A Growth Deal for London

Proposals to HM government

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LONDON

ENTERPRISE PANEL

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Foreword

London is a great city. It is a remarkable city. As a formidable generator of new enterprise, jobs and inward investment, it is also a city thriving on growth. The LEP recognises that with London's population set to reach ten million soon after 2031, more jobs, homes and travel infrastructure will be needed for the region to harness this growth, and see that successes and gains are evenly shared across the capital.

With its wide and compelling evidence base for intervention this Local Growth Deal for London outlines how growth funding will allow the LEP to develop employer-responsive and locally driven skills provision, real work opportunities in demanding and emerging sectors and resilient housing stock that will test and tackle some of the challenges we shall see in the years ahead.

In last year's Jobs and Growth Plan, I made it clear there is no room for complacency. I stand firmly behind this position and am proud to give my full backing for this coherent Local Growth Deal that will deliver the results that London needs, deserves and will achieve.

Boris Johnson

Mayor of London

1 Growth Deal - Executive summary

Local Growth Fund

1.1 The LEP is seeking the following funds from the Local Growth Fund:

a) **£70m New Homes Bonus Funding:** 80 per cent of which will provide a LEP programme of activity to support economic growth priorities, co-designed with London boroughs, whilst the remaining 20 per cent will support a future LEP Growth Fund which will be run as an open bidding round to encourage innovative and creative bids form a wide range of partners. The New Homes Bonus has already been agreed by government.

b) **£100m FE Skills Capital per annum**: A proposal for funds to run an open and competitive tendering round for all FE institutions (colleges and registered private providers) to encourage innovative proposals that meet the capital's skills needs. In particular, proposals will be expected to address the Panel's Jobs and Growth Plan priorities (e.g. skills that will support the Digital Creative, Science and Technology sectors, SMEs and infrastructure development).

c) **£6.3m 'Meeting the Digital Skills Challenge'**: seeks to boost London's ICT education capacity at a systemic level, starting with a pilot.

Unleashing London's economy: new levers and influence

1.2 This chapter set outs four areas of new levers and influence capable of significantly improving public service provision, driving new growth and securing better outcomes for London.

Fiscal Devolution (Proposition 1)

1.3 Following the findings of the London Finance Commission, we believe that funding arrangements in London should allow London government to make additional self-determined investments in its own infrastructure, both to cater for growth already forecast and to promote additional economic growth.

1.4 By relaxing restrictions on borrowing for capital investment while retaining prudential rules and simultaneously devolving the full suite of property tax revenue streams London government would gain the autonomy it needs to invest in the capital.

1.5 These reforms would also increase London government's accountability to residents and businesses and could be achieved in such a way as to avoid affecting the financial settlements of other parts of the country.

1.6 In return for fiscal devolution and a long-term funding settlement, with a quid pro quo reduction in central government grants, central government would be offered:

- an ability to focus on national priorities rather than be distracted by local and regional issues
- higher overall growth with continued receipt of the majority of the tax base
- fewer spending negotiations with regional and local government.
- a more mature dialogue between central and local government regarding the latter's strategic priorities, rather than negotiations over minutiae.

1.7 Furthermore, following the recommendations of the London Finance Commission, we will increase investment in the capital's infrastructure to the benefit of the Exchequer and the whole of the UK.

1.8 We will also increase the accountability of this spend to businesses and residents through robust governance mechanisms across the different levels of London government, blazing a trail for England's core cities and stimulating investment in the capital without affecting the financial settlements of other parts of the country.

1.9 *Government could take a constructive first step to supporting this vision by confirming its willingness to explore serious devolution of the full suite of property taxes to London government.*

Employment (Propositions 2 – 8)

1.10 *Despite a record number of available jobs, far too many Londoners struggle to find their way in to work. The capital's rate of working age employment still lags behind the rest of the country and the number of long term unemployed continues to grow unacceptably.*

1.11 *We believe employment programmes led from the centre will inevitably struggle to connect with local labour market conditions. By contrast, locally led schemes allow the development of targeted and integrated employment services able to address the needs of those furthest from work*

1.12 Through devolution we believe London government can provide more effective employment support programmes that ensure the benefits of growth are shared and those furthest from work can be moved into rewarding employment.

- We will build on our track record and extend our work to ensure every Londoner has the opportunity to compete for the jobs created in the capital.

This could be enabled if HM government progressively devolves responsibility for creating and funding employment programmes as existing national contracts come to an end, creating a 'single pot' approach.

- We will offer practical support to the Department for Work and Pensions to develop successors to the Work Programme. *This will include providing evidence of what works when supporting the long term unemployed (particularly ESA claimants), by optimising payment structures and funding levels, outcome definitions and monitoring.*

- We will run pilot programmes to demonstrate how a more integrated and intensive programme could ramp-up the proportion of ESA claimants supported into sustained employment. We will seek to agree the scope with government, potentially ranging from ESA Work Programme leavers to ESA claimants in London. The pilots will have stretching targets and be designed to inform the development of successors to the Work Programmes.

- We will support the Department for Work and Pensions to integrate Universal Credit support services into local and regional employment programmes. *This could be enabled and supported through Department for Work and Pensions co-funding for a Local Service Support Framework pilot.*

- We will maximise the impact of Jobcentre Plus' Flexible Support Fund by showing how at least one group of boroughs could co- commission the funding stream in line with local priorities.

Skills (Propositions 9 – 16)

1.13 London's jobseekers face fierce competition from rivals nationally and abroad. If they are to have any chance of getting jobs in the capital's high-skilled knowledge driven economy then it is vital they are able to identify and access training that meets the demands of business.

1.14 The London Enterprise Panel believes that through interventions at the national, Londonwide and sub-regional level we will be able to build the skills base needed to compete and win London's share of global growth, with more valuable workplace opportunities and the right incentives to support job outcomes and workplace progression.

- We will better support 380,000 learners a year to develop the skills that our economy needs, remove duplication in provision, address poor performance and reward excellent performance, and ensure colleges and training providers respond quickly to changing demand and supply. This will be supported by an investment of £100,000 from the LEP to design and model a fully devolved skills system for the capital. *This underpins an ambition to work with government to design and pilot an incentive framework linking adult skills funding to job and progression outcomes, and could be enabled and supported by the full devolution from the Department for Business, Innovation and Skills of the Skills Funding Agency's £577m London allocation to the London Enterprise Panel.*

- We will create a full Apprenticeship Service to support London's businesses and achieve the Mayoral aspiration of 250,000 apprenticeship starts by 2016. The service will include brokerage, marketing activities and administrative and technical support to SMEs to minimise risk. *Government could enable and support this through an investment agreement with the Department for Business, Innovation and Skills to match fund the GLA's investment of £4m in apprenticeship marketing and employer engagement to 2016.*

- We will improve the National Careers Service offer, so London's young people aged 14-19 in particular can get careers advice and training, including meaningful contact with employers and meet London's current and future skills needs. This will include a new website on traineeships, apprenticeships and college courses for the capital. *Government could enable and support this*, *using the welcome opportunity for the LEP to influence the commissioning process, through further flexibilities on cohorts, payment models, performance information and co-commissioning opportunities, as well as through an investment agreement with the Department for Business, Innovation and Skills to match fund the LEP's investment.*

- We will more accurately track destination outcomes and measure success of jointly funded programmes to help inform and drive future skills and employment provision. *Government could enable and support this through a further-reaching data sharing agreement, building on existing arrangements, between the Skills Funding Agency, National Apprenticeship Service and London government.*

- By using HM Revenue and Customs data, we will run a pilot scheme to match National Insurance data with Individual Learner Record information in real time to allow participant outcomes and destination information to be more accurately recorded, supporting changes to provide incentives to reward employment outcomes. *Government could enable and support this*, *building on existing joint working between FE colleges and Jobcentre Plus, through a commitment to joint working between HM Revenue and Customs, DWP, the FE sector and London government.*

- We will incentivise skills and employment providers to work with SMEs (including micro-businesses). This will be demonstrated in the LEP's proposed pilot with Government. *This could be enabled and underpinned through a commitment from the Department for Business, Innovation and Skills and the Skills Funding Agency to explore an 'SME' funding uplift similar to the disadvantage uplift already available to colleges.*

- We will work through groups of boroughs to commission European Social Fund programmes. This will build on the 26 per cent success rate across London Councils based ESF projects for getting people into work – the highest across all co-financing organisations. *This could be enabled and supported if the Skills Funding Agency was to further devolve the SFA ESF allocation to London government.*

Housing (Propositions 17 – 20)

1.15 The Mayor's new draft London Housing Strategy and the 2014 Further Alterations to the London Plan, set out the scale of London's housing challenges – particularly around new supply – and how London government is proposing to support the highest levels of new housing in the capital since the 1930s.

1.16 To achieve this will be an immense task, requiring commitment and organisation across the public, private and not-for-profit sectors, but with some additional flexibilities from central government we believe that more could be done, and more quickly too.

1.17 We will commit to action to accelerate the supply of homes for Londoners in both the market and affordable sectors. In particular, we will:

- accelerate housing supply; This will be achieved by a coherent package of interventions to increase supply across sectors and through engagement with small and large developers;
- streamline the planning process; This will be achieved through a package of improvements to planning processes, accompanied by a scaling up of collaborative working;
- increase the supply of developable land; This will be achieved through a suite of pro-active interventions to make better use of financing, such as deferred payments for public land and a more strategic approach to public land disposal;

- expand capacity in the development industry. We will expand capacity though initiatives to bring small and medium sized firms back into the London market, through pre-packaging of ready-to-build plots, supported by the promotion of new building techniques and bespoke training and apprenticeship programmes;

1.18 *Government could enable and support this by driving progress on reform of the housing finance system, including:*

- *Continued dialogue with government on reform of the housing finance system. This includes:*
  - *removal of the Housing Revenue Account (HRA) borrowing caps (subject to prudential borrowing rules)*
  - *devolving the full suite of property taxes to London government in line with the recommendations of the London Finance Commission*
  - *removal of the Greater London Authority group borrowing ceilings (subject to prudential borrowing rules)*

- *Continued financial support for London government to bring forward new supply and enable more home ownership. This includes:*
  - *confirmation of £200m funding for its Affordable Rent to Buy programme in London, through the London Housing Bank*
  - *a commitment to a £200m rolling fund for estate regeneration to be administered by London government*
  - *clarity regarding affordable housing debt guarantee rules to support ambitions to significantly expand shared ownership in London*

- *the transfer of central government surplus strategic land holdings within London to London government*
- *enhanced freedoms for London government to set planning fees for large developments*

2 London in context

2.1 This chapter draws upon the existing evidence base to support the investment of growth funds in London. It is aligned with the LEP's Jobs and Growth Plan (April 2013) and the 2014-2020 European Structural Investment Funds Strategy for London (January 2014). In addition, this Growth Deal should be read in conjunction with the Mayor's statutory plans (The London Plan, The Economic Development Strategy 2010, The London Housing Strategy, The Mayor's Transport Strategy and the Environment Strategy). It also advances objectives set out in the Mayor's 2020 Vision for London and The London Finance Commission's report on improving tax and public spending arrangements for London in order to promote jobs and growth.

2.2 Given the existence of these existing strategies and plans, this document does not seek to operate as a Strategic Economic Plan (SEP). Further details of the documents that form London's Strategic Economic Plan are included at Appendix 3 and the information below aims to draw out the vision and strategic objectives for London's economic growth, backed by information on London's strengths and opportunities for growth as well as the challenges and threats it faces.

The London Plan

2.3 The London Plan sets the overall strategic spatial plan for London. It sets out a fully integrated economic, environmental, transport and social framework for the development of the capital to 2031. London boroughs' local plans need to be in general conformity with the London Plan and its policies guide decisions on planning applications by councils and the Mayor.

2.4 The London Plan provides the planning framework for the Mayor's Statutory Economic, Housing and Transport Strategies, specifically:

- the **Economic Development Strategy** which sets out the Mayor's vision and framework for London to be the world capital of business (the most competitive business environment in the world, one of the world's leading low carbon capitals, all Londoners to share in London's economic success and London to feel the maximum benefit from the 2012 Olympic and Paralympic Games);
- the **Housing Strategy** which sets out the Mayor's policies to dramatically increase the supply of well-designed housing of all tenures to support working households; and
- the **Transport Strategy** which sets out the Mayor's transport visions for London and details how Transport for London and partners will provide the plan over the next 20 years.

- the Mayor's Environment strategies, offer the Mayor's vision for London by helping to create a world city that is resilient, efficient and uses resources responsibly; a place where businesses want to be based and people want to live and work. The strategies aim to harness the benefit of a transition to a low carbon economy, which was worth £25.4bn to the London economy in 2011-12.

2.5 In addition, the LEP is currently refreshing its strategy for economic growth in London, to provide the Mayor's 2020 Vision. The aim is to complete the work by autumn 2014. This will have a similar data driven approach to the Mayor's existing transport, planning and economic development strategies, and provide a framework for:

- prioritising London government's resources (in financial, regulatory and policy terms) so as to focus on the areas which, objectively, offer the best return in terms of jobs and growth;
- making broader policy decisions (for example around skills and training); and
- shaping lobbying priorities, to central government and others.

2.6 All of the existing strategies are supported by a robust evidence base as follows:

London's Opportunity and Intensification areas

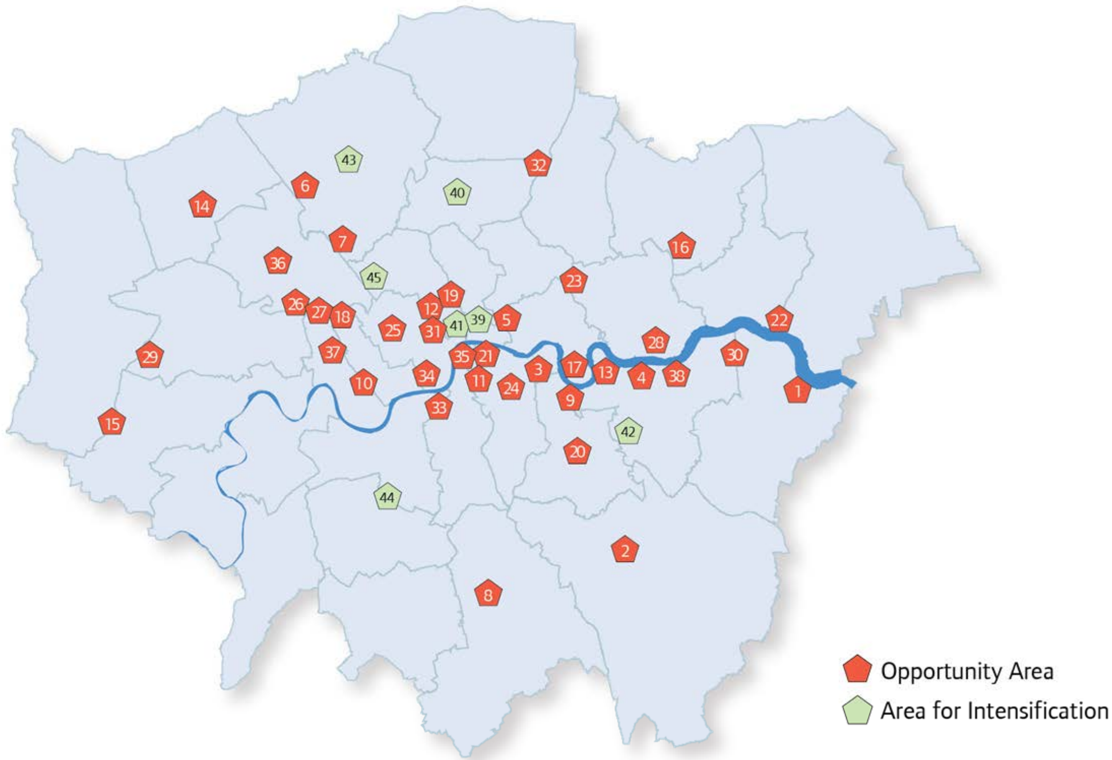
2.7 The London Plan (currently being amended under the proposed Draft Further Alterations to the London Plan published by the Mayor for consultation on 15 January 2014) identifies London's current 'opportunity areas' and 'Intensification areas'. Opportunity Areas are the capital's major reservoir of brownfield land with significant capacity to accommodate new housing, commercial and other development linked to existing or potential improvements to public transport accessibility. Typically they can accommodate at least 5,000 jobs or 2,500 new homes or a combination of the two, along with other supporting facilities and infrastructure.

2.8 'Intensification areas' are typically built-up areas with good existing or potential public transport accessibility which can support redevelopment at higher densities. They have significant capacity for new jobs and homes but at a level below that which can be achieved in the opportunity areas.

Table 2.1: Opportunity Areas for London

Opportunity area		**Areas for intensification**
1 Bexley Riverside	20 Lewisham, Catford and New Cross	39 Farringdon/Smithfield
2 Bromley	21London Bridge, Borough and Bankside	40 Haringey heartlands/Wood Green
3 Canada Water	22 London Riverside	41 Holborn
4 Charlton Riverside	Lower Lee Valley (inc Stratford)	42 Kidbrooke
5 City Fringe/Tech City	23 Old Kent Road	43 Mill Hill East
6 Collindale/Burnt Oak	25 Paddington	44 South Wimbledon/Colliers Wood
7 Cricklewood/Brent Cross	26 Park Royal	45 West Hampstead Interchange
8 Croydon	27 Old Oak Common	
9 Deptford Creek/Greenwich Riverside	28 Royal Docks and Beckton Waterfront	
10 Earls Court and west Kensington	29 Southall	
11 Elephant and Castle	30 Thamesmead and Abbey Wood	
12 Euston	31 Tottenham Court Road	
13 Greenwich Peninsula	32 Upper Lee Valley	
14 Harrow and Wealdstone	33 Vauxhall, Nine Elms and Battersea	
15 Heathrow	34 Victoria	
16 Ilford	35 Waterloo	
17 Isle of Dogs	36 Wembley	
18 Kensal Canalside	37 White City	
19 King's Cross – St Pancras	38 Woolwich	

Figure 2.1: London's opportunity areas



2.9 Together, the Opportunity Areas have capacity for 568,000 additional jobs and 300,000 additional homes; the intensification areas can accommodate 8,000 new jobs and a further 8,650 homes.

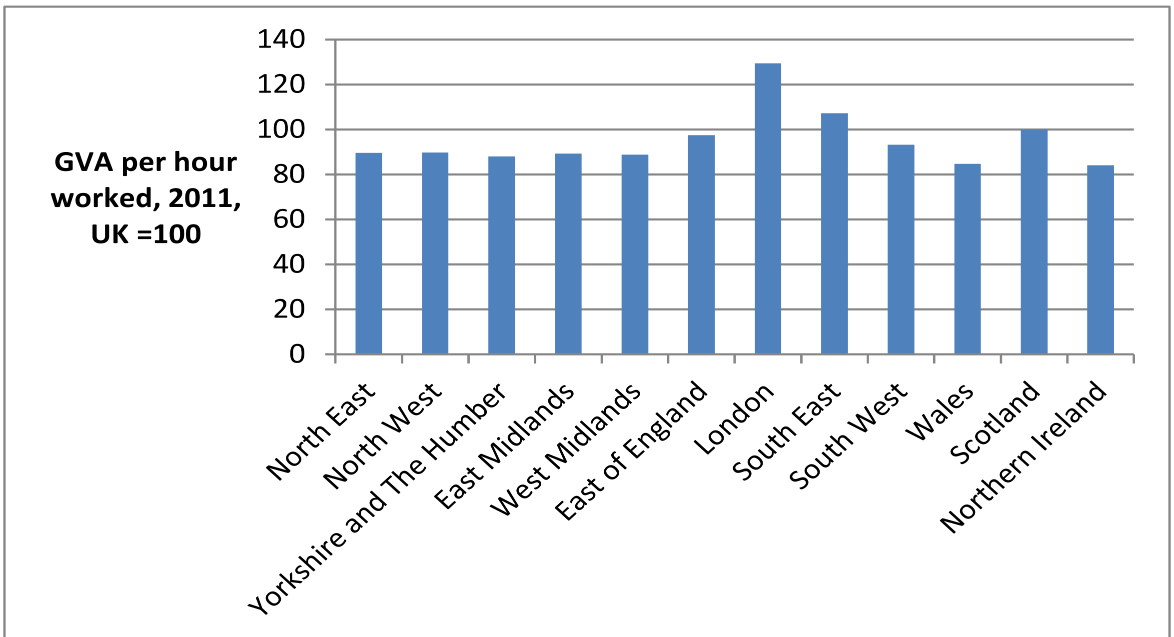
2.10 The Opportunity Areas are diverse, ranging in size from 3,900 hectares (Upper Lee Valley) to 19 hectares (Tottenham Court Road). The 12 areas in east London together cover 9,000 hectares of land, and have capacity for 217,000 jobs (including 110,000 at the Isle of Dogs and 50,000 in the Lower Lee Valley including Stratford) and 126,500 homes (including 32,000 In the Lower Lea Valley and 26,500 at London Riverside). Some, particularly some of those in east London, will require substantial public investment or other intervention to bring forward and these will be given priority in the Mayor's Economic Development Strategy and in the programmes of the London LEP and the GLA group to address market failure or weakness. In others, such as Tottenham Court Road, the market will be stronger and public intervention can be restricted to ensuring an appropriate planning policy framework. Similar considerations apply to intensification areas.

2.11 Further detail on each of the Opportunity and Intensification areas can be found at Appendix 5.

London’s economic strengths and ability to create growth

2.12 London is the powerhouse of the UK economy, driving growth benefits not just for London but for the whole country. London investment supports activity that will create greater economic outcomes and support more future growth. London's total economic activity is substantially higher than any other UK region, accounting for 22 per cent of total UK GVA.[1] London's highly skilled labour force is also almost 30 per cent more productive than the UK average, in terms of nominal GVA per hour worked (Fig 2.2).

Figure 2.2: London's productivity in comparison to other regions and to UK average, 2011



Source: Regional Economic Indicators (ONS Crown Copyright)

2.13 Much of London's economic strength is a reflection of the significant service sector specialisation and expertise in the city. Whilst London's professional, real estate, scientific and technical services jobs more than doubled from 322,000 in 1984 to 670,000 in 2011, the capital's manufacturing jobs fell from nearly half am in 1984 to around 129,000 in 2011. Within these service sectors, London specialises in knowledge-intensive industries, particularly finance and insurance, but also professional, scientific and technical, and information and communication. Hi-technology comprises over 10 per cent of London's GVA.

2.14 Central London has the highest concentration of employment and remains the prime business location, offering the benefits of agglomeration and attractive

[1] Office for National Statistics, Regional GVA (December 2012).

areas of high sectoral concentration. This is also supported by the fact that more than three million people can travel from home to central London within 45 minutes on public transport.

2.15 The capital also benefits from strong international trading links, exporting some £92bn of goods and services and accounting for between a fifth and a quarter of the UK's total exports. Around 30 per cent of London SMEs export[2] and over a third of companies (35 per cent) report significant growth due to exporting.[3]

London's business strengths

2.16 London's attractiveness to business reflects is position as a leading world city. In 2008 GaWC (Globalisation and World Cities) found that London was the leading global city, closely followed by New York.[4] Other surveys such as the Global Financial Centres Index[5] consistently rank London as one of the two leading financial centres in the world, while Cushman and Wakefield[6] consistently rank London as the most attractive city in Europe for locating a business. This position as a global centre plays an important role in sustaining and attracting businesses and people to the city.

2.17 Businesses are attracted to London due to the favourable business environment (taxes and regulation); access to markets; a time zone that spans both North America and Asia; pre-eminence of the English language; highly qualified staff; and internal and external transport links. Issues that are of concern cited include high rents, high wages and staff costs, and pollution levels. [7]

2.18 One of London's other economic strengths is the depth of its highly skilled labour market. 56 per cent of those working in London hold a degree level qualification, and the demand for people with such skills is forecast to increase. In London around 25 per cent of employed workers with a degree are non-UK nationals (and almost 60 per cent of these people are non-EEA nationals).

Higher education

2.19 London also offers business access to world class higher education and research facilities. London has four universities in the 'top 100', more than any other city

[2] 2010 data GLA Economics, 2013.
[3] New Markets, New Ideas UKTI, 2011.
[4] Taylor P.J. in association with P. Ni, B. Derudder, M. Hoyler, J. Huang, F. Lu, K. Pain, F. Witlox, X. Yang, D. Bassens and W. Shen, 2008, Measuring the World City Network: New Results and Developments.
[5] Global Financial Centres Index (2013) prepared by Z Yen.
[6] Cushman and Wakefield, 'European Cities Monitor' (2008-2011).
[7] Cushman and Wakefield, 'European Cities Monitor' (2008-2011) and KPMG 'Global Cities Investment Monitor' (2012).

in the world[8] (Imperial College, University College, LSE, King's College). 25 per cent of all UK researchers are employed in London and the city has five of the UK's top ten research universities (Imperial College, University College London, LSE, King's College and St George's Hospital Medical School). London is known globally for its business education, with the London Business School rated as the top business school in Europe by Business Week. Cass Business School - the business school of City University London (Europe's largest finance school) - is also highly rated. The UK is the world's second most popular destination for foreign students. According to Study London[9] there are more than 100,000 overseas students at London's 42 universities and higher education institutions, from over 200 different countries – more than any other city in the world.

London's business base

2.20 London also has a high rate of business start-ups. When London is compared to the UK on the basis of resident population, London supports more businesses per head of population. The steady growth in London's stock of businesses suggests there are benefits to establishing a business in London. As illustrated in Table 2.2, over 800,000 private sector businesses are located within London's 33 boroughs, accounting for 14.1 per cent of all jobs in the UK (5.1m, July-August 2012). SMEs account for 99.8 per cent of these businesses and nearly 50 per cent (2.3m) of people in employment.

2.21 London has proportionally more self-employed individuals than the UK as a whole. This is significant and has grown steadily since 1996, to around 677,900 individuals in the year to March 2013. The construction sector includes by far the largest number of self-employed individuals, closely followed by professional, scientific and technical sectors. Self-employment accounts for around 570,000 individuals in London; this represents legal and accounting activities (199,400); activities of head offices; management consultancy (155,400); architectural and engineering; technical testing and analysis (75,300) and advertising and market research (62,500); other professional, scientific and technical activities (46,800); scientific research and development (26,000) and veterinary activities (4,100).

Table 2.2 London's businesses by size

	Businesses		Employment		Turnover	
	Number	Share of total %	Number (000s)	Share of total %	Number (£m)	Share of total %
No employees	615,995	76	660	15	49,516	5

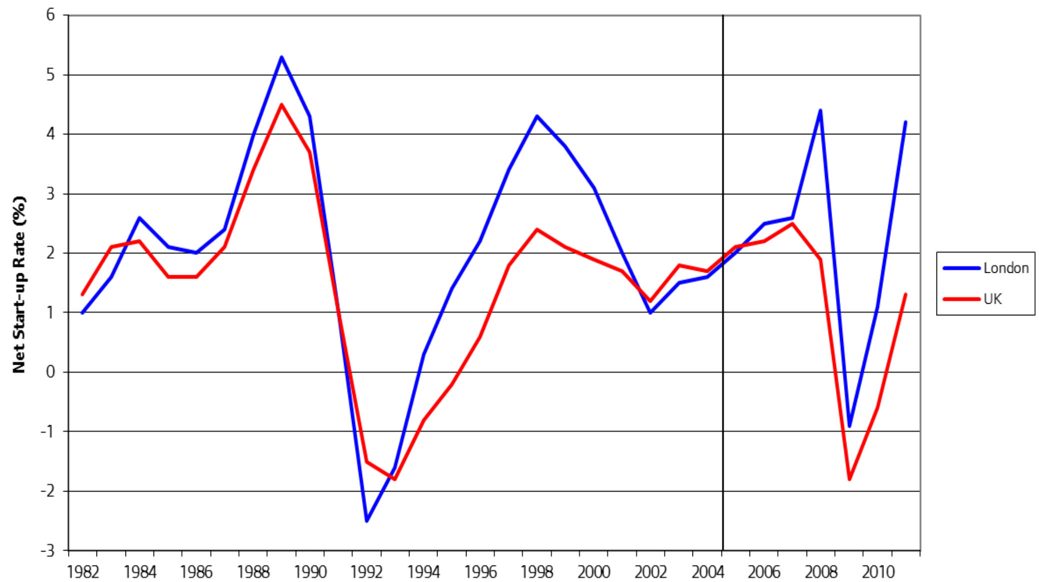
[8] http://www.timeshighereducation.co.uk/world-university-rankings/2012-13/world-ranking.
[9] Study London 2013, http://www.studylondon.ac.uk/why-study-in-london/.

Micro (1-9 employees)	156,965	19	578	13	123,925	14
Small (10-49 employees)	27,185	3	520	11	135,196	15
Medium (50-249 employees)	4,940	1	497	11	121,186	13
Large (250+ employees)	1,345	0.2	2,227	50	471,704	52
Total	806,430	100	4,482	100	901,527	100

Source: Business Population Estimates, BIS

2.22 London's business environment is also very dynamic. In 2011, there were 61,395 new businesses births and 43,730 deaths (out of an active stock of 421,185 businesses). In 2011 the net business start-up rate for London stood at 4.2 per cent compared to -1.9 per cent in 2010. For the UK as a whole the net business start-up rate rose from -2.7 per cent in 2010 to +1.3 per cent in 2011. Over the last decade, London's annual net business start-up rate has averaged 1.7 per cent compared to 1 per cent for the UK as a whole, as depicted in Figure 2.3.

Figure 2.3 Net Business start-up rates, London and UK, 1982 – 2011



Source: Department for Business, Enterprise and Regulatory Reform (dataset up to 2003); Business Demography, ONS, 2004 data onwards. Vertical line indicating data discontinuity.

2.23 Table 2.3 below shows the percentage of businesses in London that survive over a five year period based on the year of birth. It can be seen that, since 2006, a smaller proportion of new businesses in London survive past one year; only 41.8 per cent of business born in 2006 survived to 2011.

2.24 London has the lowest five year business survival rate of all UK regions (41.8 per cent). The UK average rate is 45 per cent. London has the second lowest three year business survival rate at 52.6 per cent, compared to a UK rate of 58 per cent. These reflect the highly competitive business climate in the capital.

Table 2.3 Survival of newly born enterprises in London, 2006-2011

Year of birth	Number of births	1 Year Survival per cent	2 Year Survival per cent	3 Year Survival per cent	4 Year Survival per cent	5 Year Survival per cent
2006	47,890	95.9	78.8	63.7	49.9	41.8
2007	53,120	94.9	79.1	59.5	48.6	
2008	57,955	88.5	68.6	52.6		
2009	50,575	88.3	70.5			
2010	52,755	84.6				

Source: Business Population Estimates, BIS

2.25 In 2011 London saw the most start-ups in the professional, scientific and technical sectors; followed by business administration and support; yet it had the worst survival rate. Information and communication sector had the joint best survival rates. The education and health sectors also had high survival rates.

2.26 London also has a wealth of high growth firms (HGFs), typically around 2,000 (per three year period). Fast growth firms are defined as employing ten or more people in the first year of a three year growth period. Since 2002-05 the UK has recorded between 10,000 and 11,000 HGFs per period, of which London accounts for about one fifth.[10] HGFs are disproportionately important as job creators: they account for about 1.5 per cent of job creating firms but contribute 25-30 per cent of jobs created.

Science and Technology

2.27 London also has one of the strongest and most productive science and technology sectors in Europe. This brings knowledge 'spill over', drives innovation across the economy and advances the capital's competitive advantage over other global cities. What is less clear is how well this is translated into commercial application. R&D expenditure in London in 2011 was £3,321m which was 1.16 per cent of London's GVA.[11] London also benefits from being positioned within the wider greater South East offer to attract greater international R&D investment.

[10] London Business Demography Project, Michael Anyadike-Danes, Karen Bonner & Mark Hart, Aston Business School & Enterprise Research Centre, February 2013.

[11] Source www.ons.gov.uk/ons/rel/regional-trends/region-and-country-profiles/economy--june-2013/regional-profiles---economy--june-2013.xls.

2.28 London innovation actors spend significant amounts on research and development. 13 per cent of government expenditure on R&D is spent in London, while the capital's higher education institutions account for 24 per cent of UK R&D expenditure, as shown in Table 2.4 below.

Table 2.4: Government expenditure on R&D (GovERD), higher education spending on R&D (HERD), covers 2011[12]

Region	GovERD	HERD
London	317	1,746
Total UK	*2,349*	*7,127*
London's % to UK	13 %	24 %

Source: ONS

2.29 A good indicator of investment in innovation is R&D tax credits. As seen in Table 2.5, London firms claim approximately 30 per cent of the amount claimed under both SMEs and large companies' schemes.

Table 2.5: Claimed R&D Tax Credits (by scheme, number, and value) - covers 2011-2012[13]

	SME RandD scheme		Large companies RandD scheme				All schemes	
			Large companies RandD scheme		SME sub-contractors			
Registered Office Location	No. of claims	Amount claimed	No. of claims	Amount claimed	No. of claims	Amount claimed	No. of claims	Amount claimed
London	1,650	100	420	253	60	2	2,135	355
Total UK	*9,875*	*420*	*2,080*	*758*	*500*	*11*	*12,535*	*1,174*
London's per cent to UK	17%	24%	20%	33%	12%	18%	17%	30%

Source: HMRC

2.30 London has a competitive advantage across the sciences, reflected in its world class research base which, for life sciences, is on a par with the best science cities globally (notably San Francisco and Boston), a first rate clinical training and education base, and excellent examples of partnership working. The London

[12] Data is in current prices, £ million; figures are estimates.
[13] Data is not available at NUTS 2 for London. Regional allocation is based on the postcode of company's registered address, which might not correspond to where R&D activity takes place. Figures exclude claims where Region is unknown.

Molecular and Translational Imaging Centre, for example, comprises London's three AHSCs (academic health science centres: University College London, King's College London and Imperial College London[14]) and the Medical Research Council (MRC) which are focusing on creating new ways of diagnosing neurodegenerative diseases, cancer and other illnesses. In 2015 the Francis Crick Institute will be Europe's largest centre of biomedical research bringing together a consortium of six of the UK's most successful scientific and academic organisations — the MRC, Cancer Research UK, the Wellcome Trust, UCL, Imperial and King's to drive innovation in new technologies. This will be one of the most significant developments in UK biomedical science for a generation.

2.31 Other cities may be vying for position, but London remains Europe's tech capital, with particular strengths in digital: 24,000 ICT and software companies are based in London, the highest of any European city.[15] The cluster of digital firms in Shoreditch, known as 'Tech City', has received the most attention, drawing on east London's creative and cultural vibe. London's tech strengths, however, run deeper and broader. As technology fuses across other business sectors – from manufacturing (such as the emergence of 3D printing), to financial technology, med tech and clean tech - technology is transforming London's economy, driving productivity across multiple sectors, changing the way we conduct business and the way we live. London's high tech sector generates significant added value and has the potential to drive innovation and growth across the wider economy. Using data from the ONS Annual Business Survey (ABS), the GVA of London's high technology sector was £30.1bn in 2011. This is 10.5 per cent of workplace-based GVA in London.[16]

2.32 As a global creative hub, London has considerable overlap with the technology sector. In 2011, 'high tech' industries accounted for around 309,000 jobs in London while creative industries[17] employed around 237,000 however 84,000 jobs are included in both categories.[18] There is substantial overlap across further sectors. Of the 309,000 jobs classed as high tech, around 8,000 are in the manufacturing category (around 8 per cent of London's manufacturing total), 275,000 are in the Information and Communication category (around 84 per cent of the London total) and 26,000 are in the professional, scientific and technical activities category (around 5 per cent of the total).

[14] AHSCs align clinical research, training and education, and healthcare provision with the needs of the population).

[15] http://www.london.gov.uk/sites/default/files/digital-economy-2012.pdf.

[16] This is total GVA not just the 2/3rds of GVA ("Business Economy") which is covered by the ABS.

[17] Based on definition of Creative Industries used by the Department for Culture, Media and Sport.

[18] It is worth noting that the definitions are compiled to different levels of detail – the Eurostat High Tech definition is done at the 2-digit level and takes a binary approach (a sector either is or is not high tech). The DCMS definition, however, is done at the 4-digit level and is continuous (for example 2.3% of employment in the computer programming code is classified as creative).

2.33 There is of course significant read across between the research, development and technology sectors and London's booming green economy The 'low carbon, environmental goods and services' sector was worth £25.4bn to London's economy in 2013 as indicated by the value of sales in the sector and contained over 9,200 companies employing over 163,500 people.

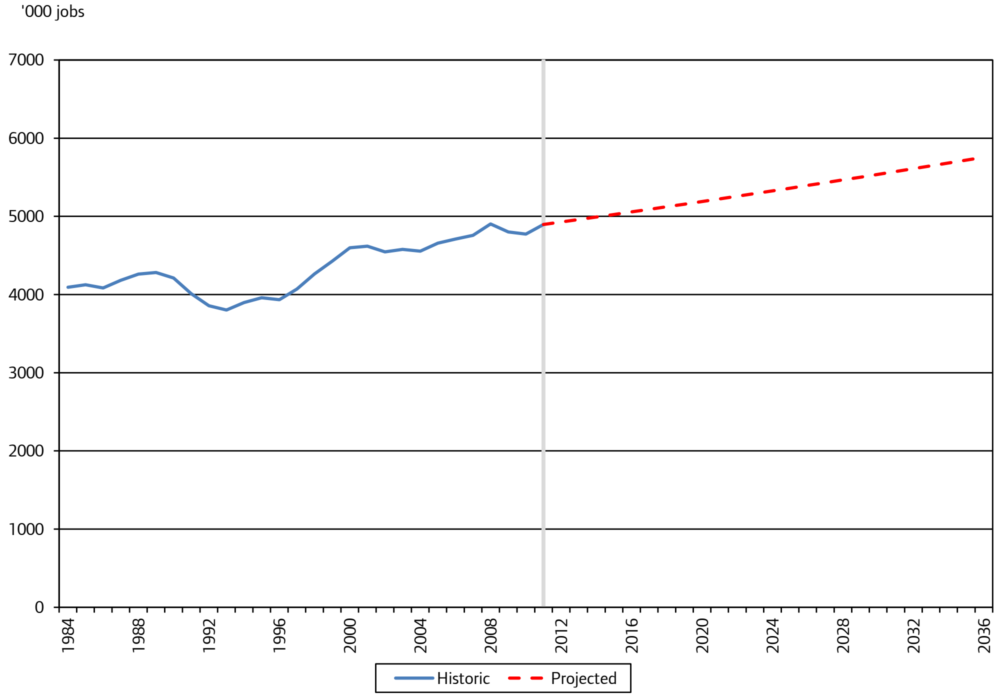
2.34 This sector has continued to grow over the last five years, bucking the nation's trend when the economy was going through the most serious down turn since the 1930s. The sector grew over the last five years from £20.9bn in 2009-10, at a rate of more than 5 per cent over the last two years. It is forecast to continue to grow by at least 5 per cent over the following years to the end of the decade if you exclude carbon finance, and 6 per cent if the financial sector is included. This goal supports the Mayor's ambition that London is seen a 'one stop shop' for climate services, as well as supporting London becoming one of the world's most sustainable cities by 2020.

Addressing the implications of London's growth

2.35 Whilst London has been affected by the period of readjustment and structural change in since the financial crisis began in 2008, (when London's GVA declined by an estimated 7.4 per cent and unemployment in increased from 6.7 per cent to 8.5 per cent), London's employment is expected to continue to grow over the longer-term, growing to 5.76m by 2036, an increase of over 850,000 from 2011 levels.[19]

Figure 2.4: The GLA's long-run employment projection to 2036

[19] Full details of GLA's long-run employment projection and projections by sector are set out in GLA Economics Working Paper 51.



Source: London labour market projections, GLA Economics, April 2013

2.36 Almost half of this employment growth is projected to come from the key business services sector professional, real estate, scientific and technical activities. Other sectors projected to show increases of more than 100,000 jobs include administrative and support services and accommodation and food.

2.37 More modest employment growth is projected to be experienced by other sectors including arts; entertainment and recreation; education; health; and retail. All other sectors are forecast to see falling employment rates, with particularly significant falls in the manufacturing sector. Not only is London's employment expected to grow significantly, London's continued status as a city where people are increasingly choosing to live and work will require continued large scale investment in London's infrastructure.

2.38 The 2011 census shows London is growing faster than previously thought. With a current population of 8.2m, London's population is expected to grow to 9m by 2018 and 10m by 2030. The illustration below shows how this is equivalent to 24 other English cities with projected growth over the next 10 years to require the equivalent of an extra Birmingham and Hartlepool.

Figure 2.5: London's population growth

Housing

2.39 One of the key areas in which London faces significant challenges is around housing. London's relatively old housing stock and consistent failure to build enough housing to keep up with demand over recent decades has driven rapid growth in the private rented sector but persistent under-supply. The combination of under-supply and employment growth is driving up housing and rental costs, particularly in Inner London, pointing to the need for high levels of new housing supply. The Mayor's Housing Strategy therefore seeks to increase the supply of well-designed housing of all tenures to levels not seen since the 1930s in line with the planning framework set out in the London Plan. Expanding on the Mayor's vision, it sets out a challenging ambition to build at least 42,000 new homes per annum for the next ten years, at least 15,000 of which should be affordable and 5,000 for long-term market rent.

London's housing sub-markets

2.40 London's housing market is complex and diverse - there is not a homogenous housing market within any borough boundary. It contains a range of submarkets which vary widely not just by price but by the type of purchaser. The prime central London market has seen very rapid growth in demand, and consequently prices, since the depths of the recession, with a high proportion of cash purchasers and overseas investors buying both new and older homes.

2.41 The rest of inner London has also seen a strong growth in prices, again in part due to overseas investment, but to a far lesser extent than prime central

London, and in part due to strong domestic demand from both home owners and landlords. Finally, most of outer London is still predominantly a traditional mortgage-led market and has thus seen less price growth in recent credit-constrained years, though there is also rapid growth in renting in some town centres and suburbs. These markets overlap and affect each other; even if prime central London's property market can seem totally detached, displaced demand as a result of its high prices still affects the rest of the city.

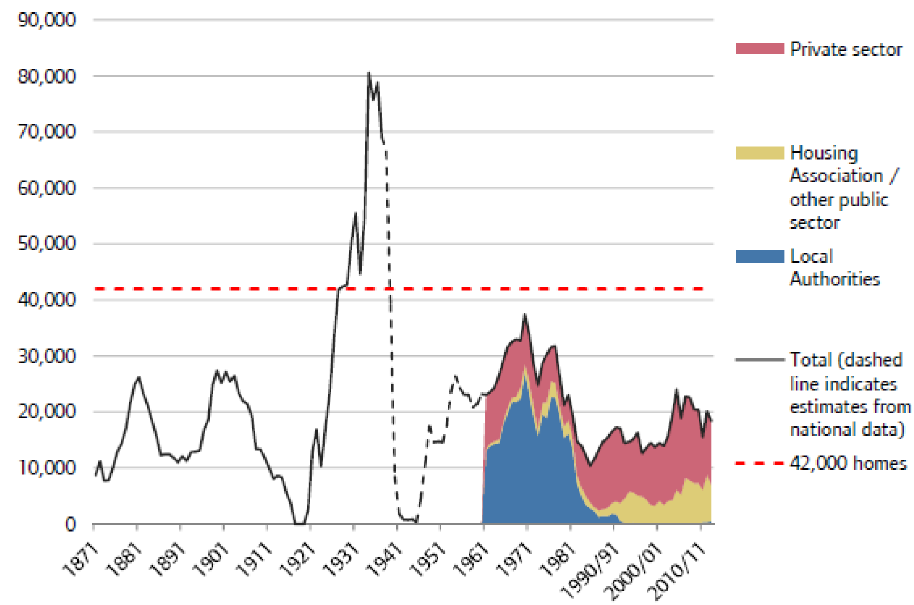
2.42 The complexity of the housing market is coupled with other challenges. London's economy is expanding with a rapidly growing economy and rapid population growth of 100,000 a year that is predicted to continue to rise, a young population, significant domestic and international migration and high birth rates, the number of households is projected to grow by around 39,500 a year.[20]

2.43 The current population of 8.4m Londoners comprise roughly 3.3m households, a number which is projected to reach around 4.4m over the next 25 years. This is an annualised growth of 40,000 households. The main drivers are expected to be one-person households (projected to rise by 160,000 by 2031) and couple households (projected to rise by almost 480,000). Taking into account the backlog of housing need, this could give rise to a long-term requirement for some 50,000–60,000 homes per annum.

2.44 While London's population has grown more over the last ten years than at any time in its 2,000 year history, housing supply has not kept pace. Figure 2.6 below shows that annual net new housing supply has stayed around, or too often below, 20,000 for over 30 years – all but untouched by boom and bust. As a result, for the first time in over 100 years, the average household size in London has increased, from 2.35 to 2.47 persons between 2001 and 2011.

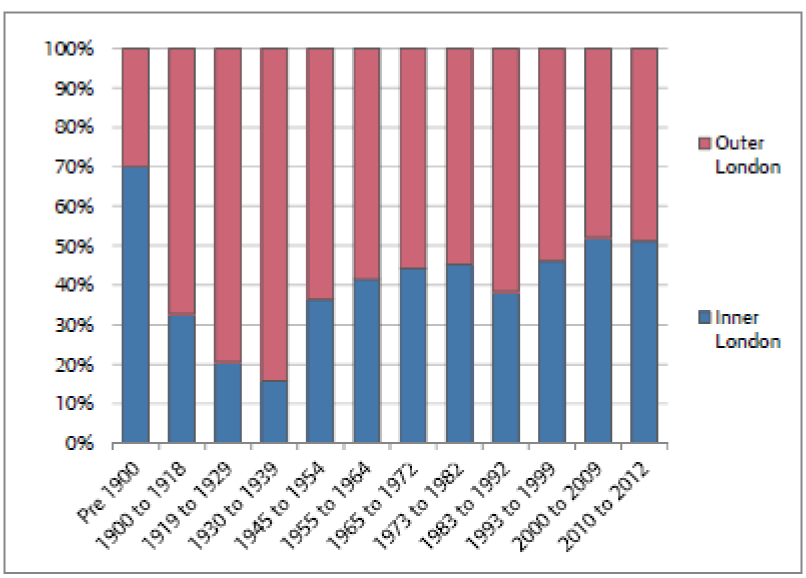
Figure 2.6: New homes built in Greater London, 1871 to 2012-13

[20] London Strategic Housing Market Assessment 2013.



2.45 Throughout the 20th century, most new house building was in outer London. Figure 2.7 shows that 84 per cent of London's surviving homes built in the 1930s are in outer London, but outer London's contribution to new housing supply has fallen since then and it accounts for just under half of the homes built since the millennium. The highest growth was in the first four decades, with around half am homes built in outer London between 1900 and 1929 and another half am in the 1930s alone. By contrast, thus far the twenty first century has seen slightly more homes built in inner London.

Figure 2.7: Inner and outer London homes built by period



2.46 But a rising population requires a significant and sustained increase in supply in both inner and outer parts of the capital. Even at the pre-recession peak, new supply was far below the estimated minimum 42,000 homes per annum that are now required. A return to the pre-2008 world would not provide the homes that London needs.

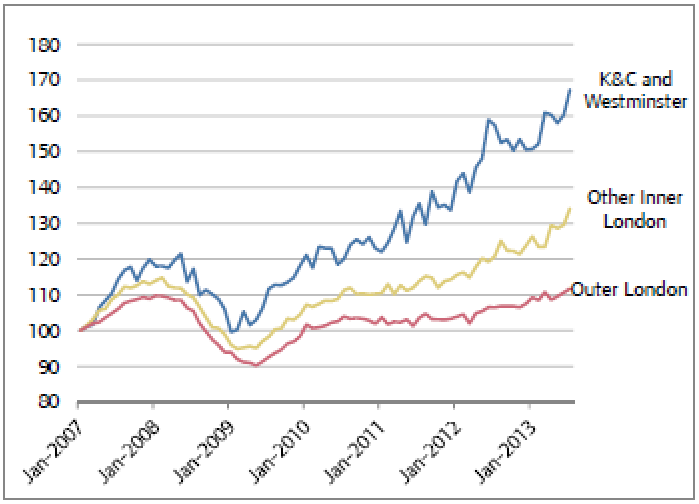
Housing affordability

2.47 Given London's status as a global city, and its significance to the UK economy, it is unsurprising that land and property prices are higher than the national average. However, the scale of the gap, and the extent to which it is growing, is remarkable. In October 2013, the average house price in the capital was £438,000, compared with an England average of £248,000. Average prices in London have risen by ten per cent in the last twelve months, compared with four per cent nationally. The chart below shows that prices have stayed consistently above those in the rest of the country, but that there are wide variations between outer, inner and prime central London. The median monthly rent for a private rented home is £1,250, compared with a national average of £585. Private sector tenants in London spend an average of thirty per cent of their gross household income on rent.

2.48 It is estimated that overseas investors purchase in the region of 10 to 15 per cent of new build homes in London as a whole, while UK residents buy 90 per cent of new build homes in outer London. Only 6.5 per cent of total sales by value (including both new and second hand homes) are to foreign buyers. With regard to pushing up prices, new build generally comes with a premium. However, it typically represents only 10 to 15 per cent of total sales. The remaining activity in the secondary market plays a much greater role in setting local price benchmarks, particularly for aspiring first time buyers. The share of new homes bought by overseas investors is much greater in high value prime London locations, and these rarefied markets have been well beyond the reach of most Londoners for many years.

Figure 2.8: Estimated London house prices[21]

[21] Data produced by Land Registry © Crown copyright 2013. Period covered is January 2007 to July 2013. The indices have been calculated by GLA as weighted averages of borough level price indices, weighted by the number of sales in each borough in each period



2.49 Overseas investment plays a vital role both in terms of retaining London's status as a global city and in financing construction. Such buyers tend to stimulate supply more than domestic purchasers as they have a greater propensity to purchase off-plan, triggering development by providing vital upfront funding without which projects are often unviable. This is not a new phenomenon. It is estimated that the proportion of sales to overseas buyers in 2012 was the same as in 1990. Notwithstanding these benefits, new homes should continue to be marketed in the UK in the first instance, or at least simultaneously to overseas markets.

2.50 A related concern is that buy to let landlords may be crowding out first time buyers because of easier access to mortgages. Buy to let mortgages account for around 13 per cent of all outstanding mortgage debt in the UK, and probably a significantly higher proportion in London. However, there is little evidence that buy to let lending is crowding out lending to first time buyers as the lending conditions for each are governed by very different rules. And, as with overseas investors, forward sales to buy to let investors is an important way for developers to reduce costs and risk, thereby supporting higher levels of housing supply.

London's changing tenure pattern

2.51 Population growth, limited supply of new homes and the resultant affordability gap are causing profound shifts in patterns of tenure in the capital. Fewer households are home owners or social tenants and far more are renting in the private sector. Owner occupation, which had been rising steadily since the 1960s, flattened in the 1990s and has been declining since 2000. There has been an even longer term fall in social rented housing, which has been declining since the 1980s. These changes have resulted in the private rented sector (PRS) growing significantly over recent years. It now houses 25 per cent of households, exceeding the number in affordable renting for the first time since the early 1970s. Owner occupation and private renting are expected to converge at just under 40 per cent by the mid-2020s.

2.52 Over 37 per cent of social sector households have dependent children, which is the highest percentage in any tenure and has stayed fairly stable for many years. However, the proportion of private renting households with children has increased sharply, from 19 to 29 per cent between 2001 and 2011, indicating a growing reliance on this sector by families.

London's Housing Need

2.53 There are also significant challenges for those in the most acute housing need in the capital. After declining for more than two decades, the number of households in temporary accommodation in London is rising again. There was an increase of three per cent between 2010 and 2013, with nearly three quarters of all households in temporary accommodation in the country placed there by London authorities. There has also been a seven per cent rise in the use of bed and breakfast accommodation in the past year. Although the number of households in temporary accommodation is growing, it remains low in historical terms.

2.54 The number of people sleeping rough in the capital rose 13 per cent between 2011-12 and 2012-13. This was largely fuelled by the rise of single foreign nationals sleeping on the streets. But the overall numbers of people living on the streets is low, with 75 per cent seen only once. London also has the most overcrowded households of any region, with an estimated 255,000 households living in overcrowded accommodation across all tenures.

2.55 A full assessment of London's housing markets, including condition and need, can be found in the GLA publication, Housing in London.

Transport

2.56 Transport systems are also critical, not only to meet growing demand, but to provide the potential jobs and homes through unlocking development. From its earliest origins as a city, transport has been a fundamental driver of London's development and any vision for London must have transport at its heart. However, the demands placed on London's transport systems are both enormous and varied. They include both personal travel needs and the transportation needs of goods and they range from international to local movement. While London has extensive transport infrastructure, it is often crowded and congested, at least at times of peak use. In recent decades, there has not been enough investment, and some parts are world class, much of it is outdated, with crucial sections dating back to the Victorian era or earlier.

2.57 London's population growth, the case for investing to support its growth and the wider benefits this offers for the UK are all inextricably linked to London's role as a leading global city. London's success depends on the highly dense agglomeration of productive employment that exists in central London - made possible by a high capacity and quality public transport system. This drives the economy of the city overall and provides a key impetus for its wider growth.

2.58 Market intelligence strongly indicates that international businesses will continue to place a high value on these benefits in the future. It is this that justifies the heavy expenditure associated with maintaining, providing and extending this transport system.

