

Leaders' Committee

Devolution and Public Service Reform Item No 7

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Date: 6 February 2018

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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:

- Further Business Rates retention
- Development Rights Auction Model
- Adult Education Budget and wider skills devolution
- The London Work and Health Programme
- European Structural and Investment Funding
- Health devolution
- Criminal Justice devolution
- Housing

Recommendation: Leaders are asked to:

- Consider and comment on the progress of London government's work on devolution and reform.
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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 being taken forward following the Mayor's Devolution Summit in July 2016, followed by an agreement between Government, Mayor of London and London Councils in March 2017 to enter into a Memorandum of Understanding (MoU) for further devolution to London.
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 a commitment to explore business rates retention, investment to tackle urban traffic congestion, and commitments to further health, housing, criminal justice, skills and employment devolution. The Chair of London Councils and the Mayor have been meeting with Ministers on this agenda throughout the devolution process.
3. Leaders' Committee, Congress of Leaders and the Mayor and Congress Executive have received regular reports regarding devolution and public service reform during the past year. The Congress of Leaders and the Mayor of London last met on 10 October 2017 to note progress towards the London devolution agreement with Government and to consider the opportunity for London to pilot full business rates devolution from April 2018.
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:-
 - Further Business Rates retention
 - Adult Education Budget and progress towards wider skills devolution
 - The London Work and Health Programme
 - The Industrial Strategy
 - European Structural and Investment Funding
 - Health devolution
 - Criminal Justice devolution

- Housing

Business Rates

5. At Congress of Leaders in October 2017, Leaders and the Mayor agreed to support in principle an application to Government for a London-wide business rates pool for 2018/19 that would pilot elements of a 100% retention scheme. It was also agreed that, in the event that the pilot pool continues, it should not last for more than two years (i.e. beyond 2019/20) without a positive recommitment by all participating authorities.
6. As reported to Leaders' Committee in December 2017, the Autumn Budget formally confirmed that the London pilot of 100% business rates retention in 2018-19 had been agreed. The terms of the 100% pilot were agreed via a MoU signed by the Chair of London Councils, the Mayor, the Secretary of State (SoS) for Communities and Local Government and the Minister for London. Importantly, this contained an agreement to allocate around 50% of any net financial benefit that the pool may generate to invest in strategic projects. This includes a commitment by the Mayor of London to spend the GLA's share on strategic projects, as well as 15% of the total to be decided jointly by the Mayor and borough Leaders.
7. In December 2017, a pooling agreement between the GLA, City of London and 32 London boroughs was circulated to all participating authorities. This agreement establishes the principles of operation of the pool, including:-
 - Rationale of the pool;
 - Duration and terms of dissolution;
 - Role of the City of London Corporation (as the lead authority);
 - Distribution of any financial benefits;
 - Principles around strategic investment; and
 - The governance mechanism for ongoing decisions regarding the pooled Strategic Investment Pot.
8. The SoS set out a designation order in the provisional 2018-19 Local Government Finance Settlement in December 2017 that established the London pilot pool. All member authorities had until 16 January 2018 to revoke their participation. By that date, no authority had done this. Therefore, the pool will be agreed in the final Local Government Finance Settlement in February and will go live on 1 April 2018. At the time of writing, all participating authorities are taking the pooling proposals through their local

decision-making processes, and final signatures to the pooling agreement MoU between all 34 members are being sought.

9. The deadline for forecast figures to be submitted to Government is 31 January 2018. The City of London, as the lead authority, aims to confirm the final income to be distributed to each authority in 2018-19 by mid-February.

Development Rights Auction Model

10. The Spring Budget MoU on further devolution to London included the creation of a joint taskforce bringing together the GLA, Transport for London, London Councils, and Government to explore options for piloting a Development Rights Auction Model (DRAM) on a major infrastructure project in London. TfL funded consultancy work to explore a detailed viability evaluation for two prospective DRAM pilot sites: the Upper Lea Valley Opportunity Area and the Old Kent Road Bakerloo Line Extension.
11. The consultancy work has recently concluded that, while it may have value elsewhere in the country, DRAM is unlikely to provide a viable model in the particular circumstances of London's property and development market. The task force expects to consider and subsequently publish a final report shortly.

Skills Devolution

12. London government is continuing to make the case for further skills devolution, based on the need for the national system to be more responsive to employer demand and 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 means London needs a more agile and responsive skills system more urgently than ever.
13. The Adult Education Budget (AEB), estimated to be worth around £400m per annum in London, will be devolved to the Mayor by 2019/20, subject to a series of subsequently issued readiness conditions. Progress towards concluding a devolution deal between Government and the Mayor has been slow due to Government changes and the general election in summer 2017.
14. The Mayor and Chair of London Councils met with the SoS for Education during autumn 2017 and pressed her to inject pace and resources into the AEB devolution process. The Deputy Mayor for Planning, Regeneration and Skills and the London Councils Lead Member for Business, Brexit and Skills met with the Minister for Apprenticeships and

Skills in January 2018. The Minister committed to providing some key information and decisions from Government on AEB devolution by the end of January 2018 and was keen to keep in touch on progress. An update about any information received could be provided at the meeting.

