

Congress of Leaders
14 July 2015

Item 2 - Devolution & Public Service Reform

Summary

The attached paper sets out a draft London devolution and public service reform proposition, which is designed to encapsulate the broad territory for negotiation by officers with Government over the summer period.

Progress with the negotiations will be reported to the next meeting of Leaders' Committee and the next meeting of the Congress Executive, with the ultimate aim of securing a London devolution and public service reform agreement later in the year.

Recommendations

Congress is recommended to:

1. Endorse an agreed version of the proposition as a framework for negotiation by officers with Government, over the summer period.

Background

The attached proposition builds on the outline position agreed by the Mayor of London and London Councils Executive at the Congress Executive meetings on 20th November 2014, 3 March 2015 and 6 July 2015.

The document describes proposals for devolution and reform in relation to:

- a. Employment
- b. Skills
- b. Business Support
- c. Crime and Justice
- d. Health
- e. Housing.

The core proposition is that London, like other cities, should have significant responsibilities devolved from the national level, allowing us to stimulate growth, boost housing delivery and deliver more effective outcomes within a tight public spending settlement. Tackling these issues locally, through integrated working, would allow us to focus on avoiding the

costs of failure and to manage services sustainably in the face of rising demand and continuing fiscal restraint.

It is clear that Ministers will also expect to see a convincing proposal for governance before agreeing significant devolution of responsibilities to London. Consequently, the proposition sets out how London's elected leaders and mayors at borough and London level would govern areas of devolved responsibility in partnership and how they would take decisions collectively. This joint machinery will only have oversight over areas of newly devolved responsibilities and all areas of activity currently under the authority of either the London Mayor, or London boroughs will remain sovereign to each individual body. In some service areas, voluntarily constituted borough partnerships will be the preferred operational leadership for newly devolved responsibilities.

Suitable governance arrangements at a pan-London and borough-grouping level - which meet the tests of Parliamentary accountability- will be required as part of the overall package.

Platform for Negotiation

The proposition is designed to encapsulate the broad territory for negotiation with Government officials over the summer period, with the aim of securing a draft London devolution and public service reform agreement. This phase of the negotiations will need to be concluded by mid-September 2015, given the likely Spending Review timetable.

In practice, the detail will need to evolve over the course of negotiations during the summer recess. Leaders and the London Mayor will be asked to review, amend and refocus the position at a political level in the early autumn at the next meeting of Leaders' Committee and the next meeting of the Congress Executive. Formal political judgements taken at that time will then form the basis of final negotiations in the run up to government decisions expected in the Spending Review.

Conclusion

The London proposition on devolution and reform is designed secure a package which will deliver clear benefits for Londoners, the economy in London and in the country as a whole.

Congress is invited to set a clear political direction for the detailed negotiations with officials which will need to take place over the summer period, with a view to ensuring that London can progress quickly in negotiations and secure tangible benefits through a significant devolutionary settlement.

DEVOLUTION AND PUBLIC SERVICE REFORM

***The London Proposition:
Reform public service to:
Strengthen the nation's growth engine & increase personal independence***

Boosting productivity and dramatically increasing housing supply across all types of tenure are the stand out social and economic issues for the next five years. London is the centre of this challenge and creating an effective new model for the capital will deliver the national goals of internationally competitive growth, jobs and homes for working families, and the Government's spending reductions whilst minimising the impacts on frontline services.

The London economy is the biggest net contributor to both government finances and the UK economy. London has led the recovery and over the past decade it has created over three quarters of a million jobs. A fifth of all UK businesses are located in the capital and it has the highest rate of business start-ups anywhere in the country.¹

London leads growth across the whole country. Businesses which are headquartered in London account for between 5 per cent and 22 per cent of employment in each of the other 62 cities in the UK. And since 2008, firms headquartered in London have increased the number of people they employ in their branches in 49 of 62 cities outside of the capital.² London is the engine that will help deliver the national priorities of:

1. Meeting the Office for Budget Responsibility's (OBR) forecast for internationally competitive growth and delivering the Mayor and Chancellor's commitment for London to outpace the growth of New York and add £6.4bn to the capital's economy by 2030;
2. Fuelling the growth of the UK's 14 metro regions (increasing their output by £943bn between 2013 and 2030³); and
3. Significantly reducing the UK's net debt and wiping out the UK's structural deficit and delivering a surplus by 2018/19.

