

THE LONDON PROPOSITION



MAYOR OF LONDON

LONDON
COUNCILS

MAYOR OF LONDON

City Hall, The Queen's Walk
More London
London SE1 2AA
Switchboard: 020 7983 4000
Email: mayor@london.gov.uk



London Councils
59½ Southwark Street
London SE1 0AL
Switchboard: 020 7934 9999
Email: info@londoncouncils.gov.uk

Rt Hon George Osborne MP

First Secretary of State
Chancellor of the Exchequer
HM Treasury
1 Horse Guards Road
London SW1A 2HQ

Date: 04/09/15

Rt Hon Greg Clark MP

Secretary of State
Department for Communities and Local Government
2 Marsham Street
London SW1P 4DF

Dear George and Greg,

Devolution and Public Service Reform in London

We wrote to you in July setting out the thoughts of London's Government – the Mayor and the boroughs – in respect of further devolution and public service reform in the capital.

Since then, and partly in response to points raised by your officials, we have further developed our work on a joint London Proposition. We know that you have announced that you expect to receive such submissions by the end of today. The London Proposition is attached as a platform for further joint discussion amongst our respective officials and politically.

We look forward to discussing this further with you in the coming weeks.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Boris Johnson".

Boris Johnson
Mayor of London

A handwritten signature in black ink, appearing to read "Jules Pipe".

Mayor Jules Pipe
Chair, London Councils

Enc.

The London Proposition

Introduction	2
Governing in Partnership	6
Employment and Complex Dependency	8
Skills	15
Enterprise Support	27
Crime and Justice	37
Health and Care	43
Housing	55
Borough Groupings and Sub Regional Working	62
Conclusion	64
Appendix A: Employment: ‘Local hubs’ – improving resident experiences and employment outcomes through co-location and integration	66
Appendix B: Employment - Local Employment Support System Diagrams	69
Appendix C: Employment - Detailed “Asks” Of Government	72
Appendix D: Skills - London’s Economy	77
Appendix E: Skills - The current post-16 skills and education landscape	83
Appendix F: Skills - Evidence from the LEP Skills Inquiry	87
Appendix G: Skills- Approach for a devolved Skills system in London	90

The London Proposition

Strengthening the engine of the nation's growth to boost national productivity.

Boosting growth and productivity across the nation are the stand out economic issues of this Parliament. London is key to this challenge and this paper sets out how London's elected leaders and mayors at borough and London level intend to work together to deliver reforms that will enable the Government to achieve the national policy goals of:

- Internationally competitive growth in productivity;
- Jobs and homes for working families;
- Efficient public services that tackle complex dependency at its root causes and avoid the massive public expenditure cost of failure.

London is the most productive region in the country and inner London has a GVA per hour worked that is 42% above the UK average.¹ Businesses which are headquartered in London account for between 5 per cent and 22 per cent of employment in each of the other 62 cities in the UK. Since 2008, firms headquartered in London have increased the number of people they employ in their branches in 49 of 62 cities outside of the capital.²

London leads growth across the whole country and must provide the engine that raises productivity nationally. However, without reform the pursuit of these goals will result in both a drop in the UK's international competitiveness and ballooning costs to deal with homelessness, unemployment and low skills that will eclipse the £12bn of welfare savings identified in Budget 2015.

The complexity and scale of the challenges facing London are unique and only an ambitious new settlement across all tiers of Government will provide a sustainable solution.

Rates of entrenched unemployment – particularly caused by poor physical and mental health – and low skills are unacceptably high for London to be an internationally competitive city. In 2013 London had **30,000 skill shortage vacancies**³. This is denting confidence in the capital's economy and contributing to the flat lining in rates of productivity - two-thirds of firms report difficulty in recruiting highly skilled people, including specialists in IT/technology (20%), creative (14%) and finance and engineering (12%).⁴

Complex dependency, driven by the often interrelated issues of poor physical and mental health, unemployment, re-offending and poor educational attainment, is having massive public expenditure consequences. An analysis of London's 2,093 high risk / prolific offenders shows that they were responsible for 53,267 offences at a total cost of £163m

¹ ONS, Sub-regional Productivity, February 2015

² Centre for Cities (2014), Cities Outlook 2014, pp.20-21

³ UKCES, 'UK Commission's Employer Skills Survey 2013', January 2014

⁴ CBI/KPMG London Business Survey September 2014

while it is estimated that the **430,000 unemployed people in London⁵ are costing the tax payer £4bn⁶ and the economy approximately £6bn in lost economic output a year.**

The twin strains of managing the consequences of failure along with continued reductions in overall public spending⁷ are creating acute pressures and severely limiting London's capacity to meet the demands created by the capital's population growth. The consequences of this are far reaching – for instance, London faces a shortfall of 78,275 primary school places and 34,835 secondary school places by 2020⁸

These pressures manifest themselves most severely in chronic shortage of housing which is deeply damaging to communities and is undermining London's attractiveness to business **with half of all employers saying they would consider leaving if house prices and rents in London continue to rise at present rates.** London has the assets to tackle this – for example, the NHS alone has an estimated £1.5bn of surplus land and property in the capital – but we are failing, quickly and efficiently, to realise the full potential of those assets to deliver economic and social benefits to our communities. It is taking too long both to realise the capital receipts from these surplus land and property assets, or to release these assets for redevelopment.

London's offer

This paper sets out a series of inter-related reforms that London Government wishes to deliver to provide a sustainable solution to tackling these deep seated challenges to unlock the full growth potential of the capital and, in doing so, achieve:

1. **Large scale mobilisation of the long term unemployed into jobs**, ensuring that all of London's communities are able to share in its growth and contributing to the goal of the UK having the highest employment rate in the G7
2. **A transformation of London's skills system to deliver in-demand skills from the best performing providers** driving up investment from individuals and employers in professional, digital and technical training and enabling Londoners to access the basic and higher level skills they need to compete in London's thriving jobs market.
3. **An environment in London for the best entrepreneurs, innovators and SME owners to grow their business** supported by excellent, accessible advice, high quality tailored services, supported by bespoke digital tools and targeted engagement.
4. **Lasting reforms to the policing and criminal justice system to secure for the future a safe city that brings business and investment to Britain.**

⁵ Over 120,000 residents (2.1% of the London's working age population) are claiming Jobseekers Allowance 15% of total number JSA claimants in the UK and over 314,000 residents (5.5% of London's working age population) are claiming Employment and Support Allowance & Incapacity Benefits. This represents 13% of total ESA & Incapacity Benefit claimants in the UK.

⁶ Source: http://neweconomymanchester.com/stories/832-unit_cost_database (updated figures based on 2012/13 ones)

⁷ Recent analysis from the Institute of Fiscal Studies (IFS)⁷ has shown that London boroughs have seen the largest cuts to service spending per person since 2010

⁸ *Do the Maths: London's School Place Challenge*, September 2015, London Councils

5. **Faster reform of health and social care services**, building on the proposals of the London Health Commission, to deliver swifter improvements in the health of Londoners and faster reductions on the cost pressures on London public services.
6. **Significant and sustainable home building across all types of tenure on a London wide scale, and a reduction in the costs on the public finances of homelessness and high cost housing**, contributing to the creation of an effective land and housing market for London, the South East and the UK as a whole that ensures the goal of homeownership goes with the grain of increasing the overall supply of housing rather than severely undermining it.

In return, London Government is asking for a package of freedoms and flexibilities that will enable these reforms and put them on a sustainable financial footing for the future. We are keen to explore the development of a self-financing growth and reform model to help finance the transition costs and which could potentially provide a mechanism that will enable London to capture the upside of growth and re-invest it on a revolving basis into reforming local services which, in turn, will create the conditions for more productive and prosperous local communities.

This paper presents propositions across six themes, each of them interrelated: Employment and Complex Dependency; Skills; Enterprise Support; Crime & Justice; Health; Housing. Each section is structured to present both London's core devolution proposition and London's offers to Government.

Together these propositions provide an integrated package of proposals that should be seen as a whole system, with each element supporting integrated working at a local level, and providing a platform upon which authorities and groups of authorities can bring services and interventions together to deliver effective outcomes in their localities:

- **Tackling complex dependency and avoiding the cost of failure** through an integrated package of reform that would look to both prevent demand developing in the first place – by ensuring that Londoners have the skills to compete in an internationally competitive labour market – and to dramatically reduce the cost of failure where it does occur by ensuring the resource of local public services – from GPs and Jobcentres to the Police and councils – is used efficiently to provide the right support, in the right way and at the right time to address the interrelated problems of unemployment, poor mental and physical health, low skills and the risk of re-offending.
- **Mobilising a highly skilled, highly productive labour force** through delivering a comprehensive package of employment support programmes that provide quicker, easier access to the range of help needed for people to find work and to have the chance to progress, including those with poor physical and mental health, and a new skills system for London that puts employers in the driving seat and prioritises increased productivity, sustainable employment outcomes and progression in work.

- **Tackling barriers to increasing the supply of housing across all types of tenure to create prosperous, mixed communities that can drive productivity, support enterprise and share in the capital's wealth** - through delivering a comprehensive package of reforms to public and private land assembly, levers over planning and financing, and the Temporary Accommodation regime to achieve a step increase in home building which can be sustained over many years.

The proposition has been designed as a platform upon which voluntary groupings of authorities can build and it should be recognised that these partnerships have further ambitions in relation to the growth, reform and development in their local areas.

Together, the reforms will ensure that London's economy, public services and the £93bn of public spending in the capital work in support of raising productivity and contributing in a meaningful and substantial way to reducing public sector net debt and putting spending reductions on a sustainable footing. Without them, these national policy goals will be put at serious risk with far reaching consequences for productivity and public finances.

To underpin these reforms, London's elected leaders and mayors at borough and London level will establish new pan-London governance arrangements to provide oversight over areas of newly devolved responsibilities.

Governing London in Partnership

Governing in partnership will require new decision making arrangements which will only have oversight over areas of newly devolved responsibilities. It will need to take account of the governance arrangements agreed with Government for specific functional areas (i.e. skills, housing, health etc.) considered in the following paragraphs

All areas of activity currently under the authority of either the London Mayor, or London boroughs will remain separate from these partnership arrangements and decision making on these matters will remain sovereign to each individual body.

This pan-London partnership will be delivered through a structure based on the London Congress and the Congress Executive:

- The Congress would have strategic oversight for newly devolved responsibilities across Greater London.
- The membership of the Congress will be the 32 London boroughs, the City of London and the Mayor of London.
 - Congress will meet twice yearly to agree overall budgets, business plans and to review outcomes;
 - Decisions by Congress will require the assent of both the Mayor of London and also London borough Leaders in accordance with the principles set out below.
- The Congress Executive will provide oversight for areas of devolved responsibility on behalf of Congress.
- The Congress Executive will be comprised of the members of the Executive Committee of London Councils and the Mayor of London.
 - The rules for selecting the members of London Councils' Executive Committee will remain as they are currently;
- It is expected that decisions of the Congress Executive would normally be on a consensual basis.
 - Should any formal decision be required by the Congress Executive, then it would need the support of both 80% of the London Councils' Executive Committee members and also of the London Mayor.
- Some matters may be defined as reserved matters. Decisions on reserved matters could not be made by the Congress Executive and would instead be passed to the full Congress for decision.
- Some of those issues where a matter for decision has been defined as a reserved matter for the full Congress may in addition be further specified as requiring a higher threshold for agreement.
 - This threshold will be 26 of the 33 authorities represented on London Councils Leaders Committee. The London Mayor will also have to agree to these proposals before they become the policy of the Congress.
- It will be for the London Mayor and London borough Leaders to define which matters have this higher threshold. However, it is primarily to be reserved for use when agreeing the framework for the operation of specific newly devolved public service responsibilities.

Clearly this pan-London governance system will need to be balanced by the establishment of effective and appropriate scrutiny arrangements. Borough arrangements are already in place to scrutinise outcomes in local areas. The London Assembly has a similarly critical role in providing scrutiny of the Mayor of London. By extension, the Assembly would be reviewing the Mayor's actions in respect of newly devolved functions; and for the purposes of this duty, they have the power to investigate any matter which they consider to be of importance to Greater London. It will be important to recognise this aspect of London's governance.

In some areas borough partnerships will be the preferred operational leadership for newly devolved responsibilities. These partnerships may vary depending upon the service or policy area and boroughs themselves would be responsible for agreeing decision-making machinery.

It will clearly be important that the governance arrangements meet the standards of accountability that Government will set in respect of processes and funding. The proposal is therefore to utilise voluntary joint committee arrangements formed under Section 101 of the 1972 Local Government Act. We would need the Government's support to ensure:

- That such voluntary committees are considered capable by Government Departments of receiving appropriate delegations and funding as part of a devolved settlement in specific service areas.
- That voting rules do not preclude the protection of minority interests (i.e. 50% + 1, would not provide protection between boroughs or between boroughs and the Mayor).
- That such joint committees remain capable of being entered into and being left by individual participating authorities rather than by external direction.

Such committees must be recognised as having been formed under their members' own constitutional arrangements and as being able to determine their operations, decision-making and other processes voluntarily.

Employment and Complex Dependency

Strategic Context

Strong employment growth over the last two years has led to substantial reductions in the number of people claiming Jobseekers Allowance, with the claimant count now back to historically low, pre-recession levels. With cyclical joblessness receding, the stand-out labour market priority in London for the coming years is to tackle long term unemployment and structural worklessness⁹. Evidence and experience suggests that this will not reduce simply as a result of a more buoyant economy.

This poses a major challenge for London, where a significant minority of citizens remain locked out from the social and economic benefits of work, while often also facing a wider range of complex needs. Moreover, the resulting high costs and high demand continues to fall on overstretched public services and puts further upward pressure on the benefits bill; all over a period of further planned reductions in public spending (including in the area of working age welfare).

In this context, London's political leaders seek a partnership with central government to spread the benefits of employment, while addressing the root causes of complex dependency. We want to work with the government to deliver on its manifesto commitments to halve the disability employment gap and reduce welfare expenditure through increasing employment, while also fulfilling the previous commitment to co-commission the next phase of the Work Programme with London.

London's Core Employment Support Devolution Propositions

Our aspiration is to use a partnership between central and local government in London to shape a different and better system of employment support for disadvantaged people. We also want to use the opportunities of devolution to drive greater efficiency and value for money from public resources dedicated to employment support and related services (while aiming to reduce long term demand for such services and future expenditure). This is essential given the government's framework for the Spending Review.

We want to focus our efforts in particular on those groups – such as ESA claimants and others with complex needs – where there is either no national offer or where national programmes have been less effective. Therefore, to address worklessness and increase the employment rate in London, it will be essential to design employment support services which can be positive and effective for disadvantaged people and develop new and better ways to engage them. This will require central and local government to work together to deliver

⁹ The number of people in work in London has risen substantially, around 1.2 million, since the early 1990s (from 3.0 million to 4.2 million). However, over this same period, the number of economically inactive residents has also gone up by around 300,000 (from 1.0 million to 1.3 million). There are 900,000 working age economically inactive Londoners, excluding students.

significant changes to the culture and content of the employment system, including greater overall investment and meaningful integration of services around the needs of individuals.

As part of a devolution deal, London is prepared to make a significant investment, through cash and services, to achieve this goal. In return, we would expect to co-design and co-commission a new employment system with a financing arrangement that shares the proceeds of success with local government in London. To maximise both local contributions and local impact, we suggest the Treasury pilots an ‘invest to save’ proposition in London, which would establish a mechanism for recycling investment into reducing worklessness and complex dependency over the longer term.

