general election.
12. Building on the themes agreed by Leaders' Committee the five current areas of focus are:
  - Employment
  - Skills
  - Health
  - Housing
  - Crime Community Safety and Criminal Justice.

13. The development of the propositions has begun with wide-ranging engagement with member authorities and officials. As a result of these discussions, it is increasingly clear that each of the five areas is likely to demand some different approaches to governance, geography and delivery.
14. As reported to Leaders' Committee on 10 February 2015, the addition of a Crime, Community Safety and Criminal Justice strand offers the opportunity for a clearer examination of the case for reform of parts of the criminal justice system.

### **Influencing Re-commissioning the Work Programme**

15. In addition to the London proposition on employment, London Councils officers have been discussing arrangements for the re-commissioning of the Work Programme<sup>1</sup> with DWP officials. This opportunity arose out of the London Growth Deal – specifically from Central London Forward's (CLF) Working Capital pilot. The pilot negotiated a commitment from DWP to gain London government's input into the considerations around the design of a future Work Programme – that is, support for long-term unemployed Londoners. Discussions have therefore included representatives from the GLA and CLF.
16. DWP officials have invited London to submit a paper outlining its proposed approach to co-commissioning the successor to the Work Programme by early March 2015. This will inform their discussions with current Ministers and will be an opportunity to influence officials' thinking after the General Election in May 2015.
17. The draft paper outlines three localised models, allowing for a differential approach to devolution across London:
- Co-commissioning and co-design of specialist employment support;
  - Partnership delivery of specialist employment support (partial devolution);
  - Local leadership and control of specialist employment support (full devolution).
18. A summary of the draft proposals is attached as Appendix A. The Executive is asked to comment on and agree the draft proposals prior to the submission of this paper.

### **Promoting the Case for London**

19. In addition to the detailed technical work being developed to support the proposition, it will be important to continue broader influencing work around the wider devolution agenda in the run

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<sup>1</sup> Work Programme contracts are due to end by June 2016, although it is possible this may be extended to June 2017.

up to the 2015 General Election and to encourage wider engagement with stakeholders and in particular elected members and officers across London.

20. The Charter for Local Freedom which was launched by the Core Cities in February has provided a useful hook for discussion about the importance of devolution to local government. However, its focus is on the national case for devolution, within which London might be overlooked.
21. To help ensure that the case for London is made in advance of the general election it is proposed that a short and accessible publication be produced, setting out London Councils' high-level aspirations around devolution, as discussed above, set in the context of the wider London local government case. The publication could then provide a reference point for discussions with local business, voluntary and public sector partners.
22. It is proposed that the publication would cover:
  - Devolution and reform in respect of:
    - Employment
    - Skills
    - Health
    - Housing
    - Crime Community Safety and Criminal Justice.
  - Together with London Councils' established asks around:
    - Infrastructure
    - Fair Funding
    - School Places
23. Following guidance on the scope of the document from today's Executive, a draft will be prepared for sign-off by Elected Officers.

## **Long Term Economic Plan for London**

24. As this report was being finalised, the Chancellor and the Mayor of London made an announcement on a long term economic plan for London. The plan includes measures that relate to the devolution and reform agenda, including:

- Skills - Devolution of the Apprenticeship Grant to Employers and a remit to work with Government to reshape skills provision in London.
- Land - Establishing a London Land Commission to identify public sector land for development and support home building.
- Planning - Beginning discussions on planning devolution, including powers over sight lines for strategic views and wharves (i.e. those safeguarded for waterborne freight handling use).
- Housing - The designation of nine Housing Zones.

Members may wish to take account of these initiatives within their overall consideration of devolution and public service reform opportunities in London.

## **Conclusion**

25. Work is now in hand to add operational detail to the London proposition, and to assemble a platform which might gain traction in negotiation with officials in advance of the General Election.

26. It is envisaged that these initial discussions will be followed after the General Election by the development of firmer propositions and supporting evidence, which could then become the basis of detailed negotiations with the new government. Leaders will have the opportunity to shape any evolution of the propositions.

27. Given the timetable for the re-commissioning of the Work programme, it is important that engagement with the DWP officials, which arose from the London Growth Deal, continues to take place. To ensure consistency, this engagement will be aligned with the Chief Executive's Devolution & Public Service Reform Group's work on the employment elements of the London proposition.

28. The work on the London devolution and public sector reform proposition could usefully be supplemented by a short accessible publication making the case for London, for use in discussion with partners.