Figure 2.9: Observed trips in London compared with MTS forecast 2006=100

2.59 Any failure to support the developing needs of London would threaten serious economic consequences at the national level.

2.60 The growth of London and surrounding areas puts major pressures on the existing transport system. The population in 2011 was higher by 400k than pre-census estimates and London is expected to be a city of ten million people by early 2030s. And already the number of trips in London is outstripping forecasts in the Mayor's Transport Strategy.

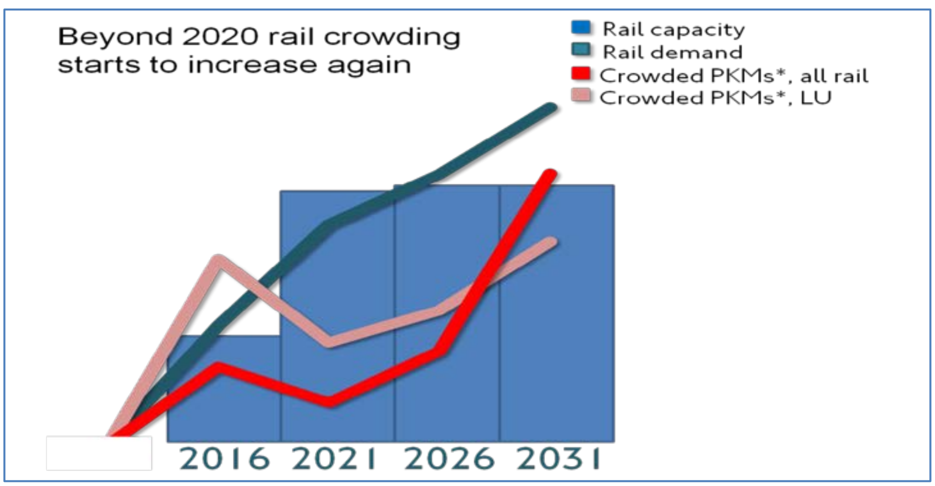
2.61 Despite much talk of homeworking and technology reducing the need to travel, patterns have actually remained stable for many years. Travel rates tend to increase with affluence. The total time travelled per person has been consistently close to one hour per day over the past 30 years. While there may some more flexible working eg one day a week from home, individual trip rates are likely to remain fairly stable. With increasing population, overall the number of trips will increase.

2.62 This would mean an increase of 35-40 per cent in the number of trips under the central population projection. Even higher growth in demand for public transport is expected (50-60 per cent increase in trips) with a continuing trend in mode shift from car and increasingly dense patterns of development.

2.63 Walking typically increases in line with population growth. However a policy-driven shift and pressure on other modes could see an increase relative to population growth, say 40-45 per cent. It us also hoped that cycling will reach the levels seen in cities like Amsterdam and Copenhagen. Demand management offers a way to reduce the pressures and make sure growth is both deliverable and sustainable, but it will not obviate the need for additional infrastructure.[22]

2.64 It is clear that the need for sustained transport investment will remain beyond the current Transport for London (TfL) Business Plan and the provision of London's current committed major schemes (Crossrail, Thameslink and the Tube upgrade programme).

Figure 2.10: Rail capacity 2016 to 2031



2.65 These will offer significant benefits and are vital to support London's continued success - but they will only stem the tide for a little while. The key question is the scale of additional infrastructure that is needed - and crucially how to fund and provide it - rather than whether it is needed.

2.66 A major issue, beyond the specifics of the transport investment, is the funding context to provide this. The current model will not offer the scale of infrastructure investment necessary to support this growing city.

[22] Previous evidence suggests that for example a 30% fare increase would reduce Underground by at most 5% and 2.5% on national rail (less in central London).

2.67 The Mayor's Transport Strategy envisions a transport system that excels amongst global cities (with access to opportunities, the highest environmental standards and a world-leading approach to tackling 21st century urban transport challenges). This can be achieved by improving capacity and connectivity (efficient and integrated; encouraging modal shift to cycling, walking and public transport, accessible and fair to users, value for money, helps improve quality of life and the environment and offers improved opportunities for all Londoners). This includes a major upgrade of the London Underground to increase capacity by 33 per cent by 2018 and the completion of Crossrail by 2018 (24 trains carrying 200,000 people from east to west, linking up Heathrow with Stratford and east London). There are also ambitious plans to extend the Northern line to Battersea and Nine Elms (unlocking the potential for 16,000 homes and 25,000 jobs), develop Crossrail 2, improve suburban rail lines, create more river crossings, further road improvements, and a step-change towards cycling in the capital (building on the London Cycle Hire scheme).

London's environment

2.68 London's success as a city, as a place where business want to locate and people want to live and work is underpinned by its environment and environmental infrastructure. To meet the Mayor's aspirations set out in Vision 2020 we need to ensure that London is a sustainable city, making best use of the resources that it has and is resilient to all but the most extreme weather. This has been recognised in the development of the Mayor's first Infrastructure Investment Plan, with a focus upon energy, water, waste and green infrastructure.

2.69 There is clear evidence that investment in environmental infrastructure delivers significant additional benefit to London and the UK economy. Taking investment in waste infrastructure as an example, findings from a report undertaken by Eunomia on behalf of the Waste and Recycling Board (LWARB) found that currently funded infrastructure projects and other programmes, will deliver a GVA impact of over £100m[23]. Furthermore, such investment created 200 jobs in construction and approximately 100 operational jobs over a five year period.

2.70 And whilst it is much harder to measure, investment in London's green space delivers significant benefits to businesses whilst improving the quality of life for Londoners. Such benefits were underlined by a survey undertaken by Gensler and the Urban Land Institute in 2011. The survey found that unsurprisingly 95 per cent of respondents felt that good quality green space, enhanced the commercial value of property. Of importance however was that the same 95per cent said that they would pay an additional 3 per cent more for commercial

[23] Based upon currently funded projects considered over a five year period and the LRN considered over a ten year period.

property in close proximity to green space. In London this could equate to approximately £1.3billion in added value

2.71 In meeting these objectives London can continue to take advantage of the growing 'green economy' which was worth an estimated £25.4bn in 2011-12 to London's economy and employed more than 163,000 people. This sector has bucked the national trend and has grown strongly over the last five years and is forecast to continue to grow by at least 5 per cent over the following years to the end of the decade.

Energy infrastructure

2.72 The Mayor's Climate Change Mitigation Strategy sets out an ambition to reduce carbon emissions by 60 per cent from a 1990 baseline and to provide 25 per cent of London's energy requirements by 2025. The UK and London's energy systems face many challenges – decarbonisation, security of supply and cost-competitiveness. This requires decisions that balance the need to plan and underwrite the high infrastructure investment costs necessary to meet uncertain future demands and market conditions - with the desire for market-driven efficiencies and overcome resistance to change. There are challenges London will have to deal with in the short term from improving the energy efficiency of London's building to making sure that development opportunities are not jeopardised by lack of electricity infrastructure. As London's population grows, over the medium and longer term we must ensure we can meet the growing demand for electricity.

2.73 For example, a recent review of London's electricity infrastructure[24] reported that if lack of readily available electricity infrastructure capacity caused only 1 per cent of growth in London's financial sector to locate elsewhere, the result would be a negative impact on London's GVA of nearly £600 million.

Water infrastructure

2.74 As a major city with a growing population, London will need to continually evaluate how it manages water, including major investment in the ageing water infrastructure. Whilst hard to consider after the current wet weather, the South East of England is considered to be severely water stressed. We currently waste water, both in terms of loss through leakages and the fact that Londoners use more water per person than the national average. This means that by 2015 with a growing population, demand will outstrip supply, a challenge that is recognised in the water companies' Waste Resource Management Plans. Population growth and the need for investment also challenge our drainage and sewerage systems. Many of those systems currently operate at 80 per cent capacity during dry

[24] Ramboll- London Electricity Infrastructure Review March 2014

periods, which means as little as 2mm rain can result in sewage being discharged into the Thames. Major investment has already been brought to bear to alleviate this challenge through constructing the Lee Tunnel and more is planned through the Thames Tideway project. However, further investment is required.

2.75 Recent severe weather over the 2013-14 winter period has further highlighted the importance of needing to increase London's resilience to extreme weather. Whilst we are relatively well protected against tidal flooding, we are much more vulnerable to river, surface water and groundwater flooding. With approximately 1.4million properties are at risk of flooding, we will need to ensure that we develop a coherent flood risk investment plan and ensure that London receives its fair 'share' of the flood risk budget.

Waste Infrastructure

2.76 Pressures on how we manage waste haven't diminished, as the cost of its disposal remains to be a real issue. 70 per cent of London's municipal waste is sent for disposal each year, costing about £250m. The total cost to London of managing its municipal waste, including the collection, transport, treatment, and final disposal activities, was approximately £500m in 2011-12 with a further £220m spent on street cleansing (Source: London Councils). With commodity prices likely to continue to rise and increasing inter-related pressures on energy, water and food production, to remain competitive we must become more resource efficient. We will continue to work with the London Waste and Recycling Board (LWARB) as it continues to play a role in supporting the changing infrastructure needs of London.

Green Infrastructure

2.77 Many cities across the world are beginning to invest in their green infrastructure – the multifunctional network of open and green spaces - to appreciably improve the environmental performance of urban districts, and the quality of life and economic benefits that follow. Green infrastructure projects can make a significant contribution to creating more resilient, healthier, liveable neighbourhoods and projects will seek to reduce flood risk; encourage more walking and cycling; and improve physical and mental well-being. Future investment is needed in order to transform a parks network designed primarily for amenity and recreation to an infrastructure that is recognised as being as vital as the city's other utilities

Worklessness and underemployment

2.78 The benefits of London's growth are not however evenly spread amongst its population with significant levels of worklessness and economic inequalities.

2.79 London has higher levels of worklessness than the rest of the UK. Whilst the volume of workforce jobs has steadily increased from 4.75m in the recession to 5.22m in September 2013, the gap between London's employment rate and the rest of the UK has not closed. This means there is substantial under-employment in the capital (as set out in Table 2.6).

Table 2.6 Under-employment in London

Workers wishing to work more hours	Thousands	Percentage
Inner London – West	40	7.3
Inner London – East	99	11
Outer London - East and North East	71	9.7
Outer London – South	58	10
Outer London - West and North West	76	8.7

Source: Office for National Statistics

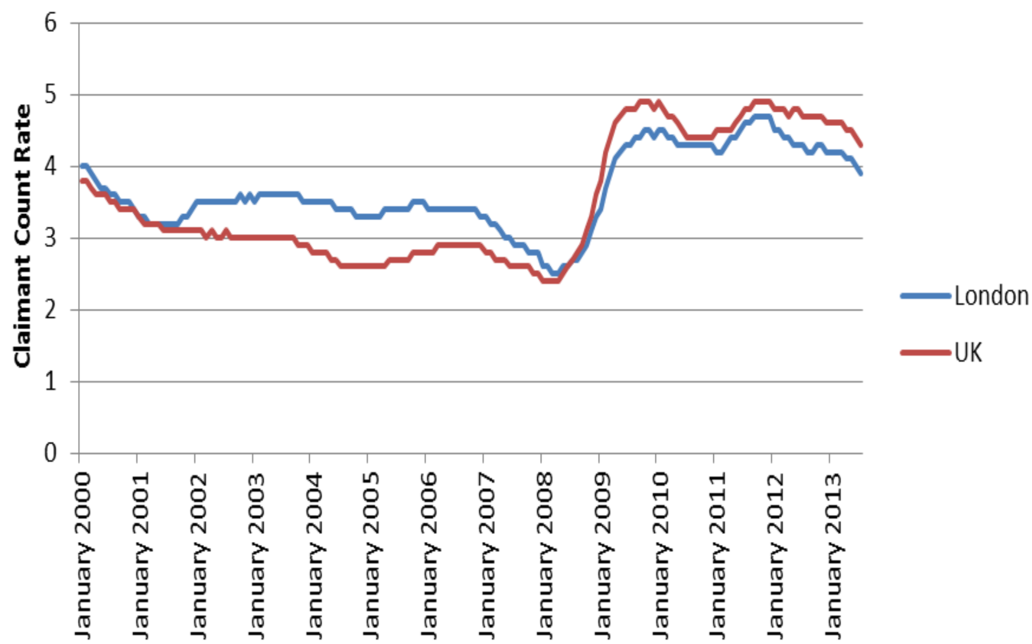
2.80 While self-employment is high, with the proportion of self-employed in the London 3.4 per cent more than the UK average[25], London's unemployment rate is above that of the UK. As of July 2013 there were 205,000 people claiming Jobseekers Allowance in London, a fall of 19,300 on the year, as set out below.

Figure 2.11: Unemployment rate

Source: Office for National Statistics

Figure 2.12: Claimant count level for London and the UK

[25] Annual Population Survey, ONS.



Source: Jobcentre Plus; seasonally adjusted.

2.81 By the end of May 2013, there were 1.3m economically inactive people in London, comprising 23.4 per cent of the working age population compared with 22.5 per cent in the UK as a whole. Students do however make up the greatest proportion of the economically inactive group (30.3 per cent), followed by those looking after the family or home (30.1 per cent), long-term sick (16.9 per cent), other (11.2 per cent) and retired (8.9 per cent).[26]

2.82 Borough level data shows that claimant count rates in Inner London were 0.8 per cent higher than outer London boroughs in July 2012. The highest rates were in Barking and Dagenham (5.4 per cent), Hackney and Tower Hamlets (both 5 per cent). The lowest rates were in Richmond upon Thames (1.5 per cent) and Kingston upon Thames (1.6 per cent). With the exception of Greenwich (4 per cent), the remaining growth boroughs were amongst the eight boroughs that had the highest claimant count unemployment rates in July 2013.

2.83 Lack of qualifications of some Londoners is one reason for under-employment. 19 per cent of workless London residents have no qualifications compared to just 5 per cent of those employed, reflecting a cycle of low paid people finding it hard to acquire skills and therefore move up the labour market and increase their pay. London's economy is based on relatively high skill requirements. More than half of jobs in the capital require Level 4 qualifications as a minimum, compared to below 40 per cent across the United Kingdom as a whole. GLA Economics' employment projections show an increase of 800,000 jobs requiring at least an ordinary degree over the projection period (2011 to 2036). Figure 1.23

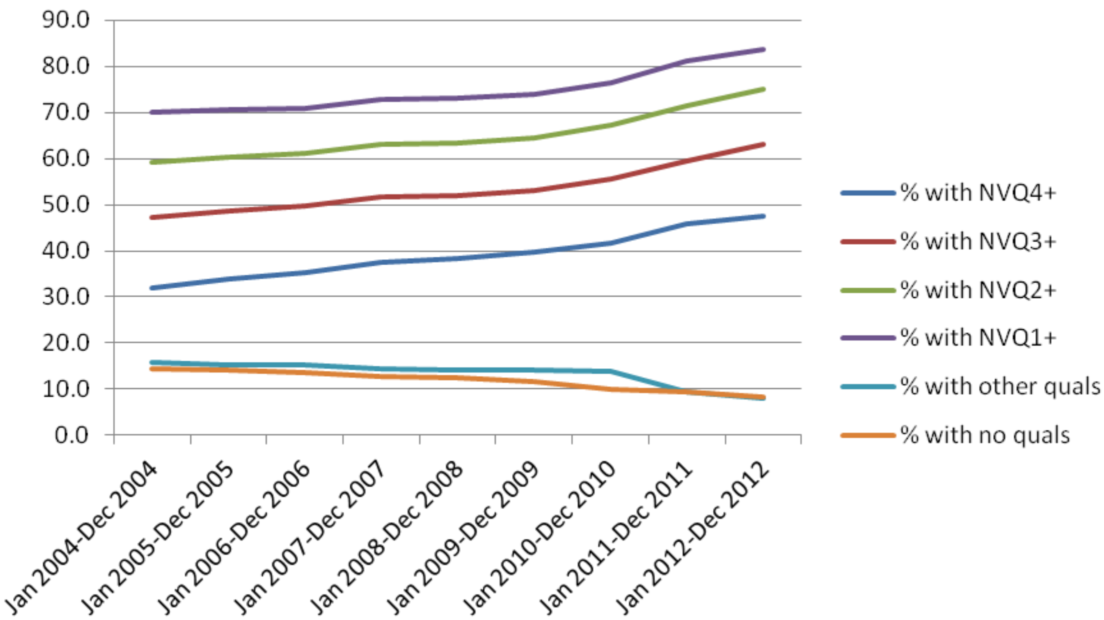
[26] London Data Store, March 2013.

demonstrates that around 47.6 per cent of London's working age residents are qualified at NVQ Level 4 and above, however it is estimated that at present 55 per cent of jobs require high level skills.[27]

2.84 Skills levels have improved with more people having NVQ Level 3 and above at the end of 2012 (3.3m individuals) compared with 2008 (2.6m). However around 455,800 working age Londoners have no qualifications and, although this has improved since 2008 (664,600), represents 8.4 per cent of the population. Around 279,500 of those with no qualifications are workless people (61.3 per cent).[28]

2.85 Data from the National Employer Skills Survey 2010 reveals that the greatest skills gaps are found in managerial occupations (30.5 per cent), administrative and clerical staff (26.8 per cent), sales and customer services staff (26.2 per cent) followed by elementary staff (20.5 per cent). The greatest impact of these skills shortages is increased workload for other staff, difficulties meeting quality standards and increases in operating costs.

Figure 2.13: Qualifications level of Londoners aged 16-64



London Data Store, December 2012

2.86 The CBI Education and Skills survey 2012 reports that 73 per cent of employers selected the need to provide businesses with the skills they require as the most important reason to raise education standards; 71 per cent believed that schools should be prioritising employability in the 14-19 age group. The CBI report also states that 81 per cent of employers are committed to maintaining or increasing

[27] compared with a UK average of 34.2% in 2012.
[28] London Data Store, July 2013.

their investment in training, despite current economic uncertainty. This highlights the importance of employees having the right skills for the right job.

2.87 There is however a greater concentration of groups who experience lower employment rates (wherever they are located) in the capital, in addition to higher costs of living and interaction with social housing tenure.

Disadvantaged groups within London's labour force

Young people

2.88 Significant numbers of young people in London are not in employment, education or training (NEET). In 2012 there were 127,822 NEETs aged 16-24, nineteen per cent of whom had a degree. This is set out in Table 2.6 below.

Table 2.6: Number and proportion of NEETs aged 16-24 resident in London by highest educational qualification, 2012

Highest educational qualification	Number of NEETs	Proportion of NEETs %
Degree or equivalent	24,352	19
Higher education	4,972	4
GCE, A-level or equivalent	31,546	25
GCSE grades A*-C or equivalent	32,771	26
Other qualifications	16,049	13
No qualification	18,132	14

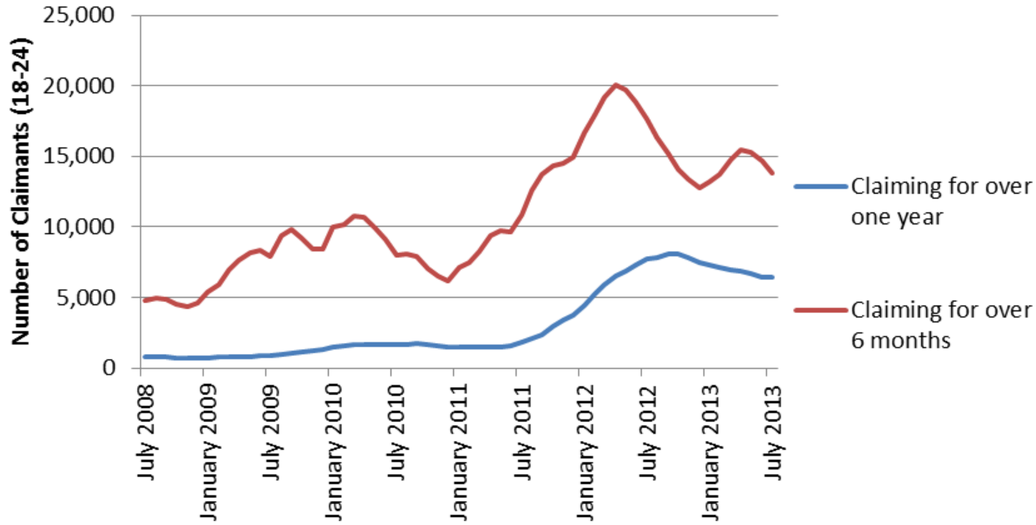
Source: Annual Population Survey, Office for National Statistics

2.89 To the end of June 2013, 13.4 per cent of Londoners aged 16-24s were NEET, compared with 15.5 per cent nationally. At the end of 2012, 4,830 aged 16 and 17 were NEET (around 3 per cent of the 16-24 population).[29]

2.90 As at July 2013, there were 40,750 claimants aged 18-24. Of these, 13,800 had been claiming for over six months; and 6,430 who had been claiming for over 12 months. Figure 2.14 shows that there has been a sharp rise in the number of young people (age 18-24) claiming JSA in London over the last five years:

Figure 2.14: Unemployment rate of those aged 18-24

[29] Department for Education, 2013.



Source: Jobcentre Plus, Claimant Count – age and duration with proportions, sourced from NOMIS.

2.91 Some 8.8 per cent of 16-24 year olds in London are JSA claimants compared with 5.3 per cent of the whole London population. This amounts to 40,860 young people. Moreover young people are significantly under-represented in the self-employed in London, illustrated by Table 2.7 below.

Table 2.7: Young people's share of employment

Proportions	2004	2007	2011
Proportion of self-employed aged 16-29	15%	13%	15%
Proportion of employed aged 16-29	27%	27%	25%

Source: GLA Economics analysis using Annual Population Survey data

2.92 The youth unemployment rate remains high in London compared with the UK average; see Table 2.8.

Table 2.8: Unemployment rate, 16-24 year olds

	2004	2009	2010	2011	2012
North East	15	22.9	22.3	23.6	25.2
London	18.9	22.2	22.2	24.7	24.5
Yorkshire	11.7	19.2	19.6	24.4	24.2
Wales	13.3	19.8	22.6	22.7	23.6
West Midlands	13.9	22.1	21.3	25.3	21.9
North West	13.1	21.3	21	22.3	21.6
East Midlands	10.5	17.9	18.6	21.3	21.4
UK	12.4	18.8	19.3	21	20.9
Scotland	12.6	16.8	18.6	21.5	20.7
Northern Ireland	12.6	16.8	18.5	18.6	19.1
East	9.9	16.3	17.2	17.6	18.3
South East	9.6	16.2	16.7	16.6	16.9
South West	8.6	15.1	16.2	15.7	16.6

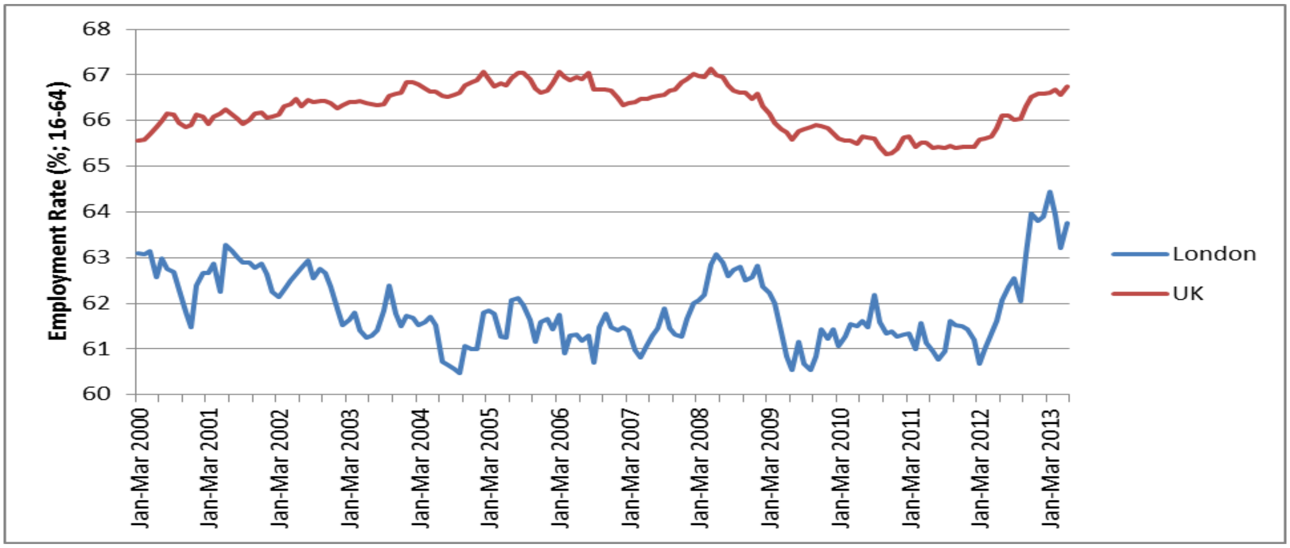
Source: Annual Population Survey

Women and lone parents

2.93 The employment rate of women in London is well below that of men and the UK average, see Figure 2.15 below. In the UK overall there is a similar 'gender gap' in employment levels, but it is smaller. Research suggests the single largest contributor to London's employment rate gap is the difference between female employment in the capital and the UK.[30]

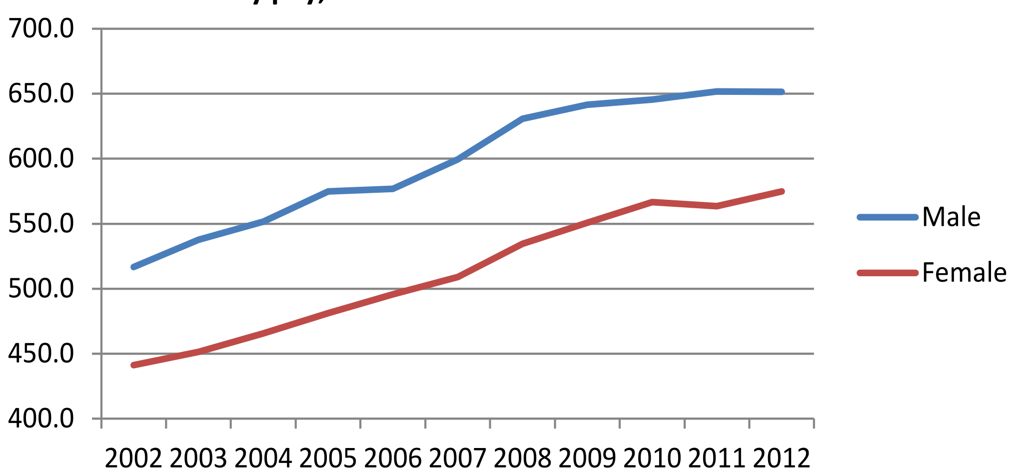
[30] Centre for Economic and Social Inclusion (2012), Driving up part-time employment in London.

Figure 2.15: Employment of women in London and the UK



2.94 In addition, those women who are employed in London are paid significantly less than employed men; see Figure 2.16:

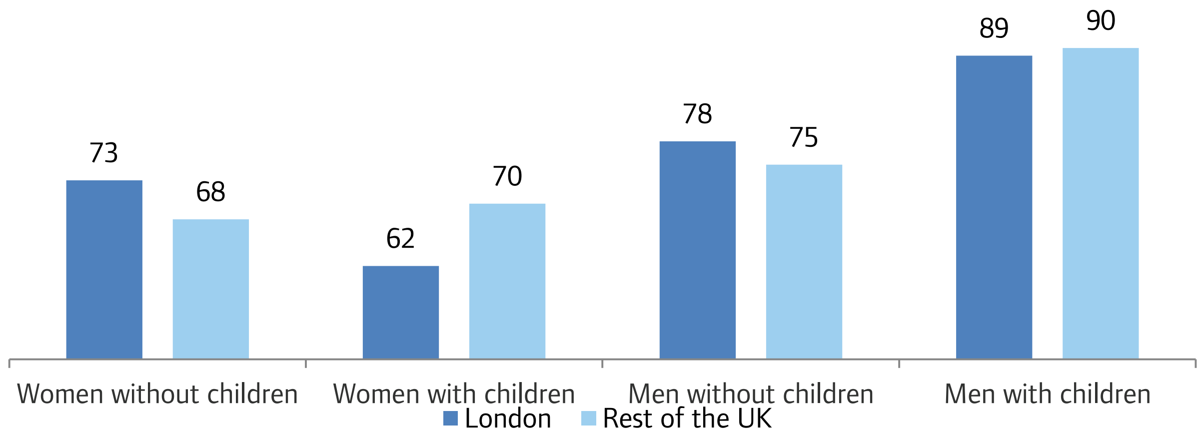
Figure 2.16: Median weekly pay, London



Source: Annual Survey of Hours and Earnings

2.95 Being a parent makes a large difference to the employment rates of women and there is a bigger impact in London than in the rest of the UK. In 2012, the employment rate for women without dependent children was higher in London (70 per cent) than in the rest of the UK (68 per cent), while for women with children, the rate was much lower in London at 62 per cent compared with 70 per cent in the rest of the UK. There is a similar, but far less marked, pattern for men in London as compared with the rest of the UK.

Figure 2.17: Employment rates of women and men (per cent), by whether or not they have dependent children, London and the rest of the UK, 2012



Source: Annual Population Survey

2.96 The Labour Force Survey shows there was a big rise in the employment rate of lone parents in London in 2012, continuing an increasing trend since 2007. Employment rates of lone parents, most of whom are women, are lower than those of women in couples with dependent children. The gap between London and the rest of the UK fell from 15 per cent in 2007 to just 3 per cent in 2012

2.97 The employment rates for single parents (women and men) in London are well below that of the rest of the UK (Table 2.9). In both London and the rest of the UK, employment rates for single parents are below those for parents in couples and non-parents.

Table 2.9: Employment rates of residents aged 16-64 by parental status, 2011 (per cent)

Family type	Total of all working age people		Lone parents		Parents in couples		Non-parents	
Sex of parent	female	male	female	male	female	male	female	male
London	61.8	73.1	48.8	60.8	60.4	88.9	64.6	67.7
Rest of UK (exc. London)	66.4	75.1	57.1	68.3	72.1	89.9	65.1	69.2
UK	65.8	74.8	55.8	67.3	70.7	89.7	65.1	69

Source: Annual Population Survey (household dataset) 2011

2.98 Relatively high childcare costs in London are a deterrent to single parents working as illustrated by Table 2.10 below.

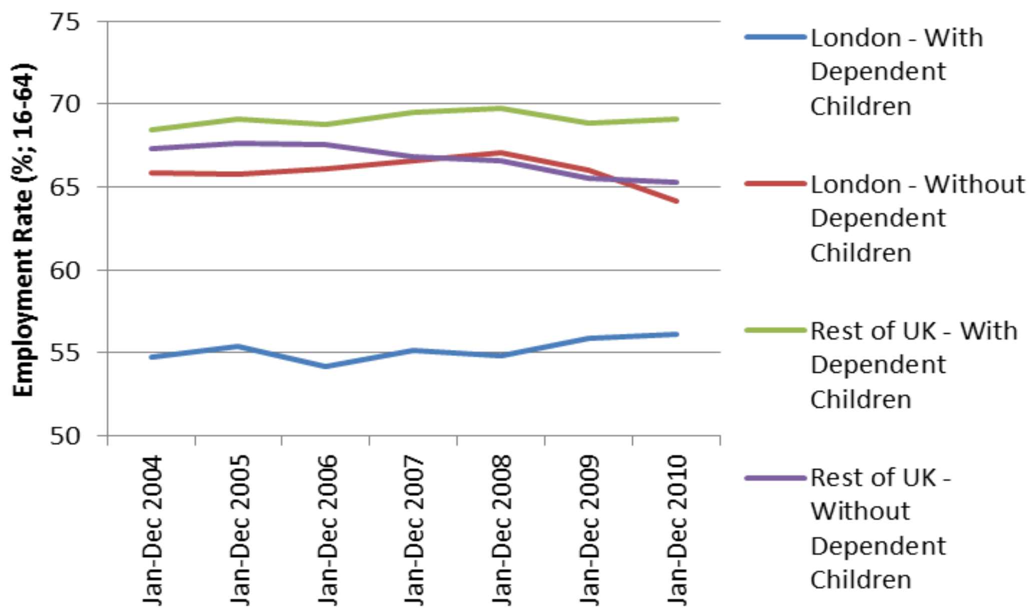
Table 2.10: Childcare costs

Geography	Nursery 25 hours (<2)	Nursery 25 hours (2 and over)	Childminder 25 hours (<2)	Childminder (2 and over)
London	133.17	124.73	131.08	128.34
England	108.51	106.52	98.98	97.27
Britain	106.38	103.96	98.15	96.67

Source: Daycare Trust

2.99 But they may also contribute to the lower employment rate for women with dependent children in London versus the rest of the UK, see Figure 2.18.

Figure 2.18: Women's employment rates



Source: Annual Population Survey

2.100 Limits on the availability and take up of part-time work in London have partly contributed to the difference in female employment rates in London and the UK.

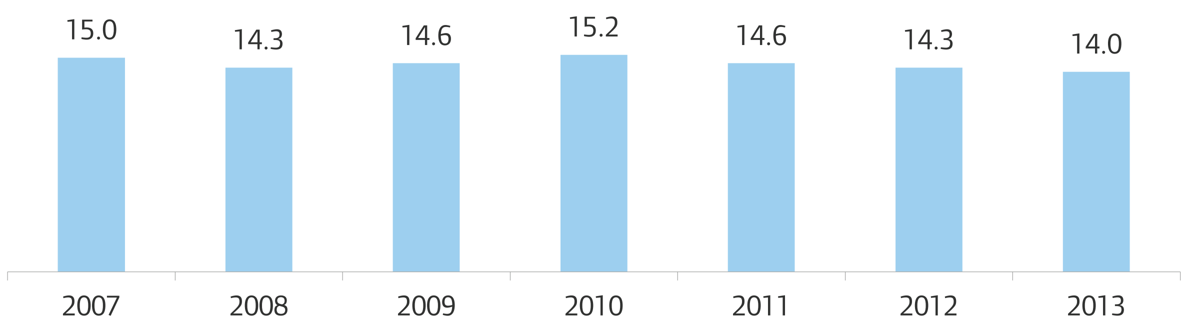
2.101 In the year to March 2013, there were 882,000 part time workers in London (one in five employees), of which 597,000 were women. The number of part time workers in London has increased by 23,000 over the last year (or 2.7 per cent). The proportion of the total working age population working part time stood at 21.6 per cent in London in the year to March 2013. For workers over the age of 50, this proportion was 31 per cent; and for working age women, this proportion was 33.4 per cent according to the Annual Population Survey, ONS.

2.102 The Mayor wants to create 20,000 additional part-time jobs in London between now and 2016. The LEP's Skills and Employment Working Group is supporting the Mayor's part-time jobs campaign and this will be promoted as part of the 2014-20 ESIF programme.

Black, Asian and Minority Ethnic (BAME) people

2.103 London is home to a large and diverse population, with around 3.3m people from a BAME background. Furthermore, 42.5 per cent of all people from BAME groups living in England reside in the capital.[31] The employment rate of BAME groups in London remains below that of the white population; see Figure 2.19:

Figure 2.19: Gap in employment rates (per cent) between all white groups and all BAME groups, London, 2007 to 2012



Source: Annual Population Survey

2.104 Data from the Annual Population Survey shows that in 2013 there was a 14 per cent difference between the employment rate of all white groups and all BAME groups with 74.8 per cent of those from all white groups in employment compared to 60.8 per cent of all BAME groups. This marks a continuation of a declining trend since 2007 (with the exception of 2010) of the employment gap slowly closing.

2.105 Whilst the employment gap between all BAME groups and all white groups has continued to close, the headline figures do not reveal the significant differences between the ethnic groups - and especially between the employment rates of men and women.

2.106 The employment gap between men and women within certain BAME groups continues to be significant and is thus a cause for concern. The gender gap between Bangladeshi men and women is greatest with 70.5 per cent of men in employment but only 27.4 per cent of women. Arab and Pakistani women too have very low employment rates with 28.4 per cent and 37.5 per cent

[31] 2011 Census.

respectively. This is in stark contrast to white British women where the gap between male and female unemployment is 10.4 per cent.

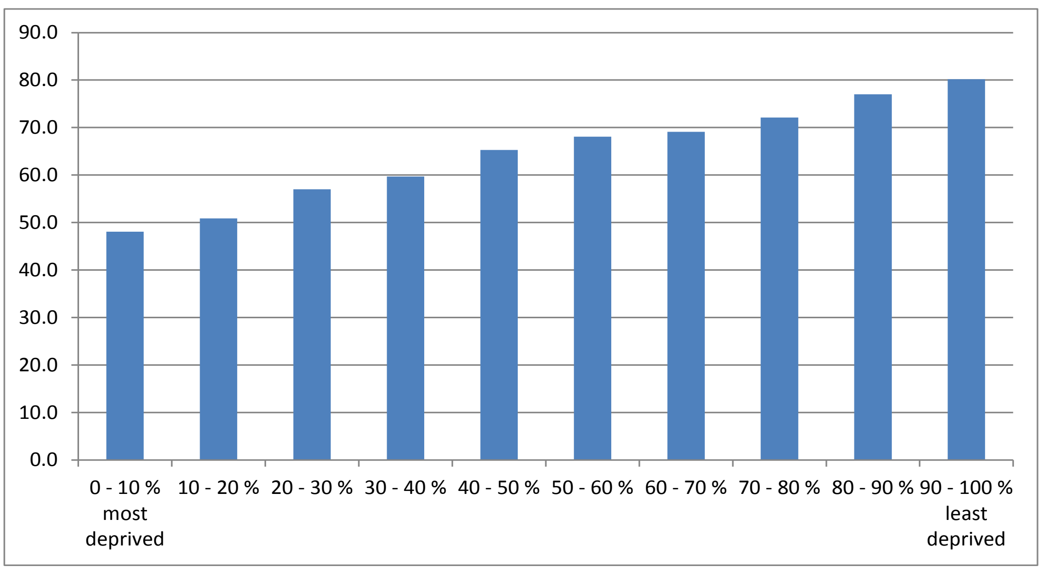
Poverty and deprivation

2.107 Due to a mixture of low pay, worklessness, and high housing and childcare costs, many Londoners live in poverty. Over 26 per cent of London falls within the most deprived 20 per cent of England and five London boroughs remain stubbornly within the top 20 most deprived areas of England. A further five boroughs have the worst child poverty rates in the UK.

2.108 Higher crime rates and poorer health outcomes characterise many low-income areas of London, and a disproportionately high number of London's children (36 per cent) live in low-income families (after housing costs).[32]

2.109 As well as being detrimental, child poverty can impact on an individual's future. People who experienced poverty in childhood are more likely to have low incomes and worse employment prospects than those who did not have poor childhoods. Figure 2.20 illustrates this issue. It shows that educational attainment amongst children is strongly correlated to parental incomes.

Figure 2.20: Achievements at GCSE by Income Deprivation Affecting Children Index – numbers in London (2009/10) achieving 5+ A*-C GCSE grades incl. Maths and English



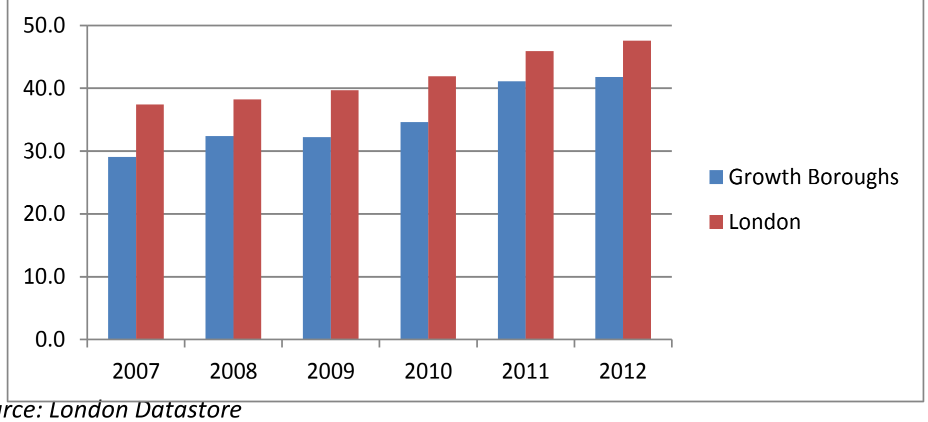
2.110 Where London employers are unable to find sufficient skills among local residents, economic migrants will benefit from jobs. Employers may even locate elsewhere. As such, the need to raise educational attainment amongst London's young people, and particularly those from low-income backgrounds is clear. This will not only benefit the economy, it will alleviate some of the social problems suffered in deprived neighbourhoods.

[32] Source DCLG P1E returns – exclude rough sleepers and single people.

2.111 Many of the poor socio-economic outcomes covered in this chapter are frequently concentrated in certain parts of London – in particular areas in north and east London. Over the last 40 years or so many policy interventions have been made in these areas. However, there much evidence to suggest that over this period spatial inequality has hardly reduced. A National Equality Panel report suggests that spatial differences are more pronounced today than ever before.[33]

2.112 In an attempt to reduce and eventually eliminate these differences, six boroughs hosting the 2012 Olympic and Paralympic Games (Barking and Dagenham, Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest) set 20-year convergence targets.[34] These include educational attainment (raising results at GCSE Key Stage 4 and improving results at Key Stage 2 (11 year olds); increasing employment rates; increased mean incomes in the bottom two fifths of earners; reducing the number of families in receipt of benefits; reducing crime; and increasing life expectancy. Figures 2.21 and 2.22 demonstrate the gap between skills and employment levels in these 'growth boroughs' and London overall:

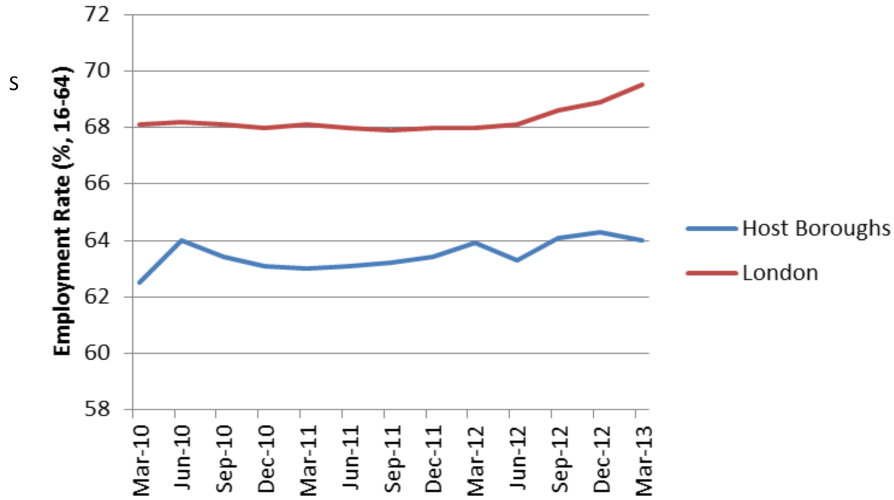
Figure 2.21: Skills levels in the growth boroughs versus London as a whole



Source: London Datastore

[33] National Equality Panel Report (2010) 'An anatomy of economic inequality in the UK'.
[34] Strategic Regeneration Framework: An Olympic legacy for the Host Boroughs http://www.gamesmonitor.org.uk/files/strategic-regeneration-framework-report.pdf.

Figure 2.22: Employment rate (per cent, 16-64) in the growth boroughs and London



Source: Annual Population Survey, Office for National Statistics

SWOT analysis

2.113 The challenges facing London are summarised in the strengths, weaknesses, opportunities and threats (SWOT) analysis below. The analysis identifies the main internal strengths and weaknesses of the labour market, trade, the environment; and the external opportunities and threats.

Strengths

- The powerhouse of the UK with GVA more than six times larger than Wales; London contributes 22 per cent of UK GVA, progressively up from under 19 per cent in 1997;
- Global leading financial and business services sectors;
- Europe's financial centre;
- World class higher education institutions;
- World-class research and development at UCL, King's College, Imperial and the LSE, with Oxford and Cambridge close-by;
- Strong low carbon, environmental goods and services sector which has consistently been growing year of year over the last five years
- Rising attainment levels for young people including at degree level;
- A city where people choose to live and work; GLA projections indicate that Greater London's population will reach ten million soon after 2031, marking a 22 per cent increase from 2011, pushed up by immigration, rising birth rates and lower domestic out-migration;
- A city where overseas investors choose to purchase between 10-15 per cent of all new build homes, stimulating supply, purchasing

off-plan, and triggering development by providing vital upfront funding.

- Location, language, political and legal structure makes it an attractive location for international businesses, leading to a proliferation of new and existing business clusters looking to profit from the wide and diverse occupier base;
- Openness to trade and investment, strong international trading links;
- World class transport system providing basis for future growth;
- International businesses attracted to London due to its transport systems;
- Highly skilled labour force contributes to London being almost 30 per cent more productive than the UK average;
- High rate of business start-up. When London is compared to the UK on the basis of resident population, London supports more businesses per head of population;
- Leading centre for global carbon trading.

Weaknesses

- Higher proportion of its population out of work than the UK as a whole;
- Highest rate of child poverty in the country;
- Significant pockets of deprivation, worklessness and economic underperformance are juxtaposed with highly successful, agile and profitable labour markets;
- Five boroughs (Tower Hamlets, Islington, Haringey, Newham and Hackney) in the top 20 most deprived areas in England;
- Housing is very expensive; the average house price in London in October 2013 was £438,000 compared with an England average of £248,000, whilst the average rent for a private rented home is £1,250 pcm compared with a national average of £585.
- Some 42,000 homes per annum need to be built for the next ten years to meet London's housing requirements;
- High cost of living relative to London/UK wage levels;
- The most overcrowded households in any UK region, an estimated 255,000 households living in overcrowded conditions.
- A Victorian transport system that is overcrowded and congested at peak use times in need of further investment;
- High growth in demand for public transport (50-60 per cent increase in trips)
- Residents of many boroughs often do not have the skills or opportunities to share in the successes of areas adjacent to them;

- Over 26 per cent of London falls within the most deprived 20 per cent of England;
- London is among the most expensive cities in the world;
- Although higher wages make London an attractive place for highly skilled workers, higher staffing costs can be a deterrent for businesses;
- Crowding and congestion on transport;
- Significant investment in measures to improve air quality has maded improvements over recent years, but challenges still remain around consistently achieving all European Union air quality legislation.

Opportunities

- A global city, where businesses across the planet choose to make their home;
- Where international investors choose to buy property and homes;
- City's reputation for liberal markets and light-touch regulation will continue to be attractive to international groups; Euromarkets began in London and China chose London as first offshore Renminbi trading centre outside Asia;
- London's businesses are intensive in high technology activities. £30 billion of London's GVA is high tech - or over 10 per cent;
- Over £3.3bn of R&D expenditure is spent in London (2011 data);
- Over 800,000 private sector businesses are located within London's 33 boroughs, accounting for 15.8 per cent of all jobs in the UK (5.1m, July-Aug 2012);
- In 2015 the Francis Crick Institute will be Europe's largest centre of biomedical research;
- London's higher education sector spends nearly £2 billion annually on RandD (2011 data);
- Communications advances have helped London's higher education sector to use its franchise to open campuses abroad eg in Asia; London has four universities in the global top 100;
- The employment projections show an increase in the number of jobs requiring degree level or higher qualifications of 800,000 between 2011 and 2036;
- Capacity to attract new industries due to its international reputation;
- Strong carbon market. London is central to the EU Emissions Trading Scheme (EU ETS) as European Climate Exchange contracts, traded on the ICE Futures Europe exchange in London, made up 91 per cent of futures trading on the EU ETS in 2008;

- The development of Enterprise Zone at the Royal Docks in east London has the ability to create significant numbers of new jobs.
- Proposed Assisted Areas status for some areas of London, where regional aid may be granted under EU legislation. Enables the encouragement of employment in an area that has consistently high unemployment.
- Regeneration eg Queen Elizabeth Olympic Park is bringing new industry, jobs and cultural life to London.

Threats

- Risk of ‘gold plating’ new capital adequacy and regulatory provisions for banks: important that UK banks not disadvantaged relative to competitors in other jurisdictions;
- European Banking Union (from which UK has opted out) could operate against the interests of London’s financial sector and could represent ‘shift of gravity’ away from London;
- Over-regulation, with some EU members keen to impose tighter controls;
- New Eurozone crisis would have adverse repercussions for London: UK banks exposed to Eurozone;
- London’s banking sector remains at competitive risk from emerging Asian markets, particularly Hong Kong and Singapore;
- Inward migration controls: UK government closed Tier 1 General Route for non-EU migrants, also reduced number of non-EU students permitted to enter via the Tier 4 student visa entry route;
- Disconnect between skills provision for adults and skills demands from employers. Mayor has no legislative powers over skills and employment provision;
- Due to past greenhouse gas emissions some level of climate change is inevitable;
- Social dislocation due, for example, to high unemployment rate among young: In the 16-24 age group in London, 127,800 people are not in employment, education or training; 19 per cent of these young people have a university degree.
- Vicious circle of children born in poverty underachieving at school and facing poor employment prospects;
- High cost of living in particular for housing;
- Costs of doing business: London scores poorly on costs of staff, value for money of office space and the cost of living may be an inhibiting factor on business location;
- ‘Fear of crime’ has fallen but remains significant: in the 2011 London Survey, 25 per cent of respondents cited it as a problem.

3 Local Growth Fund

As part of the Growth Deal, the London Enterprise Panel will be seeking the following funds from the Local Growth Fund:

a) **£70 million New Homes Bonus funding:** 80 per cent of which will provide a LEP programme of activity to support economic growth priorities, whilst the remaining 20 per cent will support a future LEP Growth Fund which will be run as an open bidding round to encourage innovative and creative bids from a wide range of partners. The New Homes Bonus has already been agreed by government.

b) **£100m Further Education (FE) Skills Capital per annum**: A proposal for funds to run an open and competitive tendering round for all FE institutions (colleges and registered private providers) to encourage innovative proposals that meet the capital's skills needs. In particular, proposals will be expected to address the panel's Jobs and Growth Plan Priorities which are Digital, Creative, Science and Technology, SMEs, or Infrastructure skills requirements.

c) **£6.3m 'Meeting the Digital Skills Challenge'**: seeks to boost London's ICT education capacity at a systemic level, starting with an east London pilot.

a) New Homes Bonus funding

3.1 The London Enterprise Panel has established a series of funding principles that will ensure that all New Homes Bonus (NHB) Funds are spent appropriately for the benefit of London as a whole. These principles are as follows:

- All funding must support the LEP's priority areas to boost jobs and growth;
- Funding should be maximised by matching with European Social Fund and European Regional Development Funds where possible; and
- Funding could also be considered on a special or area based approach to maximise areas for potential growth. This could include funding further infrastructure or to unlock housing related schemes.

3.2 To ensure that these principles are met, funds will be divided into two programmes, as follows on an annual basis:

- **Twenty per cent** of funds to support a future LEP Growth Fund which will be run as an open bidding round to encourage innovative and creative bids form a wide range of partners, particularly the private sector; and

- **Eighty per cent** to provide a LEP programme of activity to support economic growth priorities.

3.3 We assume an allocation of £70m of top sliced NHB will be available in 2015-16 but await the outcome of the current Department of Communities and Local Government engagement exercise.

3.4 The LEP programme (80 per cent of funds) will be structured to focus on strategic themes, which are outlined below. Within these themes, working with London Councils, London boroughs and partners, the LEP will specify the outputs and outcomes that projects within these themes should achieve and will then prioritise investments. The remaining 20 per cent of funds will be used to run an open bidding round building on the Growing Places Fund to encourage innovative private sector-led bids. Across both programmes, all projects will have to demonstrate match funding. In this regard the LEP has aligned the forthcoming European Structural and Investment Fund (ESIF) strategy to the LEPs Growth Programme. For the Growing Places Fund, an ability to repay the fund will be criteria for qualification, where achievable.

Southall Gateway is a project led by the London Borough of Ealing, for which £6.8m of GPF funding has been allocated. The funding will be used in an innovative way, creating a revolving fund within Southall to invest in a number of projects including transport improvements to unlock key development sites, and enabling works to bring forward a new mixed-use development adjacent to the new Crossrail station. Funding will be repaid in full from a combination of land receipts and developer contributions by 2023. Overall the project will create 400 new homes, 5,500m2 of new retail space, 4,000m2 of new commercial space as well as growth of another 800-1,000 new homes at Southall East.

The Old Vinyl Factory is a £7.7m capital loan which will be provided to Cathedral Group, who with Development Securities is planning to refurbish the Old Vinyl Factory in Hayes, the former site of HMV and EMI. The building will be transformed into the innovative Central Research Laboratory, a facility to provide entrepreneurs with technical, infrastructure and business support to develop and commercialise early stage product ideas. The project plans to create 740 new jobs, contribute £466m GVA and forms part of the Old Vinyl Factory master plan which will provide 642 homes, 550,000 square foot of commercial space, a cinema, restaurants and a live music venue. Loan funding will be provided to the developer who has committed to repay the full loan amount with interest within ten years.

LEP Growth Fund

The Growing Places Fund

3.5 The 20 per cent identified for a future LEP Growth Fund will build on the experience of the LEP's £111m Growing Places Fund (GPF) programme already in place. The GPF has focused on a combination of relatively short-term revenue projects as well as strategic investments in transport and infrastructure capable of unlocking significant economic and housing growth over the medium to long term.

3.6 The majority of the £111m GPF has now been allocated to projects with provision underway. The Programme will support hundreds of businesses and unlock development to enable tens of thousands of new jobs and homes.