Our propositions for devolution in this area are organised around two related objectives:

- A. *Integrating and enhancing the support provided to out of work residents by national and local government through the joint development of ‘local hubs’ as part of the transition to a new welfare system under Universal Credit;*
- B. *Improving employment support for the most disadvantaged residents, where extra investment and more integrated services are needed to secure better employment outcomes and deliver significant reductions in welfare expenditure.*

A: Integrated ‘Local Hubs’ Under Universal Credit

The joint development of co-located ‘local hubs’ can offer customers an integrated ‘front door’ to JobcentrePlus support and other employment and skills-related local support, forged alongside the implementation of Universal Credit. Building on the USDL pilots¹⁰, such ‘local hubs’ would improve the service experience and employment prospects for local residents (including DWP customers), by providing quicker, easier access to the range of help needed to find and sustain work. It would also enable greater collaboration among frontline staff working across different services or agencies. In addition, the approach to co-location required to establish ‘local hubs’ would deliver reduced estate and facilities management costs for DWP.

Appendix A provides greater detail on how co-location and integration could drive improved experiences and outcomes, as a starting point for developing a framework service model for ‘local hubs’. This would have the following key features:

STRUCTURE:	FUNCTIONS:
Single front door to local employment support – co-locating frontline DWP/JCP services and other, relevant local provision.	Upfront diagnostic and triage – including the Claimant Commitment.
Integrated employment support teams – involving JCP Work Coaches, local authority employment coaches, and others from local partners, such as the VCS.	Supported ‘self-help’ for mainstream jobseekers (including use of digital channels under UC).
Close and formal links to relevant wider services	Rapid signposting or referral to training, health

¹⁰ There are three USDL pilots in London. Islington; Lambeth, Lewisham and Southwark; Westminster and Kensington and Chelsea. The pilots aim to deliver learning about the best ways of preparing claimants for UC implementation, by bringing together advice on employment, housing, financial and digital inclusion for welfare claimants who require intensive support. They can therefore inform the development of ‘local hubs’ in London.

and support, ideally with co-located link worker to provide light-touch help and facilitate referrals.	services (including drugs & alcohol support), housing assistance, debt advice or digital support plus other relevant local services.
Strategic and coordinated links to local employers – including to source opportunities for work experience, volunteering, work trials etc.	Light-touch, practical in-work support for those at risk of becoming unemployed. Single point of access for employers to engage with employment support programmes. Links to Section 106 Agreements and Community Infrastructure Levy job opportunities.
Local partnership forum for joint decision making and problem solving (e.g. on issues of data sharing).	Early engagement / intervention for those with health conditions (e.g. sick leave and ESA assessment phase).
<i>No change in employment status or management chains for those involved.</i>	<i>Referral where necessary to specialist support / intensive employment support programme(s).</i>

Overall, the aim would be to establish a new ‘front end’ for a single local employment system, tailored to the particular needs and circumstances of areas of London and drawing on the strengths of both local and national government. As part of this, ‘local hubs’ would aim to reduce demand for more specialist (and expensive) employment support provision, by intervening early and providing integrated, wrap around support to help people to stay in work, return to work quickly and progress into better paid jobs, including those with a health condition.

B: Improved Employment Support for *the Most Disadvantaged Residents*

This will be achieved through central and local government jointly designing and commissioning employment support for disadvantaged residents in London, on a sub-regional basis reflecting local priorities. This would use the framework of devolution to achieve extra investment and meaningful integration of support around an agreed cohort, drawing in funding and expertise from across key national programmes and local areas. In addition to promoting sustained employment outcomes and wider reductions in complex dependency, this would also aim to reduce duplication of services, make efficient use of resources and overcome sector boundaries. In addition, financial incentives and performance transparency would ensure a focus on employment outcomes for the cohort, while enabling the rewards of success to be re-invested in further rounds of support.

Drawing on discussions with DWP and other Whitehall colleagues to date, we suggest there are two models for how central and local government could work together to achieve these objectives. These options depend significantly on key outstanding policy and funding decisions in relation to Work Programme Plus, such as cohort, volumes and pricing (so specific numbers and examples should be taken as illustrative). The options are based on the current suite of out of work benefits, though of course would need to be compatible with Universal Credit as it is fully rolled-out.

In the first model, the local contributions to employment support would be matched by DWP DEL to create a ‘joint pot’ which would be used to finance a sub-regional employment programme supporting a cohort of disadvantaged residents ‘carved out’ from Work Programme Plus. Attempts should also be made through this model to pool other national funding streams focused on the same cohort within this programme. Work Programme Plus and the sub-regional employment programme would operate in parallel, but across the same

geography, receiving referrals from the 'local hubs' in their patch. The outlines of this model are set out below:

MODEL 1: PARALLEL EMPLOYMENT PROGRAMMES (referral from 'local hubs')	
Work Programme Plus	Sub-regional employment programme
Supporting long term JSA claimants (over 12 months), plus perhaps some early access groups.	Supporting a cohort 'carved out' from Work Programme Plus (e.g. ESA + more complex JSA groups).
Goal – sustained employment outcomes.	Goal – sustained employment + reduced complex dependency (related to substance misuse, homelessness, and long term poor health).
Funded by DWP DEL.	Funded by 'joint pot' of DWP DEL + matched local contributions (and any other national funding stream for cohort), to achieve a higher unit price.
Commissioned and procured by DWP.	Commissioned jointly between DWP and the sub-region; procured by the sub-region.
Prime provider, 'black box'.	Intensive 1-to-1 job coaching + integration of wider support <i>within the programme</i> (including a proportion of devolved adult skills budget and potentially ESF). Plus service level agreements, or access protocols, with other local public services <i>outside the programme</i> .
Operating across agreed sub-regional geographies.	Operating across agreed sub-regional geographies.
Payment by results for provider.	Outcome funded, plus ensuring support for all participants (and piloting an AME:DEL financing element to incentivise over-performance).
Financial return to HMT from lower benefit payments and higher tax/NI receipts.	Financial return from lower benefit payments and higher tax/NI receipts shared between HMT and local area.

In the second model, there would be a single specialist employment programme for disadvantaged residents in each of London's sub-regions. Local contributions would be pooled with DWP DEL (for Work Programme Plus) to finance the programme, which would be co-designed and co-commissioned between DWP and sub-regions. Under this model the same attempts should be made to pool and integrate other national funding streams focused on the agreed cohort within such a programme.

The key difference in this second model is that 'local hubs' – with JobcentrePlus at their heart – would be responsible for supporting (non-complex) JSA claimants for longer (perhaps for up to 18 months). For those out of work over six or nine months, more dedicated Work Coach time should be provided, alongside access to 'spot purchased' additional provision. Such an approach would reduce referrals to more expensive programme provision, give 'local hubs' and JobcentrePlus a clear remit around early intervention and prevention of long term unemployment, and enable resources to be focused on more disadvantaged groups (while avoiding the complexities of two programmes).

This approach would also 'go with the grain' of demand for employment support in London, which is increasingly among those on health-related benefits and those with no obligations to engage in support (e.g. ESA assessment phase and support group, and non-claimant

unemployed). The current Work Programme cohorts have either significantly declined (in the case of long term JSA) or have been squeezed by other factors (in the case of ESA WRAG) since 2011.

There is, therefore, a significant prize from re-designing the local employment system in ways that could drive greater engagement among these so-called 'non-mandatory' groups, who are outside the scope of DWP programmes and have historically volunteered for such programmes in very small numbers. Local government, with its local partners, have existing connections and relationships with such residents that could be drawn on to improve rates of engagement and employment outcomes among those groups who now dominate the unemployed and workless cohort.

The key differences between Model 1 and Model 2 are summarised below:

MODEL 2: INTENSIVE 'LOCAL HUBS' SUPPORT + SINGLE SUB-REGIONAL EMPLOYMENT PROGRAMME

- Instead of referring JSA claimants at 12 months duration, JobcentrePlus (as part of 'local hubs') would support them for longer, perhaps until the 18 month point.
- This would include more intensive (though still relatively low cost) support from the six or nine month point, via dedicated Work Coach time and access to 'spot purchased' additional provision
- Such an approach would aim to focus resources on more disadvantaged groups – while embedding a remit for JobcentrePlus and 'local hubs' focused on early intervention and prevention.
- Funding for the sub-regional employment programme would come from a 'joint pot' of DWP Work Programme Plus DEL for the sub-region and local contributions (plus any funding from other national programmes focused on the same cohorts which could be pulled in).
- Referral to the sub-regional employment programme would be at (say) the 18 month point for JSA claims, in addition to ESA WRAG and JSA claimants with complex needs who would be given earlier access.
- Efforts would also be made to drive higher levels of engagement and better employment outcomes among non-mandatory groups.

Beyond this, the design of the sub-regional employment programme would be as described in Model 1.

APPENDIX B sets out how each of the two models described above could operate, alongside 'local hubs' as part of a single local employment system in London's sub-regions. It also includes a schema for how a financing model for a sub-regional employment programme for disadvantaged residents could operate. To unlock local contributions, it would be vital for the funding and financing arrangement to be structured as an investment proposition, with the prospect of a return from success, in just the same way as applies to central government and contracted providers in this area.

Key 'Asks' Of Government

To achieve the two objectives outlined above – through a reformed local employment system – London has five headline 'asks' of government (further details are included at *Annex C*):

1. *DWP to work with London to develop a model of 'local hubs', integrating JobcentrePlus Work Coaches and other local employed-related services, to*

maximise the potential of estate co-locations and Universal Credit to improve experiences and outcomes for residents.

- 2. DWP to co-design and co-commission with London's sub-regions an employment programme for a cohort of disadvantaged residents, which tests the impact of more investment and greater integration for this group, jointly funded by central and local government*
- 3. Other government departments – in particular DoH, CLG and BIS – to promote employment outcomes themselves and work with London to pool funding and integrate services for an agreed cohort of disadvantaged residents, through a single, sub-regional employment programme, as well as revisiting relevant national statutory duties and eligibility criteria which may inhibit effective targeted delivery of integrated services.*
- 4. HMT to agree to test an 'invest to save' element of financing as part of an employment programme for disadvantaged groups in London's sub-regions, to incentivise high levels of performance and maximise local contributions as an investment proposition.*
- 5. DWP to align the contract package areas (CPAs) for all future contracted employment programmes, including Work Programme Plus, with London's four sub-regions, and shift JobcentrePlus districts in the capital to match the same geographies.*

London's 'Offers'

As part of a devolution deal, London is committed to playing an active role in tackling worklessness and complex dependency in the capital over the course of the next spending review period.

The range of unknowns and outstanding Ministerial decisions in relation to future employment support prevent London from being able to specify at this stage what local contributions might be possible, or the monetised value of such contributions. Individual boroughs, the sub-regions and the GLA are currently considering the type and level of inputs that could be available, depending on what they would be contributing to and on what terms. **However, our starting point is a clear commitment to make a significant contribution that combines direct cash and dedicated services.** Given the considerable pressure on local government finances, the former would only be available where a deal could be constructed as an investment proposition, with the potential to deliver a return.

In relation to co-location and integration – we are committed to working with DWP to develop a framework for integrating the 'front door' to local employment-related services around the Universal Credit target operating model, with the aim of improving customer experiences and employment outcomes. As part of this collaboration, London boroughs will identify potential sites for such co-located 'local hubs', in time to be considered as part of DWP's new estate and facilities management arrangements from April 2018.

In relation to employment support for disadvantaged groups – we are committed to working with Ministers and officials across Whitehall (especially DWP, CLG, DoH and HMT) to

develop a new model for supporting a disadvantaged cohort into sustainable employment, in line with the timeframe for contracting Work Programme Plus for delivery to start in summer 2017. As part of this endeavour, London is prepared to invest financially and to share responsibility and accountability for programme performance (in return for co-design, co-commissioning and rewards for success). This is particularly important for people with multiple needs who may not meet the threshold for any specialist service, but when looked at holistically their support needs, vulnerabilities and the risks they present are often greater than those who do qualify for specialist support. For example, people with Personality Disorder – of which there are an estimated 26,900 people in London¹¹ may not qualify for Care Programme Approach – the system used by the NHS to assess, plan and co-ordinate services for people with mental health needs. Similarly, homeless individuals who have not been verified as sleeping rough may not be eligible for most supported homeless hostels. The silos created by nationally determined criteria create a major barrier to providing the right support at the right time and in the right way to systematically tackle the causes of complex dependency.

This joint work will also need to encompass instances in which nationally set criteria or statutory duties inhibit the ability of local areas to redesign support services to target those cohorts agreed with Government as being in priority need and representing a high cost across the public sector.

Over and above these asks and offers, London would also be keen to explore other, innovative opportunities for securing additional investment in employment support, such as via joint commissioning and pooled budgets with local CCGs (where employment outcomes support improved well-being and reduced demand for health services). Such a model could be supported by a national Better Care Fund-style pot to test joint health and employment activity (run through the new joint DWP/DoH unit).

In conclusion, as the spending review process develops, London stands ready to work with the government to pursue our shared goal of reducing worklessness and complex dependency.

¹¹ The London mental Health Report, 2014, GLA

A Devolved and Reformed Skills System for London

Strategic Context

London is a thriving global city with a strong, growing economy, and growing population. The economic success of the capital has been driven by an increasingly connected and global economy specialising in financial, professional and technical services. This in turn has created strong demand for highly skilled, highly productive labour, which is expected to continue to rise at a faster rate than in the rest of the UK. London's population levels are also rising significantly. The working age population is projected to increase from 5.7 million in 2011 to over 6.6 million by 2036. This includes a growing 16 to 18 year old population, which is set to expand to 323,600 by 2032. In order to meet this demand and with decreasing national funding available for skills, we need to maximise the efficiency and responsiveness of the skills system to enable Londoners to compete successfully for the capital's jobs.

Despite the capital's economic success, productivity has remained relatively static since 2008 (as across the UK) and businesses cite skills shortage vacancies as contributing to this issue¹². At the same time, relatively high proportions of Londoners are unable to access the employment opportunities on their doorsteps, resulting in higher rates of unemployment and economic inactivity. There are also more households in poverty than in the rest of the UK, even among those in work¹³. Indeed, London is the only area of the UK where there are more LHA claimants that are in work than out of work.

Whilst standards of education in London's schools and universities rank as some of the best in the country (and in the world), the overall success rates of some of London's further education colleges lag the rest of the country. London has seen a dramatic increase in its Key Stage 4 performance over recent years. The percentage of young people achieving five or more A* to C grades at GCSE is higher than in any other region in the country. The proportion of young people achieving level 3 by 19 has also risen significantly over time and is 6% above the national average. 56% of young Londoners went to a Higher Education Institution (HEI) compared to 48% nationally.

The London FE sector also faces specific pressures in London not felt elsewhere in the country, for example half of the country's ESOL provision is delivered here (*see Appendix E*) and in spite of the capital's growing demand for higher level skills, **around two thirds of provision delivered by further education colleges in the capital is at level two or below**. Whilst the majority of London's colleges are Ofsted rated as 'good' or 'outstanding', around a third of London's 39 colleges are rated as 'requiring improvement' or 'inadequate'. With considerable and continuous efforts by the Mayor, London's boroughs and the LEP to

¹² The 2013 UKCES Employer Skills Survey reports 30,000 skill shortage vacancies in London, of which almost half (46%) were in high skilled jobs and 12% in skilled trades jobs, (53% of all vacancies in this group). Around half of affected employers experiencing loss of business to competition and/or delays in developing new products as a result.

