

Leaders' Committee

Devolution and Public Service Reform Item No 7

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Summary:

This paper reports on London government's work on devolution and reform – including updates on current negotiations with Government in relation to:

- Health devolution
- Devolution of the Work and Health Programme

The paper goes on provide an update in relation to wider devolution issues including:

- Discussions with Government – involving both the Mayor's Office and London Councils – in relation to a broader reform package could be progressed as part of the March 2017 Budget.
- The development of a broader narrative capturing London's ambitions in respect of devolution.
- The publication of the second report of the London Finance Commission on 27 January 2017.

This item provides Leaders' Committee with the opportunity to hear and consider the very latest progress in these negotiations.

Leaders' Committee is asked to:

- Consider and comment on the progress with 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 over the last three years 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 the development of the London Proposition in summer 2015, which set out practical ideas for further devolution to London in support of public service reform.
2. London government continues to build on this foundation and a further programme of joint action has been taken forward following the Mayor's Devolution Summit in July 2016.
3. This paper provides an update on London government's continuing negotiations with Government, in relation to:
 - Health devolution
 - Devolution of the Work and Health Programme
4. It goes on to explore London's ambitions in respect of devolution beyond the Autumn Statement. Ministers indicated at the time of the Statement that a broader reform package could be progressed as part of the March 2017 Budget announcement. Engagement with Government - involving both the Mayor's Office and London Councils – is feeding into the pre-budget process.
5. The November meeting of the Member Devolution Group, which met with the Mayor of London, recognised the potential of a longer term platform for London's ambitions in respect of devolution and public service reform. Boroughs and Sub- Regional Partnerships have been invited to contribute to the development of a narrative which the Group envisaged would read-across to the Government industrial strategy, drawing on the experience of 'place' - as defined in a more granular way than London as a whole.

Background

6. The Mayor of London convened a meeting in July 2016 to consider further devolution for London. The purpose of the discussion was to take stock of where London had reached in its devolutionary and reform ambitions and to seek to gauge the initial views

of key London Government and wider stakeholders about the level of appetite for further devolution and reform.

7. The meeting included cross-party representation by London Councils leading members, the City of London Corporation, the London business community, the London Assembly, the Mayor's Office and the co-chairs of the All Party Parliamentary Group for London, Bob Neill MP and Steve Reed MP.
8. The meeting discussed the importance of further and faster devolution to London, particularly in the context of the need to protect London's economy from the uncertainty ahead, following the outcome of the referendum into Britain's membership of the European Union.
9. In the discussion, a number of key themes emerged:
 - Agreement that the work of the London Finance Commission needed to be updated to reflect the current context.
 - The Mayor would work through London Councils to ensure that boroughs were involved in the process, underpinned by an understanding of the fact that London is not a single homogenous unit.
 - Recognition of the importance of involving business representatives.
 - The importance of deepening the relationship between London and its immediate hinterland as part of the devolution agenda.
 - Recognition of the potential provided by the All Party Parliamentary Group for London.
 - The importance of building public engagement.

London Finance Commission

10. Following the Summit and meetings with Ministers, the London Finance Commission was re-established.
11. The Commission's final report was launched on 27 January 2017 at City Hall and both the Mayor and the Chair of London Councils spoke at this event, alongside Professor Tony Travers who chaired the Commission. The final report's recommendations build on the interim report findings from October 2016 and argue that, in addition to business rates devolution, Government should consider:

- Devolving control of a suite of property taxes, including Council Tax and Stamp Duty
- Assigning a proportion of national taxes, such as income tax and VAT (where all control over tax rates, allowances and thresholds would remain with the Treasury, but a share of the yield would support devolved service responsibilities and infrastructure investment).
- Granting permissive powers to raise alternative taxes and levies such as Apprenticeship Levy; VED; Air Passenger Duty; and explore a tourism levy, health-related levies and a community levy.
- Expanding TIF to other taxes including stamp duty.
- All changes would be revenue neutral on Day 1, and would contain mechanisms to safeguard business from unjustifiable increases in tax (e.g. pegging business rates increases to Council Tax increases).

London's 2016 Devolution Proposition

12. In advance of the Autumn Statement, and in the context of discussions between the Chancellor and the Mayor of London, a package of key devolution requests was shaped within a framework that demonstrated how it contributed to protecting and growing London's economy. The key themes are summarised below:

Skills and employment

- Potential further Skills devolution, including powers over the Adult Education Budget (AEB); 16-19 provision in the capital; any unspent apprenticeship levy and the National Careers Service.
- Potential further devolution of employment provision and advice to permit the provision of an integrated local offer.

Fiscal devolution

- Potential devolution of further tax and spending powers once the London Finance Commission has issued its second report in November 2016.

Transport

- Potential devolution of further inner-suburban rail services to improve services and support new homes and jobs

Housing and planning

- Potential devolution of a range of powers to support the Mayor and boroughs in boosting housing supply, including areas identified in 2015 joint submission.

Health

- Devolution proposals that are emerging from the Health Devolution pilots as part of the London Health and Care Devolution agreements made with the then Chancellor, in December 2015.

Criminal Justice

- Potential devolution proposals in respect of adult and youth reoffending together with other criminal justice agencies.

