

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 was taken forward following the Mayor's Devolution Summit in July 2016. London government continued then to make the case for further devolution and public service reform in London in the run up to the Autumn Statement 2016 and Spring Budget 2017. This resulted in an agreement between Government, the Mayor of London and London Councils of a Memorandum of Understanding (MoU) for further devolution to London, announced in March 2017.
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 Executive, which has been strengthened to ensure representation from London's sub-regional partnerships, met on 29 June 2017, after this paper was drafted.
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:-
 - Industrial Strategy
 - Devolution of the Adult Education Budget and progress towards wider skills devolution
 - Work and Health Programme
 - Health devolution
 - Devolution of the criminal justice service

Memorandum of Understanding on Further Devolution to London

5. The MoU, published at the time of the Spring Budget in March 2017, 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 are highlighted below:-

Development and Funding Infrastructure

6. The establishment of a joint taskforce bringing together the GLA, TfL, London Councils, and Government to explore the options for piloting a Development Rights Auction Model (DRAM) on a major infrastructure project in London.

Business Rates

7. Exploration of options for greater powers for London over the administration of business rates, including voluntary pooling of business rates funds as well as flexibility for London to retain a higher share of locally raised business rates – providing appropriate governance structures are put in place.
8. A separate report providing an update on business rates devolution appears on today's agenda.

Transport

9. This includes additional funding for local authorities to tackle urban congestion and devolution of responsibility for funding Transport for London's investment grant to the GLA from April 2017 (this was previously used for improvements to relieve congestion and improve reliability on key routes in London).
10. In addition to the MoU, the Mayor of London has reiterated his ambitions for suburban rail services to be devolved to TfL, creating a London suburban metro, in his recent Transport Strategy. London boroughs will be required to draft their Local Implementation Plans during 2018, demonstrating how they will achieve the aims of the Transport Strategy locally.

Skills & Employment

11. This includes existing commitments around devolving the Adult Education Budget (AEB) to London from 2019/20; joint work to encourage employers to take advantage of opportunities offered by the devolved apprenticeship levy; and exploration of options for greater influence over local employment services. There will also be a review of levels of integration between employment services provided by central and local government in London.

12. The progress towards achieving devolution of the AEB by 2019/20 and details of further lobbying for wider skills devolution, including replacement funding for European Structural and Investment Funds, are provided in a separate Skills section below.

Health

13. The Government have now committed to a second Memorandum of Understanding with London partners to support London's future plans for supporting a more place-based, integrated health and social care system and strategic estates reform. Details of progress towards this agreement are provided in a separate section below.

Criminal Justice

14. A MoU between the Ministry of Justice (MoJ), GLA, Mayor's Office for Policing and Crime (MOPAC) and London Councils to support the process for collaborative working towards improving the quality of criminal justice service delivery across London was due to be agreed by June 2017. This timeline has now been extended to later in the year due to the General Election. Details of progress towards this agreement are provided in a separate criminal justice section below.

Industrial Strategy

15. London Councils and the GLA both made responses 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. Given the Government's commitment in the Queen's Speech to create a modern industrial strategy, there are likely to be further opportunities for London Councils to work in partnership with the Mayor of London as the Strategy develops. This work could include the consideration of a London local industrial strategy that might make the case for inclusive growth in the Capital, and the powers and responsibilities that London boroughs will need to achieve this growth.

Skills Devolution

16. London government is continuing to make the case for skills devolution, based on the failure of the national system to be responsive to employer demand and its failure to

provide inclusive opportunities for all learners and businesses in London. The process of leaving the EU is expected to provide a series of challenges and opportunities that support the case for a more agile and responsive skills system in London. EU nationals play an important role in many of the capital's key sectors such as construction, the NHS, and financial services. London's skills system will need to improve the skills of 'home grown' talent to avoid skills gaps and a negative impact on the economy.