¹³ London's unemployment rate is 6.7% compared to UK average 5.6% [Source: GLA Labour Market Update, August 2015]. 28% of London households are living in poverty compared to UK average of. 21%. 57% of adults and children in poverty are in working families [Source: London Poverty Profile].

promote apprenticeships, and sustained improvement in apprenticeship starts, London's apprenticeship performance also lags most of the rest of the country.

At least £1.6bn¹⁴ of public sector funding was invested in skills development in London in 2014/15 – including funding from the Skills Funding Agency (SFA), Education Funding Agency (EFA), European Social Fund, DWP and local authorities, to support 16-19 year olds, adult learners and other Londoners in receipt of benefits and employment support including basic and vocational skills development. But this significant investment is not being used as effectively as it could because of system failures including:

- **Information failures:**
 - A lack of timely, accurate, accessible labour market information undermines providers' ability to tailor their offer to business and learners' ability to make informed decisions about their learning;
 - Limited destinations and outcomes data undermines learners' and employers' ability to see the value of investing in learning including the courses and providers will best meet their needs;
- **Misaligned incentives:**
 - Market regulations and fixed funding models restrict providers' ability to innovate;
 - Funding structures incentivise delivery of qualifications, not employment or progression;
- **Coordination and Engagement Failures:**
 - Silo funding streams result in fragmentation and potential for duplication of skills provision;
 - A disconnect between employment and skills systems leads to a lack of coherence in progression pathways.

London Government (the Mayor and London's boroughs) and the London Enterprise Panel (LEP) are ambitious about tackling these problems and reforming London's post-16 skills and education system in order to drive up quality, responsiveness and efficiency. As budgets reduce and London's population increases, we believe London Government has a crucial role to play in ensuring that public investment in skills and employment support in the capital is streamlined, prioritised for areas of greatest need, focussed on addressing market failures, and used to further leverage private investment.

To maintain and improve London's position as a world leading city, we need appropriate levels of funding, drawn from both the public and private sector, and provision to meet economic demand and the necessary powers locally to deliver reform. This is to ensure that Londoners have access to a first-class education system which provides a clear line of sight to employment and that London's employers have access to a suitable and sustainable pipeline of skilled, productive labour. We aim to ensure that:

- Learners have the information they need to make informed choices about their learning, and have access to coherent skills development pathways that enable them to enter and progress in work;

¹⁴ Includes £604,396,631 SFA funding allocated to London Providers, £992,349,206 allocated for 16-18 education in London, approx. £20m estimated DWP spend on Work Programme in London, plus approx. £55m invested by Local Authorities in skills and employment support (source CESI, *Right Skills for the Right Jobs*, December 2012).

- Employers are able to articulate their needs, and have access to outcomes data that shows that providers are responding to those needs, so that they are incentivised to invest in the skills system;
- Providers understand what the labour market needs, and are incentivised and supported to innovate and respond to those needs;
- London government has oversight of the skills system and is able to hold providers to account for delivering outcomes for London's learners and businesses, while driving efficiencies by aligning and pooling budgets and services.

Outline of our aims, objectives and goals

By 2020, London Government's ambitions for the skills system are to ensure:

- All skills and education provision in London is Ofsted rated 'good' or 'outstanding';
- All London's learners and employees understand the skills needed by London's employers and are supported and motivated to acquire them;
- All low paid, low skilled and workless Londoners have access to targeted learning focused on enabling them to move into or to progress in sustainable employment;
- All Londoners are equipped with basic skills for employment with increases in learners achieving 5 A-C GCSEs (including in English and Maths);
- A significant increase from current levels (71%)¹⁵ of learners achieving level 3 and above qualifications and progressing into work, apprenticeships and/ or higher education;
- A significant increase in overall success rates for all learners and a significant reduction in the current rate of drop-out¹⁶ between 16 and 18 for those studying level 3 qualifications;
- A significant reduction in young people aged 16-24 who are not in education, employment or training (NEET), reaching near full participation for 16-18 year olds in all of London's boroughs;
- A doubling of the number of good quality higher apprenticeships with significant increases in overall success rates.

Our strategic objectives are:

- i. To boost economic growth and employment, and reduce welfare dependency, by focusing investment in skills that will increase productivity and progression into and within work. By 2020 we would seek to:
 - **Increase productivity** - breaking the static trend since 2008.
 - **Boost rates of economic activity** - addressing London's lower than average position
 - **Reach near-full employment** - enabling all Londoners to access our thriving jobs market
 - **Continue to boost wages** - to enable Londoners to meet the cost of living in the capital

¹⁵ London Councils, Young People In London, Evidence Base 2014

¹⁶ Mayor's Annual Education Report (2014) reports the 17+ dropout rate from level 3 programmes across London is 39%. This drop out was found to be primarily at the end of Year 12, particularly for vocationally focused courses. In addition, just under a quarter of key stage 5 students drop out of their studies before the age of 18.

- ii. To increase the efficiency and effectiveness of declining public sector skills investment by bringing budgets and powers closer to the point of use. We will aim to drive:
- **Better demand information and a clearer articulation of London’s skills needs and priorities** through an intelligence-led strategy for skills drawing on improved borough and regional level timely, accurate LMI. We will champion and improve subject and pedagogical expertise in the vocational education sector, ensuring a self-improving world class system that is better able to anticipate and respond to the long term needs of industry.
 - **Greater investment from employers and learners in professional and technical education at level 3 and above** through sharing of better intelligence and improved incentives to invest
 - **Greater savings through integration and alignment of funding** to improve and strengthen support for Londoners through a more joined-up approach between employment and skills support.

London’s Core Skills Devolution Propositions

The Mayor of London and the Chancellor of the Exchequer, emphasised the importance of skills as a driver for growth when they announced “...a skills deal which would result in the devolution of the Apprenticeship Grant to Employers and a remit to work with government to reshape skills provision in London”. Subsequently, the Chancellor announced that “**the government is devolving further powers to the Mayor of London, including over planning and skills**” in the 2015 budget. We welcome the government’s productivity plan, which invites strong local areas and employers to take a leading role in establishing a post-16 skills system that is responsive to local economic priorities and to participate in the reshaping and re-commissioning of local provision.

We want to make **significant structural change** to the skills system and funding mechanisms currently in place to ensure alignment to our jobs and growth agenda. Skills will be focused on driving economic growth through increased productivity, sustainable employment outcomes and progression in work. On that basis and in response to this mandate, the Mayor and London’s boroughs working closely with the London Enterprise Panel (LEP) have developed this proposal on how a devolved skills system for London could more effectively meet London’s complex labour market needs.

London Government has established a set of key principles of a reformed and devolved post-16 skills and education landscape on which our proposal should be based. We have consulted widely on these principles with business and provider representatives through the LEP Skills Inquiry, sub-regional LEP engagement events, and other workshops and conferences, and they have received broad support across the spectrum. Further details of the LEP Skills Inquiry are provided in appendix 3.

The key principles are:

- a) **Labour market-led.** Consumer choice will be shaped by high quality labour market intelligence that triangulates the needs of individuals, employers and local economies including impartial insights on provider performance.

- b) **Shared responsibility.** Employers and individuals should invest where they derive the greatest private returns. Government investment will focus on market failures and to champion and improve subject and pedagogical expertise in the vocational education sector, ensuring a self-improving world class system that is better able to anticipate and respond to the long term needs of industry.
- c) **Local Accountability.** Decision-making on skills within London will take place at the most appropriate geographical level. A reformed system would provide greater oversight and accountability of providers, with a clear market stewardship role for London Government, but the institutional autonomy of providers would be retained.
- d) **Outcome focussed.** Priority will shift to outcome measures that are quantifiable in the labour market such as jobs, earnings and progression to higher skills and better paid work that boosts business growth by improving the bottom line. Funding incentives will be sensitively designed to deliver outcomes without financially destabilising the sector or dis-incentivising innovation.
- e) **Agile and integrated system.** New ways of working will mitigate the impact of reductions in public subsidies by promoting alignment and integration with other services.

The key elements of the proposal and the devolved powers and funding sought are:

Devolved and protected budgets for London:

- **Devolve adult skills funding from the Skills Funding Agency to London** (approx. £400m p/annum) by 2017, including the Adult Skills Budget (ASB) with protected funds (including ESOL, English, Maths), Adult Community Learning, and 19+ discretionary learner support. This should include devolved administrative resources for a **London Skills Agency** to commission, manage and deliver devolved funds accountable to the Mayor and sub-regional borough groupings, as well as a pump priming fund to support the transformation of skills services. It should also include flexibilities to determine entitlements, pricing and set outcomes.
- Devolve and protect London's share of **Advanced Learning Loans and Bursary funds** based on need (£76m+) with flexibilities on how this is used locally.
- Ensure a proportionate return from the apprenticeships levy paid for by London's large businesses so that sufficient funds are available to deliver in-demand industry-led technical and professional courses leading to further growth in apprenticeships (particularly at higher levels).
- **Protect London's share of 16-19 funding** (approx. £1billion) to meet future economic demand for level 3+ skills and a growing 16-19 population.
- Deliver a **coherent and integrated careers offer** for London through London Ambitions – London's strategy for careers advice and guidance for young people and which moving forward, we aspire to include adults in also. This will require devolving existing centrally managed programmes with the relevant budgets, in particular the Careers and Enterprise Company, the Inspiration Agenda, Jobcentre Plus Advisers in schools and the National Careers Service.

Devolved powers of authority and accountability:

- **A transfer of relevant powers from the Secretary of State to the Mayor of London** from the Further and Higher Education Act 1992 to enable removal of all or any of the

members of governing bodies, appoint new members where there are vacancies and give directions to colleges/ institutions where poor performance persists.

- Devolved levers and powers for approval to the Mayor to ensure **new strategic and capital investment decisions for post-16 skills and education provision** in London are made jointly with government at London level to better respond to the capital's economic and strategic priorities.
- **A Skills Commissioner for London**, subsuming the functions of the FE Commissioner within a broader strategic role.

Open data:

- Move to an '**open by default**' position on all data relating to qualifications, destinations and outcomes from education and training in London, except where there are genuine confidentiality and privacy issues.
- **Better measure the impact of investment** in skills including requiring the gathering and publishing of destinations data (at the London, borough and provider level) enabled by data sharing by HMRC and DWP.

London's 'Offers'

Through a devolution deal with central government, London Government seeks to deliver:

- Skills strategies for London informed by timely demand-side data to plan for future skills needs;
- A streamlined, resilient and responsive skills sector with greater specialisation;
- Excellence in professional and technical education with a strong Apprenticeships offer;
- A London Entitlement for basic skills equipping Londoners to compete in the labour market;
- A sustainable and coherent careers offer for London.

To achieve this London will continue to work with central government to develop and agree the detail of our proposals for reforming and devolving the skills system over the coming months. Immediate next steps include:

- For London and Central government to agree to **protect SFA and EFA allocations for London for 2016/17** based on an assessment of London's needs and priorities, including population increases and migration and agree to withhold finalisation of multi-year funding settlements until the outcome of the area based reviews are understood.
- **To begin the process of Area Based Reviews for London.** Central government to commit dedicated resource and access to data to London Government to develop the detailed approach and economic analysis to help inform ABRs.
- **To agree to devolved powers including (i) a transfer of relevant powers from the Secretary of State to the Mayor of London (ii)** Devolved levers and powers for approval to the Mayor to ensure **new capital investment decisions for post-16 skills and education provision in London** are made jointly with government.
- London Government and Central Government to work jointly to develop **the detailed model, business case and transition plan for a devolved skills model for London.** This will include a **comprehensive cost benefit analysis** that establishes a shared baseline of the current investment in skills in London comparing it to an assessment through our proposed model.

Future skills strategies for London

London Government will develop skills strategies at the regional and sub-regional level based on strong intelligence about demand for future skills needs, encompassing both demand for basic and low-level skills, and the higher-level professional and technical skills in demand by London's employers. Data and intelligence to support decisions for investment in skills is currently limited. With devolved powers and funding to invest in skills, London Government will have greater incentive to gather timely, accurate, granular Labour Market Information and use this to inform our investment strategy. By making this information publicly available in an accessible way, we will also support providers, learners and employers to make informed choices.

- **London government** will invest in developing an on-line data platform that presents 'real time vacancy data' by scraping information on online job postings to accurately inform users of the current demand for jobs by occupation.
- **London Councils** will work with London boroughs to develop a standardised approach to draw together local labour market intelligence (e.g. planning data, intelligence from employers) to inform sub-regional and pan-London strategies.
- **The Greater London Authority** will build on the regional labour market information that it currently hosts on the London Datastore as well as Skills Match to present a coherent and accessible picture of current and future labour and skills demands to providers and learners.

London will develop a **London Skills Strategy and Sub-Regional Commissioning Strategies** on the basis of this intelligence as well as data from DfE and DWP on low-level and ESOL skills needs, and analysis by UKCES and sector skills councils on professional and technical skills needs. London government will hold providers to account for delivering the priorities set out in these strategies through:

- **Agreeing collective outcome agreements** with providers at a sub-regional level, and **individual provider outcome agreements**¹⁷ at an institutional level.
- **Working with Ofsted** within the regional inspection framework to ensure that inspection criteria take into account providers' responsiveness to the local labour market.
- **Working with the Skills Commissioner for London** including **strengthening local authorities' role** through joint working with the London Skills Agency and sub-regional skills and employment boards to address poor performance against sub-regional skills strategies.

Delivering a streamlined, resilient and responsive skills sector

Government has set out its approach to establishing a fit-for-purpose further education sector via Area Based Reviews (ABRs). London's Mayor and borough leaders will work

¹⁷ Initially individual outcome agreements would be with FE colleges only, to make this system manageable. All providers would be expected to show how they are contributing towards the collective outcome agreements. This includes Adult and Community Learning Services.

collaboratively with Government and the skills sector to use this process to develop and deliver our vision for a post-16 skills and education landscape in London focused on meeting business and local economic need as well as to encourage longer term entrepreneurship and innovation. London Government is committed to leading the review process, if provided with the tools and levers necessary to ensure the reviews are effective. In London, we propose that the reviews should:

- Cover the full breadth of public and private providers delivering **16+ skills and education**;
- Be undertaken **sub-regionally**, overseen by sub-regional steering boards to support the process and facilitate implementation of the recommendations;
- Be overseen by a **London-wide steering group** to ensure the reviews deliver a London-wide vision and give consideration to provision in boroughs adjacent to Greater London and to provision crossing sub-regional areas;
- Be advised by an **independent Skills Commissioner** for London to help shape the area based reviews and to provide strategic expertise for the future skills landscape.

To ensure that London has the levers it needs to re-shape the landscape successfully and deliver the recommendations of the reviews, leadership of the ABRs should be accompanied by:

- The sharing of current FE sector financial and performance information;
- Resources to inform and undertake a strategic economic assessment of the current and future skills landscape and to undertake reviews;
- Transfer of statutory powers from the Secretary of State to the Mayor to enable the removal of members of governing bodies, appoint new members and give directions where poor performance persists;
- A pot of development funding to help implement changes including curricula development.

London government considers ABRs as an important part of the process of necessary reform to the skills system in London but not as the conclusion. Rather the ABRs can only be effectively implemented as part of broader devolution to London including the transfer of both powers and funding from central government, to support an integrated and strategic approach to investment in post 16 skills provision. The review process should be complementary to London's proposals for devolution and reform and should actively facilitate the implementation of this.