3.7 Of the 80 per cent of the GPF that's been allocated to projects so far, just under £10m of GPF funding has been awarded to business support, skills, inward investment and digital, science and tech projects, with a further c£50m allocated to significant transport and infrastructure projects, £7.7m to support new and innovative workspace and £25m for the establishment of an SME finance fund. These investments will support the creation of 50,000 apprenticeships, support 12,000 businesses, safeguard or create nearly 50,000 new jobs, and will enable the development around 25,000 new homes.

3.8 The shorter-term projects are already demonstrating an ability to deliver with early successes including:

- Over 10,000 apprenticeship starts in the 2013-14 financial year done through the improved grants for SMEs programme and marketing campaign funded through GPF;
- The completion of three international export missions, directly supporting 66 businesses to export;
- The first of three jobs and careers events have been held with over 30,000 young people attending; and
- Film London are on target to provide £25m inward investment this year as a result of the GPF funded programme to develop London's competitiveness in high end TV and animation.

3.9 The LEP Growth Fund will seek to build on this programme through inviting innovative proposals which are private sector-led or with significant private sector involvement.

Principles for the LEP Growth Fund

3.10 In developing and providing a future LEP Growth Fund, the GLA will build on experience from the GPF. Key principles, which will continue through to the new LEP Growth Fund bidding process will include:

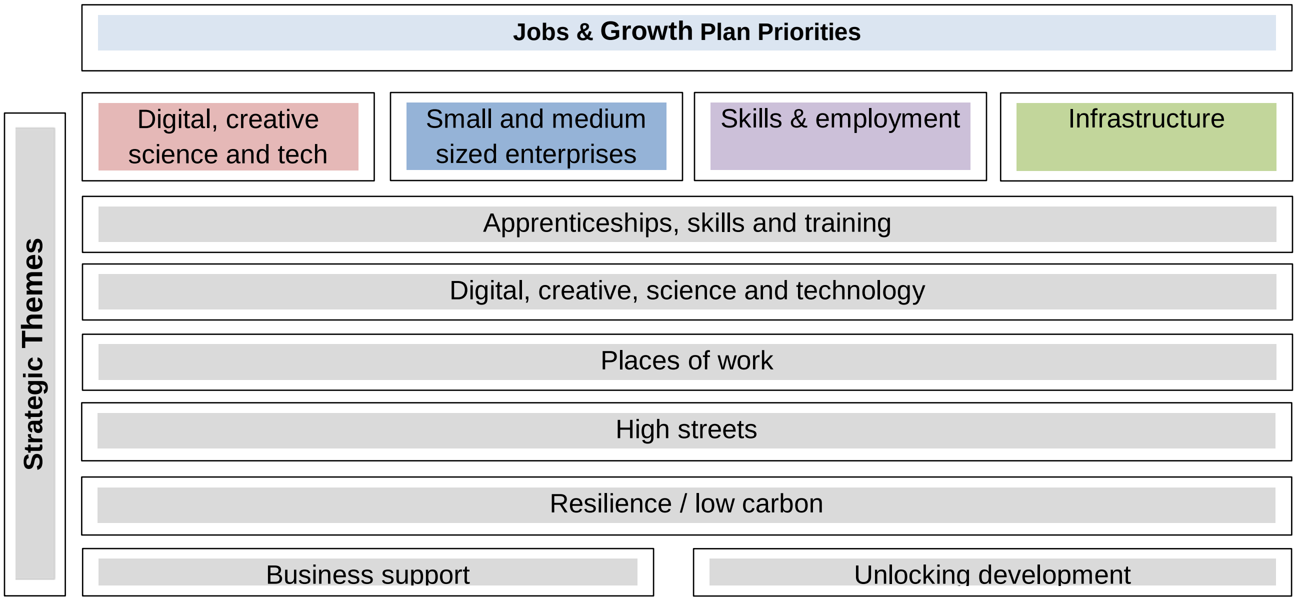
- the encouragement of private sector led proposals, or public sector bids with significant private sector involvement;
- an ambition that as far as possible this programme will operate as a revolving fund with projects repaying the LEP to ensure a future resource for new projects;
- early clarification through the prospectus of state aid restrictions and qualification requirements for private sector led proposals;
- publication of a clear and robust funding prospectus with detailed requirements and specified qualification criteria;
- the development of a strategy to utilise all existing networks to ensure strong awareness of the funding opportunity across all sectors; and
- a particular focus on innovative, but financially sustainable proposals which can demonstrate that they are unable to secure alternative sources of funding.

3.11 The growth programme will operate broadly in the same way as the existing GPF competitive bidding rounds, with the launch of a detailed prospectus, drafted and agreed in collaboration with London Councils and signed off by the London Enterprise Panel. Proposals will be invited which demonstrate deliverability and a strong strategic fit with LEP priorities to support economic growth, jobs and development. All project submissions will then be scored by a panel of GLA officers including the Authority's in-house economics, finance and legal teams according to published criteria. Projects will then be shortlisted in consultation with the LEP sub-groups and main LEP Board prior to commencing due diligence work.

LEP programme

Approach

3.12 The LEP Programme of funding will account for 80 per cent of total available NHB funds. This programme will be designed specifically around a series of strategic themes within which individual projects will be identified to provide jobs and growth outputs. These themes fit within and cut across the four LEP priority areas outlined in the LEP's Jobs and Growth Plan and below.



Outputs and outcomes

3.13 At this stage, strategic themes have been identified along with initial suggestions for the type and nature of possible projects, as well as indicative outputs and outcomes. In the coming months a performance framework will be developed for each theme to outline the outputs, outcomes and key performance measures required for projects to be selected. This will be co-designed by the GLA, London Councils and London boroughs. It is anticipated that projects could address several of these themes, particularly placed based projects. This approach also reflects changes in the forthcoming 2014/2020 ESIF programme, which aims to create more projects with links between ESF and ERDF. It is anticipated that across the themes the following outputs and outcomes will be measured:

- Number of new jobs (measured by sustained employment at six months, one year and job starts)
- Apprenticeship starts
- Number of unemployed or economically inactive people entering sustained employment
- Sq. m of new and improved public realm
- Sq. m of new and improved commercial space
- Number of SMEs supported
- Number of new homes built / enabled
- Value of GVA created
- Sqm vacant land / space brought back into use
- Match funding and leverage
- Inward investment

3.14 The funding available to each theme will be agreed following the completion of discussions with key partners, and an assessment of both need and opportunity within each theme.

Programme design

3.15 It is envisaged that a programme will be co-designed between the GLA, as the accountable body, London Councils and borough representatives (including sub-regional bodies where appropriate). This programme will be developed to provide the key themes outlined above and will form the basis for the commissioning of a package of projects from boroughs, groups of boroughs or organisations supported by relevant boroughs.

Provision approaches

3.16 In commissioning the projects that will make up the agreed programme, the ability of projects and programmes to meet the target outcomes will be the primary consideration in allocating funding. Consideration will also be given to the amount of NHB collected by and allocated to boroughs when allocating spatially. When seeking decisions from the LEP the relevant borough contribution to the programme via NHB will be made clear. It is proposed that the projects or package of projects will be done through a combination of the following:

- an open call for proposals from London boroughs, with funding allocated through a competitive process, again reflecting the principle that there is a broad correlation between the allocation to a borough and the allocation available for a proposal;
- direct provision by the GLA on behalf of boroughs or sub-regional groupings (for example high profile London-wide apprenticeship marketing campaigns); and
- direct commissioning of professional or technical support on behalf of the LEP or boroughs (eg the special assistance teams made available to boroughs under the Outer London Fund, assisting with issues of State Aid etc.)

3.17 Proposals received would be evaluated against an agreed quality threshold, co-designed between the GLA, London Councils and London boroughs. This threshold would be agreed by the LEP and assessment would involve the GLA, as the accountable body, London Councils and borough or sub-regional representatives.

3.18 The Mayor has allocated £10m from 2014-15 GLA budgets to bring forward the NHB funded programme to ensure we are able to achieve spend in 2015-16. It is envisaged this funding will support the apprenticeships, places of work and high streets themes below. For places of work and high streets, the intention is to shift from isolated competed ‘events’ to a rolling programme, incepted in 2014/15, in the interests of nurturing an ongoing pipeline and to enable funding streams to be 'folded in', be it, for example, European, private sector sponsorship and/or NHB funding.

Strategic themes

Apprenticeships, skills and training

3.19 In order for London's economy to grow, employers need a workforce with the knowledge, experience and skills to help them to run and expand their operations and the whole of London's population needs to be equipped with the skills to take advantage of employment opportunities.

3.20 Within this theme, projects will seek to support Londoners to gain valuable higher-level skills through increasing the number of Londoners qualified to Levels 3 and 4 or above and supporting work to meet the Mayor's target to achieve 250,000 apprenticeships by the end of the Mayoral term. Projects will ensure that Londoners from disadvantaged groups have the skills that they need to succeed, increasing the proportion of disadvantaged groups qualified to Level 2, 3, 4 or above.

3.21 Interventions will also address the gap between skills, qualifications and employment in the most deprived areas of London and the London and UK averages.

3.22 Projects may include:

- investment to maximise employment opportunities for priority groups and apprenticeship opportunities from construction activities in London's Opportunity Areas and key development sites;
- ensuring that all London's students and employers are able to access high quality education and training and to ensure that learning and training meets business needs.
- funding to support provision of improved information and guidance for those from more disadvantaged backgrounds, building on existing research and pilot schemes in London's growth boroughs; or
- a package of support for apprenticeships activity including the development of sector specific apprenticeship models and further extensions to the existing grant available to SMEs taking on an apprentice in London (recognising the increased costs of employment in London).

Summary : apprenticeships, skills and training	
Output and outcome measures	• New jobs measured by sustained employment at six months, one year and job starts • Apprenticeship starts • Number of unemployed or economically inactive people entering sustained employment • Match funding and leverage

Digital, creative, science and technology

3.23 Projects within this theme will seek to meet the LEP's vision for London to be the world leading science and technology hub. Work is already underway through projects such as Med City funded through the Growing Places Fund to capitalise on London's existing expertise in medical technology sectors and to ensure that future opportunities are maximised, but further investment is required to ensure that London continues to take advantage of opportunities in these high growth sectors, and continues to seek innovative solutions to future urban challenges.

3.24 The LEP's priorities within this theme are to:

- connect London by making it easier for London's innovation ecosystem (firms, researchers, investors) to associate, exchange ideas and collaborate;
- lever London's knowledge assets through identifying and expanding London's research base where London has an advantage, champion London's knowledge base and facilitate collaboration amongst businesses, investors, universities and other global partners to maximise growth potential;
- ensure a competitive environment for science and technology firms and investors; and
- position London as a world leading hub for science, technology and innovation.

3.25 A package of investments would be developed within this theme to increase the number of new jobs and apprenticeships, lever new investment, increase the number of major science and technology events held in London and attract significant global investment in London's research and development. The theme will build on existing strengths including the high-tech cluster at Old Street and our thriving creative sectors as well as to develop new, innovative solutions to maximising economic growth in these sectors

3.26 Projects may include a package of funding to support 'Smart London' including the development of a Smart London Innovation network to bring partners together and share knowledge, support for new innovative events and awards as well as projects to support businesses to access finance and to take advantage of export opportunities within digital, creative, science and technology sectors.

Summary : digital, creative, science and technology	
Output and outcome measures	• Number of new jobs (measured by sustained employment at six months, one year and job starts) • Apprenticeship starts • Number of SMEs supported • Match funding and leverage • Inward investment • Value of GVA created

Places of work

3.27 The places of work theme will focus on the provision of suitable and affordable workspace in order to support London's small businesses as they make the journey from start up to high growth. Evidence suggests that the SME employment base is undergoing a structural change and is shifting towards the service economy, reflecting the growth of ecommerce and a decline in the availability of affordable workspace. Anecdotal evidence suggests that many growing entrepreneurs leave London in the longer term due to a lack of space and affordability issues. New technology such as 3-D printers and CNC laser cutters is opening up opportunities for manufacture and retail to take place locally in urban areas.

3.28 Project interventions in this area will develop such opportunities, supporting shifts in workspace requirements including the increase in demand for flexible working, sharing of facilities and broadband access. The London Plan already protects strategic and locally significant industrial sites, so within this area, the focus will be on those areas which do not fall under this protection and which are particularly susceptible to change.

3.29 The theme is supported by a number of relatively recent developments including, the Mayor's Supplementary Planning Guidance on Land for Industry and Transport, which acknowledges the need for affordable workspace; the Outer London Commission's recent call for ideas on how the offer of London's trading estates can be improved; and the London Office Review 2012 on hybrid office-industrial workspace. This theme will support London's SMEs addressing the changing requirements of workspace provision in and around employment areas, for example responding to demand for move-on space and through the development of employment-led regeneration projects to support growth in these areas. Projects may include direct capital investment in new or improved workspace, as well as support to develop more Business Improvement Districts (BIDs).

3.30 Project details will be developed further over the coming months in consultation with London Councils and the LEP. Projects will build on experience from the existing Mayor's Regeneration Fund, Outer London Fund and the Growing Places Fund. This includes the successful employment and enterprise hub at 639 Tottenham High Road, the Willesden Library Lab, Box-shop at Sidcup, the Blackhorse Workshop, Camden Collective and Old Vinyl Factory as well as previous ERDF funded projects. Initial estimates based on experience in providing others suggests that there is the potential to support direct job growth, and businesses support. It is anticipated that a £15-£20m programme within this theme with match funding would create over 200 jobs would per annum, with four new businesses and 16 SMEs supported per 1,000sq.m of new commercial space.

Summary : places of work	
Output and outcome measures	• Number of new jobs (measured by sustained employment at six months, one year and job starts) • Apprenticeship starts • Sqm of new and improved public realm • Sqm of new and improved commercial space • Sqm vacant land / space brought back into use • Number of SMEs supported • Value of GVA created • Match funding and leverage

High streets

3.31 London already has a strong history of investment in high streets through the Mayor's investments in High Streets 2012, London's Great Outdoors, the Outer London Fund and Mayor's Regeneration Fund. All of these programmes have over the past six years resulted in significant investment to improve the functionality of high streets, to support and develop enterprise, create new, flexible commercial space and to identify new opportunities for town centres. Whilst these programmes have been successful, there is more to do in order to ensure that our high streets are able to adapt to changing circumstances and maximise economic growth opportunities.

3.32 London's high streets have always been central to the capital's economy; there are over 600 throughout the capital which are home to nearly 1.5m jobs (35 per cent of all jobs in London). High streets are characterised by small businesses, with on average 8.5 employees per businesses. Whilst small these businesses are crucial for the existing and future employment base and provide significant opportunity to capitalise on potential future growth. Despite this opportunity there has been a reduction in the anticipated rate of growth of retail on high streets over recent years due to the growth of out of town and internet shopping. In addition to jobs, London's town centres may offer opportunities to provide capacity for homes which could potentially be accommodated in and around town centres. Without careful management there is a risk that this process could lead to the loss of existing, and potential, affordable non-residential space. This theme will provide support to high streets in adapting to changing conditions including capacity building initiatives to support local areas to respond to the challenges of accommodating new residential growth and to protect and increase the jobs available to Londoners in these areas.

3.33 This theme will therefore develop projects and programmes which will provide support for high streets to:

- diversify and survive;
- adapt to and thrive in changing economic conditions;
- support small businesses and enterprises to grow; and
- develop measures to support where appropriate the accommodation of an increase in residential uses.

3.34 Based on experience of similar schemes in the past, it is anticipated that a three to four year programme of c£50m with match funding would create between 300-400 new jobs per year, around 100 new apprenticeship starts, support hundreds of businesses to grow and would provide 11,000sqm of new and improved public realm. It is likely that projects will be identified within this thematic area will form a programme of place-based interventions with successful interventions identified through a competitive bidding process.

Summary: high streets	
Output and outcome measures	• Number of new jobs (measured by sustained employment at six months, one year and job starts) • Apprenticeship starts • Sq.m of new and improved public realm, sqm of new and improved commercial space and sqm vacant land / space brought back into use • Number of SMEs supported • Number of new homes built / enabled • Value of GVA created • Match funding and leverage • Inward investment

A resource efficient and resilient city

3.35 To meet the Mayor's ambition as set out in Vision 2020, to ensure that London is a place where businesses want to be based and people live and work, we must make best use of the resource we have. We must also ensure that London is resilient to the potential impacts of a changing climate.

3.36 The LEP has already identified infrastructure as a key priority for investment. Within this overall priority, resilience has been identified as a strategic theme to ensure that London's infrastructure is adequate to meet modern expectations in terms of reliability, efficiency, capacity and resilience. Funding has already been identified from the GPF programme to invest in transport and physical infrastructure to unlock development and to provide a platform for growth. This theme will therefore focus on interventions to improve London's efficiency in terms of use of natural resources and to prepare the city for future resource challenges. This includes investment in decentralised energy projects, energy efficiency programmes building on the success of RE:NEW and RE:FIT the ERDF London Green Fund and work on the London Infrastructure Plan (currently under development).

3.37 Investment in London's energy infrastructure would provide local energy generation and supply infrastructure directly contributing to Mayoral CO2 reduction targets and Decentralised Energy targets for 2025. Such investments unlock economic growth and development and support significant job creation through the design, construction, operation and maintenance of these energy systems. A recent GLA report illustrated that the 'Geothermal' sub-sector of London's Low Carbon and Environmental Goods and Services sector is one of London's strongest sub-sectors. In 2011/12 it employed 18,555 people in 926 companies and these companies had cumulative total sales in this sub-sector of £2.739bn.

3.38 As well as investments directly in energy infrastructure and supply, other projects will aim to reduce energy use and offset the burden of growing energy demand on London's existing and new energy infrastructure. We will also help develop London's market for and expertise in energy efficiency to further leverage private sector investment into the sector. These interventions will include: investment to support private sector growth and employment; the promotion of enterprise and innovation and the acquisition of skills for sustained employment; and protect and boost London's competitiveness.

3.39 Projects within this strategic theme may include:

- investment in decentralised energy projects
- expansion of the existing RE:NEW and RE:FIT programmes focusing on both domestic properties and workplaces to provide energy and water efficiency measures to achieve substantial financial

savings, improve sustainable energy use and reduce CO2 emissions.
- further development of key parts of the London Infrastructure Plan.

3.40 Based on previous experience, it is expected that a programme of c£5m LEP investment over three to four years, with additional match funding could provide over £300m of investment in efficiency measures, improvements to 30,000 homes, a reduction of around 70,000 tonnes of CO2 annually and the creation of around 10,000 low carbon jobs.

Summary : resilience / low carbon	
Output and outcome measures	• Number of new jobs (measured by sustained employment at six months, one year and job starts) • Apprenticeship starts • Number of unemployed or economically inactive people entering sustained employment • Match funding and leverage

Business support

3.41 London is home to over 800,000 small and medium sized enterprises (SMEs) including microbusinesses that account for 99.8 per cent of London's businesses and nearly half of the capital's jobs. Together, SMEs generate £430bn of turnover and hold much potential for London's future innovation, enterprise and growth. Supporting SMEs is a key priority for the LEP, with a focus on improving access to finance, increasing trade and export opportunities amongst London's microbusinesses and SMEs and coordinating and signposting SMEs to sources of business support and networks. The LEP has already committed to invest in a number of business support projects through the Growing Places Fund programme including a £25m SME Finance Fund, £1m towards offering a package of business support between 2013 and 2015 and £750k, matched with European Funds to help London's businesses to export.

3.42 Within this theme, the new projects which would be funded from the LEP Programme will build on existing programmes and may include:

- a programme to support SMEs in accessing finance
- a programme of activities to enable more SMEs to successfully win contracts
- support for SMEs to bring innovative new products to market
- funding to improve business support information and coordination

- additional funding to build on the current support available for Business Improvement Districts and the successful exports programme
- projects to support businesses to adapt to become more energy efficient, avoiding unnecessary expenditure

3.43 Outputs will vary depending on the amount of funding allocated to this theme, however, based on previous experience a programme with a value of c.£15m over 3-4 years has the potential to offer support to over 10,000 businesses and to support the creation of hundreds of new jobs.

3.44 This theme will likely be done through a combination of projects developed in consultation with the LEP and managed directly by the GLA, as well as through the commissioning of key interventions and competitive bidding.

Summary: business support	
Output and outcome measures	• Number of new jobs (measured by sustained employment at six months, one year and job starts) • Apprenticeship starts • Number of SMEs supported • Value of GVA created • Match funding and leverage • Inward investment

Unlocking development

3.45 In order to enable growth in jobs, homes businesses, employment and technology investment is required in infrastructure including transport, energy, telecommunications, and other utilities to enable this growth. Already, through the GPF programme significant funding has been identified to support key transport and infrastructure projects to enable growth in jobs and homes eg through the commitment of £25m to improve the West Anglia Route, offering a four trains per hour service between Stratford and Angel Road, providing essential improvements to areas with significant future growth potential including Tottenham Hale, Northumberland Park and Meridian Water.

3.46 Investment in this strategic theme will build upon funding already allocated by the public sector. Investment is unlikely to be characterised by large individual transport projects, moreover, by innovative public and private sector-led projects of strategic importance. Projects within this theme could contribute to enabling the growth of thousands of new jobs and homes, and are likely to take the form of substantial place-based investments. Projects may include:

- investment to provide additional resource to provide leadership in supporting the planning and project development process where developments are of strategic Londonwide importance;
- gap funding in the short to medium term to unlock stalled residential and commercial developments; and
- infrastructure improvements to generate momentum improve viability and bring forward large scale development.

3.47 Where projects are private sector-led state aid legislation will be a key consideration, and the LEP will seek evidence of match funding commitment from other partners. In particular for this theme, the LEP will seek repayment of investments that unlock development.

Summary: unlocking development	
Output and outcome measures	• Number of new jobs (measured by sustained employment at six months, one year and job starts) • Apprenticeship starts • Number of new homes built / enabled • Sqm of new and improved public realm • Sqm of new and improved commercial space • Sqm vacant land / space brought back into use • Value of GVA created • Match funding and leverage • Inward investment

Project appraisal, due diligence and evaluation

3.48 All LEP funded projects, regardless of delivery mechanism or programme will be subject to rigorous business case testing and economic analysis.

3.49 Prior to the launch of the programmes, a comprehensive performance framework will be co-designed by the GLA and London Councils which will form the basis of the LEP programme and the prospectus for the LEP Growth Fund. This will be developed drawing on the evidence bases of the Mayor's existing strategies including, the Jobs and Growth Plan, Vision 2020 and the Economic Development Strategy and will make clear the element of top-slice received from each borough, therefore the correlation between the top slice and the amounts they will be able to bid for will be clear.

3.50 Notwithstanding that some programmes will begin in 2014-15, the performance framework will be developed in consultation with the LEP and will include:

- logic chains for each strategic theme, specifying key outputs and outcomes required for each;
- value for money standards for each thematic area, indicating the expected cost benefit ratios required; and
- definitions for key outputs and outcomes including leverage and match funding.

3.51 Once developed, all projects will be submitted for appraisal by the GLA and London Councils according to the performance framework and criteria. This appraisal process will consist of GLA officers from across a range of policy areas and expertise (including legal, finance and GLA Economics) and, representatives of London's boroughs reviewing the proposals in light of the specified outputs, outcomes and proposed delivery mechanisms. This process will be used to generate a shortlisted package of proposals to be discussed with the LEP sub-groups and main LEP Board, following which formal shortlisting will take place.

3.52 Once short-listed all projects will be subject to an element of due diligence testing, with significant resource directed to private sector led proposals, where detailed analysis of the proposed businesses model, financial and legal implications will be undertaken.

3.53 Subject to projects succeeding in each stage of appraisal and due diligence they will undergo formal approval from the GLA's Investment and Performance Board followed by Mayoral Decision.

3.54 The GLA already has in place an evaluation strategy for existing programmes (MRF, OLF and GPF) which will be extended to include new LEP programmes. This evaluation strategy will be co-designed with London Councils and London boroughs. All projects will be required to undertake a self-evaluation which will be based on the monitoring data specified in the grant agreement and further external evaluation work will be commissioned to review the performance of the LEP Programmes as a whole. Support will be provided to projects in completing their self-evaluations and the main evaluation will be used to demonstrate the achievements of the programme, value for money, economic impacts and lessons learnt. It is envisaged that the evaluation strategy will be flexible to adapt to a range of types of projects and timescales for delivery. Lessons learnt from these new programmes as well as existing programmes will be used to inform future investment decisions.

Next steps – process for finalising themes and selecting projects

3.55 The following outlines the proposed approach to establishing both the LEP Programme and the LEP Growth Fund. This approach is underpinned by a principle that at each stage of development of programmes and individual projects there will be a detailed and ongoing co-design with London Councils (on behalf of London boroughs) and the LEP groups.

Task	When
80 per cent LEP programme	
Further refine the themes identified with London Councils and London boroughs in discussion with the LEP and key stakeholders	April – June 2014
Co-design a performance framework for each theme with London Councils and London boroughs, identifying relevant outputs, outcomes and value for money measures working closely with GLA Economics and drawing on experience from MRF, OLF and GPF	June-July 2014
Develop and agree a delivery plan with London Councils and London boroughs, which will establish the delivery approach and timescales for project development and implementation (including indicative funding allocations per theme)	August 2014
Work with London Councils and London boroughs to develop a strategic package of proposals	September 2014
LEP consideration and approval of projects that will be provided directly, or directly commissioned	September – December 2014
Consideration of project proposals	December 2014
Due diligence	January - March 2014
Projects commence	April 2015
20 per cent Growth Fund	
Develop a funding prospectus working closely with the LEP and key stakeholders	April 2014 – August 2014
Launch of funding prospectus	September 2014
Consideration of proposals	December 2014
Due diligence	January - March 2014
Projects start	April 2015

b) Further education (FE) Skills Capital Funding

3.56 London has a highly dynamic further education (FE) system with over 37 FE colleges and over fifty registered private and work based learning institutions. The skills required by Londoners to enable them to compete for the career opportunities offered by this great city can only be delivered if FE institutions are motivated to succeed and operate within suitably appropriate buildings and facilities, equipped with up-to-date equipment and machinery similar to that used by London's businesses.

3.57 To meet this need the LEP is committed to providing a clear rational for investment in FE infrastructure that meets the London economy's need for current and future skills building upon the government's FE Capital Investment Strategy by targeting those FE Institutions that will enable the highest levels of skills progression, job outcomes and growth in London.

3.58 In order to achieve this the London Enterprise Panel is seeking a £100m per annum bid for funds to run an open and competitive tendering round for all FE institutions (colleges and registered private providers) to encourage innovative proposals that meet the capital's skills needs. In particular, proposals will be expected to address the panel's Jobs and Growth Plan priorities which are digital, creative, science and technology, SMEs, or infrastructure skills requirements.

3.59 However, the panel also recognises the need to ensure a continuation of the Skills Funding Agency's (SFA) Investment in FE Capital in London in 2015-16 since 2001, and is aware of a number of 'shovel ready' proposals that have previously been submitted to the SFA. Should these proposals meet the criteria outlined in a LEP-led specification then the panel will consider awarding funds to ensure no 'block in the pipeline'. The LEP would welcome further information from the SFA on the current status of these proposals at the earliest opportunity in order to demonstrate which sites might be closest to alignment with the panel's jobs and growth priorities around employer engagement.

3.60 The following chapter outlines the rational for investment from government to the LEP as well as what the panel is seeking to deploy the funds on in the capital.

The London context: why invest?

> 'Skills needed in our ever changing world can only be offered if colleges are dynamic and operate with suitable and appropriate buildings s facilities, equipped with up-to-date equipment and machinery similar to that used in modern workplaces across the country'.
> ***FE College Capital Investment Strategy, Department for Business, Innovation and Skills (BIS) 2012***

3.61 London is a strong global city. It is placed at or near the top of the many international league tables of cities for its overall economic climate. It enjoys inherent and historic advantages including its location, language, deep capital pools, time zone, accessibility, the education, skills and diversity of its labour force, and its access to national, European and international markets. However, London's scale as a global city means that it faces a number of positive challenges too; an exploding population; a projected increase of 850,000 new jobs by 2035; and employment growth forecast for most sectors (see chapter 2 for more projections) all suggest that further and significant investment is required in London's FE infrastructure to meet these challenges. There is a shared vision by the LEP and skills sector stakeholders that facilities and equipment should at least match that of London's business and industry.

3.62 The growth in jobs and shift of jobs from traditional sectors to new sectors described in chapter 2 will result in the need to re-engineer estates and facilities to meet the future skills needs for growth. FE and skills providers will play a crucial role in training the London workforce to meet the growing skills need and to progress onto higher level qualifications. Many FE colleges will contribute to providing higher level skills and qualifications, reflecting the increased demand and this will require appropriate corresponding investment in suitable facilities and equipment.

3.63 There is a strong case for London's bid for 30 per cent of the national capital LEP budget in 2015-16 (£330m) to support the capital's FE and skills infrastructure. London has the highest density of FE college estates in the country (15 per cent), with 37 colleges compared to an average of nine across all other LEP areas, meeting the needs of over 500,000 learners and employing in excess of 16,700 staff across its estate. With their combined floor space of 857,457sqm - 11 per cent of the national footprint - FE institutions in London are at the heart of their communities, promoting excellence and access to facilities to address acute poverty and disadvantage seen in many of capital's 33 boroughs. Additionally, London has the highest density of approved training organisations, which may also require investment for new capital infrastructure.

3.64 Since 2001, London's receipt of more than £500m of investment from Government into its estate represents approximately almost 15 per cent of national capital funding (circa £3.6 billion). Despite this investment, the renewal of the London FE estate is far from complete and more than a quarter of London's colleges languish unacceptably in poor condition (see table below). Graded as being categories C – Poor (major repair or replacement needed in the short to medium term - within three to five years) and D – inoperable (space at serious risk of major failure or breakdown, requiring immediate upgrade to continue service), this residual estate represents a key risk to the LEP in terms of its vision for growth.

London colleges with sites at more than 27 per cent poor or inoperable condition							
	Condition A	**Condition B**	**Condition C**	**Condition D**	**Total GIA**	**Total GIA Condition**	**% In C&D**
All 245 FE Colleges (as at Nov-13)	3,153,799	2,228,186	1,849,948	232,551	7,464,484	**2,082,499**	**28%**
	42%	30%	25%	3%	100%		
London LEP Colleges	**292,212**	**324,152**	**230,556**	**10,537**	**857,457**	**241,093**	**28%**
	34%	**38%**	**27%**	**1%**	**100%**		

3.65 In other words, 16 of London's 37 Colleges remain in a poor condition (ranging from 27 per cent to 79 per cent poor/inoperable based on e-mandate submission), and the estimated cost of upgrading those in C/D to A/B: would be £380m based on sqm of extant floor space, using the Skills Funding Agency's published FE sector based cost model. The case for investment in London is further reinforced by the capital intensive nature of the LEP priorities (infrastructure, skills, STEM and SMEs). The requirement of world class facilities will lead to enhanced Ofsted grade profiles, greater employer confidence and engagement and closer working with JCP, particularly in relation to sector based work academies. Plans to partially offset higher running costs in London through resource efficiencies and rationalisation will demonstrate added value, whilst improving income generation opportunities through employer buy-in.

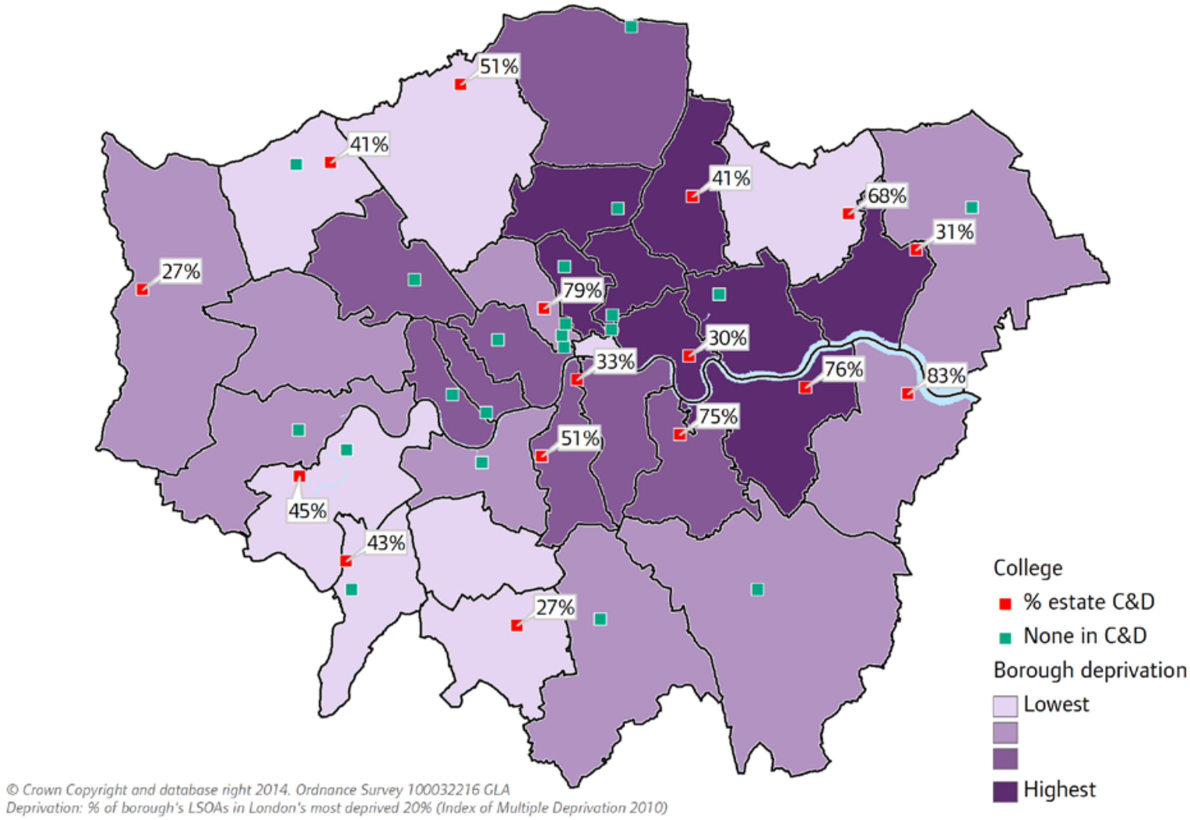


Illustration shows distribution of London's further education estate against areas of deprivation. Locations marked red depict those colleges having premises in excess of 27 per cent being graded as condition category C (poor) and D (inoperable).

What will investment achieve?

> 'There is clear evidence to show that capital investment in FE buildings, equipment and facilitates supports growth, industry and social cohesion. It benefits local people, employers and the communities they serve through the acquisition of skills, educational outcomes and employability. Such investment also creates and safeguards jobs, both in construction and in related support sectors.
>
> ***FE College Capital Investment Strategy, BIS 2012***

3.66 Capital investment is designed to make improvements in skills infrastructure by improving estate, facilities and equipment to enable skills acquisition, development and economic growth. Recently in London this has included projects to bring the capital's skills framework in line with developments in and increased demand for science, technology, engineering and mathematic (STEM) subjects. There have also been improvements to learning environments for learners with learning difficulties and disabilities (LLDD) allowing the expansion of the provision of relevant and responsive work-related skills. A number of examples from the recent round of investments include:

- **Barking and Dagenham College** which identified STEM education and training as an integral part of its curriculum in its bid to refurbish and modernise existing accommodation. The resulting £8.7m modernisation programme and creation of a new mezzanine level for science, digital and advanced ICT accommodation is enabling the college to respond to increased student enrolments – 180 new STEM learners within the first year - from the growing number of the borough's young people (LBBD has the greatest increase in demographic growth for young people in the UK). In addition, the new facilities – open to the public six days a week - have promoted greater social cohesion and increased community engagement, by offering the library, learning resources centre, internet cafe and conference facilities as community and business resources;
- **City of Westminster College's** Paddington Green Campus, opened in January 2011 at a cost of £112m, recorded a substantial increase in long course success rates from 70 per cent in 2009 to 85 per cent in 2012-13 and a marked improvement in student behaviour and the social cohesion agenda; and
- **Hackney Community College** once described by assessors as 'the worst college estate in the country' demonstrated effective rationalisation and cut its overall running costs as part of its investment by reducing floor space from 75,000sqm (one third of which was unusable) to 25,000sqm, and as a result driving DDA compliance up from 10 per cent - 99.5 per cent. Other positive impacts of capital investment in London's skill delivery landscape identified in the BIS Strategy and through LEP stakeholder consultation include increased employer engagement, income generation, economic regeneration, improved functional stability, improved space efficiency and facilities conducive to helping raise the Ofsted grade profile across London, which the LEP has expressed support for.

Funding required

3.67 The London Enterprise Panel is seeking £100m per annum of the national FE capital funding allocation. We would require 5 per cent of this allocation to be given as revenue funding in order to create the programme. This revenue funding is required specifically to:

- fund a small team to manage delivery of the programme (including specialist property and construction professionals);

- fund the delivery of specialist advice from the education sector, quantity surveyors, costs consultants and where appropriate specialist legal advisors; and
- fund cost consultants and support to monitor delivery of capital works.

3.68 In addressing truly responsive skills provision as a key priority for the LEP, this £100m bid reflects the current levels of investment across the capital's college estate that is necessary to allow London's skills infrastructure to be at the vanguard of skills demands. The panel recognises and welcomes the breadth of opportunity that is offered by the local growth proposals for widening the net to incorporate the full range of training organisations (subject to State Aid regulations). Together, these bodies will work collaboratively on London's skills offer, thereby enabling the capital to remain competitive, with Londoners equipped with the right skills to meet employers' needs.

3.69 However, the panel also recognises the need to continue the Skills Funding Agency's (SFA) £500m investment in FE Capital in London between 2001 and 2014-15. On top of the 14 college grants of **£55m** now agreed by the London SFA to be operational by September 2015 (total project value of circa. £128m) - the LEP is aware of six 'shovel ready' proposals that have previously been submitted to the SFA, with a grant application value of **£20m**. Should these proposals meet the criteria outlined in a LEP-led specification then the panel will consider awarding funds to ensure no 'block in the pipeline'.

3.70 Of chief concern to the LEP is the key risk presented by 16 of London's 37 colleges remaining in a poor/inoperable condition. The estimated £380m cost of upgrading this residual estate remains the principle lever behind the LEP's case for investment. However the panel is not seeking the potential 2:1 grant of £125,400,000 needed to address this need, as rationalisation of current floor space is likely to result in overall project cost savings.

3.71 A shared and collaborative approach will secure partner buy-in and, most importantly leverage co-investment of funding streams and sponsorship among stakeholders, including local authorities, employers, The Department for Education and Skills (DfES) and Higher Education Funding Council for England (HEFCE). Key partners will support the LEP on creating a shared vision for the capital across the GLA, London Councils, SFA, EFA, AoC London, LWBLA membership and other LEPs.

3.72 Judicious investment by the LEP will help to ensure the panel's vision is realised in a number of stages:

In the short term the LEP will:

- create a London Capital Reference Group to advise the LEP on strategy, policy implementation and to oversee the evaluation of proposals;

- launch a funding prospectus and pre-qualification questionnaire (PQQ) template to invite Colleges to put forward their proposals;
- consider for approval the existing six ‘shovel ready’ renewal plans ahead of the Round 1 assessment process for c£20m;
- commission a comprehensive survey of the entire estate recognising the impact of capital investment to date and with a view establishing where future investments should be directed in the short, medium and long term; and
- using an e-mandate exercise explore the current condition of the estates of the non-FE registered provider base across that is eligible to apply for funds, subject to any State Aid restrictions arising.

In the medium term the LEP will:

- consider full and detailed proposals for funding in 2015-16 and 2016-17 beyond those six projects already identified;
- work with colleges to develop projects that demonstrate benefits to employers with a direct link to local and regional skills shortages and LEP priorities;
- develop a programme of investments with robust outputs and outcomes, including value for money, and measures in terms of participation, performance and learner / employer satisfaction; and
- approve projects for delivery from 2015-16 onwards.

In the long term the LEP will:

- establish a threshold for all FE facilities in terms of building standards with a zero tolerance policy towards poor estates;
- develop a network of specialised facilities which will match industry standards providing centres of excellence and innovation to meet growth and employment priorities;
- ensure that London’s colleges offer an accessible, adaptable, flexible resource with first class facilities and e-learning environments for learners, employers and wider London communities;
- provide college sites which offer the full range of facilities to improve study and ensure equal access including learning resources, study centres, childcare and sports facilities, reflecting the poor housing, higher rates of lone parents and higher obesity rates seem more in London than elsewhere;
- ensure that college facilities will provide a resource at the heart of their communities, for a wide range of community uses including non-formal study, meetings, summer schools, such as the London Mandarin School at HCC, helping 150 young people of Chinese and mixed heritage study culture, language GCSE and A levels; and

- create a fully sustainable, carbon efficient estate with the capacity to adapt to changing demands will provide an attractive and motivational environment for learners, staff, employers and investors.

London Enterprise Panel's approach to skills capital investment

3.73 The London Enterprise Panel intends to build upon the government's FE Capital Investment Strategy by targeting those FE Institutions that will enable the highest levels of skills progression, job outcomes and growth in London.

3.74 In order to achieve this the London Enterprise Panel intends to run an open and competitive tendering round for all FE institutions (colleges and private providers) to encourage innovative proposals that meet the capital's skills needs. In particular, proposals will be expected to address the panel's Jobs and Growth Plan Priorities which are digital, creative, science and technology, SMEs, or Infrastructure skills requirements.

3.75 The LEP would welcome proposals from any FE college or approved training organisation that is on the Register of Training Organisations (hold a direct contract with the Skills Funding Agency in the academic year 2014-15 to provide education or training and are located in London).

3.76 Eligible bodies and institutions located from within the London boroughs may include FE colleges, National Skills Academies, Group Training Associations and other bodies that can satisfy the eligibility requirements designed to safeguard public funding. Where a private training provider seeks to secure funding, their application must be compliant with State Aid rules and regulations.

3.77 Joint applications from institutions located within London will be encouraged, particularly those that demonstrate private sector investment or leverage.

Project criteria

3.78 Proposals will need to demonstrate strong deliverability, including an ability to spend the funds requested within the financial years 2015-16 to 2016-17.

3.79 The panel will expect proposals to demonstrate a 2:1 match investment. However where organisations demonstrate a highly innovative or compelling business case for funding, the panel may be willing to consider increasing its proportion of investment.

3.80 Where appropriate projects will be expected to offer a repayment mechanism, for example where the investment is expected to generate a capital receipt.

3.81 Proposals will need to make clear links to local leverage and additionality in terms of economic growth and other outcomes by setting out a clear rationale for the sources of the remaining funds needed to support the overall investment.

3.82 Capital investment is designed to make improvements in skills infrastructure by enhancing estate, facilities and equipment to enable skills acquisition, development and economic growth. In London in recent years this has included an extensive array of projects to bring the capital's skills framework in line with developments in and increased demand for science, technology, engineering and mathematic (STEM) subjects, as well as improving learning environments for learners with learning difficulties and disabilities (LLDD) allowing the expansion of the provision of relevant and responsive work-related skills.

3.83 The LEP will therefore seek to ensure that projects selected for funding are able to demonstrate benefits beyond the capital investment in the building, and will take a particular interest in projects which can demonstrate wider regenerative and place-making benefits as well as educational outcomes.

3.84 Projects of particular interest would include:

- renewal and modernisation of the FE estate, reducing the amount of floor space in poor/inadequate building condition, thereby improving classroom and workshop based learning environments, improving quality , learner satisfaction, progression and success rates;
- estate rationalisation and improving efficiency, addressing space which is inefficient and unfit for purpose, reducing operating costs, driving efficiencies and creating space which is versatile, fit for purpose, transformational and tolerant to change;
- the purchase of highly specialised equipment used to support the LEP's key priority areas;
- proposals that help to meet the ambitions of the Mayor's Smart London Plan;
- proposals that are at the cutting edge of the economy and are engaged in researching new practices, in particular linked to the creation of jobs in leading sectors of the economy;
- proposals that are focused on progression to the highest levels of vocational study; in particular higher level apprenticeships or that can demonstrate strong progression links with higher education (HE) institutions;
- proposals that support skills progression or achievement link to the jobs created. In particular proposals that are seeking to create "innovation hubs" brining employers directly into the institution;
- proposals that demonstrate collaboration with schools employers and other education providers; and
- proposals that demonstrate how they will support disadvantaged learners.

Delivery, procurement and governance

3.85 The LEP will identify successful proposals from a competitive bidding process. This process will build on the GLA's experience of running similar bidding rounds previously for capital programmes including the Outer London Fund, Mayor's Regeneration Fund and Growing Places Fund. This will enable the development of a pipeline of projects to ensure that there is no gap in delivery of funding.

3.86 The London Enterprise Panel is unwilling to specify projects at this stage due to a number of key reasons. The sale of the requirement is significantly larger than other LEP areas, for example, there are 37 colleges in London, and countless private providers operating in the capital, against an average of nine per LEP. We are aware already that, £330m is required to renew the college estate in London and bring it up to standard and that 30 per cent of the current FE estate in London is in category C or D which is defined by government as 'inoperable'.

3.87 Should the LEP be awarded funding by government, to ensure fairness, quality and most importantly robust investment in this area, the LEP are seeking to run a fully competitive process in the same way that the national programmes have been run; and given the size, scale and need outlined, should the LEP name proposals without a fully transparent and competitive process, the panel, GLA and government would be at serious risk of legal challenge from the other FE providers in the capital

3.88 As outlined, the LEP are however, prepared to review proposals that have been worked on by the SFA and are awaiting approval. This equates to six projects requiring grant funding of approximately £20m.

3.89 In supporting this pipeline process the LEP would welcome a discussion with the SFA with regard to the level of support that could be provided to the GLA in establishing the programme either through secondments to the GLA, or a memorandum of understanding setting out joint working and resource sharing arrangements. The LEP would like to build on the SFA's experience of providing capital schemes in the past and would particularly like to draw on this experience in establishing the funding rounds and undertaking the first round of assessments (approx. July 2014 to December 2014).

3.90 A detailed funding prospectus will be developed by the LEP in consultation with key stakeholders, including the SFA to build on their skills and experience of providing previous programmes. The prospectus will outline detailed funding criteria to ensure that proposals meet the LEP's objectives and will also set out key requirements of proposals to demonstrate match funding and deliverability. Once finalised, the prospectus will be published on the GLA website and the capital investment round will be actively promoted to FE institutions and registered providers to ensure widespread awareness of the opportunity.

3.91 Alongside the prospectus it is intended that a pre-qualification questionnaire (PQQ) is published to invite expressions of interest in the funding. This PQQ will seek key information from each proposal in respect of the project criteria stated above and core eligibility and delivery requirements below. Once assessed, those proposals which pass the PQQ stage will be invited to submit full proposals which will then undergo thorough assessment by a panel of evaluators and discussion at the LEP Capital Reference Group.

3.92 In order to minimise any delay in getting the new programme up and running once funding is confirmed, the LEP informed by the London Capital Reference Group will consider the six ‘shovel ready’ proposals already submitted to the SFA (with a value of £20m). If these projects are agreed for funding it is expected that funding would be confirmed in September 2014.

3.93 Proposals will be quantitatively assessed against the following criteria to assess the impact of the capital investment:

- **Benefits to learners –** enabling training geared towards addressing skills shortages and / or growth industries and sectors, meeting the needs of skills shortages, having a positive impact on employers, measurable impact on employment and NEETs, achievement of apprenticeships, improving learning experiences and improving the quality of teaching and learning.

- **Supporting economic growth –** securing added value for local priorities and action plans, demonstrating alignment with local stakeholder plans, LEP objectives, links to enterprise and business, and the contribution to place-based economic growth objectives

- **Property and estate considerations –** reducing the amount of floor space in poor / inadequate building condition, improving learning environments and quality of learning, driving efficiencies through creating space which is versatile and addressing space which is insufficient and unfit for purpose.

- **Value for money –** meeting cost benchmarks established by the Skills Funding Agency, demonstrating a positive return on investment (NPV) compared to the do minimum option, and potential operating savings.

Project eligibility criteria:

- Applicants must be an FE college or approved training organisation that is on the Register of Training Organisations.
- Projects should demonstrate an ability to provide 2:1 match funding, where this is not achievable projects will be considered by exception on a case by case basis.
- Where projects will result in an uplift in values or capital receipts, the LEP will explore options for repayment, or inclusion of a reward share

- Projects must demonstrate an ability to provide within the period for which funding is made available to the LEP (it has been assumed that funding provided to the LEP must be spent within the two year period 2015-16 to 2016-17);
- In addition, these requirements will include any other criteria or restrictions specified by government.

3.94 It is likely that the following information would be required from projects at the full proposal stage:

- description of the project, demonstrating the suitability against funding criteria;
- demonstration of how the capital funding will be used to maximise skills and employment opportunities (including directly via capital costs);
- demonstration of how the proposal leverages additional funding from other public and private sector sources;
- alignment to the LEP's priorities to generate jobs, growth and support for small and medium sized enterprises;
- demonstration of how the proposal fits within the College's property strategy;
- statement to clarify security of tenure;
- the total amount of funding requested, and demonstrable commitment of match funding;
- the total area (GIA) in sqm to be improved/ rationalised/ constructed;
- total project costs with supporting evidence to demonstrate that these costs have been properly estimated;
- completed investment appraisal specifying capital cost, net present value and outlining running costs
- details of any proposed property acquisitions or disposals;
- expenditure profile;
- procurement strategy;
- details of the accountable body for providing the project and explanation of the proposed programme management and governance arrangements for the project including three years of audited accounts and a copy of the college's business plan and Estates Strategy;
- outline of the proposed delivery model (direct delivery, partnership with a developer, multi-applicant, public private partnership etc)
- a programme plan demonstrating timescales for delivery
- BREEAM rating and position with regard to planning consents
- demonstration of sustainability;
- evidence that the governing body has signed off the proposal;
- risk assessment; and
- consider state aid issues where appropriate.

Evaluation, assessment and monitoring

3.95 The GLA will establish a team of officers to lead on the development, evaluation and monitoring of projects. At the early stages, this team will be available to provide colleges with guidance in terms of the application process and to provide information about the criteria by which projects will be assessed.

3.96 This team will be responsible for preparing the prospectus in consultation with partners and running the applications process.

3.97 As stated above, project proposals will be evaluated through a two stage process, initially via submission of a pre-qualification questionnaire (PQQ) and then through submission of a full project proposal. A panel of evaluators will be put in place at each stage of approval, led by a team of GLA officers. This panel will include expert property advice, which it is proposed will be procured on a call-off basis to provide professional, independent opinion of the viability of the proposed projects, and it will also include the GLA's in house finance and legal teams will provide input to the evaluation.

3.98 Following initial analysis of the PQQs a report will be prepared based on the evaluation findings of the panel, which will be discussed by an advisory group, which is to be established. It is proposed that a LEP Capital Reference Group is established to oversee the evaluation process. This group will consist of representatives from the following bodies:

- Association of Colleges (AoC)
- Skills Funding Agency
- Members from the LEP Skills and Employment Working Group, Infrastructure Group, SME Working Group, and Digital Creative Science and Technology Sub Group
- Members of the Mayor's Design Advisory Group

3.99 The purpose of this group will be to bring together a number of experts from the skills and employment sector, as well as from the property sector to inform the evaluation process. This group will consider the PQQs in detail and recommend a shortlist to be invited to submit full proposals in three funding rounds, with the most developed proposals invited to submit first.

3.100 On submission of full proposals, these will be evaluated by the panel of evaluators (including with input from property, finance and legal professionals) and discussed with the LEP Capital Reference Group prior to being put forward for approval by the London Enterprise Panel.

3.101 Projects in delivery will be closely monitored by the GLA with expert input from property professionals.

3.102 An indicative timetable is provided below on an assumption that funding is confirmed by 1st July 2014 at the latest. In the event that confirmation of funding is delayed, each of the below milestones will be delayed accordingly.

	Milestone	Timescales
Developed schemes	Consideration of inherited shortlist of six existing projects	July – August 14
	Due diligence on existing shortlisted projects	August – September 14
	Confirmation of funding for any existing projects	September 14
PQQ Stage	Publish funding prospectus and PQQ	End of July 14
	Deadline for submission of PQQs	September 14
	Consideration of PQQs	September 14
Round 1	Invitation of R1 full proposals	October 14
	Deadline for submission of full proposals	October / November 14
	Assessment of full proposals	November 14
	Selection of successful projects for funding	December 14
	Due diligence on projects selected	December 14 to March 15
	Start of delivery	April 15
Round 2	Invitation of R2 full proposals	November / December 14
	Deadline for submission of full proposals	December 14
	Assessment of full proposals	January 15
	Selection of successful projects for funding	February 15
	Due diligence on projects selected	February to May 15
	Start of delivery	June 15
Round 3	Invitation of R3 full proposals	January 15
	Assessment of full proposals	February 15
	Selection of successful projects for funding	March 15
	Due diligence on projects selected	March to June 15
	Start of delivery	July 15
Completion and evaluation	Delivery completion (with completion beyond this point only considered on an exception basis – subject to confirmation of any funding restrictions from BIS)	Mar 17
	Anticipated final payment of retention costs	Mar 18
	Programme close-down	Apr 18
	Evaluation	Mar 18-Mar 19

3.103 In the event that future funding is available, or if funds provided can be spent beyond 2016/17, a new PQQ round would be launched in April 2015 with invitations to submit detailed proposals following a similar timetable to that outlined above.

c) £100m Local Growth Fund ‘top-up’ – digital skills proposal

Meeting the digital skills challenge

A growing sector

3.104 London’s digital economy is well-established and growing. Tech City enjoys a worldwide reputation, with major players including Google, Intel and Microsoft based in the capital. London has more technology companies than any other European city[35] and houses between 20 and 25 per cent of the UK’s computer, telecommunications and digital content jobs[36] with more than 34,000 digital technology business. Beyond this strict classification, both digital media and content and financial and business services create an extensive demand for digital skills. Moreover the sector is expanding at a rapid pace:

- There are 34,000 digital technology businesses in London, a 26 per cent increase over the last 10 years and a 25 per cent increase over the last 5 years

- There are 155,600 digital technology employees in the London, a 29 per cent increase over the last 10 years and a 31 per cent increase over the last 5 years.