29. The Executive is asked to:

1. Note the progress made, including the work which is in hand to develop a platform to support negotiation with Government.
2. Comment on the draft discussion paper on re-commissioning the Work Programme, attached as Appendix A, and agree a submission to DWP officials.
3. Agree to continue influencing work around the case for London, including the drafting of a short publication for sign-off by Elected Officers.

### **Financial implications for London Councils**

None

### **Legal implications for London Councils**

Any work to develop shared governance structures recommendations would be subject to detailed legal advice.

### **Equalities implications for London Councils**

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

### **Attachments**

**Appendix A: Summary of London's draft co-commissioning proposals for the Work Programme**

## Appendix A:

### Summary of London's draft co-commissioning proposals for the Work Programme

#### Overview

London's engagement in this area is driven by a broader ambition around transforming public services to effectively address complex dependency. It is increasingly clear that a radical re-design of public spending along these lines is needed if services are to be put on a more sustainable financial footing. This paper provides a starting point for negotiations on how, through a new relationship between central and London government, we can collectively devise solutions that will maximise our impact on this complex challenge. Below we outline three models:

- Co-commissioning and co-design of specialist employment support<sup>2</sup>;
- Partnership delivery of specialist employment support (partial devolution);
- Local leadership and control of specialist employment support (full devolution).

This allows for a differential approach for employment devolution. However, London's ambition has always been to move as far towards full devolution as possible. We expect parts of London to have the opportunity to operate on partial devolution model when the successor to the Work Programme is re-commissioned, with the potential for full devolution for people with complex needs.

All three models require a **new approach to common assessment** and opportunities for early referral to the programme for some clients. London proposes using a more sophisticated jobseeker profiling and segmentation tool, building on models tested in Australia and Ireland. Clients in certain benefit groups or on Jobseekers Allowance (JSA) for a certain period of time should also trigger an in-depth common assessment that would direct them to suitable support as early as possible.

#### 1. Co-commissioning and co-design of specialist employment support

This is the least ambitious model and is closest to the current Work Programme. It will retain the framework of a national programme for specialist employment support delivered by prime providers, with outcome-based payments. However, it will involve substantially greater local authority and LEP participation in the design and commissioning of the programme. There is local involvement at all stages of the procurement cycle.

#### Advantages

This model will address the lack of integration of mainstream employment programmes with other local services. By joining up throughout the commissioning process both DWP and local areas will have a better understanding of what is being commissioned, who is being targeted and what the needs of this client group will be. This will allow London boroughs to consider how best to allow clients accessing this employment support to also access the other services they

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<sup>2</sup> Specialist employment support is support for long-term unemployed people and jobseekers with complex needs

require and join-up their customer journey. It would result in a much more locally responsive programme. However, this model's ability to unlock access to and the value of other local services would be limited compared to the other proposed models.

### **Proposed process**

- Contract Package Areas (CPAs) will be agreed between DWP and councils, leading to units smaller than the current CPAs and aligned with existing multi-borough arrangements in London;
- The programme will be funded by DWP, with outcome payments for prime providers that incentivise sustained employment and a focus on those with complex needs. The balance of service and outcome payments will depend on the client group<sup>3</sup>;
- The prime provider will 'own' the participants after their referral from JCP, holding them on a caseload and managing the customer journey;
- Local authorities will commit to aligning provision of related services and funding streams, based on 'statements of intent' with prime providers;
- DWP will lead on contract management with increased accountability to the GLA/ LEP and borough sub-regional groupings on performance.

In practice this would mean London involvement in 6 key areas:

**Assessing local needs** - London boroughs would come together in sub-regional groups to work in partnership with DWP and jointly develop a Local Labour Market Agreement setting out local needs and priorities for intervention;

**Deciding the priorities for intervention** - Joint decision making on the priorities of the programme in each CPA to ensure that local priorities are reflected in the programme specification;

**Design of services** – retaining the 'black box' model of service delivery but developing with DWP common minimum standards for providers to work with clients and more directive conditions in relation to the priority groups in local areas - for example, focusing services on particular areas with concentrations of long term unemployed residents;

**Shaping the structure of supply** – London boroughs and DWP working together to ensure sufficient time and opportunities for the inclusion of specialist providers in the supply chain;

**Selecting the provider** – groups of boroughs to have co-decision making powers with DWP on their assessment panels, including validating their supply chains and interrogating the robustness of providers' local service integration plans.

**Monitoring and evaluating provision** - A sub-regional programme board would be established to provide an additional level of performance management and scrutiny on Work Programme Plus contract. This would be made up of political leads, business representation, skills providers and Jobcentre Plus representatives. This board would report to the DWP contract manager for the CPA on matters relating to local integration, performance against local priorities, best practice and operational delivery.