The solution is to re-design the £93bn of investment in public services in London so that they better match the needs of London and the UK. London government acting together on reform can deliver:

- Investment in skills, business support and innovation, leading the development of a high tech, highly skilled economy that will boost productivity not only within London but also across the UK

¹ Centre for Cities, *Cities Outlook 2015* (2015)

² Centre for Cities (2014), *Cities Outlook 2014*, pp.20-21

³ City Growth Commission, *Unleashing Metro Growth: Final Recommendations of the City Growth Commission* (October 2014)

- Home building across all types of tenure on a London wide scale, creating economically productive and socially mixed communities
- A step change in tackling structural long term unemployment in the capital, ensuring that all our communities share in the benefits of growth
- A safe capital city where international business will have the confidence to invest and grow
- Faster reform of health and social care services leading to swifter improvements in the health of Londoners and faster reductions in the cost pressures on London public services
- A self-financing growth and reform model to help finance the transition costs and which could potentially provide a mechanism that will enable London to capture the upside of growth and re-invest it on a revolving basis into reforming local services which, in turn, will create the conditions for more productive and prosperous local communities

This document describes how London's elected leaders and mayors at borough and London level (referred to in this document as 'London government') intend to work together; how they will take decisions collectively and what reform to public services they will embark on in order to address London's core challenges. Our proposals build on local government's established record of understanding what local people want and being responsive to their needs.

This is primarily a challenge of public service reform both to deliver more for Londoners and also to reduce cost pressures on national public finances more swiftly. While most of this work depends on action by London government to change its approach to delivery, specific and essential components of reform and improvement are controlled by central government. As a result major public service reform depends on devolution from central government to unblock action by London government.

Governing London's Devolved Responsibilities in Partnership

Governing in partnership will require new decision making arrangements and some statutory underpinning is likely to be required. This joint machinery will only have oversight over areas of newly devolved responsibilities; and it will need to take account of the governance arrangements agreed with Government for specific functional areas (ie skills, housing, health etc) considered in the following paragraphs.

All areas of activity currently under the authority of either the London Mayor, or London boroughs will remain separate from these partnership arrangements and decision making on these matters will remain sovereign to each individual body.

This pan-London partnership will be delivered through a structure based on the London Congress and the Congress Executive and underpinned, as appropriate, with statutory force.

- The Congress would have strategic oversight for newly devolved responsibilities across Greater London.
- The membership of the Congress will be the 32 London boroughs, the City of London and the Mayor of London.
 - Congress will meet twice yearly to agree overall budgets, business plans and to review outcomes;
 - Decisions by Congress will require the assent of both the Mayor of London and also of a majority of London borough Leaders.
- The Congress Executive will provide oversight for areas of devolved responsibility on behalf of Congress.
- The Congress Executive will be comprised of the members of the Executive Committee of London Councils and the Mayor of London.
 - The rules for selecting the members of London Councils' Executive Committee will remain as they are currently;
- It is expected that decisions of the Congress Executive would normally be on a consensual basis.
 - Should any formal decision be required by the Congress Executive, then it would need the support of both 80% of the London Councils' Executive Committee members and also of the London Mayor.
- Some matters may be defined as reserved matters. Decisions on reserved matters could not be made by the Congress Executive and would instead be passed to the full Congress for decision.
- Some of those issues where a matter for decision has been defined as a reserved matter for the full Congress may in addition be further specified as requiring a higher threshold for agreement.
 - This threshold will be 26 of the 33 authorities represented on London Councils Leaders Committee. The London Mayor will also have to agree to these proposals before they become the policy of the Congress.
- It will be for the London Mayor and London borough Leaders to define which matters have this higher threshold. However, it is primarily to be reserved for use when agreeing the framework for the operation of specific newly devolved public service responsibilities.