Excellence in professional and technical education – including a London Apprenticeships Offer

London is a leading global hub for business, talent and creativity. If the capital is to maintain its current strong position, we need to ensure that businesses can access the technically capable workers they need. Jobs growth is expected to focus on higher level occupations. Professional, associate professional and technical, managerial, director level and senior

official jobs are expected to increase by around one-fifth by 2022. Correspondingly, demand for higher-level qualifications (QCF levels 4+) is expected to increase by about one-third.

Greater employer investment and ownership in developing skills will be key to meeting this demand. While London employers cite skills gaps and skills shortage vacancies as hampering their productivity and growth, evidence from UKCES' 2013 Employer Skills Survey suggests that their engagement and investment in skills is in decline.

A strong Apprenticeships offer for London

London Government recognises the important role that the introduction of the Apprenticeship Levy will play in encouraging and enabling London businesses to engage in meeting London's high demand for professional and technical skills. As a high proportion (21%) of UK businesses employing 250 or more employees are based in London – accounting for 30% of total UK turnover - the region is likely to make a significant contribution to the levy. Against this, London has delivered fewer apprenticeships than most other areas in the country. If this trend continues, there is a risk that London will not derive a proportionate benefit (in terms of apprenticeship starts) from its levy contribution.

SMEs in London are responsible for 50% of all London based employees and 43% of London's turnover and will therefore also play a vital role in delivering London's contribution to meeting the government's 3 million Apprenticeships target. Research by Ofsted¹⁸ found that training providers find it difficult to encourage SMEs to offer apprenticeship and work experience opportunities. SMEs believe that arranging work experience and recruiting apprentices is too bureaucratic, and many also express concern over the employability of learners and their preparedness for the world of work.

Given the challenges outlined, we propose that with a devolved proportionate return in funding of the Apprenticeship levy, we will deliver:

- **Capacity building activity for London's SMEs** including a London-based Small Business Service to support with recruiting apprentices. This will include creating more higher-level apprenticeships.
- **Interventions focused on pre-apprenticeship support** for prospective apprenticeship candidates furthest from the workplace and who are not eligible for traineeships.
- **Subsidising apprenticeship training** and providing an 'uplift' for SMEs taking on apprentices.

In return, London will continue to offer travel-card discounts to apprentices (currently at 30%) and lead campaign activity working with industry, the London Enterprise Panel, schools, post-16 education providers and London's boroughs to promote and create new opportunities. However, increasing apprenticeships alone will not meet London's demand for highly skilled employees. London Government proposes to further incentivise employer and learner investment in professional and technical skills development through:

- **Creating a skills innovation fund**, funded by London's contribution to the apprenticeship levy. Employers and representative employer bodies could directly bid into the fund to create and develop new and innovative solutions to deliver priority skills provision.
- **Incentivised loans** that are part-subsidised for young people aged 19-24 undertaking courses at Level 3 and above for in-demand professional and technical courses in key London sectors.
- **Better data on the impact of learner participation** to help inform prospective learners of the benefits and outcomes of undertaking skills courses. Stronger open data from

¹⁸ Engaging small and medium enterprises in apprenticeships, Ofsted Jan 2015

government is needed including destinations data produced by HMRC at the London, borough and provider level.

A London Entitlement for basic skills to ensure Londoners can compete in the labour market

A robust adult skills and employment support offer in London is critical to the capital's continued success, and to boosting productivity. At present, many low-skilled Londoners experience multiple barriers to getting, keeping and progressing in work. Separate funding streams and agency silos result in high levels of fragmentation between low-level skills provision and other national and local services that support low-skilled residents to move into and progress in employment. This can lead to residents not receiving the most effective support to find and progress in work.

Our solution will see funding devolved to the Mayor and groups of boroughs acting in tandem through sub-regional partnerships to tackle low skills. Aligning skills funding with other resources and services at the local level will help to deliver wrap-around support that successfully removes the complexity of barriers that many unemployed and economically inactive Londoners face. To achieve this London Government:

- Seeks a **devolved and protected budget settlement for adult skills** proportionate to London's skills needs, including provision for ESOL and community learning. This will be used to deliver a London-led strategy on basic skills, part of our **London Skills Strategy**, including a "London entitlement" to basic skills;
- Will maximise this devolved budget by matching it with elements of London's European Social Fund (ESF) allocation at the regional level;
- Will allocate a portion of the devolved ASB to **sub-regional employment and skills boards**, to integrate with local budgets to commission skills support that directly helps unemployed and economically inactive residents into work, including joined up commissioning of skills with devolved or co-commissioned DWP employment support programmes.

Deliver a sustainable and coherent careers offer for London with relevant budgets devolved

The London Ambitions¹⁹ strategy, which has been developed jointly between London Councils, the GLA and LEP sets out London's position with regards to a careers offer for London and has established a firm footing with education, training and business leaders across the capital. The first phase of London Ambitions is focussed on addressing the well-rehearsed weaknesses in the careers offer for young people. But we will build on this and the GLA, boroughs' and LEP's current extensive work and investment in careers support to develop the vision and action plan for a truly world-class all-age careers offer for all Londoners, working with schools, colleges and other stakeholders. We therefore seek the devolution of existing centrally managed programmes with the relevant budgets, so that we can:

- better connect education and training with the workplace, ensuring more employers offer high quality experiences of work and that more recruit apprentices;

¹⁹ London Ambitions: shaping a successful careers offer for all young Londoners:

<https://lep.london/sites/default/files/documents/publication/London%20Ambitions%20Careers%20Offer.pdf>

- improve access to good quality career development support, particularly personalised guidance for the most vulnerable young people and adults;
- improve the use of labour market intelligence, including better tracking and use of destination measures;
- deliver far less fragmented, more sustainable and more coherent career development support for young people and adults;
- focus on returns on investment to demonstrate impact and show accountability to London's resident and business populations.

Skills Governance

The Mayor has statutory responsibility for economic development and wealth creation in London and London's boroughs have responsibility for economic well-being locally. The Mayor already has authority and powers over significant aspects of London's economic development and regeneration. This is in addition to significant powers and capacities relating to housing investment, planning, transport and inward investment. The missing piece in this economic development function is the lack of clear skills funding powers. London's boroughs also have a strong functional role in economic development, combining their responsibilities for planning and regeneration with a strategic role in brokering responsive local employment and skills systems that enable local residents to take advantage of growth. Boroughs are strongly committed to working in partnership with each other across wider functional economic areas in order to exercise this role more effectively and enable integration of employment and skills activity at scale.

London's Mayor and borough Leaders have been working closely together for some time to agree the appropriate levels of governance and broad direction of travel for the additional powers and funds sought for skills. This pan-London partnership will be delivered through a governance structure which combines accountability to the London Mayor with leadership from the Mayor and the Boroughs through the Congress, informed by advice from the London LEP. There is also a substantial role for London borough leaders working through London's sub-regional grouping of boroughs to deliver a reformed skills system. The governance structure will evolve and be further defined following negotiation with the government and as the transfer of powers become clearer.

London Government has agreed on a set of interim arrangements for skills, forming part of an overall package of devolution to London government over which London Congress will have oversight. A skills devolution steering group co-chaired by a Deputy Mayor and a Borough Leader and comprising members from GLA, boroughs and the LEP has been set up to advise on and oversee progress on London's skills devolution proposal. This will be expanded to include representation from the FE sector and will continue to oversee development of the London Skills Strategy and transition to new arrangements.

To complement this, commencing in the autumn of 2015, the London Mayor will create a London Skills Steering Group to take forward the area based reviews. The group will be led and chaired by the Mayor with a nominated borough leader as Deputy Chair. Other representatives will include the LEP, other borough Leaders, central government, education and independent learning providers, employer representative groups, relevant FE and Regional School Commissioners plus a representative of learners. The area based reviews will be undertaken on a sub-regional basis reporting into and operating within the strategic framework set by the London Skills Steering Group.

In the longer term, London's governance arrangements will need to respond to powers that are devolved. The administrative function (currently held by the Skills Funding Agency for adult skills funding and apprenticeships) will be accountable to the Mayor and borough

leaders (through sub-regional groupings of boroughs) with devolved resources (a London Skills Agency) to manage the transactional costs of future adult skills. London government will produce a funding statement for adult skills to provide a consistent set of regional priorities for the funding criteria, entitlements and outcomes. Sub-regional groupings of boroughs will be responsible for leading and developing the commissioning priorities for adult skills funding sub-regionally with skills providers accountable to borough leaders to deliver those strategies. The sub-regions will also set the approaches to integrate and pool funds where possible and the appropriate commissioning approach.

Enterprise Support Proposals for London

Strategic Context

London government works hard to make the capital the best place to do business in the world and both the GLA and London Boroughs have daily interaction with the business community. There is an opportunity for London government, working with the LEP and private sector partners, to become more closely involved with the delivery of business support services in the capital. We believe there are significant merits to this approach including:

- Stimulating **innovation in service provision and tailoring support in line with London's specific priorities identified by the LEP.**
- **Securing greater private sector leverage and participation** from new partners. London is home to the world's biggest professional and financial services firms as well as over 40 higher education institutions that are also invested in SME business growth.
- Aligning **London's European Regional Development Fund (ERDF) programme with devolved business support activity** including innovation, SMEs, sectorial programmes to scale up activity.
- Making the most of **London's brand and global networks** using the London brand as collateral and creating a seamless global economic development network, connecting cities across the world to increase trade and investment.
- Taking a considered look at **who does what best at which spatial scale** and to organising flexibly according to the most appropriate approach for each sector or activity - as we have done with life sciences where we work across the Greater South East through Med City, and for employment initiatives where we work at the sub regional level.

Our ambition in London is to:

- 1) Provide an excellent **business advice signposting service** available to all businesses through the London Growth Hub.
- 2) Deliver high quality, tailored services that support the continued growth of London's innovative globally competitive sectors and sub sectors, through support for **innovation and internationalisation**. We propose this will be delivered through a joint Trade and Investment Plan for London and additional investment in science, technology and innovation.
- 3) Continuously improve the **foundations of productivity** including targeted London action on **skills, finance and workspaces** taken forward through new models of engagement of business in the adult skills system, leverage of the LEP's Co-

Investment Fund and the mapping of all possible options for SME workspace in the capital.

The proposals in this document respond to the call from government for cities to propose areas where there would be benefits from further devolution. It also builds on the track record the LEP has demonstrated in delivery in these areas and the LEP's priorities, developed through extensive consultation with the business community.

Our proposals are based on an understanding of market failure and informed by evaluation evidence that supports the case that public investment is effective, efficient and provides value for money. GLA Economics has undertaken research to support the development of our proposals on business support which is attached. The GLA Economics paper provides a comprehensive understanding of the current business support landscape, considers the areas of business need, the rationale for public intervention and the gaps that the public sector could address.

London's core enterprise support devolution propositions

The Mayor, London Boroughs and the London Enterprise Panel are seeking:

- Co-funding to develop, expand and maintain the London Growth Hub for the next 5 years with a focus on targeting services to businesses which contribute most to London's productivity;
- Joint Mayor/SoS sign-off of the business plan for the Business Growth Service (including MAS);
- From 2017/2018, devolution of all business support funding and programmes to the Mayor, to deliver and potentially match with the European Regional Development Fund (ERDF).
- The Mayor to lead on a Trade and Investment Plan for London; 'dual key' arrangements (Mayor and Trade Minister) for the sign off of the UKTI London regional services in advance of full devolution to London;
- A £150m London Innovation Investment Fund, to complement our proposals on skills and business support devolution, to help drive forward growth sectors in London and contribute to the Government's goal of raising UK productivity. The London Innovation Investment Fund would include the devolution of some capital and revenue funds from Innovate UK and other national programmes to invest in catalytic projects working with London's knowledge base to support high value sectors.

1. Business Advice and Signposting Service

The variety of business support services available to firms in London is huge and complex. The public sector offers over 50 national and regional initiatives, and many more at a local and sub-regional level, often commissioned or delivered by London boroughs. Over 70 private sector business organisations also offer a variety of business support services across London, and firms tap into other support from a wide range of private sector sources, ranging from membership organisations to accelerator workspaces, from banks to accountants.

According to the London Business Survey (2014, GLAE/ONS) four out of ten London SMEs are using GOV.UK and over half of these say they seldom use it. Accountants and auditors were identified by SMEs as the most trusted and used source of advice. Devolution of business support services to London can ensure that private and public sector business support is well connected, is delivered at the most appropriate geographical level and avoids duplication of services, as well as creating opportunity to use established patterns of business behaviour such as SMEs seeking advice of accountants, as a channel to promote our services.

To deliver excellent business advice and signposting we propose:

- 1.1 The further development of the London Growth Hub for which we seek funding from HMG
- 1.2 Joint sign off of the business plan for the Business Growth Service incorporating the Manufacturing Service in London until 17/18 and subsequent devolution of all business support funding and programmes to London from 2017/2018.
- 1.3 We would like HMG to co fund pilots of new approaches to business support in the capital with a focus on 'scale up' companies and London's manufacturing sector

1.1 The London Growth Hub

The London Growth Hub was launched in March 2015 and we have commissioned the design and development of the second phase.. Our ambition for investing in the London Growth Hub is to develop the most highly regarded and trusted go-to-place for information on business support in London.

London's business support landscape is incredibly complex. There are hundreds of public and private providers, the quality of services varies and users' experiences are very different. Through bringing together all business support provision under one single portal, we aim to ensure advice and service provision is of good quality.

London's Growth Hub will provide information by using a range of different digital tools. Businesses will be able to search information on funding streams and advice sources, with information tailored to each individual business's needs, reflecting location, size, sector, growth stage and other key factors that will be identified during development. Virtual support and signposting will be linked to physical services and action (e.g. workspace providers) and the national telephone and online support provided by BIS will be fully integrated.

In phase three of the Growth Hub we will be developing the site as the main sign posting tool for face-to-face advice in London. This will include a range of private and public sector providers (i.e. ICAEW, British Library, City Library, Enterprise Nation etc.)

We will explore the possibility of getting sponsorship for the Growth Hub. This is possible when the London brand is visible and there is rich content on the site. Examples of this include tech.london – a platform signposting tech businesses to support and resources available in London – the result of collaboration between the GLA and Gust, sponsored by IBM. **We are seeking investment from government so that we can appoint a dedicated team to project manage and curate the content on the hub, signposting to successful London support provision and programmes. For the hub to be successful it is critical that it is up to date, comprehensive and engaging which requires substantial ongoing investment in rich content.**

1.2 Business Growth Service

We understand that HMG could devolve the nationally procured Business Growth Service in 2017/18. **London's challenges can be different to other regions and to ensure needs are addressed we are seeking joint sign off the business plans of the Service with government from 2016/2017. From 2017/2018 we are seeking the devolution of all business support funding and programmes to the Mayor.**

New approaches to Business Support pilot pilots

1.3 Business support pilots

We would request funding to develop and implement two pilots for programme activities that address London specific opportunities and will support London's growing SMEs.

London Scale Up programme

Our work to date suggests that there are around 1,800 high growth companies in London at any one time. Based on Sherry Coutu's report (www.scaleupreport.org) London will aim to develop a range of pilot projects that focus on the six areas recommended in her report:

1. Targeting, supporting, promoting and reporting on scale-up gap closure
2. Accessing talent
3. Developing scale-up leadership
4. Increasing customer sales at home and abroad
5. Financing scale ups
6. Accessing infrastructure

This programme pilot would support a small, but targeted, micro/small businesses to provide them with very intense support to scale them up, providing them and with the leadership skills to allow them grow.

