

Executive

Devolution and Public Service Reform Item No 5

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Summary:

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

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

Members of the Executive are asked to:

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

Introduction

1. London Borough Leaders have driven a programme of work in pursuit of devolution and reform of public services in London, working closely in partnership with the Mayor of London and the GLA. This led to a programme of joint action that being taken forward following the Mayor's Devolution Summit in July 2016, followed by an agreement between Government, the Mayor of London and London Councils of a Memorandum of Understanding (MoU) for further devolution to London, announced as part of the Spring Budget in March 2017.
2. The MoU provides a platform for work by the Government, the GLA and London Councils to bring forward devolution of additional powers, freedoms and flexibilities for London government. The key themes for further devolution to London agreed in the MoU include the development and funding of infrastructure through a Development Rights Auction Model (DRAM), a commitment to explore business rates retention, investment to tackle urban traffic congestion, and a commitment to further health, criminal justice, skills and employment devolution. The Chair of London Councils and the Mayor will be meeting Ministers on this agenda during the course of the Autumn.
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 to discuss skills devolution and London's relationship with the rest of UK, amongst other devolution and public service reform matters. The Congress of the Mayor of London and Leaders is next due to meet on 10 October 2017.
4. This paper provides an update on London government's continuing negotiations with Government in relation to the MoU and wider devolution issues, in particular the following areas:-
 - Business Rates retention
 - Devolution of the Adult Education Budget and progress towards wider skills devolution

- The Work and Health Programme
- The Industrial Strategy
- Health devolution
- Devolution of the Criminal Justice Service
- Housing Infrastructure

Business Rates

5. At Leaders' Committee in July 2017, Leaders were provided with an update regarding the progress of the proposals to pilot 100% business rates retention via a voluntary London pool in 2018/19. It was noted that the Conservative election manifesto contained a commitment to giving local government greater control over the money it raises, including business rates, however the Queen's Speech on 21 June 2017 did not include a commitment to re-introduce the Local Government Finance Bill that would have paved the way for full retention of rates by 2020.
6. Officials have indicated that the issue of further piloting of business rate retention is being considered by Ministers. It is anticipated that some greater clarity is likely to emerge in early September. Should the Government ultimately agree to continue proposals to pilot 100% retention, London government needs to be in a position to indicate in-principle support for a pan-London pilot pool by the time of the Congress of the Mayor and Leaders meetings on 10 October 2017. A draft prospectus for a potential voluntary pool based on incentivising growth, facilitating collective investment, and recognising the needs and contributions of all boroughs has therefore been circulated to Leaders and the Mayor of London for consideration over the summer.
7. A 2018/9 pilot would require agreement with Government at or around the Autumn Budget in November 2017 in the event that London government agrees to pursue a pilot pool in London. A final detailed pooling agreement would then be negotiated with DCLG, with the likely deadline being at the time to Local Government Finance Report is published in February 2018. Given the tight timeframes, it is probable that further local decisions required from the 34 prospective pooling authorities relating to how the legal framework is to be implemented could follow in the intervening period. All these matters would need to be resolved in a timely manner prior to April 2018 to allow for implementation.
8. Leaders will continue to be notified of any potential change in approach as and when the Government's intentions become clearer. In the meantime, feedback regarding the

proposals contained within draft pilot pool prospectus that was circulated in July, including the thoughts of other boroughs where possible, will be sought at the Executive meeting.

Skills Devolution

9. 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 will provide a series of challenges and opportunities that support the case for a more agile and responsive skills system in London.
10. As part of the Spring Budget MoU on further devolution to London, the Government reiterated its commitment to devolving the Adult Education Budget (AEB) to the Mayor of London by 2019/20, subject to a series of readiness conditions, and committed to continue working with the GLA and London Councils in order to better align skills provision and careers services with local needs and priorities.
11. Subsequent progress towards formally agreeing a devolution deal for skills between the Mayor and the government has been slow. It is expected that there will be further and more detailed engagement with government between September and December on the legislation to transfer the powers and in meeting the readiness conditions.
12. The timetable remains the same, with devolution of the AEB scheduled to start in 2019/20. Legislative orders are expected to be laid in parliament next year. Cllr Peter John (London Councils lead for Business, Brexit and Skills) and Jules Pipe (Deputy Mayor for Planning, Regeneration and Skills) jointly wrote to the Rt. Hon Anne Milton MP (Minister for Apprenticeship and Skills) on 5 July encouraging the government to prioritise skills devolution for London and to make progress urgently.
13. In July 2017, the London All Party Parliamentary Group for London launched its first report '[Bridging the Skills Gap](#)' that outlined the many skills challenges London faces and called on the government to move further and faster on skills devolution for the capital – so it can respond to these in an effective and timely way. The report has been circulated to all London MPs and relevant stakeholders.
14. The GLA is preparing a draft outline London Skills Strategy that it will consult on during autumn this year, including via sub-regional consultation events. Sub-regional

partnerships are also developing skills priorities for their areas and these will inform the development of the London Skills Strategy. The London Skills Strategy will form the basis for a commissioning strategy and an annual funding statement for the devolved AEB. It should be finalised in May 2018. London Councils, sub-regional partnerships and boroughs will also need to agree governance arrangements for a devolved skills system with the Mayor by the end of 2017.