3.105 E-skills (the Sector Skills Council for Business and Information Technology) estimate that growth in the IT professional workforce will generate a need for 129,000 new entrants per year across the country which, assuming distributions of employment remain constant, translates into at least 25,000 jobs per year for London. In reality, growing clusters around Tech City and the emerging cluster based around the iCity development in Queen Elizabeth Olympic Park means London’s share of jobs will be even higher and the continued development of the capital’s digital economy will in large part determine the overall growth of this key sector for the UK.

Skills shortages – a risk to competitiveness

3.106 In the context of this very positive picture, the skills supply chain (for jobs at all levels) is struggling to provide and if not improved will present a real barrier to growth and competeviness. Recent reports by Demos[37] and the Royal Society[38]

[35] Dun & Bradstreet (2011) fDi Intelligence, from the Financial Times Ltd (Sic 737)
[36] M. Theseira, London’s digital economy (GLA Intelligence Unit 2012)
[37] A Tale of Tech City (Demos 2012)
[38] Shut Down or restart: the way forward for computing in UK schools (Royal Society 2012)

respectively identify skills shortfalls and significant shortcomings in ICT education, which has focused on using software not making it. The Demos report commented: *'Many interviewees are worried by the problems of finding skilled staff. Some claim there is an undersupply of skilled developers and specialist staff in the UK. They blame ill-designed university syllabuses, and a lack of understanding at all levels of the education system.'*

3.107 Fewer than 400 young Londoners in the maintained sector took Computing A-level last year, and while the numbers pursuing technology-related subjects at FE level is much higher (c39,000). Only 2,400 students choose a 'technology-specific' course.[39]

3.108 If London's growing firms cannot source talent locally they will either recruit from overseas or relocate their business. While we fully support an open economy and a flexible migration system that responds to business demand, skilled labour immigration should be complementary to, and not a substitute for, domestic skills development. Relocation of growing and innovative businesses elsewhere in the world means a direct loss to the London and the UK economy. In addition, the relatively low numbers of girls and children from BME and poorer backgrounds enrolling in STEM and Computer Science perpetuates skills deficits and limits career opportunities.

3.109 A simple analysis of the figures above suggests that another 20,000 London school and college leavers could find work if they chose to pursue computing as a specialism. These are the same school leavers currently struggling to get a foothold in the London labour market as we emerge from recession, because of competition with more experienced workers. Improving the specialist ICT skills of our children and young people via the education system will improve their chances of finding employment and making a successful start in adult life.

Harnessing momentum

3.110 The government have now grasped this issue with a series of initiatives to boost ICT in schools. These include raising the academic status of Computer Science, increasing the coding element to ICT teaching and providing 100 teaching scholarships of up to £25,000 tax free to trainee Computer Science teachers across the country, managed through the BCS.

3.111 However there is a real risk that budgetary and other pressures on schools, particularly in the disadvantaged areas of east London close to where much of the new digital employment is concentrated, mean they fail to realise this opportunity and increase computer science teaching. Moreover, two-thirds of teachers in London do not have the qualifications to teach even the current ICT curriculum, and there are very few recognised Computer Science teachers.

[39] NextGen.Skills analysis of DfE provisional examination results data, published October 13

3.112 Young east Londoners are also amongst the most disadvantaged in the country, with many brought up in poor households where parents are either unemployed, or working in insecure minimum wage jobs.[40] This means that they are less well connected to the world of 'career-type' employment than their better-off peers, and less aware of the opportunities available and how to pursue them.

3.113 Following recent policy changes responsibility for careers provision now rests with individual schools rather than being provided via a co-ordinated regional or national service. There is a real risk that schools' careers co-ordinators (many of whom are classroom teachers taking on careers as a secondary responsibility) will be unable to keep abreast of the opportunities in this fast developing sector or the most relevant education pathways for interested children. This risk is particularly acute in London where digital, despite its importance, is just one of a very large number of fields in a highly diverse economy.

3.114 Taken together these issues could in turn impact on the numbers of young people pursuing computing and related subjects through FE and HE, turning an education issue into a real challenge for economic development.

3.115 It is therefore imperative for London and for UK plc that we invest now so that the capital's schools and colleges can capture the momentum generated by our digital economy and by the government's renewed focus on the sector.

Meeting the digital skills challenge – project specification

3.116 A number of exciting initiatives are already taking place sponsored by the LEP, the Greater London Authority, the London Legacy Development Corporation and leading digital firms. In broad terms these fall into two categories: careers projects designed to expand horizons and raise aspirations in the context of London's expanding digital economy, and coding projects which teach young people how to programme computers and develop applications.

3.117 Rather than duplicate this work, 'Meeting the digital skills challenge' seeks to build on these local initiatives and on the DfE-driven changes by boosting London's digital education capacity at a systemic level, starting with an east London pilot. We believe that the LEP/GLA can add value most effectively by intervening at the system level to complement project-based initiatives. As the Next Gen computer science skills campaign argues, the Mayor is well-placed to lead a strategic approach and overcome fragmentation.

[40] DWP figures for 2011 show 30% of children in London's Olympic growth boroughs living in families in receipt of key benefits, versus a London average of 24%

Activity	Cost
ICT Careers for Careers Coordinators	£500k
Coding for all	£800k
Supplementary London Teaching Bursary Scheme	£2m
Fit for purpose FE review	£200k
Kit Fund	£1.5m
SocialCapital	£600k
Research and tracking	£700k
Total	**£6.3m**

ICT Careers for Careers Coordinators – this project comprises three activities:

- **Resource pack** – develop a resource pack for schools careers coordinators to help them understand the range of career opportunities available in ICT. It will also help them explain to pupils how to navigate and interpret the range of guidance available through online resources like the e-skills website;
- **Introduction to the ICT industry** – working with our partners from the Smart London board we will develop a series of open days for careers coordinators in east London schools over the academic year 2014-15 – exploring ICT roles in a variety of organisations from start-ups to multinationals. There will also be funds available to backfill teaching time when coordinators are on open days, to minimise resource pressures and maximise schools' ability to participate; and
- **ICT industry top-up** – recognising the level of turnover in schools, and the possibility that careers coordinators may not have been able to take advantage of the full programme in year 1 we will run a smaller programme of open days in the following two academic years 2015-16 and 2016-17. Priority will be given to schools or teachers who have not been on the first year's programme.

Coding for All – A number of east London schools are already benefiting from specialist code clubs brought to them by third sector organisations or as part of CSR programmes of some companies in the digital sector. We are wary of duplicating efforts in this regard, but conscious that not all schools currently benefit from such scheme. We are aware that schemes may vary from school to school in terms of quality and reach. This project will thus have two parts:

- **Research** – a short piece of survey and qualitative research work with east London schools, establishing which currently benefit from clubs, the extent to which coding and other technical disciplines such as data analysis are incorporated into core ICT teaching and how provision is funded and provided; and

- **Roll-out** – a programme of delivery over two academic years, plugging gaps in provision and sharing best practice to ensure that children benefit from the best quality opportunities across all schools. In addition to supporting coding clubs, the scheme will also encourage existing ICT teachers to develop their professional expertise through the Network of Teaching Excellence in Computer Science, and take up London Schools Excellence Fund support currently being developed through the Smart London plan. By year 3, we hope that all east London schools will have dedicated specialist computing teaching resource on staff (see Bursary programme below).

Supplementary London Teaching Bursary Scheme – This scheme will sit alongside the DfE funded scheme through BCS and operate on a similar basis. The scheme will fund 100 teaching scholarships (one per secondary school in the Olympic Host Boroughs) for computing teachers, repayable on a sliding scale if teachers leave London schools within a five year period. The purpose of the scheme is to transform the nature and quality of computing teaching in east London schools, so that local young people are properly prepared to take up opportunities in their area's fastest-growing sector.

Fit for purpose FE review – This study will review provision of computing and related training in east London's further education colleges and, working with employers and with e-skills UK, assess how appropriate this is to the current mix of opportunities within the sector. Recognising that the sector is growing and changing rapidly, the study will also assess the capacity of colleges to respond swiftly and flexibly to changing employer demand, and look at mechanisms to ensure closer collaboration in designing and commissioning training in future.

Kit Fund – Building on the findings of the Coding for All and Fit for Purpose reviews, this small capital fund will support applications from schools and colleges to upgrade their ICT equipment and ensure it is suitable. To minimise the risk of institutions bidding for kit which is inappropriate or likely to become quickly obsolescent, a panel of industry partners will support schools and colleges to prepare their bids.

SocialCapital – SocialCapital is a mentoring programme designed to reach Londoners from underrepresented groups to encourage success in, and take up of computer science and STEM skill courses. The scheme would link into and join up a number of existing initiatives as well as plugging gaps in provision, working with partners including Tech City Stars, Enternships, and more. There are therefore two elements to this project:

- **Research** - mapping existing delivery and establishing geographical or demographic gaps in targeting; and
- **Rollout** - a programme of provision designed to fill gaps in delivery.

Research and tracking – We believe this project can transform ICT teaching and learning in east London and, in the long term, significantly boost the size and calibre of the local workforce available to our growing digital sector. We anticipate that by putting in place such a large a number of interventions we can learn lessons – both in terms of future provision in London and across the UK. We are also keen to follow people supported through our schemes to establish the impact of our interventions on subject choices and employment outcomes. For this reason we have allocated a substantial research budget to fund the costs of two full time researchers for the main period of delivery activity (academic years 2014-17). We will additionally support the tracking and monitoring of a cohort of children and young people for a five year period thereafter.

Governance and management

3.118 One of the primary aims of this project is to overhaul the teaching and learning of ICT in east London's schools and colleges to ensure that it is relevant to the skills needs of London's growing digital sector.

3.119 To strengthen the project's industry links and ensure a high level of technical knowledge and oversight in programme design and delivery we propose that the programme will be governed via our Smart London board. The board has around 15 members. These include several major digital employers, representative bodies like the Tech City Investment Organisation, and academics specialising in technology and in urban economies and infrastructure.

3.120 The programme will be managed via the Economic and Business Policy Unit at the GLA and specialist delivery partners will be procured for each strand of activity, in line with GLA procurement policy.

Leverage

3.121 As the above proposal illustrates the programme will attract substantial in kind contributions from partners in the private sector through their direct participation in the project, providing oversight, guidance and learning opportunities. In addition we hope to augment the resources available to schools and colleges via the Kit Fund through substantial in-kind contributions such as software licenses and specialist equipment.

3.122 We have excellent links with potential partners and co-investors in this programme including both digital and technology firms in London and major philanthropic organisations.

d) Governance and Delivery

Status of the LEP

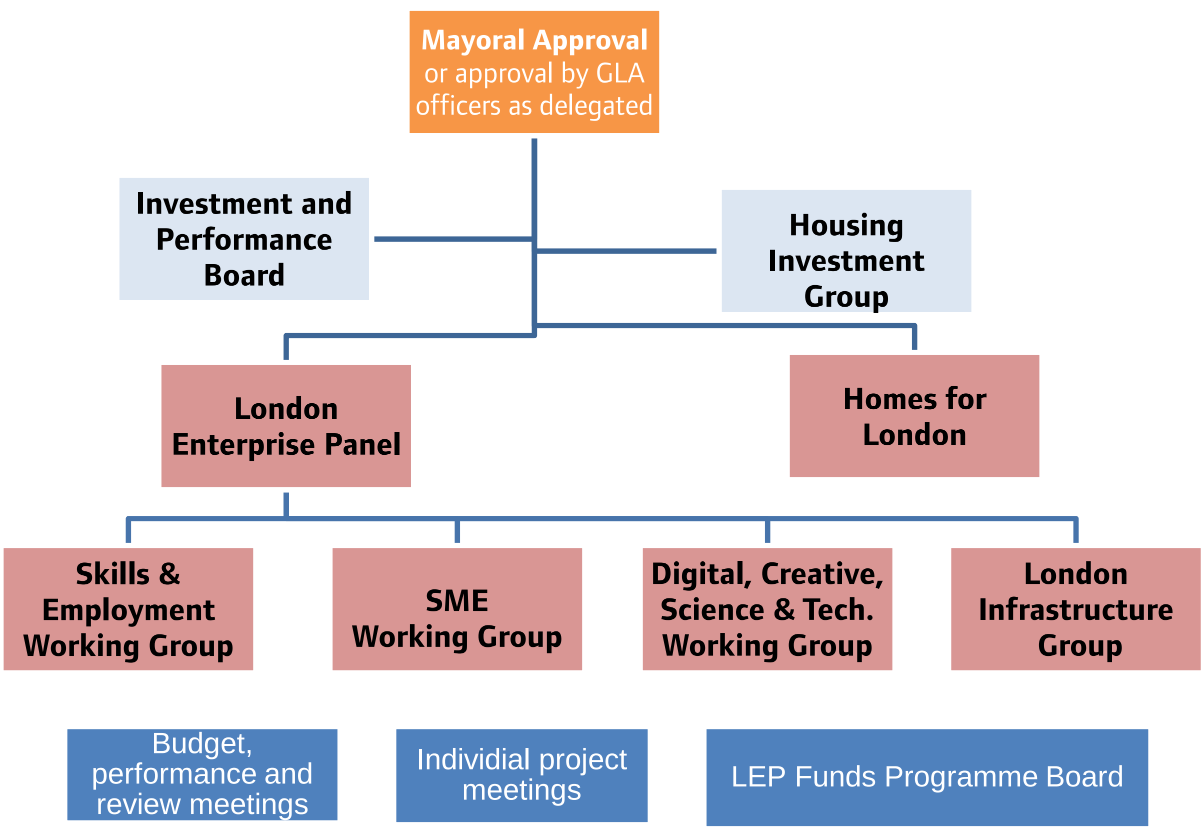
3.123 The Mayor of London formally established the LEP in February 2012 as a Londonwide partnership coterminous with the Greater London Authority area, reflecting the city-region scale and interconnected nature of London's economy.

3.124 The LEP is a non-incorporated consultative and advisory body established by the Mayor of London under sections 30 and 34 of the Greater London Authority Act 1999. As a Mayoral appointed body with no separate, independent or corporate legal status the panel must operate through the GLA its 'accountable body' if funding arrangements are entered into with the government or European Commission on the panel's behalf.

Decision making structures

3.125 The diagram below provides an overview of the existing programme governance structures which will incorporate future LEP funding:

Figure 3.2: Programme governance structures



3.126 A working group to manage the European Structural Funds Programme 2014-2020 is also due to be established. The LEP may also establish time limited subordinate bodies and have currently set up a working group to oversee the development and delivery of an Economic Development Plan for London.

Public reporting and accountability

3.127 The Mayor is committed to openness in his administration and in establishing the LEP he ensured that the work of the London Enterprise Panel (and its working groups) along with the Investment and Performance Board (and its Groups) are transparent in line with Mayoral policy and stakeholder expectations.

3.128 In general, the Investment and Performance Board (IPB) meets monthly and the LEP and its working groups meet quarterly and progress will be reported as appropriate.

3.129 Agendas and reports presented to these bodies are posted to the GLA's website at least two clear working days before the meeting to which they relate. Reports are released with the agenda except in those cases where the Secretary reasonably considers that information contained in the reports may be exempt from disclosure under an applicable exemption under the Freedom of Information Act 2000 (FOIA) on the basis that the public interest is against disclosure. These reports are classed as reserved papers. Minutes of the meetings are posted on the GLA's website within two weeks of the meeting to which they relate.

3.130 The meetings themselves are not public to reflect the accountability arrangements Parliament has put in place for the GLA in that the Mayor is answerable to the Assembly through Mayor's Question Time only after he has taken decisions.

Programme and project management

3.131 LEP funds will be managed in the same way as other programme funds within the GLA and will adhere to the same robust project and programme management methodologies, including a gateway project approval structure that follows HM Treasury guidance for public sector bodies on how to appraise proposals before committing funding ('Green Book' appraisal).

3.132 In order to gain full approval, projects will need to demonstrate:

- Proposed timescales for delivery and project milestones
- Financial forecasts for LEP and other spend (including the level of commitment of other sources of funding)
- Proposed delivery structures including any staffing or other resources required to oversee the project
- The cost benefit analysis of the total costs of the project and commissioned outcomes

- Plans for monitoring and evaluation
- Planned procurement or other delivery routes
- Completed or planned impact assessments and consultations
- Project risks and mitigation plans
- Exit strategy

3.133 The GLA has extensive experience in managing the delivery of complex programmes such as the Growing Places Fund, the Mayor's Regeneration Fund, Outer London Fund, European Social Fund projects and complex development agreements. The programme management role of the GLA will provide effective scrutiny and challenge where necessary and will provide advice on good project management practice.

3.134 Through the governance structure outlined above, the GLA, as the accountable body for LEP funds, will ensure that:

- funding is allocated following robust project appraisal;
- performance is monitored at both a programme and project level for progress, risks and issues, with monthly reporting to the GLA's Investment and performance Board;
- outputs are collected and monitored against the project's targets on a quarterly basis. Progress against Corporate Key Performance indicators (KPI) will be publicly reported.

4 Programmes to support and sustain London's growth: beyond the Growth Deal

4.1 London is a successful global city economy. Its economic growth is driven by the 800,000 businesses in London, from global companies to UK household names to SMEs and start-ups. The role of government programmes – national, city-wide and local – is to support and sustain that growth and make sure that all sections of the community and all neighbourhoods can benefit from that growth. The statutory role of the Mayor – in land-use planning, economic development, transport and housing – is crucial to this.

4.2 The Mayor has promised that London will retain and extend its global role as a sustainable centre for business, innovation, creativity, health, education and research, culture and art. The development of London must support the spatial, economic, environmental and social development of Europe and the UK in particular. This will allow London to play a distinctive and supportive part in the UK's network of cities.

4.3 This chapter sets out work already underway to support and sustain London's growth. It shows how this is being done in partnership with other bodies and stakeholders, within London and beyond.

a) Partnership working for growth

4.4 The LEP continues to work with a range of partners to create growth within London and across the wider South East. This includes joint meetings with contiguous LEPs (Hertfordshire LEP, Thames Valley Berkshire, Enterprise M3, Coast to Capital and South East LEP). Other key partnerships include:

The London Stansted Cambridge Corridor

4.5 We continue to work with the London Stansted Cambridge Corridor (http://lscc.co/), a partnership of public and private organisations covering the area north of Tech City, the City Fringe, Kings Cross, and the Olympic Park, up through the Lee Valley and M11/A10, and West Anglia Rail corridors to Harlow and Stansted, and through to Cambridge.

4.6 The partnership, chaired by London LEP Member Greg Clark, was formed to organise and promote this clear economic area with strong inter-connections; commuting to work and learn patterns, clusters of industries and supply chains. Current supporters include the Rt Hon. Greg Clark MP and the officers of the

LSCC All Party Parliamentary Group (Rt Hon David Lammy MP, Nick De Bois MP and Julian Huppert MP).

4.7 The LSCC has published a report ('An Agenda for Jobs, Growth and Improved Liveability', January 2014) http://lscc.co/wp-content/uploads/2014/01/LSCC-LEP-submission-Drafts.pdf which aims to inform the four LEPs strategic economic plans for growth, supporting cross-LEP working and interregional links. Meetings between the relevant LEP Chairs have taken place in order to inform this work and will continue as we take forward the development of the London LEP's Economic Development Plan. A specific example of the need for collaboration is around supporting life science, which from King's Cross-Euston road up to Cambridge there is a clear cluster of global significance.

'MedCity' and the 'Southern Cluster'

4.8 The LEP is providing funding towards the creation 'MedCity, a "golden triangle" in medical and life sciences research, linking the capital with Oxford and Cambridge.

4.9 LEP Member and Chairman of the Wellcome Trust is also leading on the establishment of the 'Southern Cluster' which is working to bring together leaders of strategically significant science and technology assets, to discuss how to position London and the greater South East as a global knowledge hub.

South London Growth Board

4.10 South London sub region is at the heart of London's economic growth, with a highly skilled community and potential to add 120,000 new jobs to the economy by 2030.

4.11 The South London boroughs of Croydon, Kingston, Merton, Richmond, and Sutton have a successful and long established track record of working together through the South London Partnership. There is a strong shared agenda and a clear set of priorities for directing early investment in South London as a driver for economic growth for both the sub-region and London as a whole. The polycentric nature of South London's centres means that transport infrastructure is central to this investment and a necessary condition for growth.

4.12 To help achieve the necessary investment and so realise our ambition to accelerate and deliver economic growth, the partnership has recently established a South London Growth Board. This brings together our five local authorities (as well as Bromley to the south-east) along with the London Enterprise Panel, Coast to Capital LEP and representatives from business (including Merton Chamber of Commerce) and higher education sectors, to work together to ensure that new investment can have a swift and significant impact to help strengthen and diversify our economy.

Thames Gateway Strategic Group

4.1 The Thames Gateway is widely recognised as the largest regeneration opportunity in Europe – a 40 mile long growth area that follows the River Thames eastwards out of London, taking in key areas of Kent and Essex. The UK Government has designated the Thames Gateway as a growth area of national importance. Over the last 20 years the area has benefited from huge investment in transport, infrastructure, housing, green spaces, education and training

4.2 The Thames Gateway Strategic Group (TGSG) exists to drive forward sustainable economic growth in the Thames Gateway. It brings together senior local authority representatives from London, North Kent and South Essex together with business leaders and the Minister for the Thames Gateway. The Group is chaired by London LEP Member and Deputy Mayor for Planning Sir Edward Lister and the Chair of the South East LEP is a Member of the Group. Lead officers for both LEPs also attend meetings.

4.3 A summary of the priority projects within the London Thames Gateway is detailed below. Further detail on key schemes is incorporated into this document in the wider London context rather than as a package of specific Thames Gateway projects (see Appendix 5).

4.4 The TGSG is currently undertaking an exercise to identify a number of key deliverable sites within the Thames Gateway in which Ministers could get actively involved in taking them to the point of delivery. These discussions will be taken forward alongside the Growth Deal submissions for the London and South East LEPs. Work is also underway to identify a stimulus package for the Thames Gateway, focusing on projects within North Kent and South Essex.

4.5 Proposals for a new 'Garden City' initiative at Ebbsfleet in Kent, as announced by the Chancellor in his budget statement in March 2014, will be a key priority for the TGSG as it works to ensure the site delivers its housing and employment potential. The proposed £200m package of Government funding to support the scheme will bring greater certainty for investors and a fresh impetus, accelerating delivery of the 15,000 homes on the site and boosting sustainable growth in the Gateway. The London LEP, South East LEP and the TGSG will work together to identify the key infrastructure priorities that will support development of the site. For example, an extension of Crossrail from Abbeywood to Ebbsfleet would provide a vital link from Heathrow in the West via central and south London to the proposed Garden City, the planned £2 billion Paramount Park in nearby Swanscombe and the interchange at Ebbsfleet for trains to Stratford, Paris and Brussels. This level of connectivity would create significant growth potential for sites across the Gateway.

HS2 and Old Oak Common

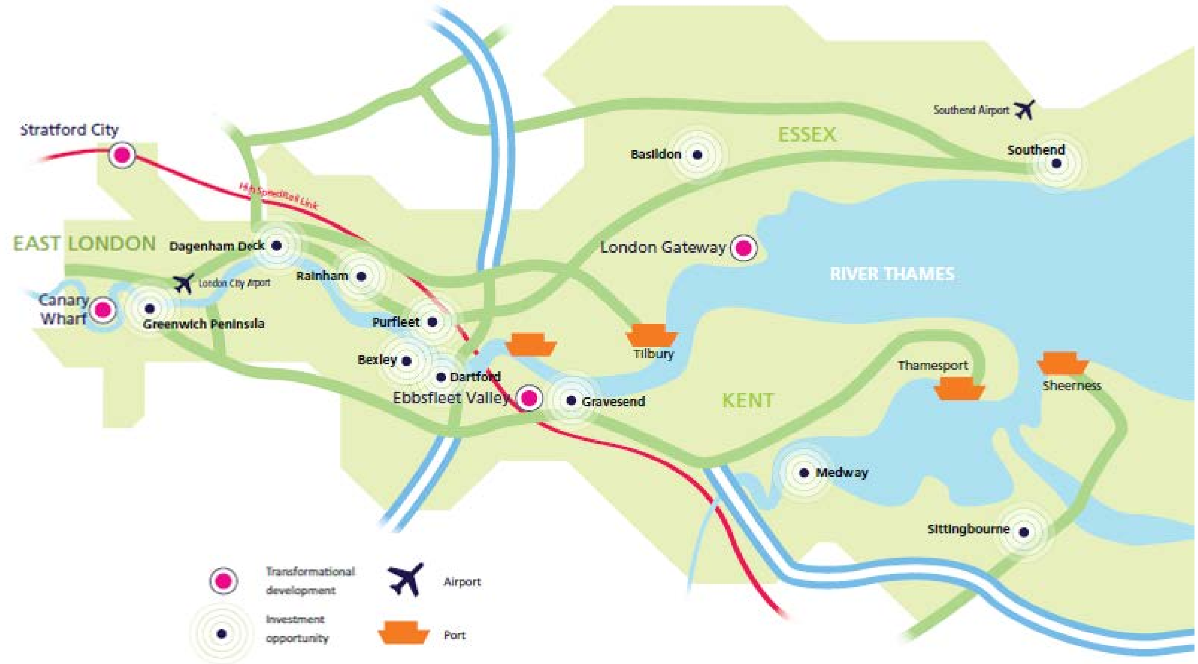
4.6 Following the publication of the HS2 Growth Taskforce's report on maximising the benefits of HS2 (21 March 2014), a programme of activity will be undertaken by the LEP to consider the role of the LEP in delivering any recommendations put forward by the report and adopted by Government. This activity will include a workshop with HS2 in April 2014 which will focus on the HS2 supply chain in order to maximise training and employment opportunities as well as opening up the supply chain to SMEs. The Chief Executive of HS2 will also be invited to attend a future meeting of the LEP.

4.7 As detailed at Appendix 5, work is already underway to capture the regeneration potential that HS2 will bring to West London with a new strategic public transport infrastructure hub created at Old Oak Common where HS2 meets Crossrail 1, other national main lines and the London Overground. Provision of public transport infrastructure on this scale would drive substantial development which could yield 24,000 new homes and, subject to capacity and demand, up to 55,000 jobs and a variety of complementary and supporting uses in a commercial hub around the station and in the wider area. A proposal to establish a Mayoral Development Corporation (MDC) at Old Oak Common is being progressed and the LEP will be considering the proposals at its meeting in July 2014.

Table 3.2:

Development Opportunities	Homes and Jobs	Status
London Thames Gateway Area		
Lower Lee Valley (including Stratford)	32,000 homes, 50,000 jobs	Construction started
Greenwich Peninsula	13,500 homes, 7,000 jobs	Construction started
Royal Docks and Beckton Waterfront	11,000 Homes, 6,000 Jobs*	Construction started
London/Barking Riverside	26,500 homes, 16,000 jobs	Construction started
Thamesmead and Abbey Wood	3,000 homes, 4,000 jobs	Construction started
Bexley Riverside	4,000 homes, 7,000 jobs	Construction started

Figure 3.3:



N.B. This figure does not include the proposed development at Royal Albert Dock as referred to elsewhere within this section.

4.8 The TGSG is currently undertaking an exercise to identify a number of key deliverable sites within the Thames Gateway in which Ministers could get actively involved in taking them to the point of delivery. These discussions will be taken forward alongside the Growth Deal submission. Work is also underway to identify a stimulus package for the Thames Gateway, focusing on projects within North Kent and south Essex.

Working with Business

4.9 **London Business Advisory Council:** London First, the London Chamber of Commerce and Industry, the Federation of Small Businesses and the Confederation of British Industry meet regularly with the Mayor and Deputy Mayor Kit Malthouse to discuss business issues in the capital through the 'London Business Advisory Council' (LBAC). LBAC considers a broad range of topics such as infrastructure investment, export promotion and support for small businesses in the capital.

4.10 **International Business Advisory Council:** The International Business Advisory Council is an annual event that brings together business leaders from multinational companies to advise the Mayor on issues affecting London's global competitiveness and how London can remain the world's top city to do business.

4.11 **London Chamber of Commerce and Industry (LCCI):** The GLA works closely with the LCCI. Most recently, the chamber worked with City Hall to host two roundtables on housing challenges facing the capital. We have partnered with the chamber on events and export missions to support London businesses to expand overseas in line with the LEP Jobs and Growth Plan Work Programme.

b) Delivering the LEP's priorities through European Structural Investment Funds

4.12 The London Enterprise Panel (LEP) has been allocated €791m (£678m) for the delivery of the European Structural and Investment Funds (ESIF) strategy for London 2014-20. This equates to £1.35bn with the required match-funding.

4.13 Of this, it is proposed that 74 per cent supports investment under the European Social Fund (ESF) and the Youth Employment Initiative (YEI) where an additional £37m has been awarded. 26 per cent is proposed to support the objectives of the European Regional Development Fund (ERDF). The ESIF strategy was submitted to government for approval in January 2014.

4.14 The proposed priority investment areas are:

Investment Priority	Indicative Activities	ESF	ERDF
Skills and Employment	Freedoms, flexibilities and funding incentives: helping providers to support disadvantaged groups in the labour market	£451m+ £37m YEI	
	Informed customers: ensuring information, advice and guidance is available		
	Employer engagement: supporting businesses to interact with the labour market.		
Enhancing the Competitiveness of London SMEs	Boosting London SMEs' capacity to grow	£14m	£35m
	Facilitating access to finance for SMEs		
	Supporting SMEs to export		
	Encouraging Entrepreneurship		

Investment Priority	Indicative Activities	ESF	ERDF
	Supporting SMEs to improve resource efficiency		
Strengthening Science and Technological Development; Fostering Innovation in London Enterprises	Connecting London: developing links and synergies between SMEs and the knowledge base		£39m
	Commercialising SME innovation		
	Innovating and adopting low carbon/resource efficiency technologies		
	Promoting the development and exploitation of digital technologies by SMEs		
Investing in London's Infrastructure	Unlocking the growth potential in disadvantaged urban areas		£102m
	Investing in research and innovation infrastructure		
	Providing workspace for business		
	Enhancing the quality and use of communication networks (ultra-fast broadband provision)		
	Realising the opportunities afforded by low carbon infrastructure		
		£502m	**£176m**

5 Unleashing London's economy: new levers and influence

a) An overview of our offer

The Growth Deal provides an unprecedented opportunity to promote economic growth in London – with significant benefits for UK plc – and also to share the fruits of that growth more widely. A significant part of this will come through working in new ways, investing in joined-up public services across public and private agencies to ensure that the capital can provide:

1. the investment required in London's infrastructure to manage projected growth, maintain and enhance the commercial environment and generate additional revenue for the public purse;
2. effective employment support programmes to ensure that the benefits of growth are shared, including multi-agency wraparound services, clear journeys between welfare and work and targeted support for the hardest to help;
3. the skills base needed to compete to win London's share of global growth, with more valuable workplace opportunities and the right incentives to support job outcomes and workplace progression;
4. the biggest home-building drive for a generation, providing homes that Londoners can afford;
5. Opportunity Areas opened up for homes and jobs, creating new neighbourhoods and tackling social exclusion.

This overview outlines our offer to work in new ways with government, business and local public services to meet these ambitions. There are three key principles which the LEP will follow:

- **Acting on the links between local economic growth and public service reform.** Evidence from London boroughs show that reforming public services and tackling complex dependency is essential both to generate the savings required for investment in growth, and to ensure growth is balanced and sustained. We will work across London government to ensure that growth and reform are pursued in parallel.

- **Developing clear, evidenced investment propositions.** Working with government, we are ambitious to make sure that our proposals are developed to a point where they can provide all parties with a clear assurance of return on investment. This will allow us to underpin agreements between government spending departments, national agencies, local service providers and London government.

- **Working at the appropriate geographical level.** Recognising the complexity, diversity and sheer size of the London economy, and the practical achievements beginning to be realised in several areas at a sub-regional or multi-borough level, we are working to ensure that our plans to divide responsibilities between the different geographical tiers making up London's governance framework are clear, realistic and underpinned by robust governance arrangements.

Fiscal Devolution

5.1 In return for fiscal devolution and a long-term funding settlement, with a quid pro quo reduction in central government grants, the deal for central government will be:

- an ability to focus on national priorities rather than be distracted by local and regional issues
- higher overall growth with continued receipt of the majority of the tax base
- fewer spending negotiations with regional and local government.
- a more mature dialogue between central and local government regarding the latter's strategic priorities, rather than negotiations over minutiae.

Following the recommendations of the London Finance Commission, we will increase investment in the capital's infrastructure to the benefit of the Exchequer and the whole of the UK.

We will increase the accountability of this spend to businesses and residents through robust governance mechanisms across the different levels of London government. This will blaze a trail for England's core cities and stimulating investment in the capital without affecting the financial settlements of other parts of the country.

Government could take a constructive first step to supporting this vision by confirming its willingness to explore seriously devolution of the full suite of property taxes to London government.

Employment

- We will build on our track record and extend our work so that every Londoner has the opportunity to compete for the jobs created here. *This could be enabled if HM government progressively devolves responsibility for delivering and funding employment programmes as existing national contracts come to an end, creating a 'single pot' approach.*

- We will offer practical support to the Department for Work and Pensions to develop successors to the Work Programme. *This includes providing evidence of what works when supporting the long term unemployed (particularly ESA claimants). This will be through optimising payment structures and funding levels, outcome definitions and monitoring.*
- We will run pilot programmes to show how a more integrated and intensive programme could ramp-up the proportion of ESA claimants helped into sustained employment. We will seek to agree the scope with government, potentially ranging from ESA Work Programme leavers to ESA claimants in London. The pilots will have stretching targets and be designed to inform development of successors to the Work Programme.
- We will support the DWP to integrate Universal Credit support services into local and regional employment programmes. *This could be enabled and supported through DWP co-funding for a Local Service Support Framework pilot.*
- We will maximise the impact of Jobcentre Plus' Flexible Support Fund by showing how at least one group of boroughs could co-commission the funding stream in line with local priorities.

Skills

- We will better support 380,000 learners a year to develop the skills that our economy needs. We will remove duplication in provision, address poor performance and reward excellent performance. We will also make sure that colleges and training providers respond quickly to changing demand and supply. This will be supported by an investment of £100,000 from the LEP to design and model a fully devolved skills system for the capital. *This underpins an ambition to work with government to design and pilot an incentive framework linking adult skills funding to job and progression outcomes. It could be enabled and supported by the full devolution from the Department for Business, Innovation and Skills of the Skills Funding Agency's £577m London allocation to the LEP.*
- We will create a full Apprenticeship Service to support London's businesses and achieve the Mayoral aspiration of 250,000 apprenticeship starts by 2016. This will include brokerage, marketing activities and administrative and technical support to SMEs to minimise risk. *Government could enable and support this through an investment agreement with the Department for Business, Innovation and Skills to match fund the GLA's investment of £4m in apprenticeship marketing and employer engagement to 2016.*
- We will improve the National Careers Service offer, ensuring access for London's young people aged 14-19. In particular, better careers advice and training which incorporates meaningful contact with employers and

equips young people to fulfil London's current and future skills needs. This will include a new website on traineeships, apprenticeships and college courses for the capital. *Government could enable and support this*, *using the welcome opportunity for the LEP to influence the commissioning process, through further flexibilities on cohorts, payment models, performance information and co-commissioning opportunities. In addition, there would be an investment agreement with the Department for Business, Innovation and Skills to match fund the LEP's investment.*

- We will more accurately track destination outcomes and measure success of jointly funded programmes to help inform and drive future skills and employment provision. *Government could enable and support this through a further-reaching data sharing agreement, building on existing arrangements, between the Skills Funding Agency, National Apprenticeship Service and London government.*
- By using HM Revenue and Customs data, we will run a pilot scheme to match National Insurance data with Individual Learner Record information in real time to allow participant outcomes and destination information to be more accurately recorded, supporting changes to provider incentives to reward employment outcomes. *Government could enable and support this*, *building on existing joint working between FE colleges and Jobcentre Plus, via a commitment to joint working between HM Revenue and Customs, DWP, the FE sector and London government.*
- We will incentivise skills and employment providers to work with SMEs (including micro-businesses). This will be demonstrated in the LEP's proposed pilot with government. *This could be enabled and underpinned through a commitment from the Department for Business, Innovation and Skills and the Skills Funding Agency to explore an 'SME' funding uplift similar to the disadvantage uplift already available to colleges.*
- We will work through groups of boroughs to commission European Social Fund programmes. This will build on the 26 per cent success rate across London Councils based ESF projects for getting people into work – the highest across all co-financing organisations. *This could be enabled and supported if the Skills Funding Agency was to further devolve the SFA ESF allocation to London government.*

Housing

We will commit to action to accelerate the supply of homes for Londoners in both the market and affordable sectors. In particular, we will:

- accelerate housing supply through a coherent package of interventions to increase supply across sectors and through engagement with small and large developers;

- streamline the planning process through a package of improvements to planning processes, accompanied by a scaling up of collaborative working;

- increase the supply of developable land through a suite of pro-active interventions to make better use of financing, such as deferred payments for public land and a more strategic approach to public land disposal;

- expand capacity in the development industry though initiatives to bring small and medium sized firms back into the London market. This will be via pre-packaging of ready-to-build plots, supported by the promotion of new building techniques and bespoke training and apprenticeship programmes.

Government could enable and support this by driving progress on reform of the housing finance system, including:

- *removal of the Housing Revenue Account (HRA) borrowing caps (subject to prudential borrowing rules)*
- *devolving the full suite of property taxes to London government in line with the recommendations of the London Finance Commission*
- *removal of the GLA group borrowing ceilings (subject to prudential borrowing rules).*

Continued financial support for London government to bring forward new supply and enable more home ownership, including:

- *confirmation of £200m funding for its Affordable Rent to Buy programme in London, to be done through the London Housing Bank*
- *a commitment to a £200m rolling fund for estate regeneration to be administered by London government*
- *clarity regarding Affordable Housing Debt Guarantee rules to support ambitions to significantly expand shared ownership in London*
- *the transfer of central government surplus strategic land holdings within London to London government*
- *more freedom for London government to set planning fees for large developments.*

b) Fiscal Devolution

Introduction

5.2 London's growth is important for the economic health of the whole country, and it is therefore vital that it is not impeded by a failure to meet its demand for infrastructure. As London's population and economy grows, substantial investment in its infrastructure will be required.

Summary of Proposition 1

Following the findings of the London Finance Commission, we believe funding arrangements in London should allow London government to make additional self-determined investments in its own infrastructure. This is both to cater for the growth already forecast for its population and economy, and to promote additional economic growth. By relaxing restrictions on borrowing for capital investment while retaining prudential rules and simultaneously devolving the full suite of property tax revenue streams London government can have greater autonomy to invest in the capital. Such reforms would also increase London government's accountability to residents and businesses. This change would be achieved in such a way as to avoid affecting the financial settlements of other parts of the country.

Government could support our commitment to a coherent long-term investment in the capital's future, by confirming its willingness to seriously explore devolution of the full suite of property taxes to London government.

Rationale

5.3 The recent performance of London's economy is a success story. However, its economic prosperity has not always been considered a priority. Managed decline of the UK capital was the overarching post-war policy until the early 1980s and it has only been since the renaissance of London from the early 1990s to the present day that the UK has once again been home to one of the world's premier cities. London is one of the greatest business centres in the global economy and one of the strongest performing regions in the UK. ONS data shows that between 2007 and 2011:

5.4 'London's nominal output has risen faster than other regions; its employment and unemployment rates have fared better than other regions; it has seen a larger growth in its active business stock; it has seen an increase of over

250,000 jobs whilst most other regions have seen a decline; and the average incomes of its residents have increased when compared to residents elsewhere in the UK... From 2007 to 2011 London's economy (GVA) grew by a nominal 12.4 per cent compared to between 2.3 per cent and 6.8 per cent across other UK regions...'

5.5 We support the efforts of the Core Cities to exploit the economic potential of England's regional cities and agree with their statement in evidence to the London Finance Commission that:

'We all need London to continue to succeed, but it is unhelpful and incorrect to see growth elsewhere in the country simply as displacement from the South East. This severely limiting concept stymies the national ability to recover and grow.'

5.6 As Greg Clark stated in his evidence to the London Finance Commission:

'London needs to be an effective and generous capital city for the UK, supporting other cities, regions, and nations within the country, and providing opportunities and resources for their development, whilst not competing with them for public funds and transfers.'

5.7 In most markets, London is competing as much, if not more so, internationally than against other UK cities. Many foreign direct investment projects that London wins in competition with other international cities provide benefits for other regions, and many tourists who visit London go on to other parts of the UK. Other international cities vie for investment, visitors, students and talent, and in the global competition, London risks falling behind and, in respect of infrastructure, further behind.

5.8 Accommodating London's growth in ways that are benign for society and good for the economy will present many challenges. Financing the investment required will be a major challenge, whether as a direct consequence of population growth (housing, schools, primary healthcare and so on), to assist sustained economic growth (eg via transport, skills, higher education, innovation, research and development, ICT, electricity supply and the green economy) or to benefit society more broadly (through investments in the public realm, culture, crime prevention and so on). In practice, many investments will meet more than one of these objectives simultaneously.

5.9 Based on historic trends, London's employment is likely to reach almost 5.8m jobs by 2036, an increase of 860,000 from 2011. Jobs are highly concentrated, with 34 per cent of London's employment located in just two per cent of its land mass. GLA projections show that jobs could grow by some 280,000 between 2011 and 2036 within the Central Activities Zone, creating the additional agglomeration benefits associated with dense clusters of employment.

5.10 Such agglomeration benefits support the development of economic activity. This includes giving firms access to a deep and highly skilled labour force, a range of complementary input and output markets and the benefits of spillover effects like the rapid transfer of innovation and knowledge. These type of benefits mean that many specialist economic activities take place solely in London, eg in the creative and high-tech industries. Maintaining and boosting these agglomeration benefits will require increased spending on infrastructure like transport, electricity supply and internet access into the future. This will give London's increasing population the chance to access London's jobs, while simultaneously giving London's businesses access to a large pool of well qualified labour.

5.11 Clearly, cities and the economic clusters they accommodate rely on a combination of infrastructure investments, which are not independent of one another. If London government had the autonomy to invest in its own priorities, it would be able to assess and provide the correct balance.

Transport

5.12 For transport, London's overall growth is expected to mean that the additional public transport capacity created by Crossrail, Tube and National Rail upgrades will be fully utilised by the early 2020s, so more capacity will be needed. London's overall growth is projected to translate into a rise of 30 per cent in passenger numbers on the Tube and rail between 2011/12 and 2020-24. The pressures on London's roads are also growing and there is a need for a major investment programme to improve the reliability of the road network and tackle congestion. Investment will also encourage walking and cycling, improve air quality and create a better public realm.

Housing

5.13 For housing, three key considerations must be addressed as part of an effective policy. First the supply of homes must be adequate to meet current and projected future needs. Second the pricing and tenure of the housing stock must ensure that homes are accessible and affordable for the full range of needs to be met. Third the size, condition and energy efficiency of homes must be appropriate to meet these needs without creating unreasonable problems of overcrowding, squalor or fuel poverty. New housing must also contribute to meeting carbon reduction commitments. Each of these requirements overlaps to some extent with the others. For example, as can be seen from current experience in London, a shortage of supply exerts upwards pressure on rent levels particularly in the private-rented sector, which in turn impacts access and affordability. These requirements also raise interesting questions of definition. In our view it is clear that housing need has long since exceeded supply. The emphasis on supply being sufficient to meet needs rather than demand is deliberate and necessary in a city which has seen a rapid growth in population over the past 20 years (caused both by natural expansion and immigration).

London is a magnet to incomers from all over the UK and worldwide. Many of these incomers bring skills and entrepreneurial aptitudes that will contribute very substantially to London's future economic success, but the capacity of the capital city to accommodate potential demand is limited.

5.14 Over the past decade, London's population has grown to 8.4m people, but housing supply has failed to keep pace with this growth. London needs to build about 40,000 new homes a year, which is double the number that has been built over the last two decades. This mismatch between supply and need results in rising homelessness in the capital, a high proportion of households in temporary accommodation, the highest levels of overcrowding and the greatest disparity between average incomes and house prices. The cost of buying a home has risen to an average of £392,000. This is 60 per cent higher than the rest of the UK. Home ownership in the capital has fallen below 50 per cent for the first time in generations. With buyers unable to access mortgages, more and more young people are in the private-rented sector. This now houses a quarter of all Londoners, double the proportion of 20 years ago and is the only growing housing tenure. These tenants are paying more than ever, with rents having risen by one third since 2009. More than 360,000 households are on borough waiting lists and over 38,000 are housed in temporary accommodation. Even with optimistic assumptions about new house building in London it is estimated that the current housing shortage will have increased by around 249,000 homes by 202025.

5.15 As well as helping to house London's increasing population, building new homes makes a significant contribution to job creation and stimulates economic growth. Housing helps the economy in two ways. First, through construction and subsequent furnishing it creates jobs and supports a wide range of suppliers in both London and the rest of the UK. Second, through the mix of housing provided, it can ensure a balance of supply to support the range of workforce essential to the capital's economic and social wellbeing. London is distinguished from many other international cities by successfully housing a diverse range of people, with widely different incomes, all across the city. If there are not enough homes to accommodate the projected increase in London's professional and technical sector, London's economy could lose out. Analysis suggests that the greatest deficit in supply is in the mid and lower mainstream markets, homes at prices people working in newly created jobs can afford. Over seventy per cent of London's businesses say that the lack of housing that is affordable is one of the most important constraints on London's economy. The Confederation of British Industry has, for the first time, cited housing as a bigger barrier to growth in the capital than transport. Failing to invest in London's housing will run the danger of choking off London's economic growth, and with it the growth of the UK.

Schools

5.16 In relation to schools, research by the National Audit Office shows there will also be continued and substantial demand for investment, as London's school population increases from just under 1.1 million pupils in the system in 2011-12 to approximately 1.25m by 2016/17. London Councils estimates that, based on current projections, London boroughs are facing a shortage of 118,000 primary and secondary school places up until 2016-17. The pressure on school places is at its most acute in London, where 42 per cent of all shortages in school places nationally will be found (although other areas also face shortages), yet London will only receive 36 per cent of the recent basic need capital allocation for 2013 to 201530. The pressure that is currently felt most in primary schools will inevitably extend to secondary schools over time, with the result that both primary and secondary schools need to be expanded and new schools built to respond to growing demands.

Other infrastructure

5.17 Amongst others, investment in healthcare, energy, waste, and water supply infrastructure will also be needed. It is estimated that by 2015 demand for water will outstrip supply by over 20m litres per day, whilst infrastructure for sewerage, energy efficiency and new technology will also need to be considered.

The case for fiscal devolution

5.18 Civic leaders of all major cities, working with local stakeholders, are in a better position to understand what combination of investments their city might require. This includes meeting social needs, helping grow local economies and creating attractive places to live and work. They are in a better position to know their cities than Whitehall officials and Ministers working in a number of remote, separate, shrinking and not always well-coordinated departments. Indeed, for several years it has been a priority for the Mayor of London and local authorities to have greater influence over economic development in the capital. However, with the government reserving power over the majority of economic decisions and funding, the level of London government's direct influence has been limited. Cities including London are reliant on national systems to meet local ambitions. In the capital, we have clear goals for how we want to achieve growth and why these are more effectively done at the regional level. We endorse the sentiment of Lord Heseltine's 2013 *No Stone Unturned* report that 'Government must now reverse the trend of the past century and unleash the dynamic potential of our local economies.'[41]

5.19 The success of this approach in London was clearly shown in the Olympic Games and the legacy work in east London. To make sure this continues, a strong local vehicle, the Olympic Delivery Authority (ODA) and now the London Legacy Development Corporation (LLDC) were created. These powerful bodies have helped regenerate a once derelict part of London. However, it necessitated national government giving a local body substantial devolved powers and funding to achieve this success. The government has continued this approach in London through the absorption of the London Homes and Communities Agency and the London Development Agency within the GLA and alongside Transport for London and the LLDC as part of the GLA group. This provides powerful machinery under the Mayor of London's leadership, using the LEP (see below) as a way of joining up efforts to promote growth. Yet the machinery lacks power to determine use of key taxes to help achieve this growth.

5.20 We have also welcomed Community Budget initiatives in London as to improve service delivery by aligning local services with the local labour market. The West London Alliance's Whole Place Community Budget programme developed the 'Skills Escalator to secure employment' scheme. This brought various stakeholders together, including officers from local authorities, Jobcentre Plus, the Skills Funding Agency, the National Careers Service and the GLA, plus staff from local colleges, training providers and organisations presenting the Work Programme. The objective was to reduce disparity between the high skills requirements of jobs available locally and the lower skill levels of many of the resident workforce. In our view, opportunities for similar borough-based partnerships should be explored, as discussed elsewhere in this Growth Deal submission.

5.21 However, for cities to show a real step change in economic development, they must be fully involved in setting outcomes for the whole system – not just invited to bid for discrete funding pots or to direct small portions of government funding. The UK's highly centralised state infantilises the relationship between national and local and regional governments in the following ways. First, by definition, funding frameworks are set by national political priorities. This means that local areas, in their attempt to persuade central government to provide any funding, must try to demonstrate how their needs fit with national priorities. Their own, real priorities risk being either ignored or dressed up. This can lead to mutual distrust and cynicism. Second, national spending priorities are usually opaque until announced. The most obvious – and important - example of this is the Budget, set annually without any systematic consultation with London

[41] *No Stone Unturned*, p6, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/34648/12-1213-no-stone-unturned-in-pursuit-of-growth.pdf

government or the London LEP (representing about one fifth of the economy). This means influencing national government is an art rather than a process. Third, the lack of devolved funding and fiscal power leads to national government taking decisions on local matters. For example about investment in relatively small pieces of infrastructure - that are not of national importance and which should by contrast be taken by the appropriate local authorities.

5.22 The Growth Deal initiative is an opportunity for the LEP, Mayor and local authorities to continue to promote, champion and lead a strategic approach. However, the additional resources potentially on offer via the Growth Deal process are pitiful compared to the overall expenditure within the capital: the GLA group alone is budgeting a £17 billion spend in 2014-15. Boroughs will collectively spend a similar amount, while national government agencies will exceed this level of spending. Critical to the better exercise of control by London government of these expenditures will be having a more direct control over the sources of funding for these spends.

5.23 For meaningful change, we are calling for fiscal devolution of the full suite of property taxes to city government. In May 2013, the independent London Finance Commission (LFC)[42] chaired by Professor Tony Travers made a number of recommendations to the Mayor of London to improve financial arrangements for London government. Its main recommendation was as follows: *'London government should have the freedom to make appropriate investments in its own infrastructure both to cater for the growth already forecast for its population and economy, and to promote additional economic growth. Relaxing restrictions on borrowing for capital investment within prudential rules and devolving revenue streams, including from the full suite of property taxes, will afford London government the autonomy to invest in the capital and increase its accountability to London's residents and businesses, without affecting the financial settlements of other parts of the country.'*

5.24 The Mayor of London and London Councils accepted all the recommendations of the LFC, which were also endorsed by the Core Cities in recognition of their applicability to other cities outside London. These bodies have subsequently formed the joint *City Centred* campaign to work together to make the case to decision makers for fiscal devolution to cities. A number of similar initiatives are continuing, with the Core Cities, LGA, CIPFA, Centre for Cities and others all pressing in various ways for fiscal devolution.

5.25 Within England, one of the OECD's most centralised countries, a paradigm shift in how central and city government relate is needed to give London and other cities meaningful powers to promote growth, in line with international cities. Legislation will be required to devolve fiscal powers, and central government must entertain mature peer-to-peer dialogue with city government to improve

[42] http://www.london.gov.uk/priorities/business-economy/publications/raising-the-capital

local service delivery, increasing efficiency and allow successful local economic development. Widespread evidence suggests devolution would encourage greater accountability to taxpayers. It would also increase the incentive to grow the tax yielding parts of the economy, allow much greater and helpful local discretion within the tax system and reduce inefficient bargaining between local and national government. Other benefits include encouraging greater local responsibility for decision making, making sure decisions are made at more appropriate levels, and ensuring there is greater support and acceptance for decisions taken by local government.