London Manufacturing programme

The LEP's SME Working Group is in the process of commissioning research on London's Industrial Estates and Industrial Business Improvement Districts (BIDs) to identify their contribution to London's economy. Anecdotal evidence indicates many Industrial Estates are at full capacity and many businesses in non-industrial areas are moving there as they cannot afford the cost of premises in other parts of London.

Industrial Estates play an important role in London's economy and the research aims to provide the necessary evidence base for developing a business support programme for manufacturing companies that will allow them to grow and export.

Once the research is completed, at the end of 2015, the LEP would like to develop a pilot programme that will provide business support to manufacturing companies based in Industrial Estates.

1. Innovation and Internationalisation

We want to grow world beating globally competitive clusters and sectors that drive UK productivity through competing with the best in the world. Exporters are more productive and build London's brand overseas which assist in attracting investors, who are more likely to export and are more productive – a virtuous circle. Combined with our world beating universities and financial services sector we can purposively continue to build world beating clusters and sectors in the capital.

We are seeking a London Innovation Investment Fund, to help drive forward growth sectors in London and contribute to the Government's goal of raising UK productivity. The London Innovation Investment Fund would include the devolution of some capital and revenue funds to invest in catalytic projects working with London's knowledge base to support high value sectors.

Over the past four years London government and the LEP have put London and the UK centre stage on the global investment map for science, technology and innovation. Through a close working relationship with London's research base, **MedCity** has been established, which is successfully positioning London and the Greater South East as a world leading region for life science research, development, manufacturing and commercialisation.

In the last few years London has become the world capital of **financial technology**. Moreover London has the potential to be a world leader in **digital health, ed tech, ad tech, and clean tech** reflecting the convergence of the capital's unique competitive strengths.

To drive innovation and international competitiveness in the capital, to achieve the step change required to meet the government's 2020 exports target and start to tackle the productivity challenge, we propose

- a) The Mayor to lead on A Trade and Investment Plan for London working with the LEP and London boroughs setting a vision and providing guidance to L&P and UKTI. Business assistance for foreign direct investment is devolved to the Mayor and we

are now seeking a 'dual key arrangement' where the mayor and trade minister sign off the UKTI business plan. We seek devolution of the UKTI regional service in the longer term.

- b) In the coming two years the LEP will pilot new approaches to trade and investment.
- c) A London Innovation fund for which we are seeking funding.

We believe that in taking forward these proposals we could leverage significant additional private sector funding into trade support at least doubling the number of London companies substantially assisted to export each year at no additional cost. We believe by adopting a joint trade and investment plan attracting new partners we could deliver an additional 'city' contribution to the government's 2020 export target.

2.1 A Trade and Investment Plan for London

Business support for foreign direct investors is already devolved in London and delivered by London & Partners. There are significant gains from bringing trade and export services together, which is a model frequently used in cities internationally,

We propose that the London Enterprise Panel chaired by the Mayor, guided by the Economic Development Plan, should set a Trade and Investment Strategy for London and in advance of devolution and full integration of services the Mayor and UKTI Minister should jointly sign off the UKTI delivery plan in London.

There is now an opportunity to bring together trade and investment with a joint vision and strategy for London led by the LEP. The FDI and exports operational plans will require distinct delivery approaches, that for now should remain the responsibility of the tasked bodies i.e. L&P and UKTI, but this could be coordinated through an overarching vision and strategy. Further devolution of exports work would enable London to produce a joined up strategy and delivery plan that would focus on an increase in productivity and increase London's contribution to both the £1 trillion in exports and £1 trillion in FDI stock.

The model of further devolution to London government and the LEP setting a strategy will improve delivery and performance through:

- i) **The purposive development of London's sectors and clusters through an integrated approach** to strategy, through the development of a Trade and Investment Strategy, and delivery led by London government and the LEP. Where appropriate, delivery could include co-location and joint L&P/UKTI project teams.
- ii) **A business/client focused approach..** A single strategy and joint teams ensure a smooth customer journey. Inward investors have a greater propensity to export than domestic businesses, investors use London as a launch pad to EMEA markets, through integrating trade and investment we can provide a seamless service. Working directly with business and reacting on business intelligence will allow London to capitalise on many more opportunities.

- iii) **As a global city trade and investment is conducted city to city via a network of global cities and regional hubs.** Both exports and investment can be boosted by city based relationships complementing UKTI's national Embassy approach..
- iv) Through a **partnership approach, London institutions** can step up and deliver more relevant and better quality programmes. This will include working closely with universities, learned societies, corporates which will have direct access to their supply chains.
- v) Using the London brand and adopting a clear market segmentation approach there is also an opportunity to **attract more private investment** to the local London export system. The Mayor can also raise the profile of exporting to **improve reach, marketing and communication** as well as contribute London assets to marketing campaigns.

We propose the London Enterprise Panel considers and gives guidance in Autumn each year, including any sector or priority segments, projects or activity the LEP would like to see taken forward in investment plans. It would also identify how this integrates with wider London activity on skills, cluster/sector development, infrastructure. The Mayor now proposes a dual key approach to signing off the UKTI London delivery plan alongside the Secretary of State.

2.2 Piloting new trade and investment approaches

We believe that joining up the various stakeholders and delivery organisations in London is the best way to create the necessary step change to increase London's contribution toward hitting the £1 trillion export target. The planned next phase of the Mayor's Export Programme, led by L&P, is a model for leveraging private sector expertise and resources, including the London Chamber of Commerce, backed by ERDF to deliver a bespoke service for exporters with the specific objective of increasing export sales and creating jobs. The London LEP is the right organisation to convene this work and to oversee a plan to generate innovation in internationalisation support.

2.3 London Innovation Fund

We are seeking investment from HMG in London innovation to support and develop London's world beating business clusters and complement internationalisation strategies. London's growth and competitiveness is being hampered by the lack of long term funding that is required to support the London government and the LEP's strategic role in driving the competitiveness of innovative, high value sectors. Devolution of funding streams would also support a more strategic deployment of London's European Regional Development Fund.

London's innovation landscape is complex – funding is dispersed, as the availability of different levels and types of support from numerous bodies leads to increasing confusion amongst businesses, large and small, as to the support available. This complex landscape

could be better coordinated, promoted and delivered with greater impact to maximise London's potential. We are seeking an innovation pot, overseen by the LEP to tackle the market failures that are holding London's competitiveness back - principally information and coordination market failures – reflecting the scale and depth of London's wider innovation ecosystem.

There is a clear need to join up policy across different areas in addition to internationalisation – from skills provision to infrastructure spending and employment and skills support. A decentralised innovation budget would enable London to make connections across a range of delivery areas, avoiding duplication and enabling efficiencies.

The Innovation Fund could be used to support programmes that articulate some of London's key policy challenges as market opportunities for innovative entrepreneurs to solve, a key aim of the Mayor's Smart London Plan.

London is the ideal city to act as a test bed for new approaches to the devolution of innovation related budgets and policy levers for future years and could form the basis of a discussion on science and technology in London with government as indicated in the Budget. **London is an innovation leader in science and technology and has a strong, experienced city-wide government. London is therefore now able to lead new approaches to innovation policy that will maximise national growth, replicable across other UK cities. London is well placed, drawing on the expertise of the LEP, strong partnerships with business and the research base, and relationships with national bodies.**

If London is to maintain its global standing, and drive growth across the UK, amidst fierce international competition – the capital needs to be able to support this with budgets and policy levers that many of our competitor global cities already have. The Government's recent 'Fixing the Foundations' report suggested that to retain the country's position of international excellence in science we need to increase strategic focus. The government has made the commitment to make the UK the best place in Europe to innovate and help create the ideas that help grow a business, the following proposals will help to achieve this ambition.

A devolved London Innovation Fund is therefore a necessary complement to the devolution of skills and business support set out in the document.

We are seeking government investment in the following:

Capital funding to support the development of innovation infrastructure, matched with private sector contributions, to boost the expansion and translational capacity of London's research base –.

We seeking revenue support to enhance London's collaboration with other LEPs, helping for example to join up supply chains nationally, maximising the added value of UK wide clusters and smart specialisation..

We need to better link London’s research base, and other public assets such as the NHS, to industry domestically and globally; and strengthen the marketing of our research excellence to attract inward investment. The Mayor has started to do this for life sciences, through the establishment of MedCity. London now needs to do this for all of London’s technology sectors.

London could, for example, benefit from **a pan-London technology transfer office for science and technology** to enable businesses to more easily access the innovation emerging from London’s world class universities.

London would also benefit from a dedicated London challenge fund, which could be managed by the LEP to identify London specific challenges, and articulate them as market opportunities to enable the development of innovative products and services through public procurement. There is a huge untapped opportunity to do this across the **education technology sector**, for example, working with London’s HEIs.

2. Fixing the Foundations of Productivity – Local approaches

The LEP will continue its work of the last four years supporting businesses through continuing to address fundamental factors where these are best addressed at the local level. In many instances policy is best undertaken at the national level but in responding to particularly local challenges and opportunities, the London Enterprise panel has been and will continue to be particularly interested in Skills, Finance and Property.

Skills

The LEP’s work in this area will deliver the aspirations set out by Government to deliver ‘a highly skilled workforce, with employers in the driving seat’. The LEP has consistently invested in apprenticeships in the capital and shares the Government’s ambition to achieve high quality vocational skills routes to employment. Its work will also help to respond to the wider devolution asks that London government is proposing to ensure that London’s future skills system better meets the capital’s economic needs.

In the market for adult skills, there can be mismatches in employers’ skills demands and what training providers offer. This can result in mismatches in skills, qualifications and training that leads to delays and difficulties in filling job vacancies, and sub-optimal levels of investment in training. We believe this can be addressed by better information, coordination and new models for small firms to invest and share risk in training and employment.

In parallel with this document, we are submitting proposals to Government on skills devolution in London, in line with the Government’s commitment to devolve further powers on skills to the Mayor. Our proposals include an important role at the sub-regional as well as pan-London level. Furthermore we see important linkages between these two sets of proposals. Hence in a more devolved skills system, we would build in new models of business engagement, investment and assistance in skills training. We would seek to work

in partnership with the London chambers, sector skills councils, BIDs, and leading employers who are investing in growing a talented workforce in London.

Finance

The Mayor's London Co Investment Fund is leveraging equity funding into early stage growth firms as they emerge from private accelerators, incubators and support programmes. There is a healthy deal pipeline in place, with over 640 business plans having been submitted through the website. Fourteen investments to date have leveraged an average 4.3 multiple from the private sector. The fund, delivered by Capital Enterprise, is helping start-ups to access up to £1m in finance over the next three years and is expected to invest in more than 150 early stage businesses. We estimate this will accelerate the creation of at least 2,600 new jobs in London's early stage Science, Digital and Technology businesses.

Devolving business support services and developing the London Growth Hub, will support referral to Funds such as this supporting early stage firms in seeking equity finance or building capabilities from this investment. This local knowledge and link to business supports the GLA and LEP to make sound proposals to institutions such as the European Investment Bank for additional investment.

Property

Through the LEP's SME Working Group, and in partnership with Local Authorities, we are looking to build on our existing workspace map to create an interactive map and network of public sector spaces that have the potential of becoming workspaces or business premises for SMEs. Due to a variety of reasons, London stock of affordable space for SMEs, and particular grow-on space, has diminished considerably. LEP members have been clear that the position in London threatens our globally competitive clusters and sectors through reducing their ability to derive benefits of agglomeration. The interactive map and network will aim to connect businesses with public sector organisations that have under used or empty spaces.

We would aim to establish, develop and manage a network of local authority and other public sector spaces that could be converted into workspace and move on space. The network, to be managed by GLA officials, will be kept up to date on a regular basis and will permit the exchange of information between workspace providers looking to develop new spaces and businesses looking to re-locate to larger premises.

Crime & Justice

Strategic Context

By devolving further budgetary, performance and commissioning responsibilities to London (the Mayor and boroughs), we can drive improvements in the key public services that work to keep London safe while making the savings required of us in smarter, more effective and more joined up ways.

Public safety drives economic growth in London. It is the foundation of social well-being and is the vital underpinning of London as a successful city. Everything we want to see flourish – family life, public spaces, the businesses that we depend upon and, crucially, the culture and environment that our children grow up in – requires a basis of civic order. The reputation of London as a safe city and a stable place to invest and grow depends upon an effective response to the range of crime and disorder challenges that we encounter.

The challenge

- London is currently responsible for approximately 25% of all crime in England and Wales and its population continues to grow faster than the rest of the country.
- Crime is falling but reoffending for both youth and adults are increasing; in 2014, 64% of proven offences by young people were reoffences; adult reoffending in London has risen to 25.1%
- Reoffending is a failure demand on the system and attracts significant social and economic costs. e.g. analysis of London's 2,093 high risk / prolific offenders shows that they were responsible for 53,267 offences at a total cost of £163m
- The number of defendants in court is reducing, but timeliness through the courts is slowing. Court cases in London took, on average, 165 days from offence to completion in 2014. We know that 15% of trials are ineffective and there are now 9000 outstanding cases yet to be processed through the Crown Courts.
- Demand on emergency services is increasing and there is an inconsistency in resource, capability and performance across services.

Alongside this, all partners face significant budget reductions over the next five years, whilst demand increases. A recent study of the Criminal Justice System commissioned by the MoJ and HMT in collaboration with MOPAC estimates that the total spend on Criminal Justice in London is £3.3bn. Analysis also indicates that by 2020, budgets across criminal justice agencies may collectively need to reduce by as much as 40%.

The only way that the various agencies in the CJS will be able to make the savings required, whilst also making improvements to services for the public, is to radically rethink the way

they are delivered. This will require significant integration across the system - thereby reducing duplication and inefficiency - and much closer performance management and oversight, on behalf of the public.

It is recognised that strategic leadership has helped tackle issues that matter locally and across London. The convening power of the Mayor is undisputed and has already made some progress in these areas, but we are reaching limits. The need for greater efficiency whilst improving outcomes is clear and this proposal offers London specific solutions to these issues in a sustainable and positive manner.

To achieve these ambitions would require:

1. London wide oversight and / or commissioning of Criminal Justice System elements
2. Devolution of crime related budgets to a single pooled fund at London level
3. Integration of emergency services where possible

Achievement of this would allow London to offer central government the savings required, whilst ensuring the best possible services for Londoners.