In some areas borough partnerships will be the preferred operational leadership for newly devolved responsibilities. We are exploring what underpinning will be required for these partnerships to meet the standards of accountability that Government will set in respect of processes and funding. These partnerships may vary depending upon the service or policy area and boroughs themselves would be responsible for agreeing decision-making

machinery. Sufficient underpinning will be required to allow powers to be devolved to these borough partnerships.

Clearly this pan-London governance system will need to be balanced by the establishment of effective and appropriate scrutiny arrangements. Borough arrangements are already in place to scrutinise outcomes in local areas. The London Assembly has a critical role in providing scrutiny of the Mayor of London. By extension, the Assembly would be reviewing the Mayor's actions in respect of newly devolved functions; and for the purposes of this duty, they have the power to investigate any matter which they consider to be of importance to Greater London. It will be important to recognise this aspect of London's governance.

Employment & Complex Dependency

To tackle long term unemployment and structural worklessness, in particular among those with health conditions and disabilities, London Government seeks the Government's support for the following proposals:

1. Radically re-designing 'entry points' into local public services integrating Jobcentre Plus and local authority teams into a locally run service. This would build on the Universal Support Delivered Locally (USDL) pilots and with the introduction of Universal Credit ensure that services are designed and delivered around the needs of disadvantaged residents.
2. Devolving responsibility and resources for commissioning the delivery of employment support for the long-term unemployed to multi-borough groupings – with local government playing a lead role in the design and delivery of a successor to the Work Programme, through the collaboration of wider local public services.
3. Devolving responsibility and resources to multi-borough groupings for specialist employment support for those with complex dependencies including those out of work due to a health conditions or disabilities (e.g. ESA claimants) or having been in the criminal justice system (e.g. those in rehabilitation and probation). This could be achieved through a financial accountability deal, organised around multi-agency, multi-year, pooled budgets, and underpinned by a 'gainsharing' arrangement with central government.

This would ideally be owned jointly between local government and CCGs, to drive the systematic engagement of the health service in promoting employment, supported by national action to make employment a key NHS England priority and forging a Better Care Fund-style joint pot to trial innovations in health-led employment interventions.

In return, London local government would contribute commensurate matching resources, typically in kind, to increase reductions in long term unemployment. This will include:

- I. Providing premises for Jobcentre Plus staff in integrated local facilities;
- II. Integrating local services with the employment support offer;
- III. Integrating local services and resources – such as from public health – to supporting ESA claimants into work; backed by the development of joint commissioning plans with local CCGs with a dedicated focus on employment;
- IV. Agreeing a 'risk and reward' sharing deal about the fiscal impact of efforts to boost employment.

Skills

Building on the commitments made by the Chancellor and the Mayor in the London Long-term Economic Plan and the 2015 Budget London government will, in consultation with the LEP, reshape the capital's skills system to deliver in-demand skills from the best performing providers. London will ensure more effective tailoring of services to individuals and use local knowledge to exploit the granular understanding of different sector's skills requirements. National government can facilitate these improvements by:

1. Ring-fencing SFA and EFA allocations for London and devolving authority to London government to better match provision and demand; leading to employment using levers with the power to:
 - a. adjust incentives (e.g. outcome payments and Ofsted performance regimes);
 - b. divert funds to priority areas;
 - c. flex market regulations (such as pricing and entitlements);
 - d. link funding allocations with FE capital funding to drive up delivery of in-demand, high delivery cost, sectors.
2. Devolving London's share of money spent nationally on skills related information gathering and changing the rules on access to information relating to the destination of learners in order to fill information gaps, engage more effectively with employers and gather information on business need, future growth and barriers.
3. Devolving Small Business Service support and marketing and communications activity on apprenticeships to provide a joined up London offer for SMEs, and to address engagement and coordination failures.

In return, London government will:

- I. Work with Government on a "re-commissioning" exercise for the FE sector in the capital to build a more resilient, streamlined sector with key specialisms targeted at meeting London's skills needs.