5.26 Concerns over devolution because of perceptions of the potential for irresponsible local government spending are overplayed for the following reasons:

- Any comparison with central government must take into account recent examples of poor value for money (VfM) at the national level [cite evidence –NHS IT system, abandonment of identity card project, West Coast mainline franchise debacle, Olympic security contracts etc]. The lingering presumption we believe may still exist in Whitehall that 'central is better than local' is challenged, if not rejected, by the empirical evidence;
- National government will always have step in powers by virtue of being national government;
- The Prudential Code provides a powerful framework that ensures local government maintains financial discipline;
- Negative examples of local government irresponsible spending are mostly historic, not current;
- As there is a much larger number of local authorities compared to spending departments it is easier to pick out examples of poor spending at local levels;
- Local authorities are much more transparent and therefore accountable than central government (for instance with regard to the Freedom of Information Act and in terms of their policies with regard to the publication of papers);
- There are many examples of local government prudence and cost effectiveness and examples where a modicum of devolution has paid dividends; and
- A stronger relationship with the local taxpayer base would encourage greater rather than less accountability.

5.27 Another concern often expressed is the risk implicit within devolution of increasing regional disparities by allowing London to grow faster. However, it is evident that as well as being one of the most centralised states, the UK has already some of the greatest regional (and local) disparities already – the centralised system appears not to be working very well. Further, holding London back is unlikely to benefit other regions given London's strong relationship with the rest of the UK economy.

5.28 Letting London government control property taxation in the capital will enable reform that has hitherto been impossible to achieve. The valuations on which the council tax system is based are nearly a quarter of a century old; the last business rate valuation was carried out in 2008 and has recently been put off by central government; stamp duty is widely regarded as inefficient, hampering the movement of London's population, and affecting the needs of the workforce; and the redistribution of resources from the capital to central government and back to individual councils is now so opaque that the original intentions of the local government act have been lost.[43]

5.29 With population forecast to reach ten million in the 2030s and potentially over eleven million by mid-century, London government needs greater autonomy to make the investments that this level of growth will require without recourse to national government. London is likely to exceed its population peak of 1939 sometime in the next year.

5.30 Fiscal devolution has been supported by the current government in three recent and major reforms of government finances:

- The partial localisation of business rates in 2011 was justified as a way of incentivising growth[44]
- The decision to devolve stamp duty and landfill tax (with a future referendum on devolving the power to vary income tax) to the Welsh government in November 2013 was proposed as a way of enabling Wales to borrow to invest in its infrastructure – a very analogous position to London's.[45]
- Devolution to Scotland in the Scotland Act 2012.

5.31 In return for fiscal devolution and a long-term funding settlement, with a quid pro quo reduction in central government grants, the deal for central government will be:

- an ability to focus on national priorities rather than be distracted by local and regional issues

[43] Reference to intended impact of the local government finance act to equalise resources such that a band D council tax bill should be similar in every authority in the country.

[44] Reference to Henry Overman's work

[45] "Infrastructure in Wales has suffered from years of under-investment….We will give the Welsh Ministers borrowing powers, so that they can borrow money to invest in Wales; we will devolve certain taxes…to ensure the Welsh government has an independent funding stream to pay back the money it borrows: we will devolve Landfill Tax and Stamp Duty Land Tax in Wales." Danny Alexander, statement to Parliament.

- higher overall growth with continued receipt of the majority of the tax base
- fewer spending negotiations with regional and local government.
- a more mature dialogue between central and local government regarding the latter's strategic priorities, rather than negotiations over minutiae.

Towards fiscal devolution

5.32 We would be happy to discuss further with you how progress towards fiscal devolution could take place in practice. But it first needs to be agreed that it has merit and is worthy of further exploration. As local government is almost totally united in believing that it does, and is providing an increasing body of evidence in favour, the current onus is on central government either to provide evidence to justify the status quo or to work with us to bring about genuine reform.

c) Employment

Introduction

5.33 We believe employment programmes led from the centre will inevitably struggle to connect with local labour market conditions. By contrast, locally led schemes allow the development of targeted and integrated employment services able to address the needs of those furthest from work

5.34 Set out below are our proposals to improve provision of employment services in London. Through devolution we believe London government can provide more effective employment support programmes that ensure the benefits of growth are shared and those furthest from work can be moved into rewarding employment.

5.35 Our vision is of a clear journey from welfare to work done through integrated and targeted support that meets the unique needs of London's unemployed and the challenges of a competitive global city; a settlement for London that ends the currently fragmented mix of funding streams and institutions that combines the very best of local service expertise with city-wide strategic leadership.

Summary of proposals

5.36 The London Enterprise Panel (LEP) believes we can make step change on reducing entrenched worklessness in London through a Growth Deal on employment support.

5.37 In the following section we propose:

- Londonwide devolution of employment provision with mainstream programme budgets passed to London and sub-regional groupings of boroughs as contracts end, including:
    - JCP Flexible Support Fund: £19m pa (continuous, co-commissioned funding with JCP)
    - Work Programme: £24m pa (ending March 2016)
    - Work Choice: £10m pa (ending 2015)
    - Future families programme: £8.5m pa (DWP Troubled Families Programme is due to end in March 2015)
    - Youth contract: £4.4m pa (ending 2015)
    - Work Programme Completers Pilot: Estimated £12m pa (new funding stream, starting 2014).
- To develop a reinvestment model informed by pilot works (outlined below) where savings in benefit costs generated by higher success rates in getting people back to work are devolved to reinvest in Londonwide or sub-regional employment programmes.

- All funding and responsibility for the Local Support Services Framework (LSSF) is allocated to local authorities and a commitment made to the long-term continuation of local support service partnerships.

5.38 In return we offer:

- To work towards achieving a single flexible funding pot that:

focuses on embedding sustainable employment and progression at the heart of all commissioning and employment delivery.

5.39 To create partnerships at a sub-regional level between groups of boroughs that will:

- provide an improved, co-ordinated job brokerage service for employers that reduces bureaucracy and interactions with public agencies. This would be funded through a combination of existing borough resources and parts of the devolved funds;
- work with partners including schools, colleges, providers, careers service and JCP to receive progress and performance reports from providers of all commissioned programmes.
- analyse the employability support needs of their local area in line with labour market opportunities and employer requirements and share this with the LEP;
- provide or commission tailored programmes that address these needs and manage the performance of these programmes, aligning other local services to them;
- establish and lead LSSF partnerships that maximise access to Universal Credit and are accountable for outcomes; and
- provide a wraparound welfare service that moves people from claiming benefit to skills and employment services in a manner tailored to individual circumstances.

5.40 We recognise this is an ambitious proposition. To make sure delivery and governance arrangements are robust and effective, we will develop and create four pilot projects to help demonstrate different parts of the panel's employment offer, London's readiness to deliver and its ability to improve on current performance:

1 An ESA Work Programme Leavers pilot to boost employment outcomes with mandated ESA claimants;
2 An ESA 'Entry' pilot to demonstrate improved outcomes for all new ESA claimants who are in the Work Related Activity Group;
3 A Local Support Services Framework pilot
4 A Flexible Support Fund Co-commissioning pilot, to show how groups of boroughs and the DWP can effectively co-commission employment services.

We also wish to begin negotiations with government on the development of any successors to the Work Programme due to be let in 2015-16 to ensure improved performance for all groups.

We will also establish a new data sharing agreement with DWP, Skills Funding Agency, local authorities and employment providers to ensure comprehensive real time data sharing on employment and sustained employment outcomes using HM Revenue and Customs data.

London wide devolution of employment programmes

Proposition 2: We propose that responsibility for the delivery and funding of employment programmes is progressively devolved to London as existing national contracts come to an end. In return for a single funding pot for employment services in London, we will establish sub-regional partnerships capable of creating more effective and integrated employment support programmes that address the specific challenges of London's long term unemployed and get more people back to work.

Rationale

5.41 Despite the strength of its economy and the generation of over 326,000 jobs in the last five years, London faces a significant and large scale employment challenge. London's employment rate has remained consistently below the national average for the last 20 years. Whilst London's labour market has been resilient during the recession, it has seen persistent and growing levels of very long term unemployment – more than a six-fold increase since 2009, outstripping levels in other regions.

5.42 London is a diverse city and its LEP covers the largest population in the country. It has divergent unemployment levels, with the unemployment rate ranging from just 4.7 per cent in Richmond to 14.9 per cent in Barking and Dagenham[46.]

5.43 One of London's key strengths – an open and fiercely competitive labour market – means that not enough Londoners are getting the jobs created in the capital or progressing in work. There are two reasons for this:

[46] Annual population survey (2013) available at: http://www.nomisweb.co.uk/

1. A significant cohort of Londoners has multiple barriers to getting a job

Specifically, many residents:

- speak English as another language – the proportion of people who report not being able to speak English well or at all is 4.1 per cent compared to a national average of 1.3 per cent.[47]
- suffer with mental ill health - London is estimated as having higher rates of mental illness than the rest of the UK[48]
- have drug and alcohol abuse issues[49] - In 2006-07 London had the highest estimated rate of problematic drug users at 14.2 per 1,000 population
- are aged between 18 – 24[50]
- have a physical disability, equating to approximately 1.4m people in the capital[51]
- live in a 'troubled family'; London has 18 per cent of the national total of troubled families[52].
- High childcare costs and a lack of part-time jobs are also significant barriers to getting a job in London.

2. Mainstream employment support programmes are not adequately meeting the needs of Londoners, particularly the hardest to help

In London, up to £8 of every £10 of employment support funding is spent on programmes that are designed and provided according to national guidelines. There are a variety of programmes commissioned to different geographies across London, leading to a confusing picture of delivery. Many of these programmes are not reaching minimum expected performance levels despite a resilient job market. A locally informed commissioning process would offer better results, given the unique challenges facing Londoners.

5.44 The **Work Programme** continues to underperform in London, particularly for the most disadvantaged groups. It is not meeting its Minimum Performance Level (MPL) for 18 – 24 year olds on Jobseeker's Allowance (JSA). For Employment Support Allowance (ESA) claimants job outcomes in London are 3½ times below the MPL, and the latest data released showed that only 4.3 per cent of

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[47] Office for National Statistics, (2011). 'Language in England and Wales'. [Online]: ons.gov.uk/ons/rel/census/2011-census-analysis/language-in-england-and-wales-2011/rpt---language-in-england-and-wales--2011.html
[48] Public Health England. (Various). [Online]: apho.org.uk/resource/view.aspx?RID=39296
[49] Ibid.
[50] London Councils (2013), 'London Facts' [Online]: londoncouncils.gov.uk/londonfacts/default.htm?category=2
[51] Ibid.
[52] Department for Work and Pensions (2013), 'Department for Work and Pensions ESF 2011-2013' [Online] Available at: http://www.dwp.gov.uk/esf/resources/co-financing-organisations/dwp.shtml

individuals on ESA find sustained work[53]. Overall only 15 per cent of Work Programme starters have achieved a sustained job outcome in London[54].

5.45 Programmes for the most disadvantaged Londoners are underperforming. For **Work Choice** (targeting more severely disabled people), only 860 people have achieved a job outcome since the programme began in 2010. This is 13 per cent of all referrals and compares to a national rate of 23 per cent. Since the start of the programme in January 2012 the **DWP Troubled Families Programme** has only achieved 150 job outcomes against a target of 2,899[55] in London.

5.46 Interventions to tackle youth unemployment are also not reaching those that need them most. The **Youth Contract** targets different age groups, but the wage incentive element is intended to increase employment levels for 18 – 24 year olds. Although regional performance figures do not appear available, the Social Mobility and Child Poverty Commission found only 2,070 young people had completed a 26 week placement and the '£1 billion Youth Contract has made no real impact on long-term youth employment which is at a 20 year high'[56]. This is set against 32,230 young people claiming JSA in the capital (January 2014).

5.47 We believe the following factors to have contributed towards the underperformance of these programmes:

- Lack of integration with local services;
- Payment structures that do not incentivise providers to work with clients with complex needs;
- Complexity in the employment support system that inhibits pooling resources and employer engagement, and leads to overpayment for outcomes, high levels of deadweight, double funding and duplication of provision;
- Inability to share data on programme performance and client journeys, meaning partners are unable to build trust and effective partnerships at a local level.

[53] Cumulative figures from June 2011 – September 2013
[54] Cumulative figures from June 2011 – September 2013
[55] National Audit Office (2013). 'Programme to help families facing multiple challenges'. Available at: http://www.nao.org.uk/wp-content/uploads/2013/12/10254-001-Troubled-families-Book.pdf
[56] CSN Policy Briefing (2013) State of the Nation 2013 Social mobility and child poverty in Great Britain. Available at: http://content.govdelivery.com/attachments/UKLGIU/2013/12/12/file_attachments/257459/State%2Bof%2Bthe%2BNation%2B2013%2Bsocial%2Bmobility%2Band%2Bchild%2Bpoverty%2Bin%2BGreat%2BBritain.pdf

5.48 The introduction of Universal Credit (UC) presents a unique opportunity to redesign employment and support services for the most vulnerable claimants in London. The LEP estimates around 850,000 Londoners will be eligible for UC[57].

5.49 **Progress to date (evidence base)**

UC will replace six working-age benefits and radically alter the way the state and individuals interact in the welfare system. Most UC recipients will be expected to manage their claim online and largely independently, receiving payment monthly and taking steps towards some or more hours of work.

Linking assessment for benefits with an employment offer developed jointly by key local partners (eg borough and Jobcentre Plus) will result in an integrated service that improves the claimant journey towards work and provides savings to the public purse. Universal Credit offers a unique opportunity to reshape the welfare to work offer by integrating local support services with local and regional employment offers based on a common assessment of claimants' needs.

5.50 In contrast, programmes run and commissioned by London boroughs are achieving much better sustained employment outcomes compared to current mainstream programmes. These programmes work with smaller cohorts than mainstream programmes but the LEP is confident they can be scaled up effectively.

[57] Includes numbers for JSA, IS, ESA & IB claimants (DWP, May 2013) and Working Tax Credit (HMRC, Dec 2013)

Ealing's Vtalent is a volunteering programme designed for people aged 16 – 24, which includes time for training, administration and personal development. Volunteers work towards achieving an accredited Level 2 qualification.

Sustained job outcome rate: 55 per cent

Reasons for success:

- Ealing Council worked closely with partners (for example JCP).

- Volunteers were embedded in the Children and Young People's Service (demonstrating real opportunities).

- The process for engagement was kept simple.

Brent in 2 Work was a boroughwide network of local specialist voluntary and community sectors, private and public sector organisations providing welfare to work. It was the council's arms-length employment agency supporting the borough's most vulnerable residents. At its peak, the agency supported over a thousand residents a year into work. It had strong links to local employers and offered support from the council's housing team, revenue and benefits and Citizens Advice Bureau.

Sustained job outcome rate: 40 per cent

Reasons for success:

- Partnership approach with a strong focus on the local labour market.

- Awareness of the barriers to work for local people, for example language skills meant targeted support was designed eg Language 2 Work.

- The service responded to employers' needs.

Southwark's Vocational Recovery Service was co-designed and funded by the South London and Maudsley Health NHS Foundation Trust (SLaM) and Southwark Council. It was a specialist training and advice programme to help people with a range of mental health barriers to access employment, as part of the Southwark Works programme. The service has been continued by SLaM, operating in partnership with the wider Southwark Works programme.

Sustained job outcome rate: 28 per cent

Reasons for success:

- Co-location of Improving Access to Psychological Therapies services and the employment services team (with the same employer) leading to shared goals.

5.51 Boroughs are at the forefront of designing employment programmes that try to overcome the barriers created by national commissioning. Boroughs are also building on the valuable experience and lessons from supporting households affected by the benefit cap and will be applying this learning to develop an integrated approach towards welfare and Universal Credit.

5.52 **Addressing the lack of integration with local services -** Lewisham, Lambeth and Southwark are exploring how wraparound services can be brought to individuals receiving Universal Credit. Building on Lewisham's benefit cap pilot, an intensive triage system is proposed to identify the best support pathway on a client by client basis. This will ensure that where clients need additional support services (such as housing support or a family intervention), the local authority will take responsibility for that person's job seeking needs. This will involve negotiation with other providers and will create an integrated and holistic job brokerage offer to individuals.

5.53 **Tackling payment structures that do not incentivise providers to work with clients with complex needs -** London Councils' ESF programmes have been designed to ensure that clients with complex needs are not 'parked'. Contractors must target economically inactive residents, and 15 per cent of contract funding is paid up-front, allowing smaller specialist VCS organisations to work with this particular client group, alongside strong contract and performance monitoring.

5.54 **Overcoming complexity in the employment support landscape** - The London Borough of Brent is approximately a year into the provision of its innovative Navigator Programme. This service provides a dedicated officer to help jobseekers map out the barriers to work, signpost them to appropriate services, support individuals to find jobs and provide support for as long as clients feel they need it. The aim is to help service users navigate a complex system.

5.55 **Dealing with the inability to share data on programme performance and client journeys** - The West London Alliance's Public Transformation Network is prioritising work and skills; a vital element of their proposal is pooling data and evidence to develop a clear business case. The network will work together to improve its commissioning and purchasing of services, create new joint initiatives and develop collaborative tools and mechanisms. All of this will be underpinned by shared data.

5.56 **Universal Credit** (UC) is scheduled to be in place by 2017. London boroughs have already been involved in some UC pilots – the London Borough of Southwark undertook a direct payments pilot and the London Borough of Lewisham a Universal Credit pilot.

5.57 Four London boroughs[58] were the forerunners in rolling out the benefit cap. London boroughs co-ordinated the implementation of the benefit cap to over 15,000 households in London during 2013, almost half of all capped households nationally. Many London boroughs worked with local partners to develop a package of support for households affected by the cap – bringing together

[58] Bromley, Croydon, Enfield and Haringey

employment support with housing advice and financial/debt management advice. Boroughs worked closely with JCP, with co-location of teams and joint outreach provision being common.

Lewisham Universal Credit pilot

Lewisham Council developed an approach for working with vulnerable residents that integrates preparation for the benefit cap with wider welfare reforms. It is part of DWP's national local authority led pilot programme. A team was set up comprising officers from the council's housing benefits and housing needs teams and Jobcentre Plus. They provided integrated support to residents affected by the benefit cap across housing, employment, digital and financial spheres to focus on:

- Budgeting and managing monthly payments;
- Sustaining tenancies in the social and private rented sector;
- Transacting with government services online; and
- Accessing employment and work-focused training.

A triage assessment was done for all residents and, for the most vulnerable. A face-to-face appointment was made to develop an individual support plan with a warm hand-off to key agencies to provide support.

5.58 Given more freedom, local partnerships can do more, but they are reaching the limit of what they can do within the current structures. We are confident we can scale up these successful local interventions and develop packages of integrated support, linked to welfare support and skills provision, and improving sustained employment outcomes.

The proposition

5.59 The relative success of national and local programmes suggest government's aims will be better met if responsibility for delivery is progressively devolved to London as existing national contracts come to an end. The LEP proposes the government works towards creating a **single funding pot for employment services in London**, made up of co-commissioned mainstream funding (between DWP and groups of boroughs) and targeted funds that should be fully devolved to the local level. This would replace mainstream employment programmes.

5.60 The pot would be ring-fenced for employment support but should allow for greater flexibility than the current national funding streams provide. The single funding pot would be devolved to the London LEP where it would then be distributed to groups of boroughs working across functional economic areas based on a funding formula that reflects need and is designed jointly within London. Groups of boroughs should be given the freedom to decide where to target these resources in line with local need.

5.61 The single funding pot for employment support should be devolved to London as existing mainstream contracts end. For example:

- Work Programme: £24m pa (ending March 2016)
- Work Choice: £10m pa (ending 2015)
- Future families programme: £8.5m pa
- Youth contract: £4.4m pa (ending 2015)
- Future funding for the Local Support Services Framework for Universal Credit.

5.62 The gradual release of money would ensure there is no break in delivery and provide government with the confidence that groups of boroughs are ready to deliver and design effective employment support programmes.

5.63 The single funding pot would be commissioned on a payment by results basis, ensuring that the activity results in a net benefit to the public purse. The LEP will also work to develop a reinvestment model that ensures groups of boroughs receive some of the financial benefits generated from their work supporting people back into work. It would expect to negotiate the terms of a reinvestment model with the government as part of the Growth Deal process.

5.64 The LEP also wants to fully integrate support services for Universal Credit provision into employment services via the single pot and develop innovative features such as single points of access and wraparound, co-ordinated support to claimants as standard features in the system. London boroughs already provide one point of access to a range of local services and are therefore well placed to bring coherence and efficiencies to the customer journey that claimants will undertake.

5.65 Local government and the DWP are in the process of devising a blueprint for a Local Support Services Framework (LSSF) to establish services locally that maximise access to UC for individuals unable to make and maintain a claim and move into some or more work. To make this operate effectively, London boroughs need certainty as soon as possible about the LSSF and must be able to directly manage the associated funding to address specific local needs, working closely with Jobcentre Plus.

5.66 The LEP supports boroughs' concern at the delays in agreeing the LSSF and therefore proposes that government agrees an Overarching Partnership Agreement with London local government by summer 2015, as is being agreed for Scotland and Wales. This agreement would cover:

- support to be delivered;

- central funding available;
- outcome and a payment by results funding mechanism, with all budgets used for local support services for Universal Credit held by London boroughs (or groups of boroughs).

The offer

5.67 In return for the devolution of employment support London offers:

- increased numbers of long-term unemployed Londoners getting and sustaining a job, resulting in significant savings to the state. Illustrative figures provided at Appendix 7 indicate that a single employment funding pot for London could potentially move an estimated 34,700 people back into work per year and result in savings to the state of £230m;
- an integrated service for Londoners with complex needs, when making claims for Universal Credit, so that wrap around support is available, where required, to get them into jobs;
- higher employer satisfaction with employment providers.

We recognise this is an ambitious and far-reaching proposal that would require careful negotiation with government. However, we have already given some thought to how these arrangements might be structured.

Delivery structure

5.68 London's future employment offer would be managed by groups of boroughs working across functional economic areas – operating at an appropriate level for the labour market and residents. These multi-borough Employment Support Units would bring together employment and skills into one governance and management system across groups of boroughs – to better plan and integrate this delivery across London. Local support services for Universal Credit would be fully integrated into the employment offer. See Figure 5.2 below.

5.69 At the strategic level, the LEP would:

- **provide Londonwide strategic intelligence** for employment and skills to inform provision;
- **benchmark provider performance** by developing a central database and setting clear minimum performance standards;
- **receive progress and performance reports** from providers of nationally commissioned programmes at London and sub-regional levels;
- **monitor employer satisfaction** with employment support and job brokerage services eg in annual business survey.
- **review existing employment support delivery** to ensure appropriate budgets are aligned, and where suitable pooled;

- **secure engagement of large, Londonwide employers** to forward plan for employment and skills needs, commit job vacancies/ work experiences and connect these with local providers.

5.70 Each multi-borough Employment Support Unit would work to be following **guiding principles**:

- Have oversight (and control) over the specified employment budgets for the area;
- Be accountable through formally constituted groups to the political leadership of the boroughs for which they work and so ensure employment services offer good and effective outcomes for residents and business;
- Be accountable to the London LEP in relation to performance;
- Be demand-led – responding to the needs of local employers (with businesses playing a significant role) as well as tailoring programmes to the needs of residents;
- Have established links with the LEP, GLA and Mayor and feed into the Londonwide strategy on skills and employment.

5.71 Each Employment Support Unit would undertake analysis and commissioning as well as overseeing service design and provide employment programmes, through the following **functions**:

<u>Commissioning and analysis</u>

- Hold funding for targeted employment support budgets;
- Co-commission the Flexible Support Fund;
- Assess needs for targeted employment support;
- Share needs analysis with the LEP who would provide strategic oversight and ensure best use of resources in line with what other groups of boroughs are offering and with any Londonwide eg EU programmes of support;
- Manage and evaluate performance of interventions.

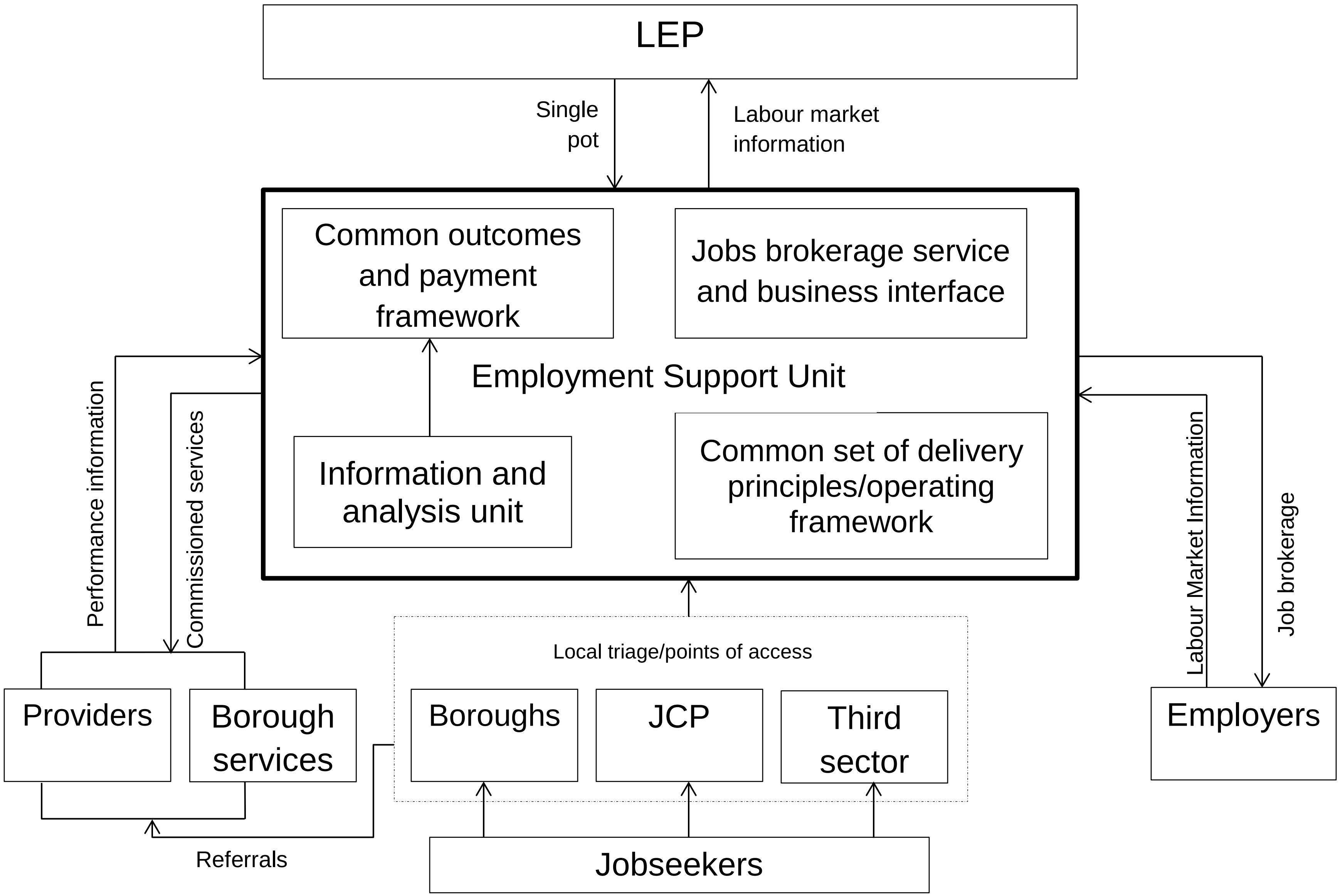
<u>Service design and provision</u>

- Decide priorities for employment support programmes;
- Design services;
- Draw on boroughs existing links and established job brokerage experience to design mechanisms to engage with employers to forward plan for recruitment and skills needs. For example

Newham Workplace is a large borough brokerage service that has more than 12,000 candidates on their books and supported approximately 5,000 into work last year;

- Provide or commission services. These would need to have common operating frameworks, such as a single point of access, triage procedures, scripts (for assessment, review etc.) and common customer journeys. However on the ground provision would vary dependent on local circumstances;
- Arrange single points of access and assessment process for individuals seeking employment or skills support, ensuring individuals with complex needs receive an integrated package of support;
- Arrange holistic assessment of an individual's other needs when they are referred for employment or skills support.

Figure 5.2: Illustrative diagram of Employment Support Units



Management capability to provide

5.72 As demonstrated earlier, London boroughs are extremely experienced in commissioning and providing employment support programmes. They have the capacity and expertise to offer these effectively, alongside the knowledge of their local economies, businesses and residents, and a track record in service transformation. At a large scale, a number of borough groupings are already demonstrating their ability to provide these types of pilots:

Lewisham, Lambeth and Southwark's Public Sector Transformation Network is already designing integrated pathways into work, tailored to individual needs. Their intention is to align existing support services and reduce cold referrals between agencies by implementing a triage system that effectively directs clients based on their needs. The Network already has a programme board in place that consists of local FE colleges, the Skills Funding Agency and welfare to work providers. This architecture is in development and could be adapted to provide an ESA Work Programme leavers pilot.

The Growth Boroughs partnership (formerly Host Boroughs) has been operating for seven years with transparent mechanisms for decision making and managing funding. They have developed a strong provision partnership. The central work of the unit is co-funded by contributions from constituent boroughs.

They have a Joint Committee of the six Leaders and Mayors governed by a memorandum of understanding to support collective decision making. Minutes of the Joint Committee are publicly available. Thematic partnerships involve a range of partners including business, colleges, DWP, NHS, GLA, TfL and LLDC.

Confidence of others in the partnership is demonstrated by the number of grant funded programmes awarded to the Growth Boroughs partnership. These have been awarded by a range of funders including the GLA and DCLG. Through these programmes the partnership has provided a range of projects and programmes including:

- Supporting 6,223 people into work through a City Strategy Pathfinder CSP programme

-Working with LOCOG to achieve targets for local employment - 24,332 growth borough residents were employed by LOCOG directly or by one of its contractors during Games time of which 8,683 were previously workless.

The **West London Alliance** has a history of over 15 years of collaboration to support the sub-region's economy and infrastructure, as well as an impressive track record of shared services and joint procurement. It has well-developed and robust governance arrangements. The agreement to work together is articulated in an 'Accord' document agreed between the councils. The strategy and direction of the Alliance is set by meetings of the WLA councils' Leaders and Chief Executives Board. Monthly Chief Executives' Board meetings provide oversight and performance management as well as identifying and tackling future opportunities and challenges.

Each WLA programme has its own programme board of relevant corporate directors with a chief executive sponsor and a representative from the West London Treasurers' Board. Sub-groups for particular work streams are formed as necessary and report to the programme boards. The WLA and the programme boards produce annual reports and business plans.

Recent achievements include:

- Establishing a West London Procurement Board and Hub aimed at saving £15.7m by March 2016 with completion of an innovative joint parking procurement in 2013 saving three boroughs £7.2m over five years.

- An estimated £10.62m of costs avoided and cashable savings through the Adults' Social Care Improvement and Efficiency Programme in 2011-12 with further savings in future.

- Development by the West London Housing Partnership of an online housing applications service, potentially saving councils up to £1m per year.

- Adults' CarePlace system so successful other London boroughs are now using it

Summary of Proposition 1:

LEP	Government	Private Sector
Work with groups of boroughs to provide a single devolved employment support pot in the capital. Support boroughs and Government with strategic intelligence, performance data and Londonwide employer engagement.	Work towards creating a single funding pot for employment services in London, including co-commissioned mainstream funding (between DWP and groups of boroughs) and targeted funds that should be fully devolved to the local level.	Provide jobs and work experience opportunities for claimants on this pilot.

5.73 In order to move towards the comprehensive improvement in employment programmes across London outline above three types of medium intervention will be valuable.

- First, there is the opportunity to shape future approaches through negotiation on amendments to the current design of contracts and their supporting architecture;
- Second, there is an opportunity to start work immediately on improving data management and data sharing between agencies for employment and skills programmes;
- Thirdly, through this submission we wish to agree four London pilots that address the needs of some of the hardest to employ, sharing risk and reward on successful provision.

Proposition 3: The LEP proposes to work with government and inform the development of any successors to the Work Programme due to be let in 2015/16 to ensure improved performance for all groups and stronger links with skills provision.

Rationale

5.74 The current Work Programme design includes some of the best features of previous back to Work Programmes including long term contracts, black box approach, payment by results and differential pricing. The scheme launched in June 2011 and is the largest and most ambitious government back to Work Programme. It is due to be re-let in 2015-16. The LEP is keen to start discussions with government immediately to influence the design and delivery of the next round of the Work Programme so that there is improvement in employment and progression opportunities for all customer groups. This will reduce the unemployment and inactivity rate in London.

5.75 Greater integration of employment provision is needed with other local services. This should include direct links with the work of the LEP, local authorities, health services, JCP and local probation. A major barrier to entering employment is the mismatch between the skills of individuals and the skills demanded by employers. As well as the sector specific skills required to perform a role, this often also relates to the employability skills expected by employers when recruiting. Better alignment of skills provision funded by the Skills Funding Agency and employment programmes is needed to ensure that labour supply is truly responsive to what employers are seeking.

5.76 With this, the LEP needs greater flexibility to allow DWP/ JCP customers to undertake or to continue skills and/ or employment programs where it is better suited to their needs prior to being mandated onto other provision. This is particularly prevalent where customers are undertaking longer duration courses that are likely to provide them with stronger prospects of finding employment or progressing into higher education. Often this occurs where people are undertaking 'full time' courses, despite being less than 16 hours per week or where they reach a trigger point to enter the Work Programme, such as single parents whose child reaches the age of five years old. This is especially challenging in London owing to the higher rates of claimants and lone parents.

The proposition

5.77 The LEP wants to start discussions with government immediately about how future mainstream employment programmes could be improved, focusing initially on the following areas:

- **ESA cohort:** The panel is keen to ensure that the Work Programme successor projects do more to support the very long term unemployed given the current level of under-performance in meeting minimum performance levels for the ESA cohort. Sufficient provision should be in place to provide intensive and dedicated support for ESA Work Programme leavers and the ESA WRAG group from day one of their claim. This should comprise longer term provision beyond the current two years of the Work Programme.
- **Payment structures/ funding levels:** More needs to be done to ensure people with the most barriers to employment are not parked by welfare to work providers. Recent evidence suggests this might be the case59. Payment structures and funding levels need to realistically represent the costs associated with working with harder to help clients to ensure they receive the specialist help they need to move back into work. We suggest two areas for negotiations. First, progression measures and movement towards the labour market should be considered when designing contracts. This will encourage providers to work with clients that are harder to help (as they will not be perceived to be such a financial risk) and will provide a more tailored programme of support. Second, clients should be categorised not only by their benefit type but also by the barriers they have to finding work.
- **Outcome definitions:** the DWP's current performance measure is partial and only sets benchmarks for the three of the nine customer groups. The LEP seeks that greater data transparency is provided by government to ensure that performance management information is available for all customer groups across all programmes. The LEP is also keen that the DWP reviews the way

[59] Rees, J., Whitworth, A., and Carter, E. (2013). 'Support for all in the UK Work Programme? Differential payments, same old problem'. Third Sector Research Centre: Birmingham University. Available at: http://www.birmingham.ac.uk/generic/tsrc/news/2014/01/support-work-prog.aspx

that it measures job outcomes. The current method which measures performance based on the number of job outcomes achieved in the previous 12 months compared to referrals in the same period is not comparable over time. Only a proportion of job outcomes will be achieved in the year a customer is referred. This is even less likely for the most disadvantaged groups. The performance of the Work Programme is also affected by referral numbers. If referrals to the programme suddenly increase or decrease, performance can be driven upwards or downwards with no change to the number of participants achieving a job outcome. This may also partly explain the Work Programme's improved performance in the second year for the JSA group where monthly referrals have shown a continuing downward trend.

- **Monitoring:** The administrative burden of the Work Programme is significant and detrimental to provision and support – an advisor's workload can end up being half on administration and half on direct provision. This is due to a significant amount of monitoring of a jobseeker's compliance in addition to employability support and in some cases failure to attend the Work Programme can require more administrative input than a client attending and receiving support. Whilst audit is essential as a quality management tool, this should not be at the expense of quality support
- **Better links to skills delivery:** At both Londonwide and at sub-regional level, the LEP needs greater influence and the ability to link skills provision with employment provision. This will ensure people are equipped with the right skills to access existing and future employment opportunities including those at a higher level. With this, the LEP is keen that customers have the opportunity to complete full or part-time courses either alongside or prior to mandatory interventions depending on need and individual circumstances. The LEP requests that this flexibility is applied to all jobseekers and in particular, the following groups lone parents moving onto JSA; 19-24s; women; and those in need of literacy, numeracy or ESOL provision.

The offer

By working together to address the challenges above we believe that the successor to the Work Programme might be significantly improved.

Summary of Proposition 3:

The LEP	Government	Private sector
The LEP seeks to influence and inform the development of any successors to the Work Programme due to be let in 2015-16 to ensure improved performance for all groups and stronger links with skills provision.	The government will work with the LEP to design the new Work Programme or successor projects.	Better alignment between skills and employment provision will ensure skills meet the demand of businesses.

Proposition 4: We propose that government facilitate a new data sharing agreement with DWP, the LEP, London boroughs and employment providers to ensure full real time data sharing on employment and sustained employment outcomes using HM Revenue and Customs data.

Rationale

5.78 To help promote a better understanding of programme performance to policy-makers, employers and customers, the level of data transparency needs to be vastly improved from the current system with more frequent and better quality data. This will give the LEP, local partners and commissioners the necessary strategic intelligence to inform future provision and set clear minimum performance standards. Better data sharing is important to provide fully integrated employment support services between agencies. Examples of where London boroughs have found data sharing to be a block to this include:

- Data sharing around the benefit cap. Legislation was put in place to support limited data sharing between boroughs, DWP and key providers such as Work Programme providers. However, for individuals affected by the benefit cap, restrictions on how this data would be shared by DWP meant inefficient ways of working. DWP would not share the data electronically; meaning vast amounts of data had to be manually shared. This was resource intensive for both sides and inhibited timely data sharing;
- Data sharing on Troubled Families Programme. London boroughs providing the CLG Troubled Families programme had to work closely with the ESF Families with Multiple Problems programme that was intended to provide much of the employment support for the Troubled Families cohort. However, boroughs found it extremely difficult to get both overall data from the ESF provider in London on how many troubled families it has worked with in

their area and the outcomes achieved, as well as feedback on progress of individuals that the authority had referred to the programme. This meant incomplete information on the overall effectiveness of the programme and in boroughs' returns to CLG. It also inhibited wider joint working and further referrals.

The Proposition

5.79 The LEP proposes that a new data sharing agreement is reached with government enabling performance management information and some individual data to be shared between the LEP, DWP and local authorities. Alongside this, the LEP is keen that employment outcomes are measured in real-time using HM Revenue and Customs data, rather than providers going through manual claims processes which can miss some employment outcomes.

5.80 This is also a pertinent point for other skills and employment provision whereby having a system in place that can track employment will ensure that no outcomes are missed.

5.81 This will be particularly effective where customers have moved from one job to another and are not easily traceable by their respective provider or college. This will also minimise errors and potential delays through the current system of validating outcomes and making payments through the claims process.

5.82 The pilot project proposed under Proposition 13 within the Skills section of the deal will provide the opportunity to test this approach and refine it prior to wider roll out.

The offer

Better data sharing is an essential component of driving improved performance of existing programmes and underpins the development of more effective, integrated approaches in future.

Summary of Proposition 4:

The LEP	Government	Private sector
Will form a new data sharing agreement between the LEP, DWP, London boroughs and employment providers ensuring full real time data sharing on employment and sustained employment outcomes using HM Revenue and Customs data. To be piloted, see Proposition 13.	DWP, BIS and Skills Funding Agency agree to work with the LEP, GLA and London boroughs on a joined up process for collection and sharing of data.	With better informed data, the LEP can ensure responsiveness to business needs.

Pilot projects

5.83 The LEP proposes to develop four pilot projects to help demonstrate different elements of the panel's employment offer, London's readiness to provide and its ability to improve on current performance. The pilots would be important steps towards full devolution:

1) An ESA Work Programme leavers pilot to boost employment outcomes with mandated ESA claimants;
2) An ESA 'Entry' Pilot to demonstrate improved outcomes for all new ESA claimants who are in the Work Related Activity Group;
3) A Local Support Services Framework Pilot;
4) A Flexible Support Fund Co-commissioning pilot, to show how groups of boroughs and DWP can effectively co-commission employment services.

5.84 These pilots build on the work of and learning from London boroughs through the Whole Place Community Budget Programme (WCBP), including the West London Alliance and Lambeth, Lewisham and Southwark. The WCBP work covers welfare reform, addressing long term unemployment, NEETs, skills and economic growth.

Proposition 5: We propose to pilot a targeted programme of support for ESA Work Programme leavers providing a more intensive and integrated delivery model. Reward local reinvestment of benefit savings for further growth if agreed targets are met. (Pilot 1)

Rationale

5.85 Whilst performance on the Work Programme has seen an improvement, concerns still remain in relation to Employment Support Allowance (ESA) Claimants. Performance levels are low (4.3 per cent sustained jobs in London), and there is increasing evidence that suggests these clients are being 'parked[60]'. The current DWP response has been to refer these clients back to JCP with increased sanctions and conditionality, as well as some additional support.

5.86 The LEP wishes to pilot at least one targeted, holistic intervention with this client group, in the belief that the intensive wrap around approach, evidenced in the successful borough-led provision of the Troubled Families programme, will mean better outcomes.

5.87 Some key principles of the pilot are:

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[60] Rees, J., Whitworth, A., and Carter, E. (2013). 'Support for all in the UK Work Programme? Differential payments, same old problem'. Third Sector Research Centre: Birmingham University. Available at: http://www.birmingham.ac.uk/generic/tsrc/news/2014/01/support-work-prog.aspx

- interventions are integrated and sequenced with other public services into bespoke packages of support (for example, physical and mental health, substance misuse, and learning and skills support);
- interventions are delivered on a family rather than individual basis as this is more effective at changing behaviours. Key workers will undertake initial assessments of the individual and their whole family of their specific needs and barriers to work;
- intensive support from key workers – with lower caseloads than current JCP provision. Making sure key workers have the skills needed to integrate and coordinate the public services required to provide bespoke support. This means they can challenge and overcome barriers to integration, and actively support individuals into work;
- capturing robust evidence to inform national and local commissioning decisions;
- committing to minimum levels of intervention, quality and support.

The proposition

5.88 The LEP seeks upfront funding from government to provide an ESA Work Programme leavers pilot across groups of London boroughs. The exact cost of this will be reliant on where/ how widely the pilot is tested. It would be our intention to start with groups of boroughs that have the infrastructure in place to deliver quickly.

5.89 The savings through this pilot would primarily accrue to government. As such, the LEP would expect government would pay the majority of the up-front direct costs. This can be developed in negotiation with government.

5.90 The LEP would also expect that due to the complex needs of this client group a large proportion of the money, 70 per cent, would need to be paid up front, with the remaining 30 per cent being paid by results.

The offer

- Based on figures for one of our established groupings of boroughs, a pilot could work with 1,814 ESA Work Programme leavers each year. The pilot would aim for a 15 per cent success rate (current Work Programme performance is 3.3 per cent for this area). This would equate to 272 people back into work per year[61]. This is a stretching target.

- The fiscal case is clear. Manchester's cost benefit analysis (developed with the Cabinet Office) suggests the Treasury can save £13,225 per ESA client moved back into work. Based on the figures above, this suggests annual savings of £3,597,200; with an initial upfront cost of £3,269,200.
- The pilot would provide targeted support based on a local understanding of the cohorts needs (eg in this borough grouping 51 per cent of the ESA cohort are likely to have a mental health or behavioural problem, 89 per cent are likely to have disability and 36 per cent are likely to be BME). Interventions can be commissioned based on this knowledge. Furthermore when working at a group of boroughs level, even more granular analysis is possible and support can be closely targeted to meet the needs of the individual;
- Learning from the pilot would be shared with the LEP and disseminated to all groups of boroughs, and JCP to try and improve existing support for this group.

5.91 These are illustrative figures and the LEP wants to discuss the extent, funding and outcomes of this pilot with government as part of its negotiations with government. The project will be funded in line with the overall fiscal benefits of successfully moving people into work.

Summary of Proposition 5

LEP	Government	Privates
Through groups of boroughs, offer an ESA Work Programme leavers pilot to inform the future design of employment support for ESA claimants.	Provide up front funding for an ESA Work Programme leavers pilot and use the results to inform the future development of support for ESA claimants. The scale of the pilot is to be discussed as part of Growth Deal negotiations.	Provide jobs and work experience opportunities for claimants on this pilot.

[61] For the selected group of boroughs from Sept 2012 – Sept 2013 1,870 New ESA claimants were referred to the Work Programme. The success rate of 3.3% (in this borough grouping) means 1,814 are likely to leave without a job.

Proposition 6: We propose to pilot a targeted programme of support for the ESA 'entry' group providing a more intensive and integrated provision model. Reward local reinvestment of benefit savings to enable further growth if agreed targets are met. The LEP will seek to use its ESF allocation or other resources to meet this delivery. (Pilot 2)

Rationale

5.92 As set out above we believe locally designed employment programmes are essential to tackling London's unique employment challenges. In particular, the Work Programme has been targeted at the long-term unemployed yet performance has been below expectations for people on Employment Support Allowance (ESA[62]) or volunteers on Incapacity Benefit and Income Support. This is of great concern for the LEP and boroughs given the largest number of claimants in London fall into the ESA group.

5.93 Many of the customers in this group will never have received intensive employment support before. Referral onto the Work Programme for this group is either voluntary or can be at any point following the outcome of the customer's Work Capability Assessment. Whilst the LEP understands the need to minimise 'deadweight' costs from people who move themselves into work, for many people, the longer they are unemployed the greater the barriers can become.

5.94 We believe that with a strong partnership between the LEP, DWP, local authorities, skills providers, specialist health services and the private sector we can achieve improved and stronger sustainable employment outcomes and reduce worklessness in London.

5.95 The LDA's black box commissioning project funded under the 2007-10 ESF programme presents an innovative approach to outcome-related funding and is an excellent example of London's success in developing locally responsive employment programmes for the long-term unemployed:

[62] Work Programme is optional for some ESA claimants depending on the outcome of their Work Capability Assessment.

LDA's five 'black box' commissioning projects (2007-10 ESF programme):

With a budget of £2m per project, the LDA commissioned its largest ever outcome-related programme targeted at long-term unemployed groups (mostly of which had been looking for work for over a year before receiving support).

41 per cent of participants on 'black box' projects achieved employment outcomes on leaving and 67 per cent of those who went into work on leaving (28 per cent of all participants) sustained their employment for at least six months. This is particularly impressive as 45 per cent of participants on these projects were economically inactive on starting.

The Benefit Cost Ratio (BCR) of these black box project is 2.49 (Evaluation of LDA Strand 1 ESF Programmes, 2012) which at the time compared favourably with DWP's Work Programme which had an estimated BCA of 1.95 (National Audit Office, 2012).

The proposition

5.96 The London Enterprise Panel proposes to pilot a tailored programme of support targeted at the ESA 'Entry' claimant group. This project will provide specialist support linking health and skills budgets to help tackle employment barriers such as mental health and learning disabilities and move these customers closer to the labour market.

5.97 The LEP proposes to pilot the project in two contract package areas targeted at a selection of London boroughs only. While no decisions have yet been made on the choice of boroughs, the LEP will work closely with local authorities, DWP and the Cabinet Office to reach agreement alongside more detailed design and development of the project.

5.98 Those boroughs that are chosen will form the "treatment area" and all people in these boroughs that make a new ESA claim for benefit and who are in the Work Related Activity Group (WRAG) will be mandated onto the programme from day one. The remaining boroughs will be the 'control area' and enable the evaluation team to establish a counterfactual and ultimately assess the merits of the approach. Further details on the selected boroughs and the evaluation approach will be developed over the coming months.

5.99 Customers will receive intensive back-to-work support tailored to individual needs and circumstances consisting of soft skills training, skills training, motivational approaches, careers advice, job search and work experience. They will also have access to health care services such as those that deal with drug and alcohol addiction, mental health and learning disabilities.

5.100 The programme duration will be longer than the current Work Programme as the data so far has shown that many participants find work at the end of the two years as well as at the beginning. This is particularly prevalent for the most disadvantaged jobseekers with complex barriers and would therefore increase their chances of finding work.

5.101 A separate pilot on in-work progression is being developed by the LEP as part of its European Structural and Investment Funds Strategy to support an evidence base for informing regional and national programmes going forward. The LEP will explore opportunities to link this work with the ESA pilot project.

Financial model:

- Indicative budget of £29.3m ESF matched equally by government;
- Average unit cost per sustained job: £3,000 - £5,000[63] dependent on the level of need and intervention;
- Total cohort size for the treatment group: 19,500;
- 30 per cent into sustained employment at six months;
- 20 per cent into sustained employment at twelve months or more;
- Duration: 2015-2019 for provision with referrals expected to stop by the end of 2017.

The offer

5.102 The desired outcome of this pilot project is to achieve benefit savings to DWP and HMT in return for co-investment. A high level cost benefits analysis will be undertaken over the coming weeks as a basis for discussion with government. With this the LEP and local government will also look to develop a reinvestment model informed by the pilot work whereby savings in benefit costs to the public finances generated by higher success rates in getting people back to work are devolved to reinvest in London-wide or sub-regional employment programmes.

5.103 An indicative timeline for agreement and development of the pilot project is outlined below:

Table 5.1: Provisional timeline for ESA employment pilot project

Date	Activity
31 March 2014	Draft initial proposal submitted to government via Growth Deal
June 2014	Government to confirm decision to develop pilot
August 2014	First draft of full proposal
August 2014	Meeting between LEP, GLA and government officials to agree proposal
September 2014	Final draft of full proposal
October 2014	LEP sign-off
November 2014	Ministerial sign-off
November 2014	Joint press and media strategy agreed
December 2014	Specification development and assessment planning

[63] The unit cost is based on earlier benchmarking undertaken by the London Development Agency for different groups. See ‘Great Expectations: How London Delivered in Hard Times: April 2011’.

Date	Activity
January 2015	Procurement via DWP’s London Framework or alternative commissioning approach[64]
April 2015	Announcement of successful provider(s)
May 2015	Go-live date

Summary of Proposition 6:

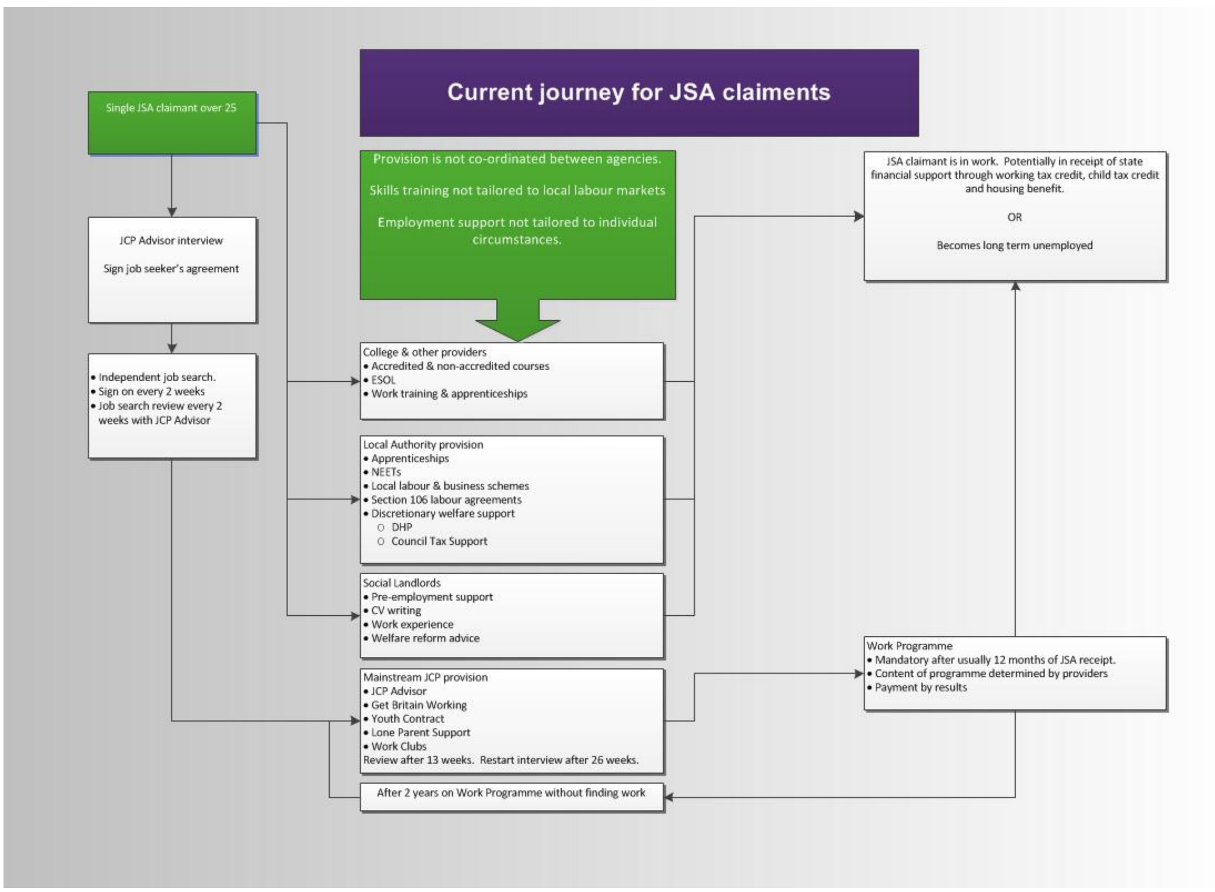
The LEP	Government	Private Sector
The LEP will invest £29.3m of its 2014-20 ESF allocation to increase the number of ESA recipients moving into sustainable employment.	Subject to a detailed business case, the government will co-invest with the LEP to jointly develop and provide an ESA pilot project equally matched with government funding.	LEP engagement with private sector employers to recruit the hardest to help customers.