London government (the Mayor and Boroughs) already has proven success in this area. Over the last 3 years, the Mayor's London Crime Reduction Board has effectively:

- 1) Set strategic priorities and provided strategic oversight of key issues in London-** for example the refreshed partnership strategy 'Strategic Ambitions for Gangs and Serious Youth Violence' was launched in 2014 and a reducing reoffending board bringing together agencies has been critical in creating a voice and setting key expectations for London in relation to Transforming Rehabilitation.
- 2) Levered more investment into London -** Successes include £600k Victims' Competed Fund to invest in support for victims of gang violence at all major trauma centres and £800k Home Office Innovation Fund to provide specialist training to 8,000 frontline professionals across London so they can spot the signs of mental illness and emotional trauma among vulnerable victims.
- 3) Pursued innovative joint delivery and co-commissioning arrangements –** A pan London gang exit model is currently being co-commissioned by MOPAC, the London CRC and Local Authorities. In addition, the LCRB have overseen engagement with MTC Novo and agreed a structured engagement plan to:
 - Pursue joint investment opportunities in relation to tackling reoffending e.g. a focus on females and 18-25s
 - Drive a more ambitious and innovative approach to reducing reoffending in London

London's Core Crime & Justice Devolution Propositions

As outlined above, City Hall and Local Authorities, working together via the London Crime Reduction Board, have already shown practical successes in this area but need Central Government to devolve further powers to ensure that we can deliver more. Central Government is requested to:

1. **Give London Government responsibility to co-ordinate, commission, convene and co-design across the criminal justice system in London.**

Using similar mechanisms that it currently has for Policing, the Mayor's Office could deliver the improvements and savings for youth justice in the community, the court service and prosecution, whilst delivering valuable oversight to probation services and the Community Rehabilitation Company contract that strengthens integration with the London wide system.

In order to further this proposal, MOPAC has been working with HMT and McKinsey to cost elements of the Criminal Justice System in London, with a view to identifying efficiencies and where resources can be best placed. This work supports the ongoing work of MOPAC in bringing together CJS partners in London that has delivered combined efforts in stabilising court timeliness and implementing successful pilots in Local Justice Areas.

This analysis highlights the following:

- CJ in London does not function as a true 'system' – spend delivers activities and outputs at an agency rather than a system level
- Re-offending activity accounts for £2,251m of criminal justice spend in London – 69% of total spend representing significant demand on the system
- There is potential to streamline and improve case management flows between agencies and into both the Magistrates and Crown Courts.
- There is potential to realise efficiencies in back office activities and expenditure across agencies (Back office expenditure accounts for 26%)
- Achieving just a 15% reduction in back office costs across all agencies would yield £330m in annual cost savings for the CJ system in London.

Youth Justice Example

At a meeting between the Mayor and Minister of Justice in June 2015, support was given to identifying potential for devolving Youth Justice to London as a first stage.

This leads on from work earlier in the year, at the Youth Justice roundtable that MOPAC and the YJB jointly facilitated, where partners started to work together to drive an improved strategic response focused on:

- **Targeted prevention** – collectively focusing activities on those most at risk of offending;
- **A whole system approach to reducing youth reoffending** - targeting those most at risk of reoffending regardless of whether they are managed in the community or custody; and
- **Joint commissioning and collective investment-** reducing duplication, addressing gaps in provision and making best use of resources across partners.

The London Youth Justice Context

- Crime is falling (21% reduction in last 7 years) but reoffending for both youth and adults are increasing (in 2014, 64% of proven offences by young people were reoffences)
- London's youth population is projected is expected to increase by a further 9% by 2024 (and has already increased by 10% over the last 10 years)
- There has been a reduction in reoffending of youths leaving custody but the challenge is the remaining more complex cohort who have a higher rate of re-offences per offender.
- Those who have received a youth community penalty also have a high reoffending rate and commit the most re-offences (32% of the total re-offences)
- Levels of first time entrants in London are 128% higher than the second largest police area
- There are 32 individual YOTs in London each with separate funding, management and premises;
- The Youth Justice Board grant formula to London Boroughs is based on population and deprivation and there is no relationship to reoffending and outcomes;
- This is set against a backdrop of funding reductions to both YOT allocations and wider Local Authority contributions at a local level.

Youth Justice spend in London is c.£91million (including £14m YJB funding for YOTs). Given the challenging financial context it is timely to not only reflect on the positive progress to reduce youth reoffending that has been made in London but also to consider the approach to youth justice arrangements to ensure the continued delivery of value for money and outcomes.

With Youth Justice community resources devolved to from the Youth Justice Board to London government, we can invest alongside other funding streams to maximise value for money and targeted delivery. London government could work with partners to devise a new funding allocation formula for London, based on need, risk and required outcomes. This will have a direct impact on further reductions in the secure estate. We request that savings are made back in to prevention, furthering the drive to reduce first time entrants and demand management on the whole system. We believe this can be achieved whilst continuing to adhere to national standards and guidelines and complementing the work of HMIP.

2. **Devolve existing crime prevention resources, along with the Preventing Violent Extremism and crime related health budgets, into a London pooled fund.**

Central government has, in recent years, devolved certain commissioning responsibilities down to the London level (such as the community safety fund and victims commissioning and budget) whilst others have remained at a national level, such as Prevent and the commissioning of the court based witness services.

Prevent funding is provided directly from the Home Office to Local Authorities and is run as a bidding process each year. Local Authority Leaders and Chief Executives are now calling for greater involvement in Prevent work across London and for less bureaucracy at the local level to enable an improved focus on delivering outcomes. The London Crime Reduction Board has already set up the first Contest Board for the region, signaling its intent to further its support of the Contest strategy as a priority. This board is driving improvements to commissioning of Prevent work, for example building the first London region CTLP that works across boroughs.

MOPAC assumed responsibility of some but not all Victims commissioning in October 2014. Elements such as the court based witness service have been retained at centrally and recently re-commissioned. This makes it challenging to join up and drive whole system approaches to supporting witnesses and victims in the criminal justice system.

Freedoms and flexibility in health, especially giving a regional and local aspect to national mandate and commissioning frameworks, would allow for multiple budgets to be strengthened and supported by closer integration and maximising resources.

This approach builds on best practice developed under the Troubled Families Programme.

Transferring the commissioning responsibility and funding of these funding streams to a London level would drive improved outcomes and deliver far better value, whilst reducing risk for central government.

3. **Enable London to integrate emergency services**, starting with MPS and LFB control room services to allow smarter deployment of emergency services and to achieve back office efficiencies and savings.

- **£4.2 billion is currently spent on bluelight services** (Police £3.5bn, fire £400m and ambulance £300m) across the capital.
- Demand on police emergency response is increasing; response performance is increasing
- Demand on London Fire Brigade is falling (21k fires attended 2013/14 compared to 27k 2011/12)
- Demand on London Ambulance Service (LAS) is increasing: emergency calls received (1.7m during 2013/14) and incidents attended (1.09m).

- There are multiple police forces operating in London and we should seek to achieve shared capacity and overheads wherever possible (especially with the British Transport Police) in order to reduce duplication, governance costs and the potential for unnecessary cost.

London's 'Offers'

These proposals would enable London government to collaborate with national criminal justice partners to:

- I. Systematically drive down and manage demand on the whole criminal justice system in London including collective action to grip offenders and drive down reoffending across the capital;
- II. Develop a truly integrated approach to criminal justice in tough times, delivering the projected reductions in spending across the system whilst minimising the loss of frontline services and preventing a crippling loss of confidence in the safety of the capital;
- III. Deliver more effective local responses to crime and violent extremism through integration of services, building on best practice developed under the Troubled Families Programme, including Payment by Results;
- IV. Deliver efficiencies of scale, deployment, back office and property over time, whilst ensuring adherence to national standards and guidance;
- V. Reinvest administrative savings in prevention to further reduce demand, improve lives and reduce long term dependency.

These proposals have widespread support across London and have been led by current governance systems, specifically the London Crime Reduction Board. High level engagement with ministers and government departments has seen positive responses to the principles put forward.

Health and Care

Strategic Context

This section sets out the broad model for reform of health and care in London that has been agreed in principle by London boroughs, CCGs, the Mayor, PHE and NHS England. It provides a common platform for collaborating to transform outcomes for Londoners and address the sustainability of the health and care system in the capital.

There is commitment across local government and the NHS in London to make progress on reform and transformation within existing powers and responsibilities. But both the ability and incentives to address long-standing, complex challenges will be significantly constrained without clear steps by government and national NHS bodies to devolve funding and powers, and to provide freedoms and flexibilities to support new ways of working and a strategic focus on driving transformative change.

We therefore want to use the CSR to establish a framework for supporting reform of health and care across London throughout the next Parliament. This framework seeks immediate agreement to some national changes, while others would be unlocked as detailed proposals are developed at different levels in London.

There is agreement between all London partners that the scale, complexity and history of health and care issues in the capital mean a single, city-wide approach to reform will not be successful. There is also consensus that London's model of reform must address the whole health and care system – to enable a rebalancing towards prevention, early intervention; supporting independence and wellbeing, as well as addressing the future sustainability of health and care services.

This needs to be developed on three geographical levels: local, sub-regional and regional. A principle of subsidiarity underpins this ensuring decisions are made at the most appropriate level. But there is recognition, including politically, that hospital service transformation will require collaboration across sub-regional footprints and the linkages between locally led out of hospital transformation and sub-regionally co-ordinated hospital network transformation will need to be strong.

The increased focus on prevention and public health will require action not only by NHS and local authority care services, but also by other parts of local and regional government and agencies across a range of areas including employment support, housing and offender management.

There is an ever strengthening track record of collaboration between local government and the NHS in London. But it is recognised that our model of reform will require this to evolve to a new level. Therefore pilots will be set up before the CSR is finalised, through which, sub-regionally and locally, detailed reform proposals and collaborative structures through which to deliver these, will be worked up.

Background

London's population is growing at a faster rate than any other region in England and is transient, accounting for 37% of the nation's short-term residents. The capital also has a 7% higher poverty rate than the rest of England and a substantial inequality gap in healthy life expectancy between boroughs. London also has particularly high and growing populations of both under 25s, where investment in prevention could have significant impact, and over 80 year olds, the biggest users of health and care services.

The unique nature of London's population, the growing health risk factors and organisational challenges will put unprecedented pressure on the health and care system over the coming years. The NHS in London faces a £4.76bn affordability gap between forecast funding levels and the expected rise in demand for healthcare by 2020/21²⁰. In a similar time horizon London local government faces a potential funding gap of close to £3.4 billion, of which £1.14bn would be experienced by adult social care.

Lifestyle risk factors are stimulating an increase in health and care demand. London has the highest rate of childhood obesity of any peer global city with consequences for the high proportion of the health budget spent on associated illnesses. Intervention on smoking is thought to be an opportunity to not only address the 8,400 lives lost to smoking each year but also reduce the £1.9-£2.8bn currently spent on smoking related illness.

London's Health Care system has some significant and enduring challenges:

- the variable quality of primary care in the capital and particularly in the inner city
- the poor health of the population in some areas of London
- the over reliance on hospitals for the delivery of health care
- the different patterns of hospitalisation between different areas of the capital and in comparison nationally
- the concentration of hospital services in inner-city areas with higher population growth and demand for services in outer London

There are significant opportunities to radically transform the health and care landscape. Currently a fraction of the budget is spent on prevention and self -management initiatives despite significant opportunities to be achieved from proactively addressing worsening risk factors. Bringing health and social care together provides an opportunity to deliver an integrated system that much better meets the population's varying needs.

²⁰ £1.74bn Commissioner challenge defined as the difference between available funding and spending based on 'unconstrained demand' and rising cost of provision
£3.02bn Provider challenge defined as current deficits, impact on commissioners constraining demand, price changes from tariff changes and rising cost of provision
£1.74bn London share as announced by the new Conservative government in May 2015. Funding to be directed at transformation.

NOTE: If tariff efficiencies of 4% were to be delivered, this affordability gap reduces to £1.74bn. However this is dependent on productivity increases within the system. The majority of providers have opted for ETO tariff prices which include a 3.5% efficiency.

There is a strong history of collaboration and joint working across health and care and political leadership across London. At local level Health & Well Being Boards are growing in maturity and effectiveness and aspire to develop further to fulfil the full strategic commissioning role envisaged in their creation. At a pan-London level political leadership includes the London Health Board, previously the London Health Improvement Board, which from its inception in 2011 has been chaired by the Mayor of London with representation from elected borough leaders, the NHS and Public Health.

A Shared Vision for Health And Care In London

Nationally the NHS published the *Five Year Forward View* in October 2014 setting out a shared vision of how health services need to change, in order to sustainably address three widening gaps, in health and wellbeing, care and quality, and funding and efficiency. Building on the *Five Year Forward View* and the collective high level vision for health and care in London established through the *London Health Commission, Better Health for London: Next Steps*²¹ was published in March 2015.

This followed a year long journey that started with a conversation with Londoners, through engagement of more than 14000 Londoners at tailored events and through online discussions. The process encouraged collaboration between the organisations that influence health and care; including Local Government, NHS England, Public Health England, London's healthcare commissioners and providers, patient representatives, the voluntary sector and industry.

The recommendations set out directly address issues relating to how to affect the change, such as funding, workforce, information sharing, estates and leadership.

The partners of the London Health Board; London Councils, London CCGs, the Mayor, NHS England and Public Health England have committed to 10 joint aspirations to help London become the healthiest World City.


²¹ <http://www.londoncouncils.gov.uk/our-key-themes/health-and-adult-services/health/better-health-london-next-steps-plan>




As the London Health Commission and *Five Year Forward View* found, there are significant challenges and opportunities to improve health and wellbeing outcomes for Londoners. We are committed to working together at all levels to make the best use of our assets and resources. The partners of the London Health Board have decided to use the London Health Commission's ten aspirations for Londoners' health as a set of shared goals for London. *Better Health for London: Next Steps* sets our shared ambition and gives us a way to measure our collective progress towards our shared goals.


Boris Johnson
 Mayor of London


Cllr Teresa O'Neill
 Vice Chair and
 Executive Member
 for Health, London
 Councils


Dr Anne Rainsberry
 Regional Director,
 NHS England
 (London Region)


Dr Marc Rowland
 Chair, London Clinical
 Commissioning Council
 and Lewisham CCG


Professor Yvonne Doyle
 Regional Director,
 Public Health England
 London & Statutory
 Health Advisor to the
 Mayor

	Aspiration	2020 Ambition
	1. Give all London's children a healthy, happy start to life	Ensure that all children are school-ready by age 5 Achieve a 10% reduction in the proportion of children obese by Year 6 and reverse the trend in those who are overweight
	2. Get London fitter with better food, more exercise and healthier living	Help all Londoners to be active and eat healthily, with 70% of Londoners achieving recommended activity levels
	3. Make work a healthy place to be in London	Gain one million working days in London through an improvement in health and a reduction in sickness absence
	4. Help Londoners to kick unhealthy habits	Reduce smoking rates in adults to 13% - in line with the lowest major global city and reduce the impact of other unhealthy habits
	5. Care for the most mentally ill in London so they live longer, healthier lives	Reduce the gap in life expectancy between adults with severe and enduring mental illness and the rest of the population by 5%
	6. Enable Londoners to do more to look after themselves	Increase the proportion of people who feel supported to manage their long-term condition to the top quartile nationally
	7. Ensure that every Londoner is able to see a GP when they need to & at a time that suits them	Transform general practice in London so Londoners have access to their GP teams 8am-8pm, and primary care is delivered in modern purpose-built/designed facilities
	8. Create the best health and care services of any world city, throughout London and on every day	Work towards having the lowest death rates for the top three killers Close the gap in care between those admitted to hospital on weekdays and at weekends
	9. Fully engage and involve Londoners in the future health of their city	Achieve 10 basis point improvements in poll data
	10. Put London at the centre of the global revolution in digital health	Create 50,000 new jobs in the digital health sector & ensure that innovations help Londoners to stay healthy and manage their conditions

Opportunities and Benefits Of Devolution In Meeting These Ambitions

Our goal is to secure improved care across the spectrum of health and care services, reducing hospitalisation through proactive, co-ordinated and personalised care that is effectively linked up with wider services to help people maintain their independence, dignity and wellbeing. When Londoners need acute or emergency physical or mental care they should all be able to access consistently world class services, seven days a week. But they should be just as confident about being able to access consistently high quality support to address lower level health issues and manage ongoing conditions to minimise the impact on their wider lives and families.