- II. Use the improved intelligence and data to enhance learner, employer and provider choices improving the match between skills and jobs
 - a. This will include producing an apprenticeship guide with a star rating system.
- III. Develop a devolved London careers offer for all across London under the umbrella of a single London Portal.
- IV. Develop an improved London apprenticeships offer to address information and collaboration failures amongst employers, schools and FE providers.
- V. Align devolved apprenticeship support for SMEs with other local brokerage services
- VI. Align and integrate aspects of devolved skills spending with employment programmes and other budgets to better enable entry into work.

Business Support

Business support can be more responsive to London specific challenges and opportunities and better engage the business community in supporting SME growth. Government can facilitate this improvement through:

1. Devolution to London of identified budgets for UKTI, MAS, TSB, Growth Accelerator and other identified services in order to create a genuine 'common front door';
2. Funding to develop, expand and maintain the London Growth Hub for the next 5 years, which should become the flagship sign posting tool in London for all SMEs initiatives;
3. Devolution to London of the New Enterprise Allowance from DWP for candidates who have barriers to address before they are able to make a business succeed to align with devolved employment support functions.

In return, London government will:

- I. Increase the number of businesses aware of, and tapping into, support.
- II. Improve customer experience to ensure that business can access the right support for them.
- III. Improve business growth outcomes through better integration of innovation, finance and talent support driven by a more demand led approach.
- IV. Improve services and quality through enhanced private sector engagement.

Crime & Justice

It is anticipated that there is likely to be a £2.5 billion cut to criminal justice budgets across London. The MPS alone will need to save at least £800 million. Government support is sought for enhanced strategic leadership of the emergency response and criminal justice systems in London, through which London government can deliver significant savings and reduce offending. Government can facilitate these reforms if it:

1. Gives London Government responsibility to co-ordinate, commission, convene and co-design across probation, community rehabilitation, the court service, prosecution and youth offending and employment.
2. Devolves the Preventing Violent Extremism budget into a local pot combined with other existing crime prevention resources already held at a borough and London level including health and employment. This would allow closer local integration of services and be more effective in preventing crime and reducing offending.
3. Enables London to integrate back office support for blue light services to allow smarter deployment of emergency services.

As a result London government will collaborate with national criminal justice partners to:

- I. Systematically drive down and manage demand on the whole criminal justice system in London including collective action to grip offenders and drive down reoffending across the capital;
- II. Develop a truly integrated approach to criminal justice in tough times, delivering the projected reductions in spending across the system whilst minimising the loss of frontline police and preventing a crippling loss of confidence in the safety of the capital;
- III. Deliver more effective local responses to crime and violent extremism through local integration of services, building on best practice developed under the Troubled Families Programme;
- IV. Deliver efficiencies of scale, deployment, back office and property across emergency services over time;
- V. Reinvest administrative savings in prevention to further reduce demand, improve outcomes and reduce long term dependency.

Health

London government and NHS partners will build on the proposals of the London Health Commission to realise faster reform of services leading to swifter improvements in the health of Londoners and faster reductions on the cost pressures on London public services. This will include integration across health and care to increase prevention and early intervention and faster redesign of health and care services and facilities driving better care quality and access, reduced pressure on A&E and fewer hospital admissions.

London government and NHS partners will deliver this through working together through borough, sub-regional and pan-London decision making structures and through the mobilisation of political support and public engagement in a conversation within London on designing better care and improved health.

Government and the leadership of the NHS nationally will need to facilitate these reforms through devolution of influence, decisions and funding and through direct support.

London government's aspiration is for the greatest possible acceleration in reform, producing improved health for Londoners, that is commensurate with the transfer of the levers required to meet that challenge.

It is recognised that the pace of progress may be different across the capital, particularly at the sub-regional level – and that those who are ready early should be able to move forward, unlocking access to powers, funding and support as they go.