[64] This is subject to change and discussion with DWP and dependent on the level of contract value and any potential revisions to the Framework.

Proposition 7: We propose to pilot activity on the integration of Universal Credit support services into local and regional employment programmes and other key local services, through a Local Support Services Framework Pilot. (Pilot 3)

Rationale

5.104 Universal Credit offers a unique opportunity to reshape the welfare to work offer by integrating local support services with local and regional employment offers. This would make it possible to provide a personalised, wraparound service on a case management basis to UC claimants without the need for cold referrals between agencies. Research by some London boroughs found current pathways to employment can create a 'revolving door' of support in which Londoners with more complex needs often access employability support repeatedly without gaining sustainable employment. This is set out in the diagram below:



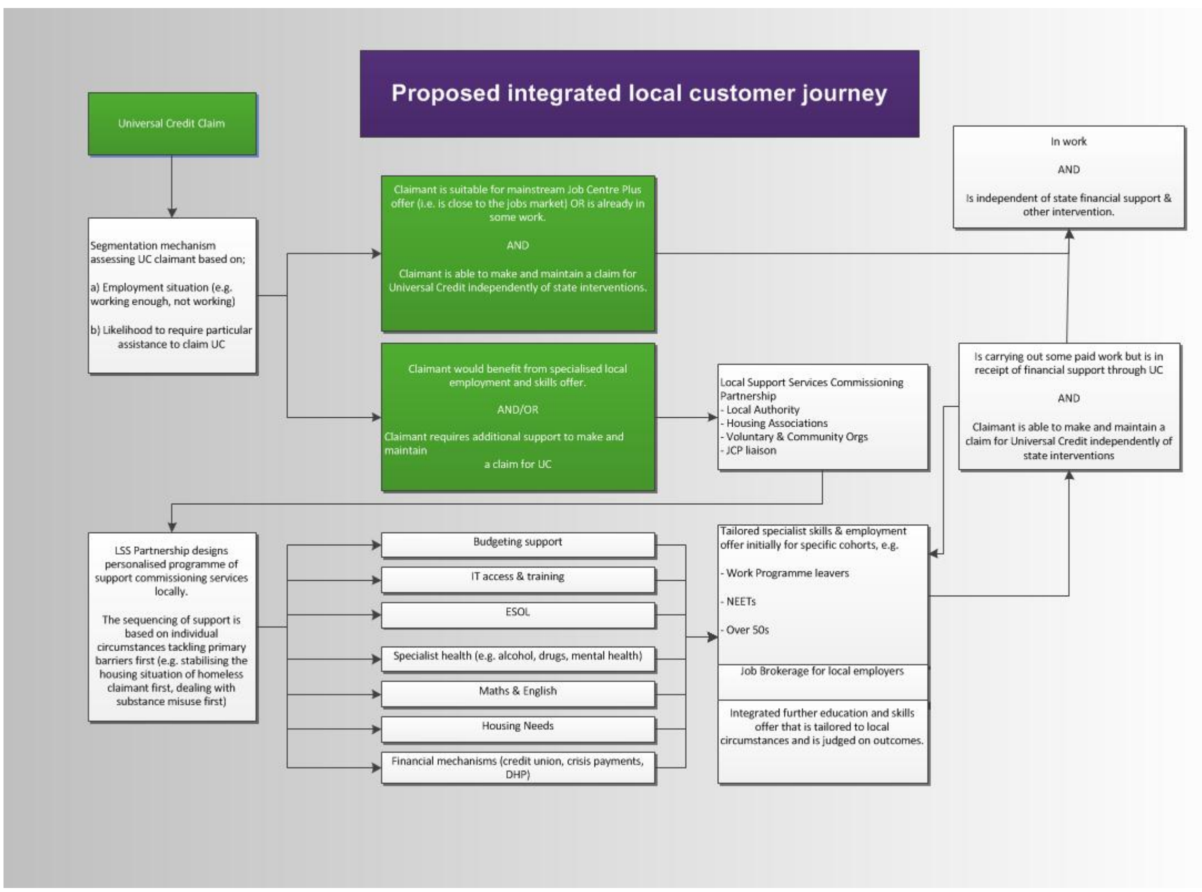
5.105 The LEP supports the approach led by London's boroughs to provide Londoners with the most complex needs to deal effectively with welfare reform, by providing a co-ordinated and personalised employment support programme. The proposed pilot below builds on work already undertaken by Lambeth, Lewisham and Southwark as part of their Public Sector Transformation Network (PSTN).

The pilot would be carried out across groups of boroughs across London with the right infrastructure in place to do this quickly.

5.106 The pilot would:

- demonstrate a 'front end' support framework for the most complex universal credit cases;
- identify and understand the employment and skills needs of residents following transition onto Universal Credit;
- identify which groups of benefit claimants are best dealt with by existing Jobcentre Plus/Work Programme pathways and which groups of claimants are best dealt with through joined-up localised provision;
- demonstrate appropriate customer journeys for identified types of claimants and commissioning interventions through an integrated model;
- work together with SFA and LEP to determine what freedoms and flexibilities are required to get better employment outcomes.

By way of illustration the diagram below sets out how our integrated approach contrasts with the existing customer journey.



The proposition

5.107 The LEP wants the government to agree to co-fund this pilot, providing some upfront funding, and use its evaluation and learning to inform the development of the Local Support Services Framework in London. This would be both in terms of service design and to inform costing the framework. The LEP is confident that the pilot will demonstrate that improved and better co-ordinated services will result in overall savings to government to recoup its initial investment.

5.108 Many Londoners will require more advanced budgeting skills, functioning bank accounts, access to the internet and digital skills in order to effectively manage their Universal Credit claims. These new needs will require an innovative, and more holistic, approach to the provision of local support services. Triage will start a more rounded process, identifying a range of needs in one place.

5.109 The support services will be accessed through a universal triage process for all claimants, integrated irrespective of partner lead or in which borough they access the service. Some claimants are likely to need transitional support to help them adapt to the changes under Universal Credit, whereas a proportion will need more intensive support (around 40 per cent of the total cohort).

5.110 The pilot will then develop an individual, personalised plan for those claimants requiring support based on a rigorous assessment of need. This will include agreement of a lead agency (boroughs, Work Programme or JCP) and warm referrals to support agencies. By co-ordinating and integrating provision, the risk of creating a ‘revolving door’ of support will be minimised. Those claimants needing more intensive support will be identified at their point of making a claim and agreement made across the key agencies as to who will lead this support and the claimant journey towards getting a job.

5.111 The exact nature of the cohort that will access local support services for Universal Credit is not known. However, analysis from Lewisham’s Universal Credit pilot, focussed on supporting benefit cap affected claimants, found that 60 per cent of those involved needed extra support and of this group:

- 21 per cent had self-declared mental health problems;
- 18 per cent learning difficulties;
- 7 per cent experienced domestic violence;
- 15 per cent had literacy issues[65].

5.112 The triage process as part of the Universal Credit pilot in Lewisham also highlighted some of the key issues facing those affected by the cap:

[65] These are self-declared issues and the likely incidence will be higher.

- 62 per cent of residents involved were not currently using the internet for banking, job searches or benefit applications;
- 80 per cent of residents were concerned about receiving Housing Benefit through direct payments
- 95 per cent of the benefit cap claimants had not worked at all in the previous 12 months.

5.113 As stated earlier, around 850,000 Londoners could be eligible to claim Universal Credit.

The offer

5.114 The LEP anticipates the following benefits of the pilot:

- A more coordinated provision model resulting in lower overall costs for the more complex cases that will get individual support from the LSSF. The pilot will test this and compare costs to the current system;
- Reduction in 'revolving door' provision to reduce the cost of getting get long-term unemployed Londoners into a job;
- Identified costs of the transition burden to local authorities and other agencies that can be used to inform arrangements for Local Support Services Framework;
- An opportunity to re-design employment and skills provision locally so that it is:
    - linked to a single assessment of claimant needs with the introduction of Universal Credit;
    - more integrated and co-ordinated, with the potential for cost savings around for the most complex cases.

5.115 All partners recognise there are significant monies already being spent getting people back to work. We want government to allow flexibility in the way that partners working in a local area can pool the money locally spent on access, employability and support for high needs around individuals.

Summary of Proposition 7:

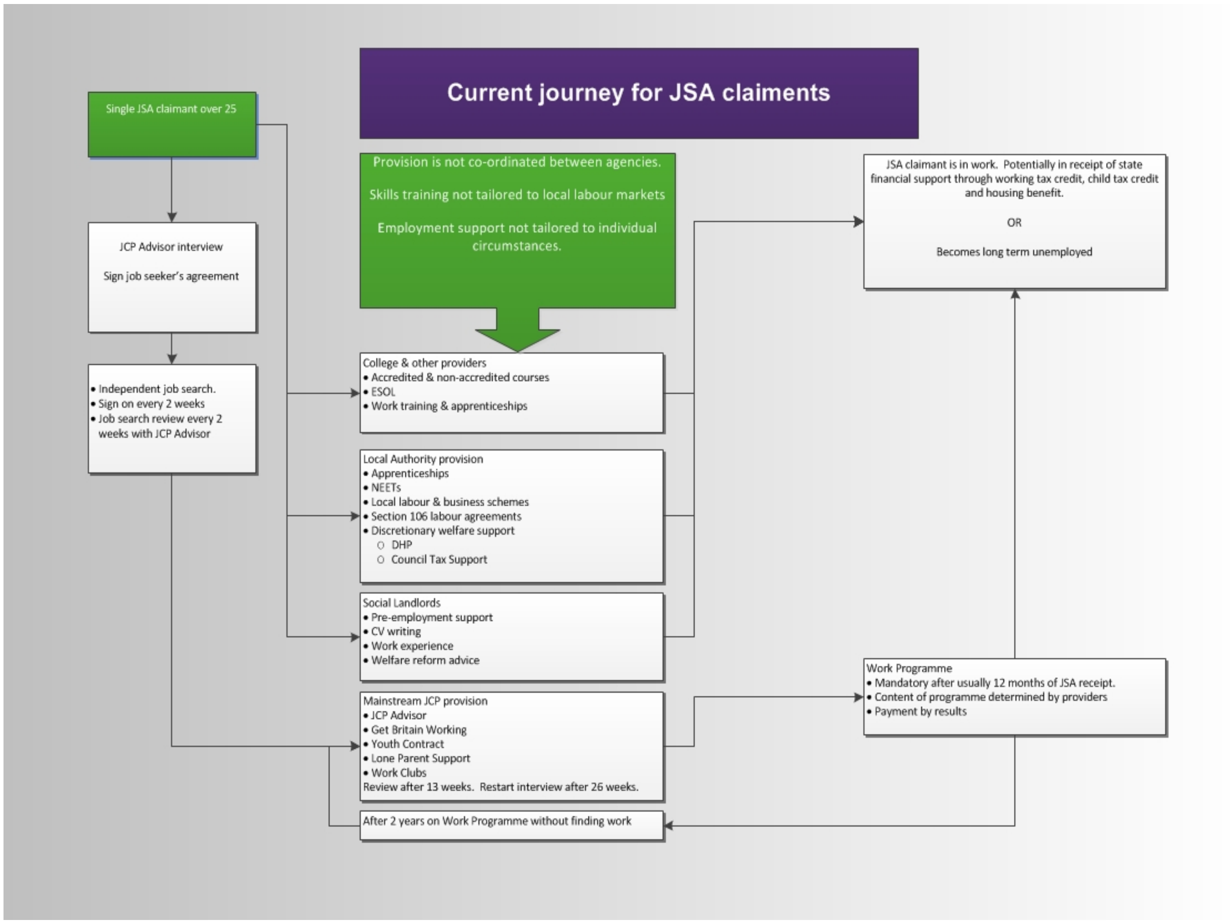
LEP	Government	Private sector
Through groups of boroughs, offer this pilot to inform future design of the Local Service Support Framework (LSSF).	To co-fund a Local Service Support Fund Framework (LSSF) pilot and use the results to inform the future development of the LSSF. The scale of the pilot to be discussed as part of Growth Deal negotiations	Provide jobs and work experience opportunities for claimants on this pilot.

Proposition 8: We propose to pilot and co-commission employment services at a sub-regional level through the Flexible Support Fund (Pilot 4).

Rationale

5.116 JCP's Flexible Support Fund (FSF) gives JCP Districts more freedom to tailor their back to work support to individual and local needs and respond to gaps in provision. Working within local guidelines and priorities, JCP has discretion to decide how to help individuals move closer to or into work. There are concerns that in some areas the FSF is not adequately promoted or advertised to potential bidders. The application process and guidelines are unclear and there is no performance data on how well the fund meets local needs or is addressing gaps in provision.

5.117 When JCP decides how to spend the FSF boroughs are often not consulted in identifying local need, gaps in provision and opportunities. This risks duplication of provision or missed opportunities to add value.



5.118 The LEP would like the opportunity for at least one group of boroughs to co-commission the FSF. This would provide a more strategic approach, informing decisions more fully on evidence and gaps in provision and local opportunities as well as providing opportunities to align other funding streams.

The proposition

5.119 Most recent figures suggest that FSF is £19m per year in London. From the next financial year the LEP asks that DWP allows at least one group of boroughs to work collaboratively with JCP to co-commission this funding stream in line with local priorities and designed to meet local need. Boroughs should become an equal partner in commissioning the services this fund pays for.

The offer

5.120 The group of boroughs identified to pilot the project with JCP will offer the following:

- Boroughs are in control of a number of budgets that could add value to FSF, for example, local authority public health budgets largely fund drug and alcohol interventions. In some places parts of these budgets could be pooled with FSF to add value. Similarly, housing, regeneration and adult social care budgets are often involved in trying to improve employment levels and FSF could support this;

- Integrated commissioning that takes account of the variety of services an individual may be accessing;
- An improvement to the number of sustained job outcomes by FSF.

Summary of Proposition 8:

LEP	Government	Private sector
Through at least one group of boroughs, provide a Flexible Support Fund co-commissioning pilot to inform the future commissioning of this fund.	Work with at least one group of boroughs to work collaboratively with JCP to co-commission the Flexible Support Fund as a pilot to inform future use of this fund, and other co-commissioning between groups of boroughs and DWP.	Provide jobs and work experience opportunities for claimants on this pilot.

Linked initiatives that support the Growth Deal proposals

Whole Place Community Budget (WPCB) programme

These Growth Deal proposals and in particular the proposed employment pilots, build on the work of and learning from London boroughs through the Whole Place Community Budget Programme (WCBP), including the West London Alliance and Lambeth, Lewisham and Southwark. The WCBP work covers welfare reform, addressing long term unemployment, NEETs, skills and economic growth. The West London proposals include:

- tackling long-term unemployment and worklessness through focusing on geographic concentrations and those in receipt of a current DWP working age benefit including all ESA claimants. The aim is to provide a case work approach and align services to wrap round the needs of the clients supporting them into sustained employment – potential cohort about 6,000;

- developing a programme for 14-16 young people at risk of becoming NEET by offering young people in this cohort personalised, sustained support to overcome the challenges at home and at school and to build life skills and confidence. This will involve 'super coaches' working on a regular one to one basis with young people;

- improving skills of those with low skills and low incomes. The aim is to encourage progression and end, or reduce dependence on benefits and will focus on occupations that provide good prospects of employees with new skill progressing into higher paid positions;

- business Support and Growth - (i) supporting start-ups (potential through a business growth hub), and (ii) promoting growth through facilitating knowledge exchange between west London higher education institutions (HEIs) and SMEs with growth potential supported and facilitated by local authorities.

Lambeth, Lewisham and Southwark's key objectives are:

- Identify and understand different groups of people and their employability and skills needs and assess how much the various agencies spend on getting them back to work.

- Identify which groups of benefit claimants are best dealt with by Jobcentre Plus and the Work Programme and which would best be helped by Jobcentre Plus and local authorities.

- Develop a service involving all the partners which will take the most complex cases from first benefit application to employment.

- Develop a face to face service for the most complex cases using the experience gained by the boroughs' involvement in the various universal credit pilots.

- Tackle the gap between residents' skills and current and future job vacancies by mapping the skills needed and amending provision.

- Work together with partners and providers to ensure that LEP has sufficient intelligence on the skills gap in south London.

- Determine a sustainable funding mechanism.

Central London Forward Employment Support programme

Central London Forward (CLF) will work with government to establish a more effective and integrated approach to employment support in the sub region, in order to help:

- people find and stay in work;
- reduce poverty and promote social justice;
- create more productive communities;
- deliver public sector reform and a localised approach to service provision; and contribute to the longer term competitiveness of the area and growth of the wider London economy.

A high level business case has been prepared by Central London Forward (CLF) and its constituent boroughs to set out proposals for how, given a more localised and collaborative approach to employment support, the sub-region's ability to help unemployed residents into work can be improved.

The new approach will initially be done over a three year period and provide more effective support for over 10,800 residents who are currently furthest away from the labour market. The numbers of Work Programme leavers returning to JSA and young people who are NEET (the principal target groups) securing work as a direct result of the approach equates to 20 per cent of current levels across Central London. It is expected that some 2,350 net additional job outcomes (ie those that would not otherwise have occurred) will be achieved over this period.

It is forecast that Exchequer savings in excess of £28m over the first three years will be secured in return for an investment of just over £9m. In other words, the proposal will yield a net return of £3.08 for every £1 invested. The proposition will also offer a wide range of other benefits, not just for government, but also for London as a whole, the Central London area, employers and, not least, currently workless residents.

The following collaborative activities are seen as central to the establishment of a new, integrated approach to employment support in Central London:

- A 'wrap-around' employment service – initially for the most disadvantaged residents;
- Joint commissioning of provision;
- A sub-regional jobs brokerage service for employers; and
- Joined up information and intelligence.

It is proposed that the new approach will be overseen by a partnership of the central London boroughs working with DWP / JCP. It will be co-ordinated through a small team responsible for the co-commissioning of services, the provision of a common framework for employment services and the monitoring, oversight and review of support activities. The main interface with employers for the 'capture' of jobs and provision of a brokerage service will also be at this level.

However, support to jobseekers will take place at the borough level but within the common sub-regional framework. It will build upon and enhance existing provision, ensure linkages with other local services and target new investment to achieve genuine additionality.

Government is requested in particular to:

- involve CLF and its constituent boroughs as early as possible in the design and commissioning of future employment support programmes - including the re-commissioning of the Work Programme in March 2016;
- jointly review the approach and its potential to provide a basis for use of direct investment agreements whereby risk and reward are shared to allow sustainable reinvestment of savings in successful programmes; and
- provide Growth Deal funding to support the essential initial investment in the proposal.

d) Skills

5.121 London's jobseekers face fierce competition from rivals nationally and abroad. If they are to have any chance of getting jobs in the capital's high-skilled knowledge driven economy then it is vital they are able to identify and access training that meets the demands of business.

5.122 Through our proposals set out below we will build the skills base needed to compete and win London's share of global growth, with more valuable workplace opportunities and the right incentives to support job outcomes and workplace progression

5.123 We will better support 380,000 learners a year to develop the skills our economy needs, remove duplication in provision, address poor performance and reward excellent performance. We will also ensure colleges and training providers respond quickly to changing demand and supply.

National

5.124 Link all adult skills funding to job and progression outcomes by incentivising sustainable employment and career and educational progression. We will also set consistent outcome definitions across funders to cut the number of people cycling in and out of work and help ensure employers get the skills they need.

5.125 Revise funding in the capital to incentivise skills and employment providers to work with SME (including micro) businesses.

5.126 Greater data transparency and timeliness of performance data for programmes funded through the Adult Skills Budget to help inform and drive future skills and employment provision.

Londonwide

5.127 Devolve the Skills Funding Agency's (SFA) allocation in full to the London Enterprise Panel (LEP). We will ensure this funding devolution is matched with appropriate devolution of the funding guidance set by the government's skills strategy to maximise economic benefit for Londoners. This is a long term vision and the LEP are committed to further work to propose a working model.

5.128 In the shorter term, the panel requests that at a Londonwide and sub-regional level the following is taken forward:

5.129 Government to match the GLA's investment of £4m until 2016, to a London level to offer a full Apprenticeship Service to support London's businesses; including brokerage, marketing activities and administrative and technical support to SMEs to help minimise risk to recruiting.

5.130 Greater influence over the design and provision of the National Careers Service, including support for young people aged 14-19 and quarterly reporting to the London Enterprise Panel.

5.131 Pilot the use of National Insurance data via the Individual Learner Record to measure participant outcomes in real-time using HM Revenue and Customs data and reduce provider bureaucracy through the claims process that can miss some employment outcomes.

Sub-regional

5.132 Building upon the recent MOU with the SFA, the LEP asks that the SFA ESF allocation is further devolved and that the LEP, working in partnership with London Councils and groups of boroughs to set the priorities, target cohorts, payment models and desired outputs for the SFA's ESF programme. In addition, London Councils to act as the contracted agency to manage this programme on behalf of the SFA in a tri-partite agreement between the SFA, London Councils and London boroughs. Government to agree to a proportion of the SFA's ESF management and admin allocation are made available to London Councils to help enable these arrangements.

5.133 In order for London's economy to grow, employers need to have a workforce with the knowledge, experience and skills to help them run and expand their operations. The LEP wants to ensure that all Londoners are well placed to successfully compete for jobs and when in them, thrive. As such the LEP has the unique opportunity to shine a light on the government's existing programmes, supporting that which is good and challenging that which could be better.

5.134 The Growth Deal provides a real opportunity for the LEP to use its strengthened role to continue to promote, champion and lead a strategic approach to employment and skills for London. This approach will aim to get more Londoners into work and to give them the skills they need to compete for London's jobs. Eighty four per cent (183) of those surveyed by the panel either strongly agreed or agreed that 'improving the skills and employment system to focus investment onto sustained employment' is essential. Therefore, for this to become a reality the LEP calls on government to make the following changes to the way adult skills funding is delivered in London.

Proposition 9: Devolve the Skills Funding Agency's (SFA) allocation in full to the London Enterprise Panel (LEP) and matched this with appropriate devolution of the funding guidance set by the government's skills strategy to maximise economic benefit for Londoners. This is a long term vision and the LEP is committed to further work to propose a model through a Skills Enquiry for London.

Rationale

5.135 Around £577m is spent by the SFA each year on adult skills in London. We have 49 colleges supporting 380,000 learners and hundreds of training providers supporting thousands more employers and learners. There are some excellent examples of world class provision and many Londoners are supported into work and helped to progress through high quality employer-led training. The freedoms and flexibilities introduced by the coalition government in 2010 means that providers across the system have been freed from regulations and bureaucracy to respond to employers and Londoners' needs. Initiatives such as the Employer Ownerships of Skills fund show first-hand the commitment of the government to put employers in the driving seat of skills development.

5.136 However, there are also courses that have little employer backing, that fail to prepare the learner for work or add value to the London economy. There is duplication of provision, some poor performance of contracts, limited oversight of how this meets the needs of Londoners or our employers and little flexibility in the funding regime to respond quickly to changing demand and supply.

5.137 In London we recognise that there is some disconnect between some of the skills we are producing and the skills our economy needs. We also know that tackling this disconnect is not intractable and that the solutions lie at the London level.

5.138 Successive governments have promised greater local influence over skills funding and yet little has been delivered. For several years it has been a priority for London businesses, supported by the Mayor and the boroughs, to have greater influence over adult skills in the capital. In turn, this would mean better outcomes in terms of matching the skills of Londoners to the needs of London's businesses: both large employers and SMEs.

5.139 We the LEP, established formally in spring 2012, have made this one of our key priorities, building on the earlier work of the London Skills and Employment Board (LSEB). Whilst London is currently largely reliant on national systems to meet its ambitions, we warmly welcome the intention of the government - in line with Lord Heseltine's recommendation - to consider skills funding devolution to the local level.

5.140 For London, the ownership of skills funding is not an end in itself. We have clear goals for what we want the devolution of adult skills funding to achieve in the capital, and how and why that is more effectively done at the London level.

5.141 For the LEP to provide a step change in the employment and skills outcomes of Londoners there has to be full involvement in setting the outcomes for the whole system rather than the ability to bid into discrete pots or to direct small portions of skills funding. We want to make significant structural change to the funding mechanisms currently in place to ensure that all mainstream funding is aligned without exception to our jobs and growth agenda and to ensure that funding drives economic growth through increased employer productivity, sustainable employment outcomes and progression in work.

5.142 The Mayor already has authority and powers over significant areas of London's economic regeneration including: strategic responsibility for European Structural

Fund programmes, housing growth, planning, transport and inward investment. The Mayor has the ability - as demonstrated through the highly effective apprenticeships campaign - to galvanise London's employers to engage with the skills and employment system. However, the missing piece in this economic development function is the lack of any clear skills powers.

5.143 On that basis, the LEP is looking to government to devolve the SFA allocation for London in full to the Mayor and the LEP and that this funding devolution be matched with appropriate devolution of the funding guidance set by the government's skills strategy to maximise economic benefit for Londoners.

The proposition

5.144 This is a significant request of government, and one that we do not take lightly. The panel recognises that full devolution will require a great deal of planning and time to achieve and it is unlikely that agreement will be reached as part of the Growth Deal process. Therefore, the LEP will invest £100,000 to commission a London Skills Inquiry, led by a Mayoral appointment, to fully model and develop how a devolved London skills system, with appropriate incentives for providers, learners and employers, would work in practice.

5.145 The LEP envisages that the Inquiry will explore the following areas (though not exhaustively):

- Creating a skills system that ensures employment, education and career progression outcomes are at the heart of all mainstream provision;
- Financial modelling with a view to proposing a new funding structure which encompasses staged migration on to the new system without destabilising the existing FE system;
- Review of the careers service for young people and adults drawing on international models of best practice;
- Exploring options for a new FE landscape in the capital including opportunities in specialisation and rationalisation;
- Review of the FE Estate and recommending future investment options;
- Review of the cost of provision to SMEs, building on the evidence from the LEP's Performance Based Results research.

5.146 The inquiry will seek to demonstrate that management of the adult skills system at a London level will prove better value for money, return higher skills to employment rates meeting employer's requirements and be more efficient than the current system.

Summary of Proposition 9

The LEP	Government	Private sector
Will invest £100,000 to	Will agree to participate in	The Panel, as part of the

develop, design and model a fully devolved Skills system.	and reopen conversations with the panel once the Inquiry has reported with its recommendations.	work will consult with the private sector to gain a full understanding of their requirements.

5.147 In the interim, we expect the following priorities to form the basis of a short-term 'skills and employment deal' at a Londonwide level:

Proposition 10: Government to match the LEP and GLA's investment of £4m per annum to a London level to provide a full Apprenticeship Service to support London's businesses; including brokerage, marketing activities and administrative and technical support to SMEs to help minimise risk to recruiting.

Rationale

5.148 Apprenticeships in London are a remarkable success story, both for its businesses and for its young people. From 2005-06 to 2008-09, London had the lowest number of apprenticeship starts of all English regions, yet in less than a decade the number of starts per year in London has more than quadrupled[66], a larger increase than in any other region. Between 2009-10 and 2010-11 London saw the most dramatic year-on-year increase in starts in England, when the numbers more than doubled[67] – the same year that the Mayor launched his apprenticeship campaign and the GLA's joint working with the National Apprenticeship Service (NAS) began.

5.149 However, growth in apprenticeships in London and the rest of England slowed in 2012-13. With this, the LEP needs greater commitment and investment from government to ensure that in London we can continue to create and offer apprenticeship opportunities to the increasing number of people that are interested to take them up.

Progress to date (evidence base)

5.150 The LEP sees that this very real achievement in recent years has relied on three important partners contributing to the campaign in mutually reinforcing ways.

[66] In 2005/06, there were 11,010 starts in London; in 2012/13, there were 45,070 (*Learner participation, outcomes and level of highest qualification held: supplementary table - apprenticeship starts by sector subject area and region).*

[67] In 2009/10 there were 20,350 apprenticeship starts in London; in 2010/11, there were 41,400 (*Learner participation, outcomes and level of highest qualification held: supplementary table - apprenticeship starts by sector subject area and region).*

- The Mayor, advised by the LEP, can open doors with large firms, as well as galvanising high-profile ambassadors such as Tim Campbell – CEO of Bright Ideas Trust, and providing funding and resources.
- Government officials have the expertise on which businesses of different sizes and sectors rely to make informed decisions; the Mayor can create numerous leads but it is essential that specialists are available to guide businesses through the journey to recruitment. The government holds useful data that can help the GLA to target its investments, and it also provides funding.
- London's employers, the majority in the private sector, invest their own funds in every apprenticeship start to cover costs relating to recruitment, training and wages.

5.151 The Mayor has pledged to oversee 250,000 apprenticeship starts during this Mayoralty (2012-16). This is an ambitious target, and we ask that the government commits to redouble its efforts to help us meet it and continues to work in this successful tri-partnership. Our vision for joint working is set out below.

5.152 Many of London's strongest sectors, including financial, professional and business services, as well as creative, tech and med, have not traditionally included apprenticeships in their recruitment models. As such, articulating the applicability and value of apprenticeships across this wide range of sectors is particularly important in London, and marketing activities have been an effective part of the Apprenticeship Campaign. The LEP funded a successful exercise in spring 2013, which featured PwC, Channel 4 and Raymond Blanc. This run generated 572 new leads (which were followed up by NAS officials) and had a significant impact on business perceptions of apprenticeships (eg it resulted in a 15 per cent increase in perception amongst businesses that apprentices improve staff retention and increase company loyalty).

The proposition

5.153 The LEP is keen that awareness raising activities continues to feature in our work to ensure that as many of London's businesses as possible, including SMEs, understand and take up the apprenticeship offer. As such, the LEP and GLA is committing £2m to fund continuing marketing activity in 2014-15 and 2015-16. The LEP asks that the government match funds this £2m.

5.154 A team of dedicated GLA staff and, periodically, private sector secondees works to engage businesses directly about apprenticeships, and as a high-profile champion of London business, the Mayor can open doors with many firms and capture the attention of their most senior staff. Indeed, since 2010, the GLA has contacted over 450 businesses, and over 220 personalised letters from the Mayor to London firms have been sent. These letters have an impressive 50 per cent conversion rate to leads, and have resulted in meetings and apprenticeship starts with numerous and diverse firms including ASOS, Chelsea FC, UKTV, Rhubarb and Fortnum and Mason.

5.155 At all stages, this model has relied on government officials at NAS, who use their own data to propose appropriate business targets, and follow up on leads and introductory meetings using their expertise to guide businesses through the journey to apprenticeship recruitment. This service forms part of the 'offer' that the Mayor makes to businesses, so in this respect, they close the deals.

5.156 As a result of the Mayor's letter campaign, Barclays and British Sky Broadcasting (BSKYB) have taken on 250 and 80 apprentices respectively since 2011. This presents an excellent example of London's success with engaging businesses. What's clear is that contact from the Mayor has revived interest and accelerated progress with many new businesses coming on board to provide apprenticeships. Both Barclays and BSKYB have also committed pipeline apprenticeships opportunities for future demand, with apprenticeships growing both in London and across the country.

5.157 Other high profile businesses that have now taken on apprentices following a letter from the Mayor include the Guardian, Telegraph Media and UKTV. These are all organisations that NAS previously had been unsuccessful in engaging.

5.158 London boroughs have also been working well with NAS to drive up apprenticeship numbers in London and contribute to the Mayor's target. London boroughs have played an active role in promoting apprenticeships. Since 2009, London boroughs have created over 3,700 apprenticeships as employers or through their supply chains. Just over 45 per cent of these opportunities have been filled by young people who were previously NEET and by people aged 16-18. Many boroughs achieve this with the active support of NAS.

5.159 London boroughs are also actively encouraging local businesses to take on apprenticeships, particularly SMEs – running local campaigns (such as Merton's Just Take One campaign; many 100 in 100 days campaign) and crucially providing support to small businesses to help them with the recruitment process. With a relatively small amount of funding from NAS, seven London boroughs[68] have created 615 apprenticeship vacancies in the last nine months, with a focus on generating opportunities for 16-18 year olds. To date, 376 of these vacancies have been filled and of these, just over 40 per cent with 16-18 year old apprentices, and over half with 19 – 24 year olds. Boroughs have been successful in persuading a range of employers to take on apprenticeships, including the View from the Shard, maintenance firm SQS, Meantime Brewery, Prana Spa and freight company Frontier Forwarding.

5.160 In order to meet the Mayor's target, the LEP will generate increasing numbers of leads in the coming months and years targeted at SMEs as well as larger

[68] Barnet, Ealing, Greenwich, Hounslow, Merton, Lambeth and Southwark

businesses, through marketing and direct business engagement. For success to follow it is essential that this partnership model continues. Over 2013-14 and 2014-15, the LEP will provide an additional £2m towards resource for employer engagement activity to raise demand for apprentices in London businesses and provide technical support for SMEs; the panel proposes that the government match funds this £2m.

5.161 The LEP is especially keen that this ‘proposal’ is immediately considered given that the National Apprenticeship Service is folding into the Skills Funding Agency, which is also restructuring. Current staffing levels are expected to halve by June 2014. This leaves a considerable gap in support for London’s largest pool of employers – small to medium enterprises, who without sufficient capacity and resource will be even more challenging to engage.

5.162 Responding to business concerns, in 2013-14 the LEP committed £1.5m to double the national SME Grant Incentive to £3,000 in London. This exercise was intended to build the evidence base to demonstrate that the current government offer of £1,500 is insufficient to help London’s SMEs with the costs of recruitment, thus diluting its incentive effects in the capital. The full evaluation will be published in April 2014, but available evidence suggests that doubling the grant was effective in engaging smaller businesses.

5.163 During the first six weeks of the enhanced AGE grant’s availability, apprenticeship numbers increased at a higher rate than in other regions (by 30 per cent compared to 23 per cent nationally). Funding was fully committed to SMEs recruiting apprentices three months before schedule. What’s more, businesses, colleges and training providers have reported that the increase in grant has provided SMEs with greater capacity to take on apprentices for the first time.

5.164 Building on the LEP’s evidence base to date, the panel asks that the government commits to doubling the AGE incentive for SMEs in London in 2014-15 and in future years, using the SFA’s 2014-2020 ESF allocation.

Summary of Proposition 10

The LEP	Government	Private sector
Will provide £2m for additional apprenticeships marketing resource over 2013-14 and 2014-15	Will match fund this £2m for additional marketing resource.	Will recruit and invest in more apprentices as a result of awareness raising and information dissemination.
Will provide £2m towards resources for employer engagement to raise demand for apprentices in London businesses over 2013-14 and 2014-15	Will match fund this £2m to ensure there is enough resource for apprenticeship employer engagement in London to meet demand from London	Will be met with an expert London service and as a result will recruit and invest in more apprentices.

The LEP	Government	Private sector
	businesses.	
Will share good practice and evaluations from its own 2013 investment of £1.5m to enhance the AGE incentive.	Will enhance the AGE incentive to £3k per London SME in future years, using the SFA's ESF allocation.	Will be supported to recruit and invest in more apprentices.
Will support the objectives of the government and continue to work in effective partnership to drive apprenticeship numbers in London.	Will publish data more transparently to facilitate more effective joint working.	Will be targeted more effectively.

Proposition 11: Greater influence over the design and provision of the National Careers Service, including support for young people aged 16-17 and quarterly reporting to the London Enterprise Panel

Rationale

5.165 The LEP has agreed the importance of a better Careers Information Advice and Guidance Offer for London on the grounds it will encourage sustained participation. It will also minimise dropout and stop young people from becoming NEET (not in education, employment or training) by helping students to choose subjects that suit them. Evidence demonstrates that students who were provided with four or more opportunities to access employers at school were five times less likely to become NEET than students who did not have access to employers.

5.166 An enhanced offer will also support higher academic achievement by ensuring students study subjects that they are enthusiastic about/have an interest in and that match their skills and aspirations. This is particularly pertinent given the need for higher level skills supply for London's jobs market. It will create greater drive and focus on learning by encouraging students to aspire towards either a specific career pathway or a range of opportunities within the world of work.

5.167 An enhanced offer would provide students with the basis to progress into employment by helping them to choose appropriate qualifications and gain the skills that will make them employable. In an increasingly competitive job market in which employers' expectations can be very different from young peoples' understanding of what is expected of them, making the right choices is critical. It will also help to raise self-esteem, aspirations and accelerate social mobility by developing skills and ambitions.

Progress to Date (evidence base)

5.168 There is vast evidence on the impact of high quality, impartial careers work and a high level of shared opinion on the importance of equipping all young people to make informed choices. This is further confirmed by the recent findings of the

Education Select Committee into careers guidance, the National Careers Council Report 'An Aspirational Nation', and the Pearson Report 'A Cloudy Horizon'. All have had their findings legitimised and their recommendations endorsed by the results of the Ofsted thematic Review, published in their report 'Going in the right direction' and the government's response Careers Guidance Action Plan.

5.169 Steve Steward, Chairman of Careers England, identified:

> *'There is a moral principle issue that, as a civilised nation, we should give our very best support to young people to help them make the very best decisions in life… and the second issue is simply the purely economic issue. As a nation we cannot afford to have too many of our young people in the wrong places, doing the wrong things and not contributing.'*

5.170 The financial cost to the nation was estimated by Dr Deirdre Hughes (Chair of National Careers Council) as a potential loss of £28bn to the economy if young people are not guided to the right destination. Careers England estimated that the potential cost of young people making the wrong course choices after year 11 could be as high as £200m per annum.

5.171 The experience in London confirms Ofsted's findings that careers guidance in schools is '*not working well enough*'.

5.172 London Councils conducted a survey asking local authorities for information about careers guidance in their areas. Although there was an indication of strong collaborative working between schools and local authorities in some areas, the responses also highlighted a significant reduction in the availability of face-to-face guidance for young people and very low take-up of quality standards.

5.173 The LEP is also clear that too few schools are effective in ensuring that all their students in Years 9, 10 and 11 are receiving the level of information, advice and guidance they need to support decision-making in post-16 pathways. Too many teachers are required to offer careers guidance without the knowledge and understanding of the range of career options available to them. Effective work with employers is inconsistent at best. The result is that many young people lack the ability to make informed choices and are ignorant about how different career pathways could help them to achieve their potential.

5.174 The LEP is firmly supporting efforts to improve careers work in schools. London Councils' Young People's Education and Skills (YPES) Board are participating in national work to improve the Destinations Measures performance reporting. They are seeking ways to channel employer interventions. The YPES has also recently published 'Pioneering Careers Work in London' a practical support tool which sets out key ways in which schools and colleges can offer better careers support to their pupils and students.

5.175 The government's response to Ofsted's report and the National Careers Council's recommendations provides a helpful commitment to improve the support available to schools and colleges. However, this simply doesn't go far enough.

The proposition

5.176 The London Enterprise Panel welcomes the new way of working with the National Careers Service (NCS) and has taken advantage of the opportunity to work with the Skills Funding Agency on the commissioning of the new service which will launch in October 2014. The LEP also welcomes the further regionalisation of the internet and telephony channels of the service and has reviewed the prospective lead provider's proposals for partnership working as part of the procurement process.

5.177 To strengthen the proposed service the LEP requires the following improvements to the NCS:

- Information on London's career pathways with job vacancies data held by Jobcentre Plus integrated into an online accessible format;
- Integration of comprehensive regional information on supply side - traineeships, apprenticeships and college courses
- Greater influence over the target cohorts, payment models and desired outputs, potentially down to borough level;
- Quarterly NCS provider performance management information supplied to the panel by the SFA; and
- Closer engagement between NCS and the rest of the employment and training system through a co-commissioning model.

5.178 Stronger accountability and reporting mechanisms for the National Careers Service area based contract is needed to ensure that the contractor provides a service which meets London's needs.

5.179 In addition, the LEP seeks greater influence over the design and provision of the National Careers Service to target young people. In particular, the remit of face-to-face guidance needs to be expanded beyond adults to include young people aged 14-19, particularly those not in education or training.

5.180 Whilst adults can sit down and talk to an advisor in person about their career choices young people not in learning have no access to this basic support. Local authorities play a key role, providing support services for the most vulnerable of these young people but in London we estimate that this represents only about 30 per cent of the cohort.

5.181 Face-to-face careers advice is by far the most effective way of engaging young people about their future and the London Enterprise Panel believes that access to high quality careers advice should be open to all young people. By targeting European Structural Investment Funds (ESIF) and Youth Employment Initiative (YEI), the National Careers Service will be extended to support all young people

14-19 to ensure that they can make informed choices about their post-16 pathways. The LEP working with the YPES has already clear proposals for use of its ESIF and YEI allocations to support this strand of activity.

5.182 The LEP recognises the critical role that schools, colleges and employers play in ensuring that young people can make informed choices about their future options, progress and reach their potential. The LEP is committed to building capacity to improve the quality, consistency and availability of information, advice and guidance. ESIF will be a vehicle to identify and disseminate effective and innovative practice in schools and colleges that adds value to young people; supports them particularly at key transition points and secures retention and progression. Identifying new ways to engage businesses and parents in helping young people plan for their future is essential. The LEP will support an increase of employer involvement in schools – including governance, supporting the provision of employability skills, shaping the curriculum, helping assess vocational qualifications and participating in careers work. Simplifying employer engagement in education and skills through a London Employer Offer will offer significant benefits for London's young people.

5.183 Providing school and college staff with sound information and professional development and facilitating collaborative working will require enhancements to the current capacity. The LEP will provide up to date labour market information (via the London Datastore, the new home of regional labour market information) to individuals, stakeholders and services providing careers advice and guidance in the capital. In addition, the LEP working with NCS, will take a lead on the development of the new 'UCAS style' website on traineeships, apprenticeships and college courses for London as announced by government in February 2014. This will be an integral strand to the development of the LEP's proposal for an enhanced careers offer for young people.

5.184 The LEP recognises that many young people are difficult to reach in the first place, therefore however high quality a service, we need to ensure that the most disaffected young people access it. Whilst London's NEETs at 16-18 has decreased to its lowest level (3.8 per cent) the number of young people aged 16-18 whose activity is not known is currently at 32,177 (12.7 per cent). Local authorities are working hard to track young people, however suitable support interventions are lacking. London has the second highest unemployment rate in the UK, and to tackle the problem of youth unemployment, attention needs to be given to those furthest from the labour market. We believe that by collaborating more closely, the combined resources of schools, local authorities and central government programmes such as the Youth Contract can help reach these young people.

5.185 The Youth Contract (Support for Disengaged 16-17 year olds) programme is perfectly positioned to provide additional support to disengaged 16 and 17 year olds. However, eligibility is currently constrained to only those who have no more than one GCSE at A* - C and specific groups of vulnerable young people. The London Enterprise Panel recommends that all young people not engaged in education, employment or training should have the opportunity to benefit from support through the Youth Contract and that the current eligibility criteria is inadequate to meet the needs of London's young people. The LEP proposes funding for this element of the Youth Contract is devolved to a London level and is supplemented with ESIF to extend the outreach and mentoring support mechanisms to all of London's 16-17 year old disengaged young people. The Youth Contract would form part of the single employment pot that the LEP is seeking government to devolve to London, as outlined under Proposition 1.

Summary of Proposition 11

The LEP	Government	Private sector
Will fund an enhanced NCS offer for young people aged 14-19 years using the LEP's ESIF allocation or other resources.	Will match the LEP's allocation and provide flexibility to target funding for an enhanced NCS offer for young people.	Will enjoy better and more consistent links between the education and business sectors, ensuring that training given to young people helps meet London's current and future skills needs.
Will promote an increase in employer engagement in schools and colleges; simplifying the process for businesses	Will match fund the LEP's ESIF allocation and provide clear messages on expectations of employer support	Will invest increased time and energy in young people's education and skills development
Will provide accessible up-to-date labour market information and work with NCS to develop the new careers website on post 16 pathways covering apprenticeships, traineeships and college courses.	Will enhance the NCS contract and fund the LEP directly to develop and provide this new website.	Will help improve links with businesses through improved jobs mapping and progression opportunities.
Will support a NEET re-engagement programme using the LEP's ESIF allocation	Will match fund the LEP's ESIF allocation and devolve the Youth Contract funding as part of the single employment pot	Will provide an increase in work experience, mentoring and supported employment opportunities

Proposition 12: Greater data transparency and timeliness of performance data for programmes funded through the Adult Skills Budget to help inform and drive future skills and employment provision.

Rationale

5.186 The ambitions and investments of the LEP and the Mayor for skills and employment align with and enhance many of those of the government - for example in the successful partnership between the GLA and the National

Apprenticeship Service (NAS) to drive up demand for apprenticeships in the capital.

5.187 However, current constraints on and delays in data provision can hinder the GLA's interventions to improve skills and employment opportunities for Londoners. This creates inefficiencies both for the GLA and for the government.

5.188 Some recent examples are listed below:

- The Skills Funding Agency has entered into a data sharing agreement with the LEP providing a data cube on the Adult Skills Budget on an annual basis. Although this is welcome by the LEP, the data is presented in raw format making it very challenging to interpret to provide meaningful analysis. Destination data is the most critical aspect, however the data cube includes large volumes of unknowns and no information is available on sustained employment, progression in learning and career progression. The time lag in receiving the data also presents a challenge for the LEP to influence provision and identify gaps, particularly if the data is 18 months old.
- In 2013, the LEP invested £1.5m to double the AGE incentive for London's SMEs wishing to recruit apprentices. However, the government has delayed responding to requests for a full set of data on the actual number of pipeline and paid starts of the national AGE incentive. This means the panel is unable to compare the effects of its investment in the improved AGE offer.
- The GLA's continuing business engagement programme could be much better targeted if data on the number, size and sector of businesses employing apprentices in London were available. This intelligence would give a more accurate picture of apprenticeships in London and the likely impact of previous interventions. This would help us improve the targeting of marketing and direct business engagement.
- The GLA's work is led by its long-established business engagement team, dedicated to business relations within the GLA, which liaises with hundreds of London's employers every year. Yet the GLA does not have access to individual business records held by NAS, including about businesses with which the Mayor has engaged. When information is needed, eg to prepare for the Mayor's meetings with businesses, the GLA must make ad-hoc requests to NAS, which is time consuming and inefficient for both parties.

The proposition

5.189 For better joint working, and to help LEP learn from, improve and target its investments in skills and employment, **the panel asks a full data sharing**

agreement for London between NAS/ Skills Funding Agency/government and the LEP be reached, covering both skills and employment (see also above).

Summary of Proposition 12

The LEP	Government	Private sector
Will work more efficiently and base its investments, interventions and policies on more robust evidence.	Will sign up to a full data sharing agreement on Adult Skills Funding programmes and provide greater transparency on destination outcomes more frequently.	Will benefit from more effective, evidence-based skills and employment provision.

Proposition 13: Pilot the use of National Insurance data via the Individual Learner Record to measure participant outcomes in real-time using HM Revenue and Customs data and reduce provider bureaucracy through the claims process that can miss some employment outcomes.

Rationale

5.190 One of the LEP's key aims is to ensure that all provision is linked to outcomes, in particular sustainable employment, career progression and further education. Whilst the LEP is committed to making sure all provision in London meets these objectives, we are aware of the additional administrative burden placed upon providers delivering programmes that demand these outcomes as evidence.

5.191 Providers are currently reliant upon the use of surveys of intended destinations and/ or telephone or email surveys to ascertain a learner's outcome at the end of their qualification. Telephone and email surveys are notoriously inaccurate (based upon the respondents answers which cannot be qualified) and often have a poor response rate. The AoC in London estimates that to achieve a 50 per cent follow up on the current contracts each of London's 37 colleges would need to spend over £100,000 to employ third parties or substantial numbers of staff.

5.192 There have been some successful attempts at collecting this data. FE Colleges in London have been working closely with Jobcentre Plus (JCP) to receive job outcome data. However, this is based on manual counting by JCP for specific courses and is agreed on a provider by provider basis.

The proposition

5.193 The LEP therefore proposes that a new system should be put in place to support providers to collect and track job outcomes. Starting with an initial pilot focused on the short courses run by FE colleges in partnership with JCP (approximately 10,000 learners), providers would use the learners NI number already collected as proof of receipt of benefits, to identify the learner. Working jointly with HM Revenue and Customs, the data be would be used to track employment over a sustained period at the end of their course. This will help to reduce data errors and potential delays with data being made available if at all. This will also provide more accurate outcome information on the destination of customers as well as help to track in-work progression where customers move from job to job.

5.194 Should the pilot project be approved, the LEP will also align this with the PBR activity outlined in the first ask.

Summary of Proposition 13:

The LEP	Government	Private sector
Support a pilot using NI data focused on the short courses run by FE Colleges for JCP.	Agree to work with the LEP to support the pilot.	Pilots aimed at supporting jobless into work working with employers. This will also reduce bureaucracy for employers who are often required to evidence proof of employment of customers.

Proposition 14: Link all adult skills funding to job and progression outcomes by incentivising sustainable employment, career and educational progression and setting consistent outcome definitions across funders to reduce the number of people cycling in and out of work and helping to ensure that employers get the skills they need.

The LEP is keen to develop a pilot project with the Department for Business, Innovation and Skills, to test a payment by results model for skills provision.

Rationale

5.195 The central focus of all public investment in employment and skills must be to support people to find and sustain employment and to progress at work, thus ultimately helping to reduce the unemployment figures in London. This focus should be embedded at the heart of all commissioning and provision of employment and skills services. Providers should be able to show the impact they have had on sustained employment and career progression.

5.196 The LEP seeks a national structural change to all mainstream skills provision. We are clear that the skills system must move away from an outdated target based qualification system. By linking funding to maximise job and progression outcomes (career and educational progression), it can focus on those skills London's employers actually want and need.

5.197 With this in place we can make sure provision leads to jobs and progression (career or into further learning) for individuals. The LEP does not want to meddle in market forces by centrally planning which sectors may or may not be required. We believe that with the right funding incentives in place to reward providers for progression or job sustainability, the market will drive the requirements for skills and meet the needs of the economy. This should be consistent across all Skills Funding Agency (SFA) and Department for Work and Pensions (DWP) provision. It is critical that public funding is tied to these outcomes to maximise its impact, and that information about outcomes is publicly available to help inform employers and individuals' decisions.

5.198 Following contact between the LEP and BIS Ministers earlier this year, officers have convened a workshop with a cross section of stakeholders to explore better use of payment by results / incentivised funding within the current structures.

5.199 The LEP is showing its commitment to this work by commissioning research into what potential models for this might look like with a view to running a pilot in due course. This recognises Minister Matthew Hancock's desire to see improved accountability within the skills system. The research will also explore how the skills and employment system's funding mechanisms can be revised to incentivise providers and colleges to work with SMEs.

Proposition 15: Government revise funding to give skills and employment providers incentives to work with SME (including micro) businesses.

Rationale

5.200 The LEP proposes that government revise funding in the capital to offer skills and employment providers incentives to work with SME (including micro) businesses to recruit apprentices, support placement into jobs and up-skilling in the workplace.

5.201 There is currently limited evidence in this area. However the 2012 Holt Review on making apprenticeships more accessible to SMEs did begin to explore this. The review highlighted that providers are more responsive to the needs of larger companies because of the economies of scale that meeting their needs can bring. One of the recommendations of the Holt Review was for government to explore weighting funding to reflect the sometimes higher cost for training providers of supporting apprentices in micro and small companies.

5.202 SMEs, and the training providers working with them, currently face the following types of additional costs and challenges when taking on apprentices:

- SMEs often only have one apprentice at a time. This reduces the opportunity for economies of scale around the training for both the employer and the college. Often the workplace training to apprentices in SMEs has to be done on a one to one basis - larger employers with groups of apprentices can offer more cost effective group training;
- Colleges with high proportions of single apprentices in SMEs will have higher travel and subsistence costs for assessors and verifiers that those with fewer employers with concentrated numbers of apprentices;
- Although all apprentices perform important roles for their employers, an apprentice in an SME will constitute a greater percentage of the SMEs work force than an apprentice in a large employer. SME apprentices are often in service critical roles and when they are away from work on off-the-job training the SMEs often have to replace the apprentice with external support. This can be costly;
- Larger companies often have training resources such as books, online materials, tools and equipment already available to support apprentices. An employer taking on an apprentice for the first time may have to buy such resources to support the Apprentice's training;
- When colleagues are training or mentoring apprentices in SMEs these colleagues are often not earning or earning at a reduced rate;
- There are additional administrative costs to employing apprentices which can be disproportionately higher for SMEs. For example, many SMEs outsource their payroll and are charged for this service on a per capita basis whereas larger organisations tend to have payroll specialists in-

house so processing one additional employee incurs little or no additional cost;

- Supporting a group of SMEs to provide a number of training places therefore has significantly higher costs of engagement. Negotiating ten training places at ten SMEs takes as long for each as negotiating ten places at one large employer. For example, with the Tech City apprentices, Hackney Community College worked to bring people together over a series of meetings and negotiate agreement on a solution. This took significantly longer than it would have with 1 big employer - possibly adding 10-15 per cent onto provision costs.

5.203 Many businesses in particular SMEs are unclear about the costs of training. For those businesses training appears to be free with the effect that they are less inclined to engage with or challenge providers. If SMEs had more information on the actual cost of the training to the taxpayer, this would help them become more discerning customers. It would also ensure that the apprenticeship or training content is sufficiently tailored to their business needs. Of course, any successful employer ownership pilot bids led by SMEs might address this to some extent, but not universally. A simple way of keeping customers up to speed with the cost of the training they have procured needs to be found.