Achieving this integration of services across providers can be significantly accelerated as a result of the opportunity presented by devolution:

Benefit	Outcomes	Additional opportunity from devolution
Addressing the health and wellbeing gap	<ul style="list-style-type: none"> • All children are school-ready by age of 5 • Reduction in proportion of obese children • Increased proportion of Londoners achieving recommended activity levels • Reduction in workplace sickness and associated absence • Reduction in smoking rates to level of lowest global city 	<ul style="list-style-type: none"> • Ability to strengthen and support actions taken by many Health and Wellbeing Boards by working in partnership across the health and care system and by other industries and sectors. • Opportunity to embed health promotion and prevention throughout health and care services, and develop new partnerships between the public, third and business sectors to promote health in innovative settings across London • Strengthening strategic alliances e.g. on illegal tobacco
Addressing the care and quality gap	<ul style="list-style-type: none"> • Reduction in gap in life expectancy for adults with severe & enduring mental illness • Public supported to self-manage long-term conditions • Public able to access care in the right place at the right time • Reduction in the gap in outcomes for weekend vs weekday admissions 	<ul style="list-style-type: none"> • Integration of health and care budgets in a place to maximise potential for new models of care and reducing the reliance on hospitals. • Build on examples of local collaboration pilots to provide early intervention and reablement services rather than a crisis based system • Enable investment in partnership working between primary care and local services to coordinate care around the needs of patients • Enable investment in partnership working between primary care, social care and the community sector to roll-out integrated personal commissioning • Use transformation funding to invest in fit for purpose facilities for the provision of health and care services
Addressing the funding and efficiency gap	<ul style="list-style-type: none"> • Improved value delivered within available health and care funding 	<ul style="list-style-type: none"> • Allows for increased investment in out of hospital settings to deliver care in the most appropriate settings for the patient • Integrates services improving patient flow through the system and associated productivity

London's Devolution Proposition for Reforming Health And Care Services

Our model of reform to achieve this recognises that collaboration and new ways of working will be needed between commissioners, providers, patients, carers and wider partners at multiple levels.

We are committed to ensuring wide ranging engagement to support development of this model. Political leadership and oversight at the borough level through Health and Well Being Boards and at the pan-London level through the London Health Board will need to develop; further strengthening its connections to all London partners. New leadership and collaboration capability at the sub-regional level will also be required.

We recognise the ultimate accountability of existing statutory organisations to parliament and electorates. In our model, geographies would be accountable for upholding national standards, delivering statutory requirements including, but not limited to, the NHS Constitution and would have to account to the Chief Executive of NHS England for the financial performance of the NHS within the local geography. We are committed to this accountability and upholding national standards and requirements.

Our model will be developed on three geographical levels: local, sub-regional and pan-London. A principle of subsidiarity underpins this ensuring decisions are made at the most appropriate level. There is recognition that acute service transformation will require collaboration across sub-regional footprints and place based budgets will support the linkages between locally led out of hospital transformation and sub-regionally co-ordinated hospital network transformation. Core components of the London approach across the three geographical levels for action will include:

Locally:

- joint multi-year local integration planning, supporting Health and Well Being Board strategies, to secure increased prevention, early intervention, personalisation and integrated out of hospital health and care services – and alignment of provider plans
- full pooling and joint commissioning of NHS, social care and public health commissioning budgets through s75 agreements
- local public asset plans and scheme development to secure facilities to deliver accessible, multi-purpose, integrated out of hospital services

Sub-regionally:

- Delivery of local Health and Well Being Board aspirations through accountable strategic partnerships based on joint committees established to lead transformation at sub-regional scale
- joint health and care strategies to develop new models of care across acute, primary and social care settings
- joint commissioning to secure delivery of sub-regional plans that are clinically and financially sustainable for all parts of the health and care system within the geography

- sub-regional estate plans and scheme development to unlock redevelopment of un- or under-used NHS estate, aligned with local public asset planning

Pan-London:

- The London Health Board, chaired by the Mayor of London, will provide political leadership, oversight and support for the London strategy including delivery of the ambitions of Better Health for London and commitment to the vision set out in the *Five Year Forward View*
- A pan-London joint executive committee, accounting to the London Health Board and with ability to act on behalf of regional and local partners to agree strategic priorities and to create frameworks that support devolved working at all levels
- Partnerships for strategic estate planning, allied to the London Land Commission and sub-regional strategies
- Workforce planning and skills development to match the pace of health system transformation
- Collaboration to develop city level public health improvement actions, including both regulatory and fiscal interventions
- Development of London wide financial and other frameworks, such as new payment models, for use at sub-regional and local level.

To deliver this strategy, three types of action and agreement will be required:

1. **Action by London:** London will build on its record of collaboration and joint working by developing the leadership and delivery arrangements that are required at local, sub-regional and pan-London levels. This will include the swift setting up of pilot collaborations at local and sub-regional levels;
2. **Devolution Unlocked as London Becomes Ready:** Agreement is needed between London government and its NHS partners on the one hand, and Government and the NHS at national level on the other, on a menu of new devolved flexibilities, opportunities and authority that would become available to London and parts of London upon the development of robust joint governance, strategies and delivery arrangements.
3. **Requirements of NHS and Government:** Agreement is also needed on a set of reforms to unlock health improvement and system transformation as part of the CSR decision-making process. This requires action by the NHS, Department of Health and other government departments including CLG

We describe the detail of these three tasks in the next section.

London's Devolution 'Offers':

Actions and Agreements Sought

Action by London

London Leadership: collaborative transformation

Partners recognise that a number of immediate actions will need to be taken to maximise the opportunity afforded by the shared model described. Implementation of this model would require:

- Partners would rapidly establish the governance by which a pan-London joint committee can act on behalf of regional and local partners, account to London's political leadership and meet the statutory requirements of the NHS.
- This is expected to result in the development of a MoU similar to the spirit of the Manchester MoU to be published in autumn 2015, but reflecting London's larger population and need for sub-regional working in addition to pan-London and local levels
- Immediate contribution of resources, capacity and capability from each of the parties to deliver a joint business case and plan across boroughs, the GLA, NHS England, PHE, CCGs and Providers. This would include an articulation of the benefits to be achieved and a plan for their realisation.
- Development of a business plan and associated business case for delivering sustainable transformation through the use of devolved funding to be completed by summer 2016

London Pilots: collaborative transformation

London boroughs have embraced their new public health roles and are innovating to find better ways of engaging with their communities on health and healthy lifestyles, improving public health services, using their regulatory powers to shape healthier places, making links with other services to impact on wider determinants of health and helping embed more preventative approaches into mainstream service planning. They are collaborating to spread best practice and work together on common challenges. This includes collaborative commissioning, often supported by PHE London, both through boroughs working together in small numbers and through pan-London approaches to HIV Prevention and the impending commissioning of sexual health services. Many of these collaborations are supported regionally by the Mayor's public health-related initiatives such as London healthy schools, TfL's huge investment in cycling and its health transport plan, and a pan London community sports programme, amongst others.

We will continue to build on our existing platforms, including by increasing collaboration on prevention between local government, regional government, PHE and the NHS and by mainstreaming prevention into integrated health and care.

To create a platform for the swifter transformation described in our proposals London will build on this record of collaboration by developing a range of pilot collaborations at both local

level for boroughs and CCGs through Health and Well Being Boards and at sub-regional level:

- at least one Borough/CCG level fully integrated strategy where care, public health and CCG budgets are fully shared;
- at least one sub-regional collaboration across health and local government able to develop a full service transformation strategy;
- at least one sub-regional collaboration producing a strategy to transform the health and care estate and release resources from under-used estate to support investment.

These partnerships will be identified during the autumn of 2015 working up their plans in the months afterwards. As their strategies are established these partnerships should be able to draw down a range of further powers from a menu agreed with government as part of the CSR London proposition process.

Devolution Unlocked as London Becomes Ready

This menu of devolution opportunities to be unlocked subject to certain conditions should include the following proposals:

1. **Supporting local integration:** subject to the approval of joint local multi-year integration plans to transform prevention and out of hospital services, underpinned by pooling of budgets, s75 agreements and robust collaborative delivery mechanisms with clear provider engagement:

- full devolution of primary care commissioning to Borough/CCG level
- transformation funding
- the ability to adopt new payment models and vary national contracts, within a regionally developed framework
- a streamlined single performance management approach for NHS spend

Case study:

In Greenwich, teams of nurses, social workers, occupational therapists and physiotherapists jointly respond to community emergencies. Immediate intervention has avoided over 2,000 patient admissions and saved over £1m in social care spend

2. **Supporting sub-regional transformation:** subject to the establishment of local government/NHS sub-regional partnerships with a robust business case for transformation of their local health economy and clear governance and implementation structures:

- NHS England specialised commissioning budgets suitable for managing at the sub-regional level
- transformation funding

Case study:

King's Health Partners and Southwark and Lambeth Integrated Care are working to improve education, prevention, care outcomes and patient experience across the care system. One project, TALK, gives GPs access to 24/7 consultant geriatrician advice and aims to reduce the burden on urgent care. 56% of calls have resulted in planned rapid access appointments, preventing admissions

- the ability to draw down new payment models and variations to national contracts from a menu of regionally developed alternatives
- a role in decision-making on ‘cash support’ for providers

3. Supporting sub-regional estates strategy: subject to agreement of a sub-regional estates business plan and establishment of robust governance mechanisms:

- access to NHS capital on the basis of a joint capital strategy between London partners, as is currently being discussed in Manchester
- power to make capital funding decisions up to a threshold within their envelope
- make variations in capital charges and the capital tariffs to unlock redevelopment of under-utilised NHS estate
- Devolved authority to make joint decisions on disposal of NHS estate in line with the sub-regional capital strategy and NHS accounting officer requirements
- Right to retain the uplift in the value of NHS disposals created through increases in land value that result from the joint capital strategy (allied to pan-London governance to ensure retained income will address need in all parts of London).

4. Supporting pan-London health and care system transformation: subject to the establishment of appropriate joint NHS England, CCG and London government structures:

- NHS England commissioning budgets and responsibilities that are not suitable or for holding at sub-regional level or local levels
- a joint role in decision-making on ‘cash support’ for trusts subject to clear and robust plans that link the support to financial recovery and strategic change, with applications being submitted from the London system to DH
- a role in jointly developing a tariff with NHS England that reflects the cost of NHS services in London and ensure partners have full involvement in proposals to vary the national tariff
- powers and national resources for developing payment and contracting models
- An integrated approach to workforce strategy across London with devolved authority for joint design of co-commissioning training to London level and consideration of devolution of HEE budgets consistent with government’s wider demand led approach to skills provision
- making best use of London’s share of available improvement resource and funding e.g. NHS IQ

Case study:

A London Prevention Board has been established involving local authorities, CCGs, NHS England, Public Health England and the GLA, which is shaping up proposals for collaborative innovation and work with wider partners to accelerate progress on key population health priorities for the

5. Supporting pan-London estates strategy: subject to the establishment of suitable joint NHS and London government governance and management arrangements, aligned with the London Land Commission:

- Protection of London’s share of the NHS capital budget for planning purposes as described under “*Requirements on NHS and Government*” below (estimated to be around £1.2 – 1.4 billion per annum for NHS Trusts and primary care estates)
- Power to make capital funding decisions up to the London budget
- London Land Commission (LLC) to have “right of first refusal” on land assembly and disposal in order to increase value in estate disposals with an allied expectation that sub-regional capital strategies are aligned to the wider LLC strategic plans

6. **Supporting pan-London public health improvement:** subject to the establishment of suitable joint GLA and local government governance and management arrangements:

- The ability to raise the minimum age for purchasing tobacco, alcohol and other harmful substances.
- The ability to use fiscal measures to reduce the purchasing of tobacco, alcohol and other harmful substances.
- Power for the Mayor to make health improvement interventions to complement his statutory health inequality duty and functional responsibilities for transport, housing, planning, environment and economic strategy.

Clear joint mechanisms between the government, national NHS bodies and London partners should also be established to work through the detail of conditional devolution. This route should also be prepared to consider further potential devolution or delegation proposals for any level that arise through the development of detailed transformation business cases.

Requirements of NHS and Government

To enable and incentivise partners across London to make accelerate progress on health and care reform in London, we are seeking agreement through the CSR to the following measures:

1. Financial Levers:

- Agreement to future years financial allocations and planning assumptions to give visibility and assurance of funding over a 3 – 5 year period.
- London’s share of all national NHS transformation funding devolved, ring-fencing London’s share of the £8 billion additional NHS funding [estimated to be £1.74bn] and delegation of London’s share [£38m-£45m per annum] of the £750 million Primary Care Infrastructure Fund subject to a clear agreement on expenditure accountability
- Agreement to develop a joint capital strategy between NHS England, CCGs and London partners, with joint decision-making and full visibility of the capital budget.
- Access to NHS capital based on the joint capital strategy and agreed for a 5 year period with the capital strategy being refreshed every two years.

2. Regulatory and Service Levers:

- Full involvement in decisions about provider performance by London partners and the relevant regulatory bodies and delivery of a financial envelope for providers. This to include a commitment to explore with the DH, NHS England

and NHS Improvement a mechanism for devolving the approval of cash support linked to financial recovery and strategic change with applications being submitted from the London system to the DH.

- A process for agreeing with government, NHS England and NHS Improvement how provider regulation in London can better contribute to whole system transformation ambitions
- Agreement by NHS England and Monitor to arrangements where London partners have full involvement in proposals to vary and otherwise reach local agreements related to the national tariff in order to develop innovative payment mechanisms that support the delivery of new models of care.
- Agreement from NHS England and NHS Improvement to consider a single joint appointment across both organisations for activities across London.
- Agreement to streamlining national programmes and devolving NHS England decision-making and powers to the regional level as much as possible.

3. *Public Health Issues Involving other Government Departments:*

- Agreement to devolve the Work Programme Plus to enable integration of employment support and health, and strengthen the focus on employment outcomes in the NHS mandate (see Chapter 2)
- Make health a key consideration in the National Planning Policy Framework (Section 2 – Ensuring the Vitality of Town Centres) to strengthen local authorities' ability to reflect health issues in their local plans.
- Update Planning Policy Guidance, reflecting examples of case law, to embed health and wellbeing eg establishing exclusion zones around infant, children or young person facilities for fast food, alcohol, betting and payday loan outlets.
- Ensure consistency of approaches by Planning Inspectors to appeals against refusal of permissions on public health grounds.
- Make health a fifth licensing objective to enable councils to take public health issues into account when making licensing decisions.
- Amend the Late Night Levy so that the charges are put into a pool under the joint control of the local authority and police, to increase the incentive for areas to use these powers because they will be able to determine locally the appropriate balance of spending on prevention and policing.
- Additional regulatory powers for London boroughs and the London Mayor including:
 - Give councils power to determine permitted development rights – to enable them to balance local considerations, which would enable them to consider health alongside growth and other factors.
 - Give councils the power to set regular review periods for alcohol licences.
 - Give councils the power to vary business rates, to enable them to consider health implications alongside growth and other local factors, eg to incentivise the provision of healthy food options.
 - Agreement to continue to work with London partners to develop additional powers as required

Housing

Strategic Context

Driven by decades in which housing supply has failed to meet London's growing population, the capital now faces a critical shortage of homes across all tenures – a challenge that poses a unique and persistent threat to the capital's desirability as a place to do business and live.