Our proposals for reform at local, sub-regional and pan-London levels aim to deliver, over the life of this Parliament:

Local

- joint prevention and integration plans to secure increased prevention, early intervention, personalisation and integrated out of hospital services, overseen by Health & Wellbeing Boards and aligned with sub-regional strategic plans
- full pooling and joint commissioning of NHS, social care and public health budgets through s75 agreements
- local public asset plans and scheme development to secure facilities to deliver accessible, multi-purpose, integrated out-of-hospital services in line with prevention and integration plans

Sub-regional

- strategic partnerships established to develop plans for transformation to sustainable future models of care across local health economies, with which local out of hospital plans are aligned
- joint commissioning to secure delivery of sub-regional plans
- transformation funding devolved through London level for use by sub-regional partnerships subject to robustness of governance, transformation plans and delivery mechanisms

- approval of sub-regional partnership required for NHS providers to access 'cash support'
- sub-regional estate plans and scheme development to unlock redevelopment of un- or under-used NHS estate, aligned with local public asset planning

Pan-London

- London strategic partnership board with oversight of devolved working at all levels
- a London 'cash support' regime for NHS providers facing deficits, operated to support delivery of sub-regional transformation plans
- London level partnership accountable for strategic city-wide estate planning, approval of local and sub-regional development cases and funding allocations, supporting London Land Commission actions to improve utilisation of public sector assets
- Develop regulatory and fiscal city-level public health interventions

To enable London partners to operate together in this way, key devolution asks of government and the national NHS will include:

- multi-year allocations of NHS and local authority funding on a borough footprint
- London's share of all national NHS transformation funding devolved to London, for allocation to sub-regional or local levels subject to robust governance and transformation plans
- NHS capital budget, nationally held assets and decision-making powers for capital and asset management devolved to London
- NHS budget for and decision-making over 'cash support' for NHS providers facing deficits and power to amend tariff devolved to London
- public health powers eg power for the Mayor to raise the minimum age for buying tobacco
- agreement to streamlining national programmes and devolving NHS England decision-making and powers to the regional level as much as possible

Housing

London needs a dramatic increase in home building to address the problems generated by years of under-supply. Meeting this demand requires a new approach to housing delivery across the capital. London government is proposing a series of reforms that will facilitate a major increase in home building across London. This approach requires government to offer flexibility in how housing delivery is managed in London.

In particular, it will be crucial to ensure that the government's proposals to introduce the right to buy for housing association tenants and a requirement to sell high value council homes support, rather than undermine, additional new housing supply.

We recognise the Government's desire to extend the right to buy for Housing Association tenants. The policy must be compatible with the following:

- it must support an increase in housing supply, including affordable housing
- any money raised in London, whether from the sale of housing association or high value council homes, must be retained in London for reinvestment
- London's unique social mix must not be undermined.

London faces the most acute crisis of affordability in the country and it will be essential therefore, that all new right to buy and high value council receipts are ring-fenced to London to support new home building in the capital.

In return for a London settlement that guarantees a ring fence of receipts, London government will commit to a radical programme of new home building intended to increase total supply. Such an approach will, in many instances, require new ways of working across borough boundaries.

There are a number of options available to ensure the delivery of these new ambitions, including a greater role for the GLA and new multi-borough partnership delivery arrangements.

Any new arrangements will need to operate at scale and be capable of delivering homes of all tenures at a considerable pace. It may also need to include alliances with partners, both housing associations and other non-public organisations, to lever in some funding from non-public sources. Proposals allowing London government to use the planning regime more effectively will need to take full account of the Budget announcements on planning reform.

Government can facilitate this new approach through changes to national policy on public and private land, planning, finance and temporary accommodation as described below.

Land Assembly to Accelerate Building:

1. The opportunities for land assembly need to be mapped and this is the role of the London Land Commission (LLC). The LLC has joint GLA and DCLG governance, with representatives from the London Boroughs to underpin local and London-wide collaboration. The Mayor and London boroughs will work together to create a small site framework panel specifically to prepare land for development by SMEs.
2. All boroughs should commit to fully assess the potential for estate improvement and regeneration, through pro-active use of their borough led asset management plans.
3. Surplus public sector land should be transferred to London government for development whenever possible using OJEU compliant processes and either the London Development Panel or the new small site framework panel.
4. London boroughs should be given the power recommended in the Elphicke-House Report to direct the disposal of public land and buildings.