5.204 The London Enterprise Panel is keen to explore the viability of weighting the funding mechanism and to establish a benchmark for the higher cost of working with small and medium enterprises. This will be included in the payments based results (PBR) research, the LEP is planning to undertake.

Summary of Propositions 14 and 15

5.205 The LEP's PBR research will seek to develop the following themes into propositions that the panel can work jointly on with the Department for Business, Innovation and Skills and test within a pilot project.

5.206 The themes include:

- **an explicit focus on employment and progression outcomes.** The central focus of all public investment in employment and skills must be to help people find and sustain employment and to progress at work. This will reduce unemployment and improve productivity, and should be at the heart of all commissioning and provision of employment and skills services. Suppliers should be able to demonstrate the impact they have had on sustained employment and career progression;
- **amending the current funding structures to further incentivise providers** to respond to the needs of the economy or specific sectors to boost job outcomes, sustainability, career progression. Given the need for higher level skills over the next decade, progression in learning; and
- **revising funding in the capital to offer skills and employment providers incentives to work with SME (including micro) businesses.** The current

reality is that the funding awarded does not reflect the higher costs of provision to SMEs with specific needs. So that no Londoner or London business is left behind, the LEP asks government to create a tiered level of funding similar to the disadvantage uplift available to colleges, and which builds upon the reduced funding awarded to large employers. An 'SME' funding uplift should realistically reflects the higher costs of provision to small businesses.

5.207 The LEP does not expect the research to recommend changes to the existing skills system architecture, but rather what the London LEP should be asking specifically in terms of how the funding agencies incentivise provision to sustainable employment and progression in learning and that these changes can be made within the architecture that exists.

Summary of 14 and 15

The LEP	Government	Private sector
The LEP is commissioning research to establish a model for a Performance Based Results system in skills provision.	Commit to continuing the discussion with the LEP regarding outcome incentive payments and to pilot any recommendations that are outlined in the research report with the LEP.	This research will also explore revising funding in the capital to incentivise skills and employment providers to work with SME (including micro) businesses.
The findings of the PBR research will also help to inform benchmarks for the LEP's 2014-20 ESF programme, which will be required to boost sustainable employment and or career or education progression outcomes.	Government to commit to working with the LEP to test new models of PBR in the skills system through a pilot project using the PBR findings.	As above.

Sub-regional provision of adult skills

5.208 To support the devolution of the adult skills budget and to ensure local responsiveness, the LEP is keen to support sub-regional arrangements to help it in its decision-making. London comprises a vast and diverse economic area, consisting of interconnected functional economies and local communities. This diversity means that Londonwide decision making by the LEP will be improved if it can be informed by detailed intelligence and analysis from London's sub-regional functional economic areas.

5.209 To provide this support to the LEP, London borough partnerships operating across functional economic areas will work with businesses and training providers to provide intelligence to the LEP. The LEP will take account of these local skills assessments to help inform its decisions on skills and its Londonwide funding guidance. This builds on the current work of many borough partnerships.

5.210 Groups of boroughs will analyse current and future skills needs drawing on:

- employers' analysis of their needs;
- vacancy data;
- their knowledge of local commercial and infrastructure developments arising from their role as planning authorities and place shapers;
- boroughs' strong relationships with local businesses, particularly SMEs; and
- their knowledge of the needs of their residents arising from their role providing and commissioning frontline services.

5.211 They will compare this analysis against existing local skills provision to identify any gaps and feed this information, alongside other Labour Market Intelligence (LMI), to the LEP to inform its funding guidance and other decisions on skills.

5.212 This activity will be further built on and provided by the multi-borough Employment Support Units, described in detail in the employment section of this Growth Deal to help the LEP develop and deliver its 2014-2020 European Structural and Investment Funds. These units provide employment and welfare into Work Programmes. Integrating tasks will improve the quality of both as well as avoiding duplication and reducing cost. As a result skills intelligence at the sub-regional level will also be informed by boroughs' commissioning and delivery work on employment and welfare, as they are clearly interrelated.

5.213 The benefits of this will be to:

- significantly extend the LEP's reach to London's 840,000 businesses69, particularly SMEs;
- ensure the LEP's decisions are business-led;
- result in more formal partnerships and closer working between local businesses, training providers and London boroughs;
- in the longer term, increase business investment in skills in London.

5.214 This builds on what many boroughs are already doing within the current system, playing a strategic brokerage role by convening local employment and skills partnerships with representation from employers, providers and key partners such as JCP. Specific examples are included in Appendix 6. These arrangements would be scaled up and become a formal part of the skills system in London. This would enable training providers to engage with employers more systematically across London, and vice versa.

5.215 To pave the way towards scaling up the work of greater sub-regional skills provision, the LEP sets out the following proposition:

Proposition 16: Building upon the recent draft Skills Funding Agency (SFA) MOU, the LEP commits that the SFA ESF allocation will be further devolved and that the LEP, working in partnership with London Councils and groups of boroughs to set the priorities, target cohorts, payment models and desired outputs for the SFA's ESF programme. In addition, London Councils to act as the contracted agency to manage this programme on behalf of the SFA in a tri-partite agreement between the SFA, London Councils and London boroughs. Government to agree to a proportion of the SFA's ESF management and admin allocation be made available to London Councils to help facilitate these arrangements.

Rationale

5.216 London boroughs have a successful track record of delivering European Social Funds (ESF) in London. Indeed, based upon current programme performance data, the London Councils ESF programme is achieving a 26 per cent success rate for getting people into work, which is currently the highest rate of achievement across all the co-financing organisations[70] (CFOs). This is particularly notable as London Councils' ESF programme targets those furthest from the labour market; two-thirds of people supported by London Councils are economically inactive.

5.217 The panel is therefore enthusiastic and confident about the ability to create a series of programmes based upon local need. The panel warmly welcomes the recent memorandum of understanding from the SFA which outlines how the

[69] Business Population Estimates 2013, BIS

[70] In London, there are 5 CFOs (Department for Work and Pensions, Skills Funding Agency, London Councils, Greater London Authority and National Offender Management Service) that match fund and deliver provision under the 2007-13 ESF Programme.

delivery of ESF will be procured for the 2014-20 programme. It also recognises the future programme will allow the LEP, working with the London boroughs, to create a £380m programme (comprising SFA's ESF allocation, currently £190m, matched with £190m from the SFA) based entirely on local need.

Progress to date (evidence base)

5.218 To the end of November 2013, London Councils' 2007-13 ESF Programme engaged 25,362 people of which:

- 65 per cent are economically inactive
- 23 per cent disabled
- 15 per cent 50+
- 64 per cent BAME
- 62 per cent women

5.219 From the total number of participants, 5,174 (26 per cent) have moved into employment on leaving.

5.220 The LEP is also evaluating the 2007-13 ESF programme to review the way that projects have been procured, the appropriateness of targets, the variety of funding models deployed, benchmark unit costs, and the impact of contract management on project performance.

5.221 The evaluation will bring together programme data and compare this to performance elsewhere in the UK, including actual conversion rates on participants starting on projects and entering employment, and the actual unit costs. This will provide the LEP with a benchmark on average unit costs and performance thresholds to which future programmes may be developed.

The proposition

5.222 In order to maximise this offer, the panel propose that the majority of the SFA's ESF allocation[71] for the first 3-4 years of the new programming period (approx. £90m ESF) is devolved to functional groups of boroughs on the following basis:

- SFA ESF funds should be divided into and allocated according to agreed borough groupings;
- The borough groupings' activities will be coordinated by London Councils under similar arrangements to those already established for the development of young people's ESF provision, led by London Councils Young People's Education and Skills Team;
- That arrangements operate within the parameters of the wider ESIF governance structures in London described below, and in line with the LEP's Requirements for ESF Match Funders at Appendix 4;

[71] Allocations are indicative and may change pending confirmation of the LEP's ESIF allocation by government and negotiations with the opt-ins to agree final allocations.

- Provision should align with the high level activities in the ESIF where the SFA has been identified as a match funder, focussing on areas within the SFA's remit: adult skills provision for both employability and workforce development; and 15–24 provision for those not in education, employment or training (NEETs);
- In turn, the groups of boroughs will lead the development of SFA activities, including setting the priorities for investment of SFA funds in their local area, designing the interventions, determining the target cohorts, payment models and desired outputs for the SFA's ESF programme;
- The LEP, with London Councils taking the lead, will be responsible for market warming events;
- The SFA will remain the contracting body for all funds, but the LEP, led by London Councils and agreed borough groupings will agree the tender evaluation question structure and content, participate in the tender evaluation process evaluate tenders and jointly chair/attend the contract award panel for activity in their local areas;
- That London Councils will act as the contracted agency to manage this ESF programme on behalf of the SFA, based on a tri-partite agreement between the SFA, London Councils and London boroughs. This will allow better oversight of the programme and much closer learning to inform future specifications, whilst complying with the SFA's requirements;
- That the SFA provide agreed data sets based upon the panel's requirements rather than nationally agreed information;
- That the SFA will match the devolved ESF allocation with equivalent sums; and
- That the SFA make available a proportion of its management and administration costs budget to London Councils and the boroughs to carry out these activities.

5.223 The panel proposes that this approach is a test bed for local delivery and that should this model be successful it should be rolled out to include DWP London ESF activity and other local programmes.

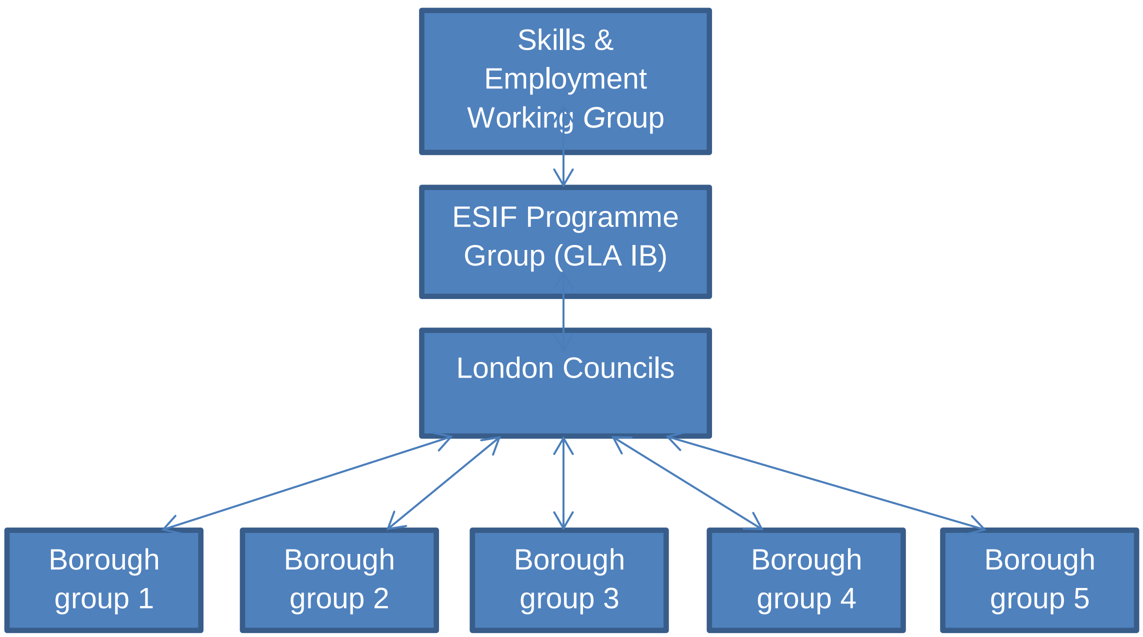
Programme development and governance structures

5.224 In London, the ESIF strategy will be provided by the GLA, as intermediate body (IB), on behalf of the LEP. The GLA as IB will lead the implementation, management and delivery of the 2014-20 programmes in London on behalf of the ESF and ERDF managing authorities. The IB will advise the LEP on the implementation of the ESIF and, to ensure transparency, seek its endorsement and approval of actions where it is required.

5.225 A new LEP working group (the 'ESIF Working Group' (EWG) will be established with strategic responsibility for the implementation, delivery and monitoring of ESI funds in London.

A sub-group of the LEP will be established to support the operational work of the GLA intermediate body (IB) for ESF and ERDF. The EPG will be chaired by a GLA (IB) officer and will oversee and co-ordinate the development of all opt-in activities. Membership of the EPG will include EWG members, London Councils, GLA policy leads and opt-in organisations. London Councils will represent the borough groupings at the EPG.

Figure 5.1: Proposed ESIF governance structure



5.226 It is envisaged that there will be a 3 stage process for the development of ESIF Opt-in activities, as described below:

- Develop high level programme areas – Secure in-principle agreement of EPG around strategic fit with ESIF, other opt-in activity and compliance with LEP Requirements for Opt-ins;
- Develop high level project proposals – Agreed by LEP ESIF WG; and
- Develop detailed project proposals, to provide the basis for the tender specification - Agreed with EPG and final sign-off by GLA IB.

5.227 The London Councils/borough led SFA ESF delivery will operate within this approach and the structures described above in order to ensure effective alignment and coordination of activities across the programme as a whole.

5.228 To support this, the LEP will seek to create management systems to ensure that decisions regarding skills and employment delivery are made based upon robust intelligence and information from London's sub-regional borough partnerships. This includes expanding the current membership of the Skills and Employment Working Group to ensure all sub-regions are politically represented.

Summary of Proposition 16:

The LEP	Government	Private sector
LEP requests that the SFA ESF allocation is further devolved and that the LEP, working in partnership with London Councils and groups of boroughs to set the priorities, target cohorts, payment models and desired outputs for the SFA's ESF programme. In addition, London Councils to act as the contracted agency to manage this programme on behalf of the SFA in a tri-partite agreement between the SFA, London Councils and London boroughs.	Government to agree to a proportion of the SFA's ESF management and admin allocation be available to London Councils to help put in place these arrangements.	Private sector will receive more locally driven demand led skills and employment services.

e) **Housing**

5.229 The Mayor's new draft London Housing Strategy and the 2014 Further Alterations to the London Plan set out the scale of London's housing challenges – particularly around new supply. They also detail how London government is proposing to support the highest levels of new housing provision in the capital since the 1930s. To achieve this will be an immense task, requiring commitment and organisation across the public, private and not-for-profit sectors, but with some additional flexibilities from central government we believe that more could be done, and more quickly too.

5.230 Building on their years of collaboration through the Homes for London Board, the London Mayor, the 32 London boroughs and the City of London have constructed proposals in this submission intended to exploit London's advantages and so provide more homes and more economic growth. The proposals themselves build on evidence of what can work in London and follow from extensive analysis and discussion across London government and the wider development community.

5.231 Our desires extend beyond simplistic calls for either more funding or less planning. Instead we argue that any significant increase in London home building requires action to overcome obstacles in three related, but distinct, areas: **cash, consent and capacity.**

5.232 More resources are needed, but public funding alone can never be enough to meet London's need. Equally important – if not more so– is autonomy for London government to manage its resources and so leverage greater private sector investment and create more long term certainty for investment. This is especially important given the high costs and associated risks of much development activity in the city. There is conversely a wealth of long term equity investment attracted to London and which we know could become very significant for new housing and regeneration - only if we can provide longer term certainties around infrastructure and other key parts of large scale development.

5.233 The planning system approves enough homes in London each year to meet housing needs, but only half of these subsequently translate into completions. What is required is a more effective system for planning consents that means consent leads swiftly to home building.

5.234 More capacity is required within the building industry. 29,000 new skilled building workers will need to be recruited each year for the next four years just to replace those lost to retirement72. The industry suffers powerful disincentives to expansion. These disincentives must be addressed; otherwise more resource and more planning consent will cause more cost inflation; not more housing.

In return for freedoms around these areas of cash, consent and capacity, London government will commit to action on accelerating the supply of housing in both the market and affordable sectors

Summary of proposals

The London Enterprise Panel believes that in order to provide the homes London's communities and businesses desperately need a Growth Deal on housing is needed.

In the following section we propose:

- Continued dialogue with government on reform of the housing finance system, including:
  - removal of the Housing Revenue Account (HRA) borrowing caps (subject to prudential borrowing rules)
  - devolving the full suite of property taxes to London government in line with the recommendations of the London Finance Commission
  - removal of the Greater London Authority group borrowing ceilings (subject to prudential borrowing rules)
- Continued financial support for London government to bring forward new supply and enable more home ownership, including:
  - confirmation of £200m funding for its Affordable Rent to Buy programme in London, to be done through the London Housing Bank
  - a commitment to a £200m rolling fund for estate regeneration to be administered by London government
  - clarity regarding Affordable Housing Debt Guarantee rules to support ambitions to significantly expand shared ownership in London
- The transfer of central government surplus strategic land holdings within London to London government
- More freedoms for London government to set planning fees for large developments.

In return, we offer to:

- accelerate housing supply;
- streamline the planning process;
- Increase the supply of developable land; and
- expand capacity in the development industry.

The rationale

5.235 Since London's population began to grow at the end of the 1980's London has not been building enough homes to match household growth. As a result in Londoners experience the highest levels of overcrowding and pay the highest rents and house prices in the UK73.

5.236 The consequences of failing to increase housing provision will be felt in quality of life for Londoners; in London's ability to grow its economy and so contribute to the UK economy; and in direct extra costs to public finances as more Londoners need some form of housing subsidy in order to be able to work here.

5.237 This conclusion is shared by the business community. In 2012 the Confederation of British Industry74, for the first time, cited housing as a bigger barrier to growth in the capital than transport; arguing that fewer businesses wish to expand in London.

5.238 Since 1981, on average, fewer than 17,000 homes have been built each year in London. This cumulative underperformance in housing supply has led to house prices in London increasing in real terms by 389 per cent since 1983. Over the same period average household incomes have only increased by 106 per cent.

5.239 The challenge is uniquely serious in London where the average house price reached £438,000 in October 2013, compared to the England average of £248,000. In 2013, the average rent for a three bedroom flat is £1,833 per month, typically consuming 59 per cent75 of a London family's income. Support to households renting in London has cost more than £50 billion over the past ten years. This is three times the £17 billion spent on building new homes and improving existing ones. In addition, 255,000 Londoners76 live in overcrowded accommodation (the highest level of overcrowding in the country) and the capital has more than 41,25077 homeless households in temporary accommodation.

[73] VOA, Table 1.5 Average rent for a three bedroom property in London in the twelve months prior to March 2013
[74] CBI Bi Annual Survey of London Businesses, July 2013
[75] BBC London, 8 January 2013 59% income on rent, Shelter
[76] 'Homes for London' The London Housing Strategy. November 2013. Page 31.
[77] CLG Live Data Table 777, Quarter 2 ,2013 Statutory homeless households in temporary accommodation in London

5.240 The Mayor's London Housing Strategy sets an ambition to build 420,000[78] new homes over ten years. To achieve this within the current constraints of national policy, a specific mix of subsidised and market cost homes for rent and sale will be required.

5.241 Even if this ambitious target is met, this may not be enough. The GLA estimate of household growth of 40,000 per year compares with the 2011 census estimate of household formation at 52,600 per year. The London Housing Strategy itself suggests that when the current backlog is included then 50,000-60,000 homes per year may be required. London Councils estimates that there is a backlog of 283,000 homes; including those that are overcrowded. These concealed households create additional demands on public spending.

5.242 While different forecasts for the challenge in the decade ahead can be devised, they all point to the same conclusion. Home building must rise from its long run ceiling of 17,000 per year to 42,000, 50,000, or even 60,000 per year.

5.243 Building on their years of collaboration through the Homes for London Board, the London Mayor, the 32 London boroughs and the City of London have constructed the following proposals provide more homes and more economic growth.

The proposition

Housing finance reform

Proposition 17: That central government continue a dialogue in relation to providing greater fiscal devolution to London government

5.244 There are four aspects to this ask as outlined below:

a) Removal of the Housing Revenue Account (HRA) borrowing caps (subject to prudential borrowing rules), this could be achieved through removal of the HRA from Public Sector Net Borrowing (PSNB) definition;

b) Devolving the full suite of property taxes to London government (as previously outlined by the London Finance Commission);

c) Removal of the Greater London Authority (GLA) group

[78] Ibid page 14.

borrowing ceilings (while retaining prudential borrowing rules);

Removal of the HRA borrowing caps

5.245 London government welcomes the positive steps already taken by central government to unlock the capacity of local government to create additional affordable housing in their own right. The London LEP will positively encourage engagement with the bidding process for the £300m of additional borrowing headroom announced in the Autumn Statement to ensure that London receives an appropriate share of this facility. London government will also positively engage with the review of local authorities' role in housing supply, to ensure the unique context of the housing challenge in London is fully appreciated.

5.246 However, much more is required to address the scale of the housing crisis in London. The abolition, in April 2012, of the national housing revenue account subsidy system for council housing was a significant step. London boroughs became 'self-financing' and able to retain all of their housing rental and other income in exchange for taking on a share of national HRA debt. As a result of this, London local government has brought forward plans for construction of 11,000 new homes over the decade to 2023 by leveraging their newly-granted borrowing capacity79. However, the Treasury retained power to cap borrowing against assets for which London boroughs are now responsible. This has undermined a more business-like approach to investment, where assets could be more efficiently used whilst remaining within prudential borrowing limits.

5.247 At the same time, the UK government currently treats borrowing for public housing investment purposes as part of national borrowing, and so it falls under the PSNB. Other European countries account for investment that produces an income and a capital asset differently to other public sector debt. One of the ways to facilitate the lifting of the HRA caps would be to remove housing from this calculation. Borrowing for housing would then not contribute to national debt (the basis of applying the cap).

5.248 This would allow borrowing against housing assets on a more commercial basis, and consequent changes in financial controls and governance would need to be agreed. The full financial implications could only be calculated in the context of those discussions. However, an indication of the potential can be inferred from the fact that current HRA debt for London is £6.4 billion against council housing assets which have a rough market value of the order of £200 billion; equating to 3 per cent borrowing on assets.

5.249 If the HRA cap were lifted, allowing spending up to the ceiling set by the Prudential Framework Code on local authority borrowing, then a further 13,900 council homes could be built in London by 2021. A local example of this approach is the London Borough of Newham, which now plans to build 500 affordable homes for rent, but in the absence of their cap, an additional 1,500

[79] London Councils survey of London Boroughs, April 2013.

homes could be built in the next seven years. This would not only help meet local housing need but would enable the borough to spend less on costly temporary accommodation and could possibly lower the overall housing benefit bill.

5.250 Equally, removal of restrictions on use of borough HRA assets may allow 'headroom trading'. In this scenario, one or more councils with spare borrowing headroom would transfer this to one or more councils that have insufficient headroom to meet their stock investment needs. The ability to trade headroom could better align borrowing capacity with investment need. There would be no net increase in HRA self-financing borrowing as this proposal would simply enable the existing borrowing headroom to be utilised across potentially more than one council whilst remaining within the existing debt cap limits.

5.251 As to how this might work in practice, the incentive for the receiving authority is clearly the greater borrowing capacity. The incentive for the contributing authority could be access to a number of nominations in the other authority's stock or a broader engagement in relation to joint development or other collaborative activities. An alternative approach could be for the contributing authority to charge a margin on the borrowed headroom value, a form of commitment fee. This would be subject to local negotiation and like any form of borrowing, have to fit within the prudential code.

Devolution of property taxes

5.252 Whilst the £1.25bn settlement for affordable housing in London in the 2015-18 time period is welcomed, London's ability to increase the supply of new homes of all tenures will only be optimised with long-term and stable financial resources such as through devolved property taxes.

5.253 At present almost all most taxes collected in the UK are paid to central government and spent and/or redistributed according to its priorities. Tax devolution allows sub-national government to raise some (or all) of its own tax revenues, providing accountability and removing dependence on grant.

5.254 Property taxes have immobile bases and are therefore well suited to local control. We wish to further engage with central government in relation to devolution of the full suite of property taxes (council tax, business rates, stamp duty land tax, annual tax on enveloped dwellings and capital gains property disposal tax), in line with the London Finance Commission recommendations, which were clear that the yields of these taxes should be offset through corresponding reductions in grant to ensure a fiscally neutral position for the Exchequer, at the outset.

Greater borrowing freedom for the GLA

5.255 The GLA is now able to invest directly in housing for the first time in its history, complementing its existing powers on planning and infrastructure. However, funding for many housing programmes continues to be allocated on a piecemeal, short-term basis by central government.

5.256 Capital investment is a priority in London, a large and growing city. If London became more capable of fiscal self-determination it could have the freedom to decide the proportion of its resources to devote to investment. A city which depends heavily on physical infrastructure will be more likely than the country as a whole to spend on investment rather than consumption. The capital should therefore be able to borrow as much as it can prudently afford without any further intervention - an approach that could also be adopted for other cities. The government could, of course, oversee these kinds of growth-promoting local investments but it should not constrain them.

5.257 Furthermore, at least for the GLA group, HM Treasury has sought to impose additional controls over and above the prudential borrowing regime. It has provided a schedule in the London Settlement letter which sets and limits GLA's non-Crossrail borrowing; and it sets explicit annual borrowing ceilings for TfL. We believe these should be amended.

5.258 We wish to engage with central government to explore ways to remove these constraints placed upon London. This includes differentiating between debts incurred for the purpose of creating economic growth that will, over time, allow them to be repaid and, borrowing to fund general government debt.

Summary of Proposition 17:

London government	Central government	Private sector
With longer term funding certainty would invest in long-term affordable housing schemes, infrastructure and enabling works on multi-phase schemes. All of which would result in significant increases in housing supply	Will continue a dialogue in relation to providing greater fiscal devolution to London government.	Will invest in providing many of the homes to be enabled by such an approach.
Would use additional spending power by leveraging clear revenue streams, further increasing housing supply.		
London government will continue to work up proposals for a significant expansion in shared	Will issue a clear statement that registered providers wishing to only provide shared ownership are	Will invest in providing many of the shared ownership homes and also provide the retail mortgage

ownership provision.	eligible to access the guarantee.	finance to enable purchasers to buy their initial share.

Further Financial Support

Proposition 18: That government financially support London government to bring forward new supply and enable more home ownership

5.259 There are three asks, as outlined below:

a) Government to confirm £200m funding for its Affordable Rent to Buy programme in London, to be done via the London Housing Bank

b) Government to commit to a £200m rolling fund for estate regeneration, to be administered by London government

c) That government clarify Affordable Housing Debt Guarantee rules to support the ambition to significantly expand shared ownership in London

Confirmation of £200m funding for Affordable Rent to Buy through the London Housing Bank

5.260 In his draft housing strategy 'Homes for London', published November 2013, the Mayor set out his intention to develop a London Housing Bank. In the 2012 Spending Round the government announced £400m of funding for a new affordable housing product, 'Affordable Rent to Buy'. In London it is intended that this funding will be managed through the London Housing Bank and will form the first phase of its activity. The government and GLA have had initial talks on how this product will be funded in London. From these, it is expected the London Housing Bank will be able to use up to £200m of this funding.

5.261 This would be the first phase of the London Housing Bank. The GLA will offer a soft-loan or equity to bring forward the building of homes in later phases of large schemes. The loan term will be agreed on an individual basis with the average period expected to be around 10 years. Although the loan will be lower in cost than those commercially available, reflecting the sub-market rents, the GLA would expect a positive return on the initial funding.

5.262 Homes will be made available at sub-market rents (around 80 per cent of market rents) for a fixed period of time, after which the funding is repaid. Bidders will have flexibility as to what happens to the home once the loan is repaid. There would be no requirement that homes will be ultimately sold to the tenants who rent them, although this may or course happen. Once the loan is repaid plus interest and potentially including boosting value, the GLA will have an onward obligation to repay government.

5.263 Through this mechanism, new supply can be brought forward quicker than it might have otherwise have done, or indeed be brought forward where development may not otherwise have happened at all. In the short to medium term the new homes would also be at sub-market rents, helping ease the supply crisis in London for those most in need. Given the pressing need for new homes and the positive discussions to date between the GLA and government, London government calls for this funding to be made available as soon as possible.

Estate Regeneration Fund

5.264 There is vast development potential in London's existing affordable housing estates. Redevelopment offers opportunities to improve the design and quality of homes, increase the tenure mix, improve but often intensity the use and design of whole areas and create significant value. The GLA is working with DCLG on a proposal for a recoverable estate-based regeneration fund of £200m for London.

5.265 The fund would seek to mitigate some of the risks typically associated with this type of work. Projects of this scale are susceptible to delays, many running into years, or are stalled completely. It is holding back a significant source of housing supply. The main reason for delay is usually the cash flow required in the early years to pay for the major infrastructure works and land assembly to create viable development platforms.

5.266 The GLA has been working with London boroughs to review estate regeneration appraisals and bring forward development. From a sample of the eight largest projects currently struggling with viability and upfront costs we are forecasting approximately 22,000 new homes to be built over the next 15 years. Of these units approximately 15,500 are net additional private sale homes, the profits of which are required to cross subsidise the early stages of development. The unbuilt private sale pipeline of the top eight London estate regeneration projects could be worth over £5bn over the next 15-20 years. In addition, construction at this scale will generate over 43,000 jobs on building sites and in the supply chain.

5.267 The principle is a government backed loan would provide cash flow to help with land assembly and infrastructure costs. The investment could be recovered 10-15 years into the build programme, as sites are cleared and new build homes are constructed and sold. Recovery of this finance would be through a mix of overage and profit sharing agreements on private sale homes and s106 payments. Benefits to the schemes would be a potentially lower rate of interest than on the open market and more attractive commercial terms, such as a delayed payback. This would ease cash flow and help to accelerate schemes or unlock schemes completely.

5.268 Long term investments of 8-20 years would be looked at, with returns from years 5 onwards, dependent on the scheme. This links well into the large sites fund, part of the local infrastructure fund. It is proposed an estate regeneration fund is set up as part of this fund, run by the GLA in London. Government and the GLA already has in principle support and very positive initial discussions around the allocation of funding to London for this programme, and London government now seeks the follow through from government to make this happen.

Clarification of affordable debt guarantee rules

5.269 The draft London Housing Strategy sets a significant ambition for the expansion of First Steps homes, the vast majority of which are likely to be shared ownership.

5.270 Increasing the amount of shared ownership is arguably a good thing in itself, enabling access to home ownership for households who may otherwise be excluded, providing security of tenure and asset ownership. It should also contribute to a wider aim of increasing the provision of homes of all tenures. Absorption of market homes for sale is generally accepted to be a greater constraint on creating new homes than construction timetables. There is some evidence that shared ownership homes, due to greater potential market, can be absorbed by the market at a much greater rate (possibly up to seven times faster in some locations), enabling new supply to be significantly accelerated.

5.271 To date the vast majority of shared ownership in London has been done by housing associations. Some London Boroughs have historic shared ownership leases and have restarted small scale new build development programmes in recent years. A small number of shared ownership homes have been developed and held by house-builders and other for-profit organisations. Whilst many housing associations maintain an interest in increasing shared ownership provision, ambitions are constrained below those set out in the London Housing Strategy. In some organisations this is because of banking covenants which require a certain proportion of income to be from rental activity. In others, it’s because boards or finance directors are cautious in terms of exposure to sales activity – despite the strong demand for shared ownership. Some organisations face multiple constraints.

5.272 London government is working on deliverable proposals to unlock additional capacity in existing providers and/or support new entrants into the provision of shared ownership at scale, including potentially a shared ownership vehicle to stimulate supply. Many of these are likely to require no additional support from national government. National government could however assist by clarifying the rules in relation to the Affordable Housing debt guarantee. As currently drafted, the scheme rules do not seem to prevent a registered provider who wishes to only provide shared ownership from accessing the guarantee, but there has been some inconsistency in communication. We call upon DCLG to issue a clear statement that registered providers wishing to only provide shared ownership are eligible to access the guarantee.

Summary of Proposition 18:

London government	Central government	Private sector
Working collaboratively, identifying sites and schemes for investment and regeneration	To follow through on initial agreement to significantly fund new housing products and programmes in London	To bring forward otherwise stalled or unviable development if funding commitments are obtained from London government
Recycling grants and loan repayments into funds so that continuous, revolving housing investment can be secured	To clarify rules around the Affordable Housing Debt Guarantee	To develop an additional supply of private and sub-market rented and for-sale housing
Increasing the number of people able to access home ownership in London		

Transfer of surplus land holdings

Proposition 19: That central government's surplus strategic land holdings within London be transferred to London government

5.273 We welcome the government's Strategic Land Review, which seeks to identify what additional land and property held by government can be added to the Register of Surplus Public Sector Land, (maintained by the Government Property Unit [GPU]) as well as the steps being taken to speed the process with which surplus public sector land is brought to market. As set out in the offer section, London government has been extremely active in this area, but is also willing to do much more.

5.274 Outside London, the government is in the process of transferring arrangements for the disposal of its surplus land portfolio to the HCA. As the HCA cannot operate in London, surplus land in the city should instead be transferred to London government through the GLA Land and Property Ltd vehicle (GLALP), overseen by Homes for London Board.

5.275 Many surplus public sector sites may be able to be brought to market relatively simply and London government does not wish to add a needless layer of bureaucracy to such disposals. However, on sites that are strategic in nature, or where there is a clear opportunity to add value through intelligent disposal, transfer to GLALP would be a sensible approach. It could also yield a significant level of added value through additional development.

5.276 If the above transfer was agreed, then London government would co-ordinate a strategic approach to land release to drive housing supply. A Homes for London review panel would consider potential development opportunities for all surplus public sector land in the capital, including that deemed by London boroughs to be surplus and available for housing development. This would go much further than arrangements in the rest of England and ensure a co-ordinated, strategic approach to land release, to drive housing supply.

5.277 For example, there may be sites in government ownership that align with plans for Opportunity Areas as identified in the London Plan, or with Housing Zones or borough areas for action/redevelopment. Where this is the case, adding central government land to these sites could enable a much more strategic approach to land assembly, and potentially a much more significant scale of development.

5.278 Equally, transfer of surplus public landholdings to London government would allow for a greater exploration of policies to unlock additional housing development, boost supply and help meet the identified need of at least 42,000 homes a year in London. Some of these have already been set out in the Mayor's draft Housing Strategy, and the potential range of sites that might be transferred would increase the opportunity to apply them. For example, small and medium-sized builders could be encouraged to enter the London housing market through deferring receipts for the land purchase (as encouraged through the 'Build Now, Pay Later' approach of central government) and new forms of housing supply could be piloted, such as modular building developments, which address housing need whilst achieving low construction costs and fast build-out rates.

5.279 Linking public land disposal to strategic housing provision projects could enable a much greater degree of housing additionality to be achieved if it were to be coordinated at the London, rather than central government, level. The case for transferring surplus public sector land to London government is therefore one of greater added value and of coordination with wider public policy objectives. These would be less likely to be achieved if central government departments retain control over a programme of disposal.

Summary of Proposition 19:

London government	**Central government**	**Private sector**
On strategic sites, significantly accelerate disposal, provision and	Will commit to transferring surplus strategic land holdings within London to	Will invest in providing the housing on many of the

improve the outcomes of development.	GLA Land and Property Ltd.	strategic sites.
Would commit to establishing a review panel to oversee all surplus public sector land in the capital, including that in the ownership of London boroughs.		
Will support other public sector land-owners through enabling, advice and the use of the London Development Panel.		
Will continue to efficiently and quickly dispose of surplus land, including the Mayor's pledge to have in place an exit strategy on all surplus GLA land by 2016.		
Will explore new approaches of financing and methods of construction to enable housing provision.		

More planning freedoms

Proposition 20: That London government is given more freedoms in relation to setting planning fees for large developments, to optimise speed and quality of decision-making

5.280 The government's changes to improve the responsiveness of the planning regime through the National Planning Policy Framework (NPPF) are welcomed. Large developers in London, particularly those who wish to make significant institutional investment into the private rented sector, require planning stability. They also require certainty and clear delivery timescales from boroughs. Small builders, on the other hand, who are keen to build more homes and increase London's overall housing capacity may need help to navigate the system. Smaller builders are at present arguably bearing a greater proportion of planning costs.

5.281 Part of the solution to building the housing that London needs is to ensure that the planning system is neither cumbersome nor overly bureaucratic. It must therefore be sufficiently well-resourced to function effectively. Estimates suggest that, across the boroughs, fees only cover between 40-70 per cent of local planning service costs. This means that the general fund subsidises the cost of planning applications, often for developments that create substantial value uplift for the applicant.

5.282 Part of the problem is the pressure on many planning departments. In some areas of London the volume of applications is so great that it reduces the space available for complex negotiation. London boroughs had 91,000 applications in 2012-13 and 552 major applications. 254 major applications affecting approximately 28,000 homes took more than 13 weeks to process. Updating CLG research, which showed a loss from delays to the industry nationally of £486m, into the cost of planning delays we calculate that this represents a loss of £64m to the industry in the price of holding land. Put another way a 30 per cent improvement in meeting the 13 week deadline, bringing all major applications up to the performance of London highest achieving authorities could unlock 18,850 more homes.

5.283 If the national cap on fees was removed and boroughs allowed to charge fees to cover the cost of providing their planning service, they could process planning applications more quickly. This would allow a higher level of development to be undertaken, as well as reduced development costs for applicants. It would increase fees for larger developers, who have confirmed their commitment to meet higher costs in return for speed and certainty, but crucially not adversely affect the costs faced by small developers and self-builders.

5.284 London government fully supports this ambition of cost recovery for planning departments but it is recognised that this will be a medium term objective. We note that work is between government and the Local Government Association to develop a fees proposal, but this work appears to have been for several years, and there is no end date to which the project is working. We also note that it is open to boroughs to charge for other planning services, such as pre-application advice, and many are taking the opportunity to do so. However, this can only cover the cost of giving pre-application advice and cannot cover the broader costs of providing a full planning service.

5.285 In the meantime, and as a way to prove the beneficial impact of permitting full cost recovery, it is proposed that fees should be allowed to be charged in order to fund multi-borough planning teams, with business support to boost the speed of development and improve certainty and quality of service for business. This approach would be piloted in one of the borough sub-regional partnerships and would include expertise not only in planning, but investment finance, regeneration, design and related aspects of the development process. The fees charged would be ring-fenced for this purpose and would 'prove the concept' of allowing cost recovery to boost economic growth.

5.286 The cross borough group would offer a faster and more certain planning service in particular for major applications. Developers of major, housing-led schemes would be offered a guarantee on decisions within 13 weeks as well as an all-round improved service with assistance on issues relating to factors such as negotiating S106 agreements; dealing with cross-borough submissions; and building relationships with key stakeholders. Additionally, the fee structure would be designed to reduce pressure on smaller builders.

5.287 Additional resources, funded by additional fees, can already be utilised through the pre-application process and through application specific Planning Performance Agreements (PPAs). London government is utilising this freedom already. For example, Westminster City Council introduced a voluntary £26,000 charge for providing a dedicated planning process for major developments.

5.288 However, the advantages of PPAs are limited. Resource constraints have restricted the authority's ability to service more than a certain number of PPAs at one time whilst ensuring strict quality control. Officers are already working significant unpaid overtime, including on weekends and public holidays, to undertake the volume of work necessary to service existing PPAs

5.289 We believe that further freedom would enable London government to act quicker and accelerate development. We would be keen to ensure that such a process would genuinely fast track applications and ensure that they are considered within the statutory determination period for major planning applications of 13 weeks. We are willing to work with central government to devise robust rules to ensure this.

Summary of Proposition 20

London government	Central government	Private sector
Will provide the skills and resource required for a faster planning process and better engagement for developers in at least one cross-borough pilot area in London.	Will permit locally set planning fees for at least one cross-borough pilot area in London.	Will pay higher planning fees as long as it is guaranteed to lead to faster and more certain decision-making.

The detailed housing offer

Accelerating supply

5.290 Whilst London's housing market is currently extremely buoyant and record numbers of homes are being approved through the planning system, this is not translating into increased supply as sharply as one might expect. Part of this is due to the absorption rate for homes provided by the traditional house-builder who needs to manage the release of homes for sale in order to ensure a commercial price premium and hence the viability of development. This is particularly the case for large-phased sites which are typically built out much more slowly than is technically possible.

5.291 Research for the GLA in 2012[80] found that of the 210,000 homes with planning permission in the capital, over 175,000 were on 148 sites with over 250 homes. The research found an average build-out of such sites of 150 homes every three years. Averaging the number of homes out across the sites and applying that build rate suggests it would take 24 years to build them all, and in fact possibly longer due to the presence of some particularly large sites. London cannot wait to provide these homes and we want to get sites moving faster.

5.292 The policies and frameworks set out in the draft London Housing Strategy and Further Alterations to the London Plan should enable traditional house-builders to increase production. This is partly because the 2015-18 funding for affordable housing will enable a 10 per cent increase in homes built compared to the previous period, the commitment to providing 5,000 properties a year for long-term private rent and massively expanding the Mayor's First Steps programme for intermediate housing.

5.293 In order to do more to accelerate large scale opportunities for new housing, and in recognition that a one-size-fits-all approach is not suitable across the whole of London, the GLA and boroughs are working up proposals for new 'Housing Zones' in up to ten locations across London. These would be areas in which there is potential to accelerate significant housing development that will be affordable and accessible to low to mid-market domestic purchasers. A menu of different options, mainly relying on investments and decisions that can be taken by the GLA or the relevant boroughs, will be developed and options will vary according to the particular location. We are exploring whether there are specific requests from national government that could assist with our work on Housing Zones will become clear as we work through the process. We expect to have our first Housing Zones in place by the summer of 2014.

5.294 Affordable housing suffers from none of the absorption issues experienced by market sale homes and can be built as fast as construction techniques and capacity allow. The GLA has £1.25bn of funding for affordable housing in the 2015-18 period, which should enable a 10 per cent increase in provision compared to the current spending round. London boroughs have ambitious development plans of their own, which could be boosted by HRA reform (see propositions).

[80] Barriers to Housing Delivery, December 2012, GLA. Molior London

5.295 The GLA is also working with DCLG on a proposal for a recoverable estate-based regeneration fund of £200m for London which would fund upfront land assembly and infrastructure works required to redevelop existing estates. Through this fund, the GLA works with boroughs to review their estate regeneration appraisals and bring forward development through intensification on existing publicly-held land, unlocking their land value. From a sample of the eight largest projects currently struggling with viability and upfront costs we are forecasting that approximately 22,000 new homes could be built in this way over the next 15 years. Of these units, approximately 15,500 are net additional private sale homes, the profits of which are required to cross subsidise the early stages of development. The unbuilt private sale pipeline of the top eight London estate regeneration projects could be worth over £5bn over the next 15-20 years. In addition, construction at this scale will generate over 43,000 jobs on building sites and in the supply chain.

5.296 The GLA and partners have been working with DCLG to create the business case for government investment in estate regeneration based on example projects. The principle is a government backed loan would provide cash flow to help with land assembly and infrastructure costs. The investment could be recovered 10-15 years into the build programme, as sites are cleared and new build homes are constructed and sold. Recovery of this finance would be through a mix of overage and profit sharing agreements on private sale homes and s106 payments. Benefits to the schemes would be a potentially lower rate of interest than on the open market and more attractive commercial terms, such as a delayed payback. This would ease cash flow and help to accelerate schemes or unlock schemes completely.

5.297 The GLA is also working up plans for a London Housing Bank which would accelerate the pace of development and generate additional housing supply, particularly on large sites where speed of delivery is often constrained by the traditional house-builder business model. The London Housing Bank could include the purchase of market homes off plan or underwriting developments by offering guarantees. Funding is anticipated from a range of sources including the public sector – through the government's £400m 'Affordable Rent to Buy' scheme - and institutional investors. This will be the first phase of the Bank. The GLA might offer a soft-loan or equity to bring forward the building of homes in later phases of large schemes. The loan term will be agreed on an individual basis with the average period expected to be around 10 years. This approach could be extended beyond the anticipated funding to be made available from government so that a long term revolving fund model for building intermediate tenure housing becomes established on a sustainable basis.

5.298 Private rented sector homes can also be built at a faster pace than market sale homes.

5.299 The Mayor's London Housing Strategy proposes that 50,000 of the 420,000 homes to be built in the next decade should be long term private rented sector properties. It is clear that institutional investment in PRS is a vital ingredient in housing development. It is already bringing in new funds as witnessed by the recent decision deal between Sigma Capital and Barking Riverside (a joint venture between the GLA and Bellway Homes) to build 320 long term market rent homes with equity finance.

5.300 The Further Alterations to the London Plan also propose a revised viability approach for homes which are covenanted to remain private rented for a period of time, looking at the unique financial characteristics of such an approach. This may result in reduced planning obligations, compared with market sale, in return for building homes faster.

5.301 The GLA is also shortly going to release for disposal through the London Development Panel two sites, with a specific focus on long-term private rent to help prove the concept of such development and accelerate development.

Streamlining the planning process

5.302 There is evidence that the statutory planning process can sometimes be an impediment to investment and provision of new housing although London has a largely positive reputation and track record in this regard. London government is already making extensive use of Planning Performance Agreements (PPAs) and offers intensive support for developers at the pre-application stage to de-risk planning applications. It has ambitions to go further through establishing dedicated teams with a range of skills working to resolve development challenges within the planning process, possibly operating in a series of multi-borough groupings. This thinking draws on some of the very successful cross-borough partnerships that have in recent years provided such important projects as Queen Elizabeth Olympic Park and Stratford City (through a formal multi-borough planning team) and the huge Vauxhall, Nine Elms, Battersea project – here the boroughs of Lambeth and Wandsworth have been working closely together at a formal level for some years.

5.303 London government is also strongly committed to framing pre-start conditions as flexibly as possible so that developers can meet costs at different stages of the development process and so ease cash flow. This would result in an increase in provision of new homes as more projects become viable. We will work closely with developers to frame such conditions appropriately.

5.304 We also recognise the impact that up-front Community Infrastructure Levy (CIL) and s106 payments can have on the viability of development. London government will work proactively to agree appropriate instalments policies for CIL and include more flexible payment points in s106 agreements to increase viability thresholds.

5.305 Non-planning consents include highways maintenance and environmental consents. The vast majority of non-planning consents receive approval without objection. Yet they can create significant and unpredictable delays. We welcome the government's commitment to implementing the recommendations of the Penfold Review[81] but London government wishes to go further. Local planning authorities will look to set up clear processes for non-planning consents with the aim that a 13 week maximum timescale should be the benchmark timeframe for all standard applications, within a maximum period of eight weeks for the majority of cases when the consent is straightforward.

Increasing the supply of developable land

5.306 London government has been extremely proactive in increasing the supply of developable land, particularly from public sector land banks.

5.307 Actions taken include the joint establishment of the London Development Panel to speed up land disposal, and the GLA's disposal of land with over £3bn of Gross Development Value since April 2012. The GLA is also currently leading the Public Land Infrastructure Fund pilot in London on behalf of the Department for Communities and Local Government and Department for Health. This seeks to dispose of surplus NHS land in a way that increases market viability and reduces planning risk for development. It is early in the programme but the five bids for funding and the four that were granted shows the willingness of London stakeholders to work together to achieve new housing supply.

5.308 Finance is an especially significant obstacle to development. Builders typically have to provide 40 per cent of total development costs up front to cover the cost of land. Their cost of debt can be over 12 per cent and if they turn to private equity then the expected returns can be 20-25 per cent[82.] For this reason deferred payments for public land can have a major impact in converting unprofitable aspirations into viable plans.

5.309 London government has developed a standardised model permitting deferred payments on public land, where this would convert sites from unprofitable into viable housing schemes. This has worked on GLA-owned land, for example at Catford Stadium, and the wider public estate, including at the Police Training Centre at Hendon. In both examples the development partner was procured quickly and efficiently through the London Development Panel.

Expanding capacity in the development industry

5.310 London home building is dominated by 23 major firms that deliver 70 per cent of private sector starts[83]. More building firms are needed if the market is to

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[81] Implementing non-planning consents review (2011)
[82] As above- Molior, 2012
[83] Barriers to Housing Delivery, December 2012, GLA. Molior London

respond to the ambition for more homes, and bringing small and medium sized firms back into the London market would be a big contribution to this goal.

5.311 Simplifying the planning process can contribute to this objective. The identification and ‘pre-packaging’ of small plots will help with this, and many such opportunities exist within the land-holdings of London boroughs. The boroughs also propose to provide a one stop service for small builders identifying suitable plots and providing a framework development package for sites. This would simplify the planning and development process, allowing small builders to focus on the building stage and not the permission stage of development.

5.312 The Mayor of London is also strongly committed to increasing the supplier base in providing new homes and has used investment powers to achieve this (eg revolving fund deals struck with Pocket Homes and London Borough of Hammersmith and Fulham). In the 2015-18 Mayor’s Housing Covenant programme, specific encouragement has been given to smaller providers to bid for funding and for larger organisations to support them through consortia. The programme will also stay open to continuous bidding for smaller organisations.

5.313 Development capacity also includes ensuring that London has sufficient skilled labour and materials. London government is assisting this through its strong commitment to apprentices and training, including the Mayor’s pledge to create 200,000 apprentices. GLA investment has already supported thousands of apprentices in the construction industry and we wish to scale this up through a London-wide construction apprentice scheme.

5.314 Meeting London’s housing challenge is also likely to require exploration of new building methods and London government will continue to support and explore these, for example through the innovative modular construction-scheme on GLA-owned land in Havering, in partnership with Climate Energy Homes.

Appendix 1 - The role of the Mayor in London

The Greater London Authority (GLA) Acts of 1999 and 2007 gave the Mayor of London citywide powers beyond that of any other city or region. Even with the repeal of influence over skills and employment in the 2011 Localism Act, the Mayor holds significant powers over planning; housing; and transport.

Planning and housing

In 2007, the Mayoralty was given the power – for the first time – to call in and take over major planning applications rather than just veto them, as had initially been the case. Understandably, London boroughs were apprehensive about this change. However, it is widely agreed that the powers have been used sparingly and judiciously – in each case, it can be justifiably argued that the power was invoked for the good of London as a whole.

The 2011 Localism Act granted the Mayor further devolution of planning authority by:

- transferring the Homes and Communities Agency's (HCA) London functions to the GLA;
- transferring the London Development Agency's (LDA) functions to the GLA; and
- creating the London Legacy Development Corporation (LLDC) as part of the GLA group with responsibility to transform Queen Elizabeth Olympic Park.

The transfer of HCA and LDA functions and the creation of the LLDC have involved significant additional policy, budget and staffing responsibilities for the Mayor.
The London Plan is the Mayor's statutory Spatial Development Strategy for London: http://www.london.gov.uk/sites/default/files/REMA_per_cent2011_per_cent20October_per cent202013_0.pdf

Housing

The Mayor of London's Home's for London Board oversees the investment of his housing budget (approximately £3bn during the current spending period to 2015), maximising the potential of newly acquired land assets to create thousands of new homes and jobs across the capital.

Chaired by Richard Blakeway, Deputy Mayor for Housing, Land and Property, the Homes for London Board brings together a mix of highly professional independent experts to help find creative solutions to London's unique housing need. Supporting and advising the Mayor on housing challenges in the capital, they will help oversee housing programmes including the affordable homes programmes and the use of newly acquired GLA land.

The Mayor published his last Housing Strategy in 2011. The document sets out more details on policies which the Mayor is setting out to help meet his aim of empowering people and transforming places.
http://www.london.gov.uk/sites/default/files/London per cent20Housing per cent20Strategy per cent20Dec11.pdf

Transport

In 2008, he Mayor of London was elected to the role of Chairman of Transport for London. On 10 May 2010, following extensive consultation, the Mayor published his Transport Strategy which sets out plans for improving London's transport over the next 20 years. The strategy has a clear vision that:

> *'London's transport system should excel among those of global cities, providing access to opportunities for all its people and enterprises, achieving the highest environmental standards and leading the world in its approach to tackling urban transport challenges of the 21st century.'*

The strategy has six key goals, to:

- support economic development and population grow
- enhance the quality of life for all Londoners
- improve the safety and security of all Londoners
- improve transport opportunities for all Londoners
- reduce transport's contribution to climate change and improve its resilience
- support the London 2012 Olympic and Paralympic Games and its legacy.

http://www.tfl.gov.uk/corporate/11610.aspx#page-link-read-the-strategy

Tourism and inward investment

In addition to his statutory roles in Housing, planning and transport the Mayor's official promotional organisation, *London and Partner's*, showcases London as the best city to visit, invest and study in across the globe. It is a not-for-profit company limited by guarantee, funded by the Mayor of London and commercial partners. London and

Partners works with other organisations in the capital and across the world to make sure London is globally recognised as the best big city on earth.

Led by Chair Kit Malthouse (also Deputy Chair of LEP) and CEO Gordon Innes, London and Partners is responsible for attracting tourism, inward investment and international students to the capital and providing a single strategy for promoting London.

http://vlstatic.com/l-and-p/assets/abouts-us/business_strategy.pdf

Appendix 2 – LEP decision making

London Enterprise Panel (LEP)

- The LEP will advise on strategy development and delivery options and will endorse all use of LEP Funds prior to full Mayoral approval via the Mayor's Investment & Perfmorance Board (IPB) and Mayoral Decision (or Director Decision if delegated)

LEP Working-Groups

- Advice will be sought from each of the 4 LEP working groups on project proposals and delivery strategies
- The LEP working groups correspond with the LEP priorities outlined in the LEP's jobs and growth plan of : Digital Creative, Science and Technology; Infrastructure; SME Support; and Skills and Employment

Mayoral Decision

- Following advice from the Investment and Performance Board, projects and programmes will reach their final stage of approval via Mayoral Decision (or Director Decision if delegated)
- Financial and legal input is required for each Mayoral Decision and once this has been achieved projects can enter into contractual agreement with the GLA

GLA Investment and Performance Board

- Endorsement for the Mayor to approve from the GLA as accountable body for the funds will be from the Investment and Performance Board (IPB)
- IPB is Chaired by the Mayor's Chief of Staff and meets monthly to discuss matters in relation to investment, financial and output performance
- The IPB approves both the in principle investment case and the final investment decision for projects. Delivery of programmes is reported monthly
- Decisions relating to the GLA's housing and land portfolio are considered by a sub-group of IPB - the Housing Investment Group (HIG).