13. The Autumn Statement 2016 included a focus on devolution as a response to the country's low productivity rates and the desire to increase growth across the UK. The Chancellor's speech highlighted the potential for further devolution to London. The Statement and the supporting documentation included the following points of note:

- I. The Chancellor stated that the Government would continue to work with London to explore further devolution of powers.
- II. The Government would transfer to London (and to Manchester) the budget for the Work and Health Programme, subject to London meeting certain conditions, including co-funding.
- III. The Government re-confirmed its commitment to devolving the adult education budget to London from 2019-20, subject to readiness conditions. This was initially announced in Budget 2015.
- IV. As part of an award of £1.8bn to LEPs across England in a third round of Growth Deals, £495m was allocated to London and the South East.
- V. The Government confirmed the GLA's Affordable Housing Settlement. As a result, the GLA will receive £3.15billion to deliver over 90,000 housing starts by 2020-21.

Health Devolution

14. As reported to Leaders' Committee in December 2016, work has been progressing with Department of Health, Treasury, CLG, DWP and NHS England officials, under the umbrella of the agreement made with the Government in December 2015.
15. Members will be aware that the partners have been working towards a Memorandum of Understanding (MoU) to facilitate next steps. This would be buttressed by individual agreements with the pilot areas – involving a number of member councils.

16. It is envisaged that 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. The pilots have led to detailed propositions around:
- i. Integration - Requires changes to regulation, payment systems and workforce for it to be effective.
 - ii. Capital and Estates- Reinvestment of capital receipts.
 - iii. Prevention – Including potential legislative routes to support behaviour change.
17. Leaders' Committee agreed a process for signing-off the MoU at its December meeting. Following discussions in early January - involving London Councils' Chair, Health Board members and portfolio-holder Cllr Kevin Davis - a number of proposed changes were put to London partners, with a view to ensuring the MoU meets boroughs' needs and aspirations. Negotiations were continuing at the time of drafting this report, with a view to securing agreement with national partners on a MoU along with individual agreements with the pilot areas.

Work and Health Programme (Employment Support)

18. Negotiations with DWP, HMT and CLG about the Work and Health Programme have led to approval in-principle for the devolution of up to £80million of funding (plus up to £60million of ESF match funding) over five years of the Programme across the Capital.
19. Following extensive work, we have secured agreement that funding will be devolved to a sub-regional level, which will facilitate enhanced integration with local services and a clear local role in specifying and commissioning the Programme. The basis of the agreement is that London, via its four sub-regions, will lead the design, development, commissioning and management of the Work and Health Programme, working with DWP and within some core minimum national policy and commercial design elements.
20. London Councils has also been successful in securing DWP agreement for changes to the national criteria for ESF Co-Financing organisations, so that sub-regional partnerships can now apply for Co-Financing status, which will support the devolved model of commissioning.
21. The commitment to deliver the new Programme by March 2018 requires challenging timescales. To help ensure success, the sub regional partnerships are co-operating closely to ensure that the commissioning process is put in place quickly and effectively.

Wider Issues

22. Ministers indicated at the time of the Autumn Statement that a broader reform package could be progressed as part of the March 2017 Budget announcement. Engagement with Government continued at the time of drafting this report.
23. At the last meeting of the Member Devolution Group, it was agreed that London's narrative needed to be more strongly rooted in the emerging Government emphasis on place based industrial strategy and ways in which devolution and reform can contribute directly to meeting challenges around boosting productivity, creating jobs, equipping people to fill those jobs and securing housing supply etc. Members felt that 'place' needed to be defined in a more granular way than London as a whole. At that meeting, the Mayor of London indicated that contributions of that type could be important component parts of London's case for further devolution.
24. London Councils has sought contributions from boroughs and groups of boroughs with a view to building a persuasive London narrative on devolution and public service reform. At the time of drafting a number of helpful contributions had been received from individual boroughs and more submissions were expected, including representations from borough groupings.
25. The Government launched its industrial strategy on 23 January 2017, with the publication of the consultation paper entitled: Building our Industrial Strategy. We will be considering the paper with boroughs and groups of boroughs in the context of potential devolution opportunities.
26. A date is currently being sought for a meeting of the Member Devolution Group and the Mayor of London to consider next steps on this overall agenda and to begin to consider some of the broader governance issues flowing from devolution and reform propositions. The Group may wish to consider the following:
 - Developing an enhanced narrative for London devolution that builds on place based aspirations in individual boroughs and sub-regions, along with examples of what is already being achieved. This would build on the contributions from boroughs and borough groupings that were mentioned above and potentially link to place based industrial strategies.

- Reviewing of each of the current portfolio of devolution themes (as referenced above), to identify a) which of these areas might London government want to continue to actively advocate and b) the scope for adding to and potentially expanding the current portfolio of propositions.
- Reviewing and working towards enhancements of the systems of shared governance that Government is likely to set as a minimum standard for devolution.

Conclusion

27. The discussion under this agenda item will provide Leaders' Committee with the opportunity to:

- Consider and comment on the progress signalled by the announcement on London devolution made as part of Chancellor's Autumn Statement.
- Provide guidance on shaping the next stage of London's negotiations with Government.

Background Papers

Green Paper: Building our Industrial Strategy

Department for Business, Energy & Industrial Strategy - 23 January 2017

<https://www.gov.uk/government/consultations/building-our-industrial-strategy>

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.