5. Private and public sector land holdings should be more transparent and be published in an online registry of land ownership, prices, planning permissions and all options held on all land in the Greater London area
6. Government should simplify CPO processes and review and reform Rights of Light arrangements.
7. Government should introduce a tax, or other financial penalty, on unused or underused land to encourage sites to come forward for development.

Planning Levers for Faster Development:

Government should provide London with a range of new levers and freedoms in the planning process that will help the GLA and London boroughs to deliver more homes for Londoners. Recognising the new context set by the goals of the Chancellor's announcements on planning, London seeks:

8. Freedoms over planning fees for major projects;
9. Government to permit S106 commuted sums to be available to utilise across London borough boundaries to support additional affordable housing where the relevant boroughs and the Mayor agree to do so.
10. Secretary of State removed from any call in of borough planning decisions whenever those decisions are in favour of development.
11. Introduce a time-limit on the period allowed for advice to be given by non-housing statutory agencies to avoid delays to planning approvals for home building.
12. Introduce a more transparent approach to viability tests across London – underpinned by a standardised approach for London agreed by the Mayor and London boroughs, to ensure faster and sustainable decision making.

Financial Levers for Greater Home Building:

A range of small scale amendments to existing funding rules will unlock both greater home building and more effective use of funds without increasing pressure on national public finances or debt. Government should:

13. Allow London boroughs to offer equity stakes or related incentives to council tenants on estates being prepared for regeneration wherever this will unlock estate redevelopment by providing tenants with assurance that requests for decanting or acceptance of other personal disruption will be in their interests and not merely those of the borough.
14. Increasing flexibility in use of capital funds by boroughs to secure broader social and physical infrastructure where this will unlock increased housing development as a part of wider regeneration of local areas.
15. Ensure funds raised as a result of the HA RTB are retained within a London ring fence, so that all funds are retained in the capital for investment in the delivery of more homes for Londoners.
16. Reform RTB for council homes, so that all funds are retained and can be used fully flexibly to deliver more homes for Londoners. Flexibility would include as a minimum:
 - a. Use of receipts for home building outside the HRA, use with any other grant funding, use for related work leading to housing delivery.

Larger scale financial reform will have a correspondingly larger impact on the maximum delivery capacity of London. Government should address this by:

17. Committing to a 10 year capital settlement; so allowing more cost effective programming and delivery of homes.
18. Agreeing to flexibility on the use of HRA borrowing for all London boroughs working within multi-borough partnerships so that sharing of borrowing capacity is permitted.

Increasing Flexibility to Manage Temporary Accommodation Pressures:

Government changes in regulation can reduce pressure on temporary accommodation and so create more opportunity to focus on faster home building. To this end government should:

19. Introduce a new planning use class for temporary accommodation, allowing modular build approach to speed delivery.

The London Proposition for Homes:

With these powers, funds and new freedoms London government will be able to achieve a series of goals leading to a dramatic increase in home building and a reduction in the costs on the public finances of homelessness and high cost housing.

At the heart of the reform is a transformation in borough effectiveness through collaboration between boroughs that are in turn empowered by new flexibilities that match London's needs. This opens the door to new strategic goals that will include:

- Delivering affordable housing across borough boundaries through borough partnerships and voluntary swaps of cash, land and nomination rights;
- Transformation in the scale and rate of development of public sector land;
- Dramatically enhancing the speed and consistency of development agreements through proper resourcing of major planning as a result of reformed planning fee policies;
- Massive acceleration in land assembly and preparation through use of the council house sales revolving fund.
- Support a massive expansion of shared ownership, and other intermediate products, to help Londoners unable to purchase on the open market to benefit from equity in their home.
- Ability to support the development and effectiveness of the house building industry both through greater support for SME builders and through support for institutional Private Rented Sector development with its inherently faster delivery times compared to build to sell.

This package of proposals would allow London government to negotiate specific aggregate delivery targets for London homes that meet the scale of the demand both on London and on London's contribution to the nation as a whole. This detail of this package will be further considered by the Homes for London board, jointly governed by the GLA and London Councils.