17. As part of the Spring Budget MoU on devolution to London, the Government reiterated its commitment to devolving the Adult Education Budget (AEB) to London by 2019/20, subject to a series of readiness conditions. Progress in concluding a devolution deal between Government, the Mayor of London and London boroughs has been slow, due to a lack of clarity about the readiness conditions and their associated risks, as well as a lack of clarity about the policy freedoms that London government would have, to allow practical changes to the way the AEB operates in London.
18. AEB funding will be routed through the Mayor of London in the first instance, however, London Councils and the Mayor have agreed that the GLA will work with boroughs (working through London Councils and sub-regional partnerships) to prepare for and deliver skills devolution. This will be underlined by a principle of joint governance to ensure that the boroughs and sub-regions have the opportunity to influence and inform transition planning, strategy development and delivery of a devolved skills system. A report on the governance arrangements and principles for joint working with the GLA on AEB devolution were considered by the Congress Executive on 29 June 2017 and these are attached at Appendix 1. Formal discussions around governance are expected to commence in November 2017, with a view to reaching a conclusion in March 2018.
19. In order to prepare for devolution of the AEB by 2019/20, the GLA is working with boroughs and other partners to develop a London Skills Strategy and Skills Funding Statement for the AEB in London to be in place by March 2018, as well as a Commissioning Strategy for the AEB by May 2018. The Mayor has also established the Skills for Londoners Taskforce¹ to advise the GLA on the Skills Strategy and the delivery of the Mayor's manifesto commitments on the role of skills in London's economic development.

¹ Cllr Peter John represents London Councils on the Skills for Londoners Taskforce

20. It will be important that sub-regional perspectives and priorities are effectively represented during the development of the model for devolved AEB funding. The skills strategies, mentioned above, will frame the future operation of the model and sub-regions can play a significant role at this critical point, working with local employers, to help shape a skills devolution model that is responsive to local and sub-regional needs. London Councils is liaising with Sub Regional Partnership Directors to help facilitate this engagement. Each sub-region is developing a skills narrative to feed into the London Skills Strategy and establishing a sub-regional Skills and Employment Board.
21. In addition, further work is being undertaken on the provision of Adult and Community Learning (ACL) in London, taking forward some of the recommendations of the review of these services last year. ACL services are largely commissioned or delivered by London boroughs, alongside Institutes of Adult Learning (IALs). London Councils is working with the GLA, boroughs and sub-regions to develop a commissioning approach for ACL services that measures their impact, to prepare for a devolved system. Sub-regional partnerships are leading work locally to consider if efficiencies and improvements can be achieved through greater co-ordination of service delivery. All of this work should conclude by November 2017 and feed into the development of the different skills strategies. Leaders will be consulted on draft proposals.
22. Over and above the work on AEB devolution, London government is continuing to make the case for devolution of 16-18 provision; career support and advice; London's share of the apprenticeship levy; and resources to replace the European Social Fund (ESF). Several of the newly elected Metro Mayors argued for devolution in these areas and there may be opportunities for aligning approaches to Government.

Work and Health Programme

23. The devolved Work and Health Programme (WHP) will provide employment support for Jobseekers Allowance (JSA) or Employment and Support claimants who have long term health conditions or are disabled, as well as JSA claimants who have been unemployed for one year or more. London's sub-regions will receive devolved funding from the Department for Work and Pensions (DWP) worth up to £70m over five years. This is being match-funded by an additional £65m from the ESF, to support the 50-

55,000 long term unemployed, disabled people and people with health conditions in London to seek employment.

24. The procurement of the Programme is currently live, with each sub-region having selected a shortlist of at least five potential suppliers for each sub-regional Contract Package Area (CPA). There will be a process of evaluation and dialogue with suppliers throughout the summer. The successful bidders in each CPA will be announced in autumn 2017. The London WHP will launch in spring 2018. Looking beyond the procurement process, key challenges include considering how the WHP can integrate, enhance and align with existing borough services, and what local authorities can do to ensure that the programme receives sufficient levels of referrals.
25. The sub-regional partnerships are playing a critical role in the delivery of the London Work and Health Programme and are likely to face an intense period of preparatory work in the run up to delivery of the programme. Success in commissioning and delivering this innovative programme will provide valuable evidence to help the case for further devolution of other responsibilities to London.

Health Devolution

26. As reported to Leaders' Committee in February 2017, work has been progressing with the Department of Health, Treasury, CLG, DWP and NHS England officials, under the umbrella of the collaboration agreement made with the Government in December 2015.
27. Members will be aware that the partners have been working towards a health devolution MoU to facilitate next steps. This would be buttressed by individual agreements with the pilot areas – involving a number of member councils. 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.