15. Devolution of the AEB from 2019/20 will involve the transfer of a number of statutory functions and powers from the SoS to the Mayor. In June 2017, the Congress Executive agreed the principle of joint governance over a devolved skills system between the Mayor and the boroughs. In December, Leaders' Committee agreed the pan-London governance arrangements for the AEB. The Mayor will establish the Adult Education Programme Board (AEPB) to provide recommendations and advice regarding annual AEB funding requirements and priorities, commissioning strategy, funding and allocations modelling, and performance and risk.
16. The AEPB will comprise the following members, appointed by the Mayor:-
 - Deputy Mayor for Planning, Regeneration & Skills (Chair);
 - Five London Councils nominees: Executive Member for Business, Skills and Brexit (Deputy Co-Chair) and the chair (or nominee) of each sub-regional Skills and Employment Board;
 - Skills for Londoners Taskforce member (Deputy Co-Chair);
 - LEAP business member;
 - Provider representative.
17. The Government is currently undertaking a formal consultation with boroughs and the London Assembly regarding the transfer of powers to the Mayor. Boroughs will need to respond to this consultation by 16 February 2018.
18. In December, Leaders received a presentation from the Deputy Mayor for Planning, Regeneration and Skills regarding the Mayor's draft Skills Strategy: 'A City for all Londoners'. London Councils and Sub-Regional Partnerships are currently working with the GLA to ensure that local and sub-regional priorities are included in the final Strategy, which is due to be published in May 2018. London Councils' response to the draft Strategy consultation highlighted the importance of this, as well as the need to include short- and long-term action plans that should highlight which actions are best undertaken at a pan-London, sub-regional or local level.

19. Priorities for action in the final Skills Strategy should also include improving the careers offer, funding higher level skills provision, effectively supporting Londoners with ESOL and/or Special Educational Needs and Disabilities (SEND) needs and reforming the apprenticeship levy. London Councils urged the Mayor to consider working with London's largest employing sectors to understand how they might be impacted by Brexit and/or automation and disruptive technologies, in addition to sectors with the highest growth potential.

London Work and Health Programme

20. The devolved Work and Health Programme (WHP) will provide employment support for Jobseekers Allowance (JSA) or Employment and Support Allowance (ESA) claimants with long term health conditions and disabilities, as well as JSA claimants who have been unemployed for two years or more. London's sub-regions will receive devolved funding from the DWP worth up to £70m over five years. This is being match-funded by an additional £65m from the European Social Fund, to support London's 50-55,000 long term unemployed, people with disabilities and health conditions to seek employment.

21. The procurement of the Programme is currently on track, with each sub-regional programme due to start by 1 March 2018. The West London Alliance (WLA) WHP will start on 26 February 2018, whilst the South London Partnership (SLP), Local London (LL) and Central London Forward (CLF) WHPs will start on 1 March 2018.

22. The four Sub-Regional Partnerships announced successful providers in December 2017. These are:-

- SLP: Reed in Partnership
- LL: Maximus
- WLA: The Shaw Trust
- CLF: Ingeus

23. London Councils, sub-regions and Jobcentre Plus/DWP are also developing a joint approach to generating sufficient and suitable referrals to the WHP.

European Structural and Investment Funds

24. London benefits from ESIF funding through the European Social Fund (ESF) and the European Regional Development Fund (ERDF). Withdrawal from the European Union means that devolution of the replacement funding mechanism is now a priority for

London. The capital currently receives £422 million from the ESF and £159 million from the ERDF as part of the 2014-20 ESIF programme. When Government and the EU reached the end of the first phase of Brexit negotiations in December 2017, it was agreed that London will continue to benefit from its current ESIF allocation until the end of the 2014-20 programmes. The UK Shared Prosperity Fund (UKSPF) will replace ESIF once the UK leaves the EU.

25. As agreed at Leaders' Committee in October 2017, London Councils and the GLA have written to the Secretary of State for Housing, Communities and Local Government in December requesting that ESIF is fully replaced after withdrawal and that London receives at least as much from the UKSPF as it does currently via ESIF. The letter also made the case for replacement funding to be devolved to London government and other city-regions so that decisions sit much closer to the communities they support and so priorities can be set locally.

Health Devolution

26. Members will be aware that London Partners (including London Councils, GLA, NHS England, Public Health England and the London office of Clinical Commissioning Groups) recently agreed a health and care devolution MoU with Government that will facilitate the next steps of the health collaboration agreement made in December 2015. The MoU is 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 estate receipts. A Member Event on health and care devolution is being held on 1 February 2018.
27. The signing of the MoU reaffirms a shared commitment to accelerate improvement to the health and care of all Londoners through the devolution or delegation of powers and granting of new freedoms to London. It opens up new opportunities for London, at the local, multi-borough and regional level, to better shape provision to local needs and reform the way London health and local government operates so that residents have the best chance to live longer, healthier lives.
28. In the same manner as individual pilot areas have led the agenda, one of the tasks facing all London boroughs appears to be how to ensure reform emerges through bottom-up, locally designed solutions across the capital. This will be a central task in coming months and points to questions of how best the local story can be told, how

boroughs can shape this, and how best London can harness collective ambition to deliver on the MoU and improve health and care for Londoners.