LEP Funds Programme Board

- Currently in existence as the GPF Programme Board, this will be extended to incorporate all LEP Funds and, in the initial stages, will meet monthly. The Board will be chaired by the Executive Director, Development and Enterprise
- It's purpose is to oversee the day to day delivery of projects, including the management of programme and project risks, monitor spend, oversee performance and manage communications
- All project business cases for approval at IPB or the LEP will be considered in advance by the Programme Board

Budget, Performance and Review Meeting

- Monthly meeting to scrutinise the performance (financial and output related) of all projects
- Projects will be selected for scrutiny at these meetings based on their RAG dashboard rating.
- Dashboards are completed monthly and reported to IPB.
- Any red or amber dashboards within the LEP funeded programmes will be discussed at these meetings where project managers will report on key risks and issues and mitigation strategies will be put in place

Individual Project Meetings

- Each project will be allocated a GLA Project Manager who will be responsible for reporting to the structures identified above and for holding regular meetings with the wider project teams and delivery partners

Appendix 3 – London's strategic economic plans

Because of London's unique governance arrangements, this Growth Deal submission does not aim to provide a Strategic Economic Plan for London. The detail included in this document should therefore be considered in line with the following documents:

The Jobs and Growth Plan for London (April 2013) is the LEP's vision for jobs and growth in London which sets out clear recommendations for the Mayor and the GLA to focus upon.
https://www.london.gov.uk/sites/default/files/Jobs per cent20and per cent20Growth per cent20Plan.pdf

The 2014-2020 European Structural Investment Funds Strategy for London (January 2014)sets out the strategic direction and priorities of the London 2014-20 European Structural and Investment Funds (ESIF) awarded to the London Enterprise Panel. It was submitted to government for review in January 2014.
http://www.london.gov.uk/priorities/business-economy/working-in-partnership/london-enterprise-panel/strategic-focus/european-funding-strategy-2014-20

The London Plan (2011) is the overall strategic spatial plan for London. It sets out a fully integrated economic, environmental, transport and social framework for the development of the capital to 2031. London boroughs' local plans need to be in general conformity with the London Plan and its policies guide decisions on planning applications by councils and the Mayor. The Mayor published Revised Early Minor Alterations to the plan in October 2013 and consulted on further Draft Further Alterations in January 2014. http://www.london.gov.uk/sites/default/files/London per cent20Plan per cent2022 per cent20July per cent202011.rtf

The Mayor's Economic Development Strategy for London (2010) – sets out the Mayor's vision for London to be the best big city in the world with respect to the economy and how it can be realised. Specifically the Mayor's ambitions for London to be the world capital of business, to have the most competitive business environment in the world, to be one of the world's leading low carbon capitals, for all Londoners to share in London's economic success and for London to feel the maximum benefit from the 2012 Olympic and Paralympic Games. http://www.london.gov.uk/sites/default/files/Economic-Development-Strategy.pdf

The Mayor's Transport Strategy (2010) – sets out the Mayor's transport vision for London and details how Transport for London and partners will provide the plan over the next 20 years – http://www.london.gov.uk/priorities/transport/publications/mayors-transport-strategy

The Revised Draft London Housing Strategy (currently being consulted upon) - sets out the Mayor's policies to increase the supply of well-designed housing of all tenures to levels not seen since the 1930s, in order to meet the needs of London's growing population and particularly to support working households. https://www.london.gov.uk/priorities/housing-land/consultations/draft-london-housing-strategy

This strategy is informed by the 2013 London Strategic Housing Market Assessment sets out estimates of London's current and future housing requirements, to inform the development of the Mayor's London Plan and London Housing Strategy. http://www.london.gov.uk/sites/default/files/FALP per cent20SHMA per cent202013_0.pdf

The Mayor's 2020 Vision ('The greatest city on Earth: Ambitions for London') (June 2013) set out the Mayor's ambition to secure London's future as the best big city in the world through the capital's growth driving the wider UK economy. https://www.london.gov.uk/mayor-assembly/mayor/vision-2020/ambitions-for-london

The London Finance Commission was established by the Mayor after his election in May 2012 to help improve the tax and public spending arrangements for London in order to promote jobs and growth. It published its final report in May 2013. http://www.london.gov.uk/priorities/business-economy/championing-london/london-finance-commission

Appendix 4 – London Enterprise Panel requirements for ESF match funders

Project development and alignment

1. The London Enterprise Panel (LEP) requires Opt-in organisations to operate under the principles of integrated commissioning through inter-agency working to align services and, where possible, processes. The LEP would like to work with Opt-ins to influence and align procurement processes, communication activities, output definitions and evidence requirements. Opt-ins will be expected to commit to working through any strategic partnership structures established to facilitate integrated commissioning.

2. All Opt-in organisation ESIF project specifications should be co-designed with the LEP. Where specifications are not LEP led, consultation with the LEP should begin at the initial development stage.

Contract models

3. Opt-in funding models should be designed to reflect the LEP's skills and employment priorities of sustained employment, career progression and progression in learning, with the right funding incentives in place to reward providers for progression or job sustainability.

4. Job outcome unit costs and conversion rates should be informed by the benchmarking research being commissioned through the City Skills Technical Assistance project.

5. Contract size and geographic coverage should be agreed with the LEP and determined on a case-by-case basis. The LEP would expect contract geographies to be based on a configuration that will permit the most effective provision of the activity.

6. Opt-in innovation pot – allocation of funding to test new approaches and/or where we don't know much about what works eg in-work progression. These programmes could be funded on the basis of actual costs or contract costs with a higher weighting on the provision side.

Output/results and MI reporting

7. Where provision is focused on providing employment related results, these results should measure sustained employment for a minimum of six months.

8. For provision aimed at young people (15-18 years old) results should measure sustained education, training or employment for a minimum of six months.

9. Where provision is focused on providing support to people in-work, results should measure in-work progression.

10. Opt-ins should adopt the job outcome definitions agreed by the LEP for job entry and sustained employment.

11. Opt-in organisations should adopt the Employability Performance Rating for all London ESF contracts.

12. Opt-in organisations will be required to provide the LEP with quarterly updates on performance at both programme and project level and broken down by borough.

Appendix 5 – London's Opportunity Areas and intensification areas

This information is drawn from the draft Further Alterations to the London Plan as published by the Mayor for consultation on 15 January 2014. Further alterations may be required following the conclusion of the consultation process. For further updates please see http://www.london.gov.uk/priorities/planning/london-plan

London's opportunity areas

Bexley Riverside
Area (Ha): 1,347
Indicative employment capacity: 7,000
Minimum new homes: 4,000
OAPF progress: 1

Bexley Riverside relates to parts of Erith, Crayford, Slade Green and Belvedere. Improvements in public transport accessibility, especially associated with Crossrail 1 will provide scope for intensification, particularly around Abbey Wood. Account should be taken of the Area's strategically important role in addressing London's logistics requirements including protection for inter-modal freight transfer facilities at Howbury Park and safeguarded wharves on the River Thames, as well as waste management. East London Green Grid projects such as Belvedere Links will make a significant contribution to the improvement of landscape and green infrastructure. Any new development and infrastructure brought forward in this area must avoid adverse effects on any European site of nature conservation importance (to include SACs, SPAs, Ramsar, proposed and candidate sites) either alone or in combination with other plans and projects.

Bromley
Area (Ha): 39
Indicative employment capacity: 2,000
Minimum new homes: 2,500
OAPF progress: 1

Promote Bromley Town Centre's strategic role as a Metropolitan town centre with a distinctive cultural, leisure and quality shopping experience and realise capacity for new residential development in line with its status as a new opportunity area. Sustainable growth should ensure a high quality, safe and accessible environment, and a vibrant day and night time centre, with high quality buildings, public spaces and strong east-west connections. Potential improvements to public transport accessibility should be considered in conjunction with the scope to optimise development capacity associated with the town centre and its environs. A carefully managed approach should be taken to enhance the business environment, modernise viable office provision and encourage the conversion or redevelopment of surplus office capacity to other uses including housing.

Canada Water
Area (Ha): 46
Indicative employment capacity: 2,000
Minimum new homes: 3,300
IAPF progress: 2

This is a potential new opportunity area with good public transport accessibility including stations on the Jubilee and East London Line. It has significant potential for mixed-use regeneration on infill sites and intensification of existing commercial sites focussed on the transport interchanges and the District shopping centre. Subject to retail demand Canada Water may evolve to become a Major town centre in the network and the scope for a substantial increase in the minimum new homes target and employment capacity should be explored. There is also potential to develop a new science cluster linked to an academic institution (King's College).

Charlton Riverside
Area (Ha): 176
Indicative employment capacity: 1,000
Minimum new homes: 3,500
OAPF progress: 4

Development at Charlton Riverside should be integrated with the wider development of the south bank of the Thames to complement opportunities at Deptford/Greenwich, Greenwich Peninsula and Woolwich. Any managed release of surplus industrial land should be set in a wider sub regional context as part of the planning framework for the Area, taking into account safeguarded wharves such as Murphy’s and Angerstein with its strategic railhead. Greenwich Council adopted the Charlton Riverside Masterplan in 2012 but more work is needed on possible release of land within the Strategic Industrial Location.

City Fringe/Tech City
Area (Ha): 901
Indicative employment capacity: 70,000
Minimum new homes: 8,700
OAPF progress: 2

London is the digital capital of Europe and the growing digital-creative cluster at Tech City, which extends from the Old Street ‘Silicon Roundabout’ Shoreditch to Whitechapel, Hackney Central and Dalston, has the potential to become a business hub of major international significance. The City Fringe/Tech City OAPF should nurture the employment, business and creative potential of the digital-creative sectors and ensure that suitable commercial floorspace, supporting uses and related infrastructure is available to meet the needs of this growing cluster. Securing affordable workspace, high quality digital connectivity and an attractive, 'buzzy' business environment are key considerations. The City Fringe/Tech City area contains a number of accessible, relatively central sites with significant development capacity, including Bishopsgate/South Shoreditch and Whitechapel/Aldgate. The Area also provides particular scope to support London's critical mass of financial and business services and clusters of other economic activity, such as creative industries. The potential for a medical research cluster at Whitechapel associated with the Queen Mary University London should be explored. Minor extensions of the CAZ should assist the realisation of development capacity and exploit public transport accessibility through Crossrail 1 stations at Liverpool Street and Whitechapel and at the London Overground East London Line stations. At Old Street there is significant scope to improve the station and its environs, to become a more successful and attractive gateway to Tech City and encourage investment. The scale of additional development capacity here is partly dependent upon operational rail requirements and improvements to interchange capacity. The area contains some of London's most deprived inner city neighbourhoods as well as affluent new quarters interspersed with affordable business premises, some serving the local communities, others meeting the needs of national and international business. Development should take account of the Tower of London World Heritage site. Improved public transport accessibility at Dalston Junction will support a range of development opportunities in this area. Potential exists to redevelop Kingsland Shopping Centre and secure better integration with its surroundings. Ridley Road Market is an important asset and there is scope to improve the overall environment and operation of the market and linkages with the High Street. The potential for intensification in the wider hinterland of Dalston should also be explored including sites along the A10 corridor and those in close proximity to the London Overground station at Haggerston.

Colindale/ Burnt Oak
Area (Ha): 262
Indicative employment capacity: 2,000
Minimum new homes: 12,500
OAPF progress: 4

An area comprising a range of sites with capacity mainly for residential-led mixed use, which are at various stages in the development process including parts of the former RAF East Camp adjacent to the M1, Hendon College site, the existing Grahame Park Estate, the Peel Centre, Colindale Tube and the Hospital and library sites to the west of tube. The area also includes major development sites in Brent along the Edgware Road at Oriental City, Zenith House and Capital Way. Co-ordination of adequate provision of social and transport infrastructure across the borough boundaries is required.

Appropriate developer contributions are also needed for public transport improvements to support the proposed intensification of residential use. Barnet Council adopted the Colindale Area Action Plan in March 2010 and the document may be reviewed and updated.

Cricklewood/Brent Cross
Area (Ha): 324
Indicative employment capacity: 20,000
Minimum new homes: 10,000
OAPF progress: 3

Subject to office demand, a potential Strategic Outer London Development Centre (see Policy 2.16). Brent Cross /Cricklewood also has significant potential for wider economic development, new housing and regeneration, capitalising on public transport improvements including Thameslink and the Northern line upgrade. The area combines former railway lands and the wider hinterland surrounding Brent Cross regional shopping centre across the A406 North Circular Road. Brent Cross is to be redeveloped to become a town centre complementing the roles of other centres nearby and with an extended mix of town centre activities. This should include a significant increase in new housing together with local ancillary services. A rail station on the Cricklewood site is proposed and new development should be phased with improvements to public transport and accessibility. A site for a major waste facility within the area will form a key role in North London Waste Strategy. There is significant potential for improvement to the public realm including restoration of the River Brent.

Croydon
Area (Ha): 194
Indicative employment capacity: 7,500
Minimum new homes: 7,300
OAPF progress: 3

One of the potential Strategic Outer London Development Centres, Croydon is also recognised as London's largest 'Metropolitan' town centre and one of the capital's two strategic office centres outside central London. The council's strategy will need to be built upon to re-brand the offer of Croydon to meet modern commercial needs, realising its competitive advantages and good public transport accessibility. This will entail consolidating its strengths as a strategic office location through mixed-use re-development and enhancements to the business environment. A carefully managed balance must be struck between modernising office provision and encouraging the conversion of surplus capacity to other uses including a significant increment to housing. An integrated approach to a number of sites will be needed, including East Croydon station, Fairfield Halls, Croydon College, Park Place and the Whitgift redevelopment (for which a planning application has been submitted by Hammerson and Westfield). Rejuvenation of the mix and vitality of supporting uses, enhancement of the environment and improvements to traffic management will help support redevelopment. The Croydon town centre opportunity area planning framework (OAPF) was adopted by the Mayor of London in January 2013. The framework was prepared in collaboration between the GLA, Croydon Council and TfL.

Deptford Creek/ Greenwich Riverside
Area (Ha): 165
Indicative employment capacity: 4,000
Minimum new homes: 5,000
OAPF progress: 1
The area should benefit major concentrations of deprived neighbourhoods across the two boroughs and capitalise on its waterside and heritage character. Subject to resolution of wharf related issues, parts of Convoys Wharf should be developed for a range of uses. The area as a whole has potential for a cultural quarter, for smaller scale leisure and tourism-related provision, business workspaces and additional housing. East-west connections across Deptford Creek should be addressed.

Earls Court and West Kensington
Area (Ha): 38
Indicative employment capacity: 9,500
Minimum new homes: 7,500
OAPF progress: 3
The Area presents a significant opportunity for regeneration comprising estate renewal and housing and employment growth. A comprehensive approach should be taken to planning the future of the exhibition complex, the Transport for London Lillie Bridge Road depot, the local authority housing estates and other sites in the vicinity. The potential for a strategic leisure, cultural and visitor attraction and strategically significant offices should be explored together with retail, hotels and supporting social infrastructure. To guide development in the opportunity area, a joint supplementary planning document has been prepared in partnership with Hammersmith and Fulham Council, Kensington and Chelsea Council and Transport for London. Earls Court has good public transport facilities and these should be further enhanced, together with comprehensive highway and streetscape improvements. Earls Court already benefits from a strong identity, distinctive townscape and a range of heritage assets, all of which should be upheld and promoted through the regeneration and growth of the area.

Elephant and Castle
Area (Ha): 88
Indicative employment capacity: 5,000
Minimum new homes: 5,000

OAPF progress: 43

The area is undergoing major transformation with significant investment in housing and potential for new retail provision integrated with a more efficient and attractive transport interchange. There is scope to create a series of connected public open spaces complemented by environmental and traffic management improvements. Resolution of these and rail related issues are crucial to the successful redevelopment of this southern gateway to central London.

Euston

Area (Ha): 85
Indicative employment capacity: 7,700
Minimum new homes: 2,800
OAPF progress: 2

Euston is a major national and commuter rail terminal possessing good bus and underground links to the rest of the Central Activities Zone. The station airspace and adjacent areas are underused and have potential for intensification. There is scope to re-configure Euston Square Gardens and the bus station to enhance this space and the transport interchange and also to develop the relationship with the adjacent university quarter. A draft 'Euston Area Plan' for the area around Euston Station has been consulted upon. This has been produced by the GLA, working with TfL and Camden Council. This will help to shape change in the area over the next 15-20 years and provide a framework for planning decisions. This plan is being produced partly in response to the current proposal for a new High Speed rail link (HS2) from London to the North and Scotland and to reflect and update previous plans and aspirations for development in and around the station.

Greenwich Peninsula

Area (Ha): 259
Indicative employment capacity: 7,000
Minimum new homes: 13,500
OAPF progress: 3

The Peninsula plays two key strategic roles, as an internationally significant leisure attraction and as a major contributor to meeting London’s need for additional housing. The main focus of commercial development is at the north of the peninsula around the O2 Centre and the Jubilee line station. Any release of industrial capacity should be managed in a sub-regional context and as part of the planning framework, recognising the roles of safeguarded wharves and the potential for a cruise liner terminal. River paths, parks and squares on the peninsula should contribute to a high quality public realm and become part of the wider East London Green Grid with potential to improve pedestrian and cycle linkages from the O2 to Greenwich town centre. Development and infrastructure provision should be co-ordinated with that in neighbouring Charlton Riverside.

Harrow and Wealdstone
Area (Ha): 177
Indicative employment capacity: 3,000
Minimum new homes: 2,800
OAPF progress: 3

This new opportunity area offers significant opportunity for urban renewal and intensification, providing the impetus to regenerate Wealdstone and rejuvenate Harrow town centre. Capacity exists for substantial employment growth by boosting retail, office and hotel development within the town centres and the intensification of industrial and other business use within the Wealdstone industrial area. There is also scope to accommodate a substantial portion of the borough's future housing need by providing higher density residential and mixed use development on key strategic sites and renewal areas where development is matched by investment in infrastructure and achieves high standards of design and sustainability.

Heathrow
Area (Ha): 700
Indicative employment capacity: 12,000
Minimum new homes: 9,000
OAPF progress: 1

The Mayor supports an integrated approach to the distinct environmental and growth issues facing the area around Heathrow both within and beyond London in the three corridors covered by the 'Western Wedge' (see para 2.17) and recognises the importance of the airport as a driver for economic growth within the opportunity area and beyond. He recognises the importance of maintaining its attractiveness to business, while enhancing its environmental performance in line with Policy 6.6 Aviation. It contains a range of locations with potential to contribute to economic development without a third runway, together with new housing and environmental improvement. Any new development and infrastructure brought forward in this area must avoid adverse effects on any European site of nature conservation importance (to include SACs, SPAs, Ramsar, proposed and candidate sites) either alone or in combination with other plans and projects. In Hillingdon, Heathrow 'north' (including the A4 corridor) will continue to benefit from airport related growth, particularly with regard to transport and logistics, business and hotels and leisure/tourism. Stockley Park has a particular draw for a diverse range of offices including marketing and RandD, and for prestigious national and European headquarters. Uxbridge is set to grow significantly with the redevelopment of the RAF Uxbridge site, together with potential in the bio-science sectors and creative/media support services in the Uxbridge Business Park. The Hayes-West Drayton corridor contains redevelopment opportunities for a range of potential uses, including small business parks, logistics and mixed-uses. Hayes town centre offers considerable scope for the creative/media sector and for SME workspace. In Hounslow, there is capacity to continue the rejuvenation of Feltham as a town centre and to develop the borough's strategically important industrial offer. The capacity estimates indicate the broad potential of the opportunity area and are subject to more detailed testing.

Ilford
Area (Ha): 85
Indicative employment capacity: 800
Minimum new homes: 5,000
OAPF progress: 4

Ilford is both an opportunity area and a metropolitan town centre serving outer east London. There is scope to provide at least 5,000 additional homes on development sites in and around the town centre. Comprehensive redevelopment of key sites should reinforce its metropolitan centre role with improvements to the range and quality of the retail offer and build upon its strengths as a new leisure-oriented location to serve the wider area. Longer term development, which could include some office provision as part of a wider mix of town centre uses, will be assisted by improved transport links, particularly Crossrail 1 and the East London Transit.

Isle of Dogs
Area (Ha): 410
Indicative employment capacity: 110,000
Minimum new homes: 10,000
OAPF progress: 2

The north of the Isle of Dogs forms a strategically significant part of London's world city offer for financial, media and business services and is recognised as part of the Central Activities Zone for office policy purposes, with Canary Wharf also functioning as a Major town centre for its workers and more local communities. Proposed transport investment including Crossrail 1 should allow it to accommodate an additional 110,000 jobs by 2031 focused on the area with particularly good and improving public transport accessibility and capacity in and around Canary Wharf. Partnership working is required to bring forward adequate land and a significant enhancement to transport capacity. Parts of the Area have significant potential to accommodate new homes and there is scope to convert surplus business capacity south of Canary Wharf to housing and support a wider mix of services for residents, workers and visitors. Retail provision in Canary Wharf has the potential to develop and serve a wider catchment, complemented by a broader range of civic, leisure and other town centre facilities. At Crossharbour there is potential for less car dependent, more sustainable development providing a wider range of uses. To address barriers to the provision of development, consideration is being given to refining this framework. This will focus on realising local benefits arising from improvements in public transport across London; a reappraisal of the balance between housing and employment in light of changing commercial occupier requirements; the scope to extend the area covered by the framework further north to open up employment and housing opportunities, for example towards Poplar; the potential for greater synergies with other development partners; more effective coordination of social infrastructure, especially schools to support growing local needs; and exploring ways in which the town centre offer of Canary Wharf can be broadened as well as extended to reflect aspirations for it to develop into a Metropolitan centre.

Kensal Canalside
Area (Ha): 20
Indicative employment capacity: 2,000
Minimum new homes: 3,500
OAPF progress: 2

Kensal Canalside has significant development potential and an opportunity to promote regeneration in north Kensington and adjoining boroughs. The scope and scale of development as an opportunity area is dependent on resolution of a number of challenges and constraints. Improved public transport accessibility will be a major determinant of the final scale of development. Rail and canal corridors form barriers to north-south movement within and beyond the site and should be addressed to knit development into the surrounding townscape. Linkages with the Park Royal opportunity area and the potential strategic public transport infrastructure hub and interchange at Old Oak Common should be addressed. The opportunity to build over the railway tracks and to address constraints imposed by existing gasholders should be investigated.

King's Cross-St Pancras
Area (Ha): 53
Indicative employment capacity: 25,000
Minimum new homes: 1,900
OAPF progress: 3

King's Cross-St Pancras now functions as a European passenger gateway and has the highest public transport accessibility in London. This accessibility will improve further with the completion of Thameslink. A new commercial quarter is rapidly emerging. Planning permissions are being implemented in both Camden and Islington for high-density commercial development, office, retail, leisure and housing. There may be scope to consider linkages between the academic sector and businesses clustered in this location in conjunction with those in the neighbouring City Fringe/Tech City opportunity area. The implementation of development must capture heritage value, secure environmental quality and minimise car use. It is vital to integrate the major rail termini, underground station and brownfield sites with the regeneration of neighbourhoods in the wider area.

Lewisham, Catford and New Cross
Area (Ha): 815
Indicative employment capacity: 6,000
Minimum new homes: 8,000
OAPF progress: 1

This Area contains a series of centres with scope for intensification, regeneration and renewal. There is scope for further intensification in central Lewisham where strategically important regeneration is already planned. Projects such as the Kender Triangle gyratory removal and Lewisham Gateway will provide development opportunities, improve the public realm and raise design quality in the area. The scope to address poor legibility, severance and traffic congestion should be investigated. Projects such as Waterlink Way and Deptford Loop should be further developed together with wider environmental improvements such as extensions to the East London Green Grid.

London Bridge, Borough and Bankside
Area (Ha): 155
Indicative employment capacity: 25,000
Minimum new homes: 1,900
OAPF progress: 4

This Area has considerable potential for intensification, particularly at London Bridge station and its environs, complemented by improvements to public transport and interchange facilities, better pedestrian integration with the surrounding area and greater use of river passenger transport. There is scope to develop the strengths of the Area for strategic office provision as well as housing, especially in the hinterland between Blackfriars and London bridges. Mixed leisure and culture related development should enhance its distinct offer as part of the South Bank strategic cultural area, and partners should work to develop and accommodate synergies with the existing centre of medical excellence. Account should be taken of the Tower of London World Heritage site and proposals for open space networks and transport and community infrastructure should be co-ordinated with those in the Waterloo and Elephant and Castle opportunity area and across borough boundaries.

London Riverside
Area (Ha): **3,000**
Indicative employment capacity: 16,000
Minimum new homes: 26,500
OAPF progress: 2

Within the Area development will be focused on the Barking Riverside, Dagenham Dock, South Dagenham, Beam Reach, Beam Park and Rainham West sites with scope for intensification in Barking town centre, Rainham Village and South Hornchurch. The development strategy will include managed release of some surplus industrial land for housing and other complementary uses, and consolidating the offer of the remaining industrial land including promotion of a Green Enterprise District incorporating the London Sustainable Industries Park at Dagenham Dock. Any new development and infrastructure brought forward in this area must avoid adverse effects on any European site of nature conservation importance (to include SACs, SPAs, Ramsar, proposed and candidate sites) either alone or in combination with other plans and projects. Substantial improvements in public transport will be needed, building on plans for increased capacity on the C2C rail line, and East London Transit schemes to serve London Riverside, exploring the potential for additional stations, for example at Beam Park along the current rail corridor, and extended bus services. There is scope to improve connectivity by cycling and walking across the whole area and in particular through implementation of the East London Green Grid. It is also imperative to plan for long term flood risk management. The industrial areas at River Road, Rippleside, Dagenham Dock and Rainham Employment Area support a range of different businesses. Access to rail, river wharves, trunk roads and existing warehousing clusters support the provision of strategically important logistics facilities, including inter-modal freight transfer (potentially at Renwick Road/Ripple Road), as well as consolidating the strengths of modern manufacturing excellence. At South Dagenham, along the A1306 East, and in Rainham there is potential to provide more compact, residential-led mixed urban communities. The core employment areas have the potential to be developed as a leading centre for innovation and high-tech manufacturing, and for the growth sector of environmental technology, for example at Dagenham Dock. Barking Riverside is London's single largest housing development opportunity and the Mayor will continue to lobby for rail to the area which is necessary to create over 10,000 new homes. Development should create not just a good quality environment with a full range of community facilities, but a new urban quarter with a distinct character of its own and a highly attractive place to live. A draft London Riverside opportunity area Planning Framework (LROAPF) has been published.

Lower Lee Valley (including Stratford)
Area (Ha): 1,400
Indicative employment capacity: 50,000
Minimum new homes: 32,000
OAPF progress: 2

Currently this Area is the most important single strategic regeneration initiative for London and an urban renewal challenge of global significance securing the legacy of the 2012 Olympic and Paralympic Games. The Lower Lee forms the axis linking two nationally important growth corridors: the London-Stansted-Cambridge-Peterborough corridor to the north and the Thames Gateway to the east. Any new development and infrastructure brought forward in this area must avoid adverse effects on any European site of nature conservation importance (to include SACs, SPAs, Ramsar, proposed and candidate sites), either alone or in combination with other plans and projects. A new

Metropolitan centre will be focused on Stratford town centre and a rich mix of employment, housing and open spaces across the Lower Lee Valley. Stratford is recognised as one of the capital's two strategic office centres beyond central London and a potential Outer London Strategic Development Centre with particular potential for office development. The area will contain a significant new residential community providing at least 32,000 new homes and potentially up to 40,000. There is estimated capacity for up to 50,000 new jobs including over 30,000 predominantly office jobs at Stratford City. The Queen Elizabeth Olympic Park will accelerate the realisation of the vision for the Lower Lee Valley for it to become a vibrant, high quality and sustainable mixed use new city district set within an unrivalled landscape of high quality parkland and water features which should be co-ordinated with plans for long term flood risk management. Managed release of appropriate industrial sites for mixed-use development should be promoted, whilst retaining key industrial land, particularly in the Strategic Industrial Locations. Integration of the facilities and infrastructure provided for the 2012 Games with the surrounding areas, centres and communities are vital to the area's long term regeneration and success~~.~~ The Mayor's planning priorities for the Queen Elizabeth Olympic Park and the surrounding areas are set out in Policy 2.4 of this plan and the Olympic Legacy Planning Supplementary Guidance (OLSPG). This is now being taken forward through a DPD prepared by the London Legacy Development Corporation (LLDC).

Old Kent Road
Area (Ha): 114
Indicative employment capacity: 1,000
Minimum new homes: 2,500
OAPF progress: 1

This is a new opportunity area with significant potential for residential-led development along the Old Kent Road corridor. The employment and minimum homes figures above should be explored further and refined in a planning framework for the Area and through a review of the Strategic Industrial Location and capacity to accommodate a phased rationalisation of its functions in the opportunity area or reprovision elsewhere.

Paddington
Area (Ha): 38
Indicative employment capacity: 5,000
Minimum new homes: 1,000
OAPF progress: 3

Significant office and residential development provision has already been made in the Area and there is scope for further high density, good quality, business and housing development. This should complement Paddington's distinct canal-side character, enhance environmental quality, support low car use and integrate with surrounding neighbourhoods.

Park Royal
Area (Ha): 713
Indicative employment capacity: 10,000
Minimum new homes: 1,500
OAPF progress: 2

Park Royal is one of London's key industrial locations, with potential to meet modern logistics and waste management requirements as well as other industrial type functions. A range of opportunities exist for industrial related development and in selected locations outside of SIL for mixed-use intensification where there is good public transport accessibility. These selected locations include a series of 'gateway' sites identified in the Park Royal OAPF comprising the Eastern Gateway at Willesden Junction, the Southern Gateway around North Acton station, the Western gateway around the Diageo First Central site and the Northern Gateway centred around the Northfields industrial estate. Development should take account of London's future rail and water freight requirements and their land use implications, and the scope for improvements in strategic rail accessibility. Planning for Park Royal should be integrated with Old Oak Common and take into account the relationships with White City and Kensal Canalside opportunity areas.

Old Oak Common
Area (Ha): 155
Indicative employment capacity: 55,000
Minimum new homes: 24,000
OAPF progress: 2

Old Oak Common has significant regeneration potential for new housing and jobs and could make a major contribution to London's position as a world business centre. Regeneration would centre on a new strategic public transport infrastructure hub at Old Oak Common on the HS2 line between London and Birmingham with an interchange with Crossrail 1, other national main lines and the London Overground. Provision of public transport infrastructure on this scale would drive substantial development which could yield 24,000 new homes and, subject to capacity and demand, up to 55,000 jobs and a variety of complementary and supporting uses in a commercial hub around the station and in the wider area. The potential for a network of new open spaces and green links connecting Old Oak Common station to North Acton, Willesden Junction, Wormwood Scrubs and the Grand Union Canal should be investigated. Public transport accessibility and availability of amenity space should support high density development which could include a cluster of tall buildings around the interchange. Wormwood Scrubs would provide a major amenity to support this scale of development and improved access to the Scrubs is essential to create sustainable residential communities. Planning for Old Oak Common should be integrated with the wider Park Royal opportunity area, including scope for business relocations. Linkages with Kensal Canalside and White City Opportunity Areas should also be considered, including the

Imperial College campus expansion and associated potential for business creation and development at Old Oak/Park Royal. A vision document for Old Oak was published in June 2013 setting out a direction of travel for the future development of the area.

Royal Docks and Beckton Waterfront
Area (Ha): 1,100
Indicative employment capacity: 6,000
Minimum new homes: 11,000
OAPF progress: 2

The Royal Docks will return to its former glory at the forefront of international trade and exchange. The regeneration of Silvertown Quays, Royal Albert Dock and Royal Albert Basin should build upon innovative and iconic developments such as the Siemans Crystal and the Emirates Air Line cable car. The Enterprise Zone will support its role as a world class business destination with capacity for at least 6,000 jobs. Joint public and private investment will create London's first Asian business park. The potential for a new 'floating village' should be explored as part of the Royals' potential to accommodate at least 11,000 new homes. Key issues to be addressed include maximising the benefits of the Crossrail station at Custom House, future growth of London City Airport, capitalising on the success of ExCel and its potential as a focus for further visitor/business related growth and improving connections to London Riverside. For Thameside West, strategic development principles are set out in the adopted Lower Lee Valley OAPF. Thameside East, West and Beckton Waterfront are also key locations for river-related industries. The management of safeguarded wharves, including scope for consolidation, will be an important issue in realising the potential of these sites.

Southall
Area (Ha): 46
Indicative employment capacity: 2,500
Minimum new homes: 6,000
OAPF progress: 2
The Area provides great scope to enhance the local environment and complement Southall's current strengths, including its ethnic identity and links with South Asia, by introducing a more diverse retail offer and securing a substantial uplift in housing capacity as well as improvements in social infrastructure. The imperative to provide genuine linkages between the Southall Gas Works site and the existing Southall town centre must be secured. Integration with the wider area including Hillingdon to the west needs careful consideration. Any new development and infrastructure bought forward in this area must avoid adverse effects on any European site of nature conservation importance (to include SACs, SPAs, Ramsar, proposed and candidate sites) either alone or in combination with other plans and projects.

Thamesmead and Abbey Wood
Area (Ha): 811
Indicative employment capacity: 4,000
Minimum new homes: 3,000
OAPF progress: 4

The residential environment and capacity of Thamesmead should be enhanced through estate renewal integrated with strategic opportunity sites for new housing, social and recreation facilities together with improved open space and metropolitan open land. Access to the riverside and adjacent spaces in Tripcock Park should be enhanced, together with measures to secure better use of landscape assets such as the Ridgeway and improved local connections through the South East London Green Chain. In view of the low lying nature of parts of the Area, particular attention should be given to flood risk management. There is scope to enhance employment capacity in the White Hart triangle and other industrial sites, including waste management and logistics provision.

Tottenham Court Road
Area (Ha): 19
Indicative employment capacity: 5,000
Minimum new homes: 500
OAPF progress: 3

There is significant potential for integrated renewal across Westminster and Camden borough boundaries recognising the Area's strategic role as part of one of London's two 'International' shopping locations in the context of the West End Special Retail Policy Area, as well as addressing more local concerns. This will include enhancing the public realm of St. Giles, Tottenham Court Road and eastern Oxford Street and providing better connection between Covent Garden, Oxford Street and Bloomsbury.

Upper Lee Valley
Area (Ha): 3,900
Indicative employment capacity: 15,000
Minimum new homes: 20,100
OAPF progress: 3

The Upper Lee occupies a strategic position in the London-Stansted-Cambridge-Peterborough growth corridor and provides a range of development opportunities including the growth points at Tottenham Hale, Blackhorse Lane, Central Leeside and Ponders End which are considered suitable for higher density development and accessible sites within and on the edges of town centres, especially in the A1010 corridor. A four trains per hour service on the West Anglia Main Line and potential four tracking of the London Stansted line will be important in unlocking development capacity, particularly at Meridian Water. Development in the opportunity area should provide the stimulus for regeneration in existing communities including those in Edmonton, the Tottenham corridor to Stoke Newington and around Blackhorse Lane. Proposals should be co-ordinated with those for the Lower Lee Valley opportunity area. Adequate capacity should be retained to meet industrial needs including waste management and strategic logistics functions. The potential for the establishment of a Green Enterprise District should be explored. Any new development and infrastructure bought forward in this area must avoid adverse effects on any European site of nature conservation importance (to include SACs, SPAs, Ramsar, proposed and candidate sites) either alone or in combination with other plans and projects. The location, construction and design of new development and infrastructure should avoid significant and cumulative impacts on European biodiversity sites. The Lee Valley Regional Park Authority and water utilities should collaborate with relevant boroughs in relating development to the environmental assets of the Lee Valley Park and planning for long term flood risk management. Opening up the reservoirs to the public would enhance connections east to west across the valley and increase use of the Regional Park and its water spaces. London’s largest waste facility is located at Edmonton Eco Park and this facility has potential to provide heat and power to neighbouring developments. Improvements to capacity of the underground station, new bus infrastructure and services are needed to create higher density, mixed-use development. The Upper Lee Valley opportunity area planning framework (ULV OAPF) was adopted by the Mayor in July 2013. It has been produced by the GLA working with TfL and the London Boroughs of Enfield, Haringey, Waltham Forest and Hackney.

Vauxhall, Nine Elms, Battersea
Area (Ha): 227
Indicative employment capacity: 25,000
Minimum new homes: 20,000
OAPF progress: 3

As an integral part of the CAZ, this Area has scope for significant intensification and increase in housing and commercial capacity, with a new diplomatic quarter, parkland and river crossing for pedestrians and cyclists. To provide the area’s full development potential will require major transport investment and construction of the Northern line extension into the area is scheduled to start in 2016. This investment will boost employment capacity for up to 25,000 jobs and a minimum homes capacity of at least 20,000. The Battersea Power Station site has the potential to become a new CAZ Frontage with potential for strategically significant mixed use development including residential, business, leisure, retail and service uses. Parts of the area may be suitable for tall buildings subject to London Plan/LDF design policies and criteria. The extensive area of low density, low value industrial uses at Nine Elms conflicts with wider strategic objectives for CAZ and industrial uses should be rationalised whilst sustaining capacity for those which are of particular importance to CAZ and capable of operating more intensively, such as the wholesale market and waste management provision. This Plan continues the requirement of the 2008 version of the London Plan to de-designate part of the historic Strategic Industrial Location in order to facilitate re-development. Safeguarded wharf capacity on the River Thames should continue to perform a key functional role and the use of waste to generate heat and power for developments should be investigated. Stronger traffic management and easier pedestrian and cycle movement will contribute to significant environmental improvements in this location. In March 2012, the Mayor adopted a planning framework for the Vauxhall / Nine Elms / Battersea opportunity area and it forms Supplementary Planning Guidance to the London Plan.

Victoria
Area (Ha): 47
Indicative employment capacity: 4,000
Minimum new homes: 1,000
OAPF progress: 3

The station, the airspace above its tracks and approaches and nearby sites has significant potential for mixed-use intensification, capitalising on improving the public transport interchange alongside accessibility and capacity. The need to enhance important heritage features and improvements to the wider public realm will need careful management. Significant new development around Gatliff Road reflects the potential for closer synergy with the Vauxhall/Nine Elms/Battersea opportunity area south of the river.

Waterloo
Area (Ha): 78
Indicative employment capacity: 15,000
Minimum new homes: 2,500
OAPF progress: 3

The area provides opportunities for intensification of commercial, residential and cultural facilities associated with a major transport hub, a major office location, and a strategic cultural area (see Policy 4.6). There is potential to enhance the South Bank and extend the cultural and entertainment offer as a major London visitor destination which can also be enjoyed by local residents and employees. This should be carefully managed to take account of local residential and other needs. In the short to medium term, reuse of the former International Station will provide significant new facilities and increased capacity for the station and the area, as well as expansion of rail services. In the long term, the station presents a major development opportunity.

Wembley
Area (Ha): 239

Indicative employment capacity: 11,000
Minimum new homes: 11,500
OAPF progress: 3

New housing and leisure-related development should be integrated with the iconic and world-class stadium and other facilities, including the Arena and Conference Centre. Supported by upgrades to the three stations, improved public transport will play a key role in managing heavy demand for mass movement, links between the stations and the strategic leisure facilities should be improved. Development should contribute to the regeneration, vitality and viability of Wembley as a town centre, including its expansion eastwards. This should create a new community of shops, much better public spaces, including Brent Council's new Civic Centre, and 11,500 new homes. Proposals should improve permeability and connectivity to the wider hinterland and the potential to locate a civic facility including a school adjacent to Olympic Way should be explored.

White City
Area (Ha): 110
Indicative employment capacity: 10,000
Minimum new homes: 6,000
OAPF progress: 3

An area undergoing substantial change within which completion of strategically significant new retail provision at Westfield has raised the status of Shepherd's Bush to a metropolitan town centre. The BBC is consolidating its activities within the area and this will create opportunities for further development, building upon the area's strengths in creative, media and entertainment business. There is potential for mixed density housing and a focal point for office development at and around the tube stations at White City and Wood Lane with other commercial, leisure, open space, education and retail uses of appropriate scale to support the local community. This will be facilitated by de-designation of the historic strategic industrial location complemented by provision for waste and other industrial functions in the Park Royal opportunity area. The scope to improve connectivity with the wider area should be explored and development should be related to improvements in public transport capacity. Housing-led intensification should support local regeneration, enable estate renewal and seek a mixed and balanced community. There may be scope to enhance education and research capabilities in the area linked in particular to healthcare and bio-technology. Development should promote the vitality of the town centre, particularly in the Shepherd's Bush market area, and complement the viability of other west and central London centres. An opportunity area planning framework has been adopted by the GLA and the London Borough of Hammersmith and Fulham which sets out further strategic principles including the appropriate scale, location and mix of uses taking into account studies of the creative industries, development and transport capacity. It also proposes a new public space – White City Green.

Woolwich
Area (Ha): 77
Indicative employment capacity: 5,000
Minimum new homes: 5,000
OAPF progress: 3

Building on existing and proposed transport infrastructure including Crossrail, and realisation of the boroughs substantial residential capacity, Woolwich could evolve to perform a higher role in the town centre network, which subject to implementation of the OAPF, could merit metropolitan status. Implementation of proposals for the Royal Arsenal is also raising the profile of Woolwich and encouraging the wider regeneration of the town centre. Attractive links have been completed between the Arsenal and the town centre and should be complemented by further high-quality design and environmental improvement across the town and the A206 corridor, including General Gordon and Beresford Squares. There is potential to improve links with the South East London Green Chain and neighbourhoods to the south.

Intensification areas

Farringdon/ Smithfield
Area (Ha): 23
Indicative employment capacity: 2,500
Minimum new homes: 850
IAPF progress: **4**

This is an Area with potential for intensification on a number of sites and broader improvements to the public realm and mix of uses. These will be supported by Crossrail and the Thameslink programme at Farringdon. The scale of additional development capacity is dependent on operational rail requirements, the degree of station renewal and improvements to transport and interchange capacity. The potential for bridging over the railway cutting to expand development capacity and public space provision should be explored. Development should be set in the context of the long term consolidation of London's wholesale markets. Further opportunities for intensification are presented at Mount Pleasant. The Mayor encourages collaborative working between the three boroughs to refine the extent, opportunities and potential capacity of this Area.

Haringey Heartlands/ Wood Green
Area (Ha): 50
Indicative employment capacity: 2,000
Minimum new homes: 1,000
IAPF progress: 3

There are a range of development opportunities on the railway and former industrial lands to the south-west of Wood Green town centre with significant potential for improvement building on the area's industrial heritage. Phases of residential and mixed-use development at Hornsey waterworks sites have been completed. Other key sites with development potential include the Clarendon Road gas works and adjacent Coburg Road industrial area. Mixed-use regeneration of these sites adjacent to Wood Green town centre should support provision of the full range of uses. Key to development is site assembly and providing better links with the town centre and Alexandra Park. Opportunities should be explored to redevelop parts of Wood Green town centre for high-density, mixed-use schemes and strengthen pedestrian connections to the town centre and library. Any new development and infrastructure bought forward in this area must avoid adverse effects on any European site of nature conservation importance (to include SACs, SPAs, Ramsar, proposed and candidate sites) either alone or in combination with other plans and projects.

Holborn
Area (Ha): 13
Indicative employment capacity: 2,000
Minimum new homes: 200
IAPF progress: 4

Improved public transport accessibility and capacity should support selective intensification through mixed-use redevelopment at higher densities. The area has the potential to benefit from links with the nearby Tottenham Court Road opportunity area and Crossrail 1 station.

Kidbrooke
Area (Ha): 109
Indicative employment capacity: 400
Minimum new homes: 2,500
IAPF progress: 3

This area is focussed on Kidbrooke rail station and the Ferrier housing estates together with adjoining housing sites, open space and recreation facilities. The adopted SPD identifies capacity for at least 4,400 homes (gross) or a net addition of 2,500 homes. An outline planning approval has been granted for a total of 4,800 (gross) residential units. Development will be integrated with the station, providing improved bus links to north Greenwich, and with the surrounding area and across existing roads and rail links.

Mill Hill East
Area (Ha): 48
Indicative employment capacity: 500
Minimum new homes: 2,000
IAPF progress: 3

Redevelopment opportunities exist around the Underground station, principally at the MOD Inglis Barracks and council depot sites. Barnet Council has published an Area Action Plan and development is primarily to comprise new housing at higher densities, with a mix of uses to provide local employment, community facilities, open space and servicing.

South Wimbledon/ Colliers Wood
Area (Ha): 122
Indicative employment capacity: 500
Minimum new homes: 1,300
IAPF progress: 4

This location contains a range of major opportunities for intensification including South Wimbledon and Colliers Wood. Any new development and infrastructure bought forward in this area must have regard to the strategic flood risk assessment. The potential for redevelopment and reconfiguration of the edge-of and out-of-centre retail parks at Colliers Wood to contribute towards the establishment of an integrated town centre along with improvements in public transport and local accessibility should be explored.

West Hampstead Interchange
Area (Ha): 18
Indicative employment capacity: 100
Minimum new homes: 800
IAPF progress: 4

This significant inner London transport interchange has potential to improve connections between rail, underground and bus and to boost development capacity through intensification.

Appendix 6 - London boroughs working with business and providers to improve the skills of Londoners

The **Sutton Skills Match** strategy is developing links between local businesses, training providers, schools and residents to ensure skills are aligned with the needs of the local economy. Having mapped future labour market trends in Sutton, the council is organising events bringing together businesses, local skills providers and schools to look at current and future skills needs across priority sectors and how providers can respond to those needs. The strategy is overseen by the Sutton Economic Support Taskforce. Priorities for the taskforce include developing the green economy, a STEM centre and an apprenticeship hub.

North London Strategic Alliance, a partnership of six north London boroughs, has led the development of the inter-regional London Stansted Corridor Consortium (LSCC) to promote economic development. LSCC provides a strategic network for collaboration between boroughs, employers and the FE sector, and is supported by ten FE colleges. Its work includes a skills need review to map skills need against provision in the area, and an employer brochure to demonstrate innovative solutions from FE providers to meet local employer needs.

The **Royal Borough of Greenwich** has introduced an innovative employer-led approach to the planning and delivery of vocational skills. This approach has allowed different funding sources to be aligned to achieve better outcomes and more value for money. At its core are a series of specialist skill centres that offer high quality and flexible training from a wide range of specialist providers and to better meet the needs of businesses and the local and sub-regional economy. Crucially, it places skills within a broader context – creating pathways for residents to progress into employment by linking to other funding and delivery mechanisms. By joining-up funding streams the council is able to integrate Adult Learning, job brokerage, work experience and intermediate labour market placements, business support and start-up advice, employer engagement and apprenticeships.

The **London Borough of Enfield and North London Chamber of Commerce** are setting up a number of sector forums based on the growing and emerging economic sectors in the borough: these are construction, logistics, green industries, food and adult social care. They are business led, with issues identified, prioritised and agreed by businesses. These have covered recruitment, retention, training, skills, travel, transport, supply chain options, local procurement and infrastructure. An action plan is developed to address priority issues. The Construction Forum is most well developed. It has a membership of around 15 businesses, including Mulalley's, Notting Hill Housing, Newlon, Countryside Properties, London and Quadrant, Ardmore, Barclay Bros, Woodbar Joinery, United House, Cuttle Construction, SW Bruce, Enfield Homes and Christian Action Housing.

Appendix 7 – Illustrative performance of the single employment pot

Young People									
Client benefit type/ characteristic	Referrals per year (based on quarterly average May 2012 - May 2013)	Suggested performance rate (%) (sustained job outcomes 6 months)	Mainstream Youth employment support performance	Number of people moved into a sustained job outcome	Suggested spend per participant	Total cost per sustained job outcome	Total cost for programme	Savings per intervention	Total savings
Under 25, no children, unemployed for up to 1 year, JSA	38962	40	Unknown	15,585	£800	£3,050	£66,235,400	£14,135	£220,291,148
Under 25, 1 child, unemployed for up to 1 year, JSA	977	30	Unknown	293	£900	£4,050	£1,802,565	£14,135	£4,142,969
Under 25, 2 children unemployed for up to 1 year, JSA	195	20	Unknown	39	£1,100	£4,600	£351,000	£14,135	£551,265
Under 25, 3 or more children, unemployed for 1 year, JSA	58	10	Unknown	6	£1,200	£4,950	£91,350	£14,135	£81,983
							£68,480,315		£225,067,365

Longer term unemployed (1 year plus)									
Client benefit type/ characteristic	Referrals per year (based on Work Programme referrals Sept 2012 - Sept 2013)	Suggested performance rate (sustained job outcomes 6 months)	Work Programme Cumulative Performance	Number of people moved into a sustained job outcome	Suggested spend per participant	Total cost per sustained job outcome	Total cost for programme	Savings per intervention	Total savings
JSA 18 to 24	8190	30	19%	2,457	£1,100	£4,100	£16,380,000	£14,135	£34,729,695
JSA 25 and over	29770	25	17%	7,443	£1,000	£4,730	£57,530,525	£14,135	£105,199,738
JSA Early Access (additional barriers to work e.g. disabled people; homeless people; and those with mild-moderate mental health issues)	4580	20	19%	916	£1,250	£5,091	£9,243,356	£14,135	£12,947,660
JSA Ex-Incapacity Benefit	1160	15	8%	174	£750	£4,600	£1,539,900	£14,135	£2,459,490
ESA Volunteers	8180	10	2%	818	£600	£3,650	£7,402,900	£13,225	£10,818,050
New ESA claimants	8570	12	4%	1,028	£1,000	£6,350	£14,071,940	£13,225	£13,600,590
ESA Ex-Incapacity Benefit	3830	6	2%	230	£800	£10,150	£5,212,630	£13,225	£3,039,105
IB/IS Volunteers	290	20	16%	58	£950	£6,300	£585,800	£13,225	£767,050
JSA Prison Leavers	2550	8	3%	204	£900	£6,400	£3,417,000	£14,135	£2,883,540
							£115,384,051		£186,444,918

Acute disability									
Client benefit type/ characteristic	Referrals per year (based on Work Choice annual referral numbers)	Suggested performance rate (supported outcomes, or intermediary labour market interventions)	Work Choice Cumulative performance	Number of people moved into a sustained job outcome	Suggested spend per participant	Total cost per sustained job outcome	Total cost	Savings per intervention	Total savings
Missing Unknown	8183	30	26%	2455	£1,500	£9,000	£30,686,250	£13,225	£32,466,053
Conditions Restricting Mobility /Dextirity	1810	25	21%	453	£1,250	£8,500	£5,543,125	£13,225	£5,984,313
Visual Impairment	433	25	20%	108	£1,250	£8,500	£1,326,063	£13,225	£1,431,606
Hearing and / or Speech Impairment	660	25	21%	165	£1,250	£8,500	£2,021,250	£13,225	£2,182,125
Long-term Medical Conditions	1320	22	21%	290	£1,500	£9,000	£4,158,000	£13,225	£3,840,540
Moderate to Severe Learning Disability	1373	22	17%	302	£1,750	£9,500	£4,743,715	£13,225	£3,994,744
Mild Learning Disability	2186	22	21%	481	£1,250	£8,500	£6,219,170	£13,225	£6,360,167
Severe Mental Illness	170	22	19%	37	£1,750	£9,500	£587,350	£13,225	£494,615
Mild to Moderate Mental Health Condition	2430	25	21%	608	£1,250	£8,500	£7,441,875	£14,055	£8,538,413
Neurological Conditions	670	25	20%	168	£1,500	£9,000	£2,261,250	£13,225	£2,215,188
Multiple Conditions	1597	25	20%	399	£1,500	£9,000	£5,389,875	£13,225	£5,280,081
							£70,377,923		£72,787,843

Notes to Appendix 7

This table is for illustrative purposes only. The LEP will be undertaking payment by results research to inform agreed cost per job outcome measures for the European Social Fund (ESF) programme in London during 2014.

Assumptions:

Column 3 (suggested performance rates) are based on results from a review of existing boroughs employment programmes, current performance levels of mainstream programme. These figures have been sense checked with a group of boroughs.

Column 5 (suggested spend per participant) are estimates based on current DWP spend per participant on the Work Programme. These have had £100 - £150 added to them on the belief that the current Work Programme is underfunded, particularly with harder to help groups.

Column 6 (Total costs per sustained job outcome) are based on results from a review of existing boroughs employment programmes and current performance payment levels on mainstream programmes. These figures have been sense checked with a group of boroughs.

Column 7 (Total cost for the programme) This figure is generated by adding together the total spend per participant for the entire cohort of referrals plus the spend per job outcome for the expected number of individuals into sustained work. For each individual into sustained work the initial spend per participant has been deducted from the cost for the job outcome.

Column 8 (Savings per intervention) These assumptions are taken from chapter 8 of the Greater Manchester Cost Benefit Analysis Specification (developed in partnership with the Cabinet Office).