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<sup>3</sup> The recent Work Programme evaluation indicated that differential pricing by benefit group made little difference to how the delivery providers segmented support for customers. This partly related to funds not being high enough for complex groups. In London detailed work on payment by results models for a range groups has been developed to help inform the 2014-20 London ESF programme which can be used to help inform Work programme Plus.

## 2. Partnership delivery of specialist employment support (partial devolution)

This will be a development of CLF's 'Working Capital' model. It would give groups of London boroughs the lead commissioning role in relation to DWP programme funding for their area, in return for contributing agreed resources and services of its own into the programme. To sharpen incentives and drive meaningful collaboration, boroughs would also share any financial reward for strong performance.

### Advantages

The main advantage is that this model will unlock and align other local service resources<sup>4</sup> towards clients on the programme and consequently, improve programme performance, particularly for those with more complex needs. Other advantages include clear links with local support services for Universal Credit (UC) and drawing on London's USdI<sup>5</sup> pilots to future proof the programme with regards to UC; London's ability to align European Social Fund (ESF) resources to the programme and the opportunity to design in protocols around data sharing where needed.

### Proposed process

- DWP and local government will jointly sign off on the core objectives and specification for the programme;
- There will be smaller contract package areas, aligned to existing multi-borough arrangements in London;
- DWP, HMT and local government to agree the level of financial and/or service contribution from the boroughs to unlock national programme funding;
- London boroughs to be responsible for commissioning a provider (or 'managing agent') and will jointly manage and deliver the programme with them;
- DWP to provide technical support for the process and sign off both the tender documents and commissioning decision as a condition for releasing the national programme funding that would pay the 'managing agent', alongside local resource;
- The 'managing agent' will be paid largely on the basis of outcomes. Any bonus payments for exceptional job outcome performance will be split between the 'managing agent' and London boroughs;
- The 'managing agent' will 'own' the participants after their referral from Jobcentre Plus, holding them on a caseload and managing the customer journey;
- Specialist employment support within the programme would be provided by: a) the 'managing agent'; b) the local council; or c) through sub-contracting with other public services, external providers or voluntary organisations; or a combination of the three.
- There will be transparent, published performance and expenditure data, as well as independent monitoring and evaluation of the programme. DWP will establish a mechanism for resolving any disputes between local authorities and 'managing agents'.

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<sup>4</sup> These include health and public health, skills, Homelessness support services; adult social services; childcare and early years; Troubled Families; local financial support such as Discretionary Housing Payments

<sup>5</sup> Universal Services – delivering locally

### **3. Local leadership and control of specialist employment support (full devolution)**

London's ambition has always been to have full local leadership and control over specialist employment support services, such as the Work Programme and Work Choice. This would involve London taking full control of the design and delivery of specialist employment support. Operating as a service rather than a programme, it would involve devolving national funding on the basis of rolling central-local agreements on employment priorities and goals, in return for London boroughs committing quantified financial and/or service contributions and agreeing to a 'risk and reward' sharing formula based on performance.

#### **Advantages**

This model will provide the opportunity to develop a truly integrated and co-ordinated job brokerage service for employers that reduces bureaucracy and interactions with public agencies. Integration with local services could be developed further through pooled budgets and joint commissioning, allowing significant public service reform. It will enable London boroughs to work with partners including schools, colleges, providers, careers service and JCP to build effective local partnerships and monitor performance of all commissioned employment programmes.

#### **Proposed process**

- Central and local government will enter into an agreement, covering a defined time period, about the priorities for specialist employment support and the expected outcomes. As part of this agreement, central government will devolve programme funding on condition that local government commits an agreed level of resources and services towards shared priorities and goals and enters into risk and reward sharing arrangement;
- Local government will then have the freedom and responsibility to organise specialist employment support in its area, using the national and local resources at its disposal. Authorities could decide to directly provide services or commission services or use a combination of both;
- Councils will be required to publish a service plan, setting out how resources would be used and how support will be delivered. DWP will provide technical assistance and plans would be subject to open and independent scrutiny, for example from the National Audit Office;
- The local service will 'own' the participants after their referral from Jobcentre Plus, holding them on a caseload and managing the customer journey. It will also be responsible for overseeing service data and systems;
- Local government will share the financial dividend from lower benefit expenditure resulting from effective performance, while assuming a share of the liability for underperformance;
- At the end of the agreed timescale, a further central-local agreement would be struck for the next period, drawing on the lessons of past performance. If performance had been weak, there would be provision for DWP to: demand greater local risk sharing for continued devolution; add additional 'strings' to national funding; or, in the last instance, to re-commission employment support from Whitehall.