15. In addition, following the review of Adult and Community Learning (ACL) in London last year, London Councils is working closely with sub-regional partnerships and boroughs to build on some of these recommendations to prepare for devolution. ACL funding has been merged into the AEB. There will be some pan-London work to develop proposals on the role and distinct focus of ACL activity versus wider AEB funding and to make recommendations about the future commissioning of ACL provision. In addition to this, sub-regional partnerships are looking at how boroughs can collaborate and improve the operations of ACL services locally. Some initial pan-London proposals will be explored with boroughs during September and October 2017, with the aim to agree final proposals among the boroughs by the end of the year.

Work and Health Programme

16. The devolved Work and Health Programme (WHP) will provide employment support for Jobseekers Allowance (JSA) or Employment and Support claimants with long term health conditions and disabilities, as well as JSA claimants who have been unemployed for 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.
17. The procurement of the Programme is currently on track, with all sub-regions having either completed or being in the process of completing the final dialogue phase at the time of writing. The successful bidders in each Contract Package Area will be announced in October/November 2017.
18. All sub-regions have applied and been approved for ESF monies and are co-financing organisations. London Councils is working with the sub-regions and other stakeholders including the DWP to establish an Evaluation Working Group, which will support the

development of a London specific evaluation of the WHP. The London WHP is due to go live in spring 2018.

Industrial Strategy

19. London Councils and the GLA both responded to the Government's Industrial Strategy Green Paper, shortly before the General Election was announced. Both responses made the case for further and wider devolution and a place-based strategy that would benefit both the Capital and the UK as a whole.
20. Given the Government's commitment in the Queen's Speech to create a modern industrial strategy, there may be further opportunities for London Councils to work in partnership with the Mayor of London as the Strategy develops. The Mayor's Economic Development Strategy may provide an opportunity to make the case for inclusive growth in the Capital as well as the case for securing powers and responsibilities that London boroughs will need to achieve this growth. London Councils will work closely with the boroughs and sub-regional partnerships to engage with the development of the Mayor's Economic Development Strategy and subsequent London Plan.

Health Devolution

21. Members will be aware that the London Partners have been working towards a health devolution MoU to facilitate next steps of the collaboration agreement made with Government in December 2015, which 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 on integration, prevention, and reinvestment of capital and estate receipts.
22. 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 with Government on this issue and signing the MoU were subsequently delayed through the General Election period.
23. The Mayor of London and Chair of London Councils recently received a response to their joint letter to the Secretary of State for Health, which was sent following the General Election. The Secretary of State expressed disappointment that it had not been

possible to agree the MoU before the election and provided assurances that Department of Health officials will continue to work towards finalising the MoU with London Partners.

24. 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

25. 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.

26. London Councils is continuing to engage in discussions with MOPAC, MoJ, and other partners to explore the potential for a bespoke MoU on criminal justice devolution. It is envisaged that this MoU will set out a framework to improve services for youth, female and adult offenders, victims and witnesses, as well as taking positive steps to reduce reoffending in London (including exploring the greater use of electronic monitoring). Potential areas for devolution include increased responsibility for London over community rehabilitation contracts (probation), offender management, victims and witness services, as well as greater local flexibility to drive investment in prevention and rehabilitation services. A series of meetings with officials will take place during the Autumn, with the aim of agreeing a MoU by January 2018.

Housing

27. The Housing Infrastructure Fund (HIF) is a government capital grant programme of up to £2.3 billion of the government's £23 billion National Productivity Investment Fund. The aim of the HIF is to deliver up to 100,000 new homes in the areas of greatest

housing demand in England. It enables local authorities, who know their communities and places within them best, to plan for local growth by increasing housing supply and recognising the importance of infrastructure in building communities where people want to live. However, there are some concerns around the very ambitious timescales set, particularly for the Forward Funding element.

28. Funding for housing investment will be awarded to individual local authorities in England based on a competitive bidding process. London boroughs are able to bid for up to £10 million per Marginal Viability Funding proposal, where the final or missing piece of infrastructure funding for additional housing on already existing or allocated sites is awarded. In addition, the GLA, as London's "uppermost tier of local authority", is able to bid for up to £250 million of Forward Funding per scheme for new strategic and high-impact infrastructure projects across London.

29. Once proposals for Marginal Viability Funding have been approved by DCLG (envisaged to be late 2017 / early 2018), it is expected that boroughs would begin building the necessary infrastructure immediately and for the homes to follow shortly afterwards. The infrastructure has to be delivered by 2021 at the latest but DCLG is looking for schemes that can start spending promptly with some money available for spend in 2017/18.

30. The HIF encourages groups of local authorities to submit joint bids for Marginal Viability Funding, which could enable additional housing to be unlocked at scale and on a sub-regional level across London. The application process will require boroughs to demonstrate how the HIF funding will create additional housing delivery on top of what was previously planned. London boroughs are encouraged to get letters of support from the GLA when submitting bids for Marginal Viability Funding.

31. London Councils is expecting a number of potential London bids for Marginal Viability Funding. The GLA, boroughs and London Councils are also working on a number of potential projects for the Forward Funding element, based on DCLG's assessment criteria of value for money, strategic need and deliverability.

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 and in the run-up to the Autumn Budget 2017, 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. The Chair of London Councils and the Mayor will be meeting Ministers on this agenda during the course of the Autumn.

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.