29. The new powers and freedoms that have been gained through devolution provide a platform for accelerating the development of borough-led integration models in order to improve the health and care system locally. London boroughs with the Mayor and health partners will collectively need to account for how effectively these new powers are used. The MoU is linked to London's wider health and social care transformation aspirations, such as improved effectiveness of partnership working between health services and local government as well as deeper integration of health and care systems.
30. The Executive Lead Members for Health and Adult Social Care met with the Secretary of State for Health and Social Care to reflect on how health and care integration has actually worked in the context of the development of London's health devolution MoU and to consider how Government can best work with local areas. There will be an opportunity for the Executive Leads to provide a verbal update at Leaders' Committee. However, there seemed to be a willingness to address specific issues which could be unblocked without seeking new legislation and Leaders may wish to consider London's asks of the Health Secretary.

Criminal Justice Devolution

31. The overarching MoU on further devolution to London from the Spring Budget in March 2017 included a commitment to agreeing a specific MoU with Government to enable more effective criminal justice outcomes for the capital. An update on progress was provided to Leaders' Committee in October 2017 and there have been regular updates to the London Crime Reduction Board (LCRB). The LCRB is chaired by the Mayor of London and includes three Leaders who are nominated by Leaders' Committee (Cllr Kober, Chair; Cllr Peck, Executive Member for Crime and Public Protection; and Cllr Cornelius, Conservative Group Lead Member for Crime and Public Protection).
32. In October 2017, Leaders' Committee delegated authority to consider and approve the final MoU to the three London Councils Member-level representatives on the LCRB. The current ambition is for the working text to be agreed with officials by early March 2018. The MoU is designed to support a more joined up approach to reducing reoffending, addressing the offending behaviour of adult, youth and female offenders, and improving services for London's victims and witnesses.

33. In January 2018, the Executive considered a report on London government's work towards agreeing a final MoU with MOPAC and the Ministry of Justice. Members were supportive of the MoU's proposals to improve outcomes for victims and witnesses, reducing reoffending (particularly the potential for greater control over community rehabilitation in London), and building justice services around London's distinctive needs (including more effective provision and support for London's female offenders).
34. The clear steer from Executive Members was not to pursue any proposals for a sub-regional pilot nor realignment of funding in relation to youth justice services as part of the MoU. It was, however, acknowledged that it could be appropriate to revisit the idea of locally-led, cross-borough collaboration to tackle youth offending at a later date, after the current MoU negotiations have concluded.

Housing

35. The context for exploring further opportunities for housing devolution is framed by the CLG consultation on the assessment of local housing published in September 2017. As anticipated, this radically increased the housing need figure for London from 20-25,000 to 72,000 homes per annum. London Councils submitted a detailed response to the consultation, which highlighted concerns regarding the way that the assessment of need has been calculated.
36. Further powers to support land assembly in London are required and greater flexibility in the use of local authority funds are needed for London to increase its housing delivery towards these goals. The Mayor's draft London Plan, published on 29 November 2017, reduces the number of homes to be built each year compared with the MHCLG's assessment of housing need. The London Plan targets 65,000 new homes per annum, with 10 boroughs experiencing an increase in the expected number of new homes per annum compared to the Government's assessment, whilst 22 see a reduction based on the Plan's local assessment of housing need in London. In all cases, however, the targets are a considerable increase on current delivery.
37. A number of housing measures were featured in the Autumn Budget. The Housing Revenue Account cap will be lifted (pending a bidding process) for some councils in areas of high demand. However this won't happen until 2019/20. It is as yet unclear what conditions will be applied to bids. Not all councils will benefit as they will have to bid to increase borrowing from a £1bn fund to be allocated across England. Details of the areas in high demand are yet to be confirmed but London partners are continuing

the make the case to Government regarding London's exceptional need to increase capacity and delivery. On 22nd January the Treasury Select Committee endorsed the London Councils position that the HRA cap should be lifted from all local authorities.

38. It is likely that there will be further opportunities for London local government to propose reforms to the housing delivery regime to central government during the year ahead. Past experience suggests that proposals may need to demonstrate clearly how the contribution of London boroughs, especially when working in collaboration, will add to London's total delivery capacity. That emphasis on borough collaboration to drive appropriate home building has been a focus of the work led by the Portfolio Holder for Housing.

Conclusion

39. Since the Autumn Budget 2017, London government has continued to make progress in securing devolution and will continue to engage in 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 instance in relation to increased housing supply. This will require an agile approach at borough, sub-regional and pan-London levels. The Chair will continue to meet with the Mayor and Ministers on this agenda where possible throughout the devolution process.

40. The discussion under this agenda item will provide Leaders with the opportunity to:

- Consider and comment on the progress of London government's work on devolution and reform.

Background Papers

Leaders' Committee, 5 December 2017:

[Item 4 – Draft London Skills Strategy and AEB Governance](#)

[Item 7 – Local Government Finance Update](#)

[Item 8 – Health and Social Care Devolution](#)

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.