28. Leaders' Committee agreed a process for signing-off the MoU at its December 2016 meeting. Following discussions during early 2017 – involving London Councils' Chair, Health Board members and health 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 subsequently delayed through the General Election period. The Mayor of London and Chair of London Councils recently sent a joint letter to Secretary of State for Health expressing disappointment that it had not been possible to agree the MoU before the election and seeking to unlock progress in the near future.

29. Over and above the formal Health MoU, there are a number of opportunities for boroughs to explore and develop better models of integration between health and social care. As previously discussed at Leaders' Committee, it will be important for a borough perspective to be included within discussions on the future shape of the local health economy – on behalf of residents. This work will have an important influence on boroughs ability to ensure that new any powers resulting from a MoU support change towards locally defined visions of future health and care provision.

Criminal Justice Devolution

30. The March 2017 MoU on further devolution to London included a commitment to joint work to:

- *Develop a shared view of the benefits and better outcomes in London that could be delivered by the devolution of criminal justice services; and*
- *Identify the criminal justice services that can best be delivered locally to complement, enhance and support national reform programmes, in line with national frameworks and standards.*

31. London Councils will continue to engage in discussions with MOPAC, MoJ, and other partner organisations to explore the potential for a bespoke MoU on criminal justice devolution:

- It is envisaged that the MoU would set out a framework to improve services for young, female and adult offenders, victims and witnesses, and to reduce reoffending in London.

- Potential areas for devolution include increased responsibility for London over community rehabilitation contracts (probation), offender management, and witness services, as well as greater local flexibility to drive investment in prevention and rehabilitation services.

Conclusion

32. The MoU on further devolution to London announced in the Spring Budget 2017 was a significant development which continues to provide a promising platform for further joint work.

33. Following the General Election, it will be important for London government to maintain the momentum of the devolution negotiations with the aim of securing further progress in the areas highlighted in the MoU. 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

34. The discussion under this agenda item will provide Leaders' Committee 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.

Devolved Skills System in London – Principles for Joint Working between the GLA and London’s sub-regional partnerships

City Hall and the London boroughs are committed to working together – through London Councils and the sub-regional partnerships - to prepare for and deliver skills devolution.

This includes committing to a series of principles for joint working, building on those currently established including through the approach to the London Area Review earlier last year.

Recognising that there is still a lot of uncertainty about the exact nature of the Adult Education Budget (AEB) devolution deal on offer from government, the GLA and London’s boroughs have agreed to work together to secure the best outcomes for London as a whole through:

- **Governance and influence:** we agree to the principle of joint governance over a devolved skills system, whilst recognising that the exact form of this governance can only be agreed once the roles, functions and responsibilities to be transferred by government to the Mayor are clear. In the meantime, the Deputy Mayor and Sub-Regional Lead Members for skills will meet collectively on a regular basis to ensure that London’s sub-regions have the opportunity to influence and inform transition planning, strategy development and delivery of a devolved skills system.
- **Joint early strategic input** at political and officer level to the London Skills Strategy, Adult Education Budget Funding Policy Statement and Adult Education Budget Commissioning Strategy will ensure that both regional and sub-regional needs and priorities are effectively represented in these strategies.
- **Employer engagement:** the GLA and the sub-regional partnerships will ensure that employers are engaged at all levels across London, to develop a granular understanding of their needs and ensure that skills provision under a devolved system is responsive to those needs.
- **Monitoring provider performance:** we agree that the GLA and sub-regional partnerships will each have a role in monitoring provider performance. We will work together to determine our respective roles in provider performance management to ensure that both regional and sub-regional priorities are being met. It is expected that these monitoring mechanisms will, in future, inform the commissioning of a devolved skills system.
- **Skills for Londoners capital funding:** will in future be informed by the London Skills Strategy and therefore need to align with regional, sub-regional and local skills and economic development priorities. A Skills for Londoners Capital Fund sub-group is being set up to provide a strategic steer on the programme and proposals. London Councils will provide representation on this group on behalf of London’s boroughs and sub-regional partnerships.

As more details emerge from government about the specifics of the proposed AEB devolution deal, including the readiness conditions, the detail of the statutory responsibilities, functions and powers that will transfer from the Secretary of State to the Mayor and those that will continue to be held by government, we are committed to formulating joint governance arrangements and formalising principles for joint working through a Memorandum of Understanding.