Without a dramatic increase in home building sustained over many years London faces the prospect of an embedded and dysfunctional housing market that continues to act as a costly and inefficient drag on London's economic productivity and its contribution to national prosperity.

We recognise the government's desire to increase home ownership through the introduction of starter homes; we also recognise its desire to extend to housing association tenants the same opportunities of home ownership that local authority tenants have and that it intends to finance this through the sale of high-value council properties. Councils are already taking forward their ambitions to expand affordable homes ownership through estate regeneration.

We believe, however, that this policy, allied to restrictions to HRA borrowing and changes in the Housing Revenue Account, creates significant new risks for London's housing supply pipeline and requires an approach tailored to the capital. In particular, it will be crucial to ensure that these proposals support, rather than undermine, additional new housing supply.

Addressing this risk is a key priority for London government and work is currently ongoing to develop and agree a sustainable way forward. That will be the subject of discussion between London government and ministers in the run up to the proposed Housing Bill. London Government will be guided by the following agreed principles in pursuing this discussion:

- the importance of supporting the delivery of new homes across all tenures, including a net increase in affordable housing
- the importance of supporting London's social mix in every borough
- the importance of allowing housing funds generated in the city to be reinvested in London to help tackle the growing housing crisis here.

We are committed and will work as London government with ministers and officials at DCLG and HMT to explore the scope for a proposition in London that reflects these principles, which is based on genuine joint governance of any ring fenced funding that London has to invest in re-supply and which takes account of the need to mitigate against potential increases in temporary accommodation and the welfare bill flowing from these policies. In addition, this proposition also focuses upon a number of smaller scale interventions and flexibilities the government can agree that would address long-standing barriers to greater housing delivery in London. These are set out below and cover proposals under the following areas:

- Land assembly to accelerate building
- Planning levers for faster development
- Financial levers for greater home building
- Tackling pressures in temporary accommodation

In exchange for agreement on these proposals London government would negotiate increased aggregate delivery targets for London facilitated by new commitments to deliver at scale and pace across London.

London's Housing Offer

With the powers, funds and freedoms set out below London government will be able to achieve an increase in home building that better meets the scale of demand facing the capital. In addition, we will be in a position to pursue new strategic goals that will include:

1. The Mayor and London boroughs working together to create small site framework panels specifically to prepare land for development by SMEs
2. London boroughs making a commitment to deliver estate improvement and renewal, through pro-active use of their borough led asset management plans on their existing estate
3. Enhancing the speed and consistency of development agreements
4. Accelerating the speed of land assembly

London's Housing Proposition

Land Assembly to Accelerate Building

1. **Surplus public sector land should be transferred to London government for development whenever possible using OJEU compliant processes and either the London Development Panel or new small site framework panels.**

The London Development Panel is a land procurement panel responsible for establishing a framework agreement between 25 developers that enables public land owners to award individual contracts without initiating an expensive procurement process for each separate offer. Since the Panel was established in May 2013 it has saved time and money, increasing housing delivery and spurring economic growth. Transferring surplus public sector land to London government and brokering development through the panels would maximise delivery and reduce overheads.

As part of London's offer we propose to establish small sites panels. This would play to borough strengths and provide similar opportunities for efficiency and increased delivery as the London Development Panel, but would focus on fast-tracking small sites through to smaller developers that might otherwise be overlooked. Research by the NHBC Foundation has suggested small house builders have made a significant contribution to housing delivery, but have not recovered from the recent recession. The Small Sites Panels would help support their return to growth, and aligned with the recommendation below, increase the ability of London boroughs to work with developers to increase delivery within their areas.

2. London boroughs should be given the power to direct the release of public land and buildings.

In support of the London Land Commission and in line with the Elphicke-House review London boroughs should have a central role in directing the release and procurement of public land within their areas to ensure it is used to meet local priorities.

London local authorities are well positioned to co-ordinate the use of public land in their areas as they are accountable to local residents, possess strong knowledge of local challenges and opportunities and are increasingly looking to maximise revenue income and community benefits over the long run.

The London Land Commission should work closely with boroughs to develop a strategy for the release of public land in their area to make sure it helps deliver local priorities around housing and supporting infrastructure. The Mayor's Housing Zones initiative has demonstrated the value of London boroughs playing a more active role in developing and taking forward a housing delivery for their areas. Processes around the release of public land should be aligned with this approach to maximise local innovation and housing outcomes.

3. Private and public sector land holdings should be more transparent and be published in an online registry of land ownership, prices, planning permissions and all options held on all land in the Greater London Area.

The lack of available information on land ownership hinders London boroughs in preparing plans to maximise housing delivery. A significant proportion of land controlled by or accessible to house builders is not directly owned, but bought on 'option', in anticipation that it may be granted planning permission for development in the medium term. While option agreements vary in complexity, they are usually based on exclusivity between the developer and the landowner.

A 2008 study by the Office of Fair Trading found that the 'vast majority' of land held by developers was held on option in 'strategic' land banks, where there is no planning permission or any immediate prospect of permission being granted. However, the precise extent of land options held by developers is not clear, because there is no requirement for them to be declared. Uncertainty and lack of market information both slows transactions and land assembly as well as distorting prices.

Greater transparency will assist decision-makers in identifying sites that have been optioned for long-term development and negotiating with developers in order to speed up

delivery. This will also facilitate negotiation on viability assessments and planning obligations.

4. Government should simplify Compulsory Purchase Order processes and review and reform ‘rights of light’ arrangements.

While the government’s recent consultation on reforming Compulsory Purchase Orders contained proposals that have the potential to add greater transparency to this process we believe that based on our experience of the Mayor’s Housing Zones initiative more could be done to facilitate land acquisition on major sites.

Government should commit to joint development of an improved Compulsory Purchase Orders system for London that accelerates the speed of decision making while protecting the rights of private land owners. The issue of pricing should also be addressed to ensure swifter agreement.

5. Government should create a power for London government to levy a tax or other financial penalty on unused or underused land to encourage sites to come forward for development more swiftly.

As proposed by the London Finance Commission, a tax on undeveloped land could be designed to incentivise landowners to work with a developer willing and able to build or sell homes swiftly. This could be used on a targeted at specific cases of non-building land owners as a mechanism of unblocking land supply.

Planning Levers for Faster Development

1. Government should provide London boroughs with full freedom over planning fees

Our findings indicate a projected net shortfall in funding in borough development control budgets of approximately £40 million between 2012/13 and 2014/15. This shortfall is driven by a fee structure set nationally that has failed to keep pace with rising costs or provide the flexibility for local authorities to properly account for an application’s complexity. Based on our research we estimate that only 66 per cent of borough planning services are currently covered by fees from applicants.

Under-resourcing impacts on the ability of borough planning departments to deliver a service that meets the expectations of developers. In 2010 delays in processing planning applications cost developers in London £80 million. Improving borough planning services by covering shortfalls in fees would improve decision-making times and save developers money. Based on data from 2010, we estimate reducing the average length of planning applications to 13 weeks could save developers £64 million.

This could be achieved by amending Sections 303 and 333(2A) of the Town and County Planning Act 1990.

2. The Secretary of State should be removed from any call in of borough planning decisions whenever those decisions are in favour of development

While the power of call-in by the Secretary of State has been used sparingly in London in recent years both the threat and reality of such determinations occurring before planning approval can be granted adds to uncertainty and delay.

In particular, the current criteria for statutory referral include: green belt development; large retail office or leisure uses outside town centres; development affecting the setting of a World Heritage Site; and, development leading to the loss of a playing field. We believe these and other such matters can be decided in London, either locally or jointly by London boroughs and the Mayor.

3. Introduce a time-limit on the period allowed for advice to be given by non-housing statutory agencies to avoid delays to planning approvals for home building

While public agencies that have been asked by a local authority to consider the specific impacts of a development proposal – such as environmental impacts – are required to give a substantial response in 21 days, if they fail to do so then they may still have an opportunity to influence the planning process if the decision is called in either by the Mayor or the Secretary of State.

Therefore, in order to ensure consistency between the evidence considered prior to planning approval being granted and evidence considered in the event of a planning decision being called in, we propose that if an agency fails to respond within the initial timeframe for comment prior to call-in then they should lose the ability to further influence the planning process.

4. Introduce a more transparent approach to viability tests across London – underpinned by a standardised approach for London agreed by the Mayor and London boroughs, to ensure faster and sustainable decision making.

The additional weight given to viability in the National Planning Policy Framework has increased the pressure on affordable housing contributions by unduly prioritising developer profit margins and increasing the complexity of planning negotiations. As a consequence, significant developments are being agreed based on a site-by-site assessment of viability that fails to meet wider planning objectives around sustainability and affordability.

Furthermore, assumptions on land value within the viability assessment process and the introduction of a right to request a review of S106 planning obligations, with the ability for a developer to appeal to the Secretary of State if this request is refused weakens the ability of local authorities to negotiate robustly with applicants and adds delays to the planning process.

We believe the government should review current guidance on viability and support the introduction of a transparent and rigorous approach to viability assessments in the capital by London boroughs.

Financial Levers for Greater Home Building

1. Increase flexibility in the use of capital funds by boroughs to secure broader social and physical infrastructure where this will unlock increased housing development as part of wider regeneration of local areas

Currently, unless specific consent is given by the Secretary of State, capital funds generated by disposals outside of receipts arising from local authority right to buy must be spent on affordable housing, regeneration or the payment of housing debt.

London boroughs are best placed to make decisions about how best to deliver a sustainable increase in housing delivery within their area. They should be freed from the

requirement to request permission from the Secretary of State and allowed to use capital funds flexibly to meet local needs.

2. Reform right to buy for council homes, so that all funds are retained and can be used fully flexibly to deliver more homes for Londoners.

At a minimum this flexibility would include:

- Use of receipts for home building outside the Housing Revenue Account
- Use of receipts in combination with any other grant funding
- Use of receipts for related work leading to housing delivery
- Removal of the 30 per cent rule so that councils might have full flexibility of receipt use
- Removal of the three year time limit to ensure supply pipelines can be constructed
- Retention of 100% of receipts by London local authorities

A recent survey of 25 London boroughs indicated that in the three years since the right to buy discount was increased in 2012 approximately 6,470 homes have been sold under this scheme, generating £705 million after deductions. With these receipts London boroughs have proposed building 3,090 homes at a cost of £673 million, but because of the 30 per cent limit, boroughs can only commit £202 million, leaving a funding gap of additional £471 million.

Due to caps on local authority borrowing and restrictions on combining receipts with affordable housing grant this is in an investment gap that has yet to be bridged. In addition, the three year time limit on the use of receipts, means that resources must be committed rapidly to new build. This undermines the development of a long term strategic approach to delivery by preventing investment more ambitious estate regeneration and the construction of supply pipelines through cross-subsidy and land assembly initiatives.

3. Commit to a 10 year capital settlement; so allowing more cost effective programming and delivery of homes

Current and historic capital funding arrangements for affordable housing delivery in London have resulted in an undue focus on short-term priorities delivered through a variety of funding streams with different criteria, conditions and objectives. This fragmented and bureaucratic approach increases funding complexity and risks national policy and investment decisions overriding the requirements and sensitivities of London's housing market.

The government should agree a long term capital settlement with London, setting broad outcomes, but allowing London government to determine where investment should be made in order to meet those outcomes, for example in enabling infrastructure that supports private sector development.

Tackling Pressures in Temporary Accommodation

1. The government should create a biddable housing challenge and transformation fund to encourage and support innovation in tackling the pressures of temporary accommodation in the capital

Between March 2011 and March 2015 the number of households in temporary accommodation in London rose from 35,850 to 48,240. This growing pressure has seen borough expenditure on homelessness rise from £559 million in 2010/11 to £617 million in 2013/14 – an increase of almost 10 per cent during a period when core funding for London local government reduced by nearly 25 percent in real terms.

With temporary accommodation subsidy frozen at 90 per cent of the relevant January 2011 Local Housing Allowance rate, plus an additional fixed management fee of £40, the gap between income and expenditure has grown significantly – from covering costs in 2009/10 to a gap of £63 million across London in 2013/14. Boroughs have attempted to bridge the gap by increasing contributions from their general funds and by use of Discretionary Housing Payments, yet it is clear that this is not a sustainable solution. Discussion on the current arrangements for temporary accommodation nominations will be required.

We believe innovative approaches developed at a local level have the potential to make a significant impact at scale across London. This would generate savings to both DWP and borough temporary accommodation budgets. However, in light of the exceptional financial pressure placed on homelessness budgets and local authority resources generally there is a risk these approaches will fail to secure sufficient resource to demonstrate their potential. Therefore we propose the creation of a challenge and transformation fund to incentivise their development and implementation.

Borough Groupings and Sub-Regional Working

Voluntary groupings of authorities will clearly be critical to delivering the proposed reforms, with the critical mass that borough groupings bring to the proposals. The proposition has been designed as a platform upon which these groups of authorities can build and it should be recognised that these partnerships have further ambitions in relation to the growth, reform and development of their local areas.

The Local London partnership consists of eight boroughs in north and east London and builds upon the strong existing partnerships of the Growth Boroughs and North East London Strategic Alliance. These boroughs have come together across party lines to establish programmes of work in six policy areas - business growth, community safety, education and skills, employment, health and social care and housing. The group has established a shared set of principles and vision for devolution where there is a clear and compelling case for greater effectiveness and efficiency. Cross-borough working groups are developing proposals which seek to unlock the potential of the area, which is home to major economic hubs including Canary Wharf and London's Enterprise Zone and the location of significant developments such as the Greenwich Peninsula, London Riverside, Meridian Water and Royal Docks. The priority for the group is to identify where collaboration and greater powers can bring benefits for residents and drive further growth for the benefit of the country; from increasing employment outcomes, to boosting housing supply, to accelerating the health and social care prevention and integration agendas.

The South London Partnership has ambitious plans to deliver growth which can be unlocked with the right financial interventions and policy mechanisms. South London's significant growth potential is underlined by the contribution made to the South London economy - and the overall London-wide economy - by high value start-ups in the technology, research, scientific and business sectors and the clear potential to attract new SMEs. The partnership's Growth Prospectus sets out a number of important asks to support its ambitions, including fiscal incentives to support enterprise development and growth, as well as devolution of skills and training. The SLP work exemplifies how housing growth could be accelerated – making a significant contribution to London's pressing need for more homes – if their infrastructure and other asks are met. The partnership is also prioritising the transport infrastructure needed to unlock and support growth, such as the Tramlink upgrade and extension. Plans for the London Cancer Hub in Sutton, centre on developing a world-leading campus specialising in cancer research, diagnosis, treatment, education and biotech commercialisation, will provide a major boost to London's life sciences sector.

The West London Partnership has set out a vision for the area as a thriving and prosperous area, with highly profitable businesses investing in West London with successful residents and resilient communities. Their vision is to achieve a step change in partnership with business and industry; to increase small business start-up and survival rates; to remove the skills gap and to support low-paid residents in work; to radically improve success rates for employment programmes for residents with all young people in education, employment or training; to deliver an ambitious housing programme; exploit the opportunities for town

centres to become economic hubs. The West London Alliance is working with partners on helping residents with mental health challenges back into work and co-commissioning local employment interventions with JCP and early learning from this initiative has informed the overall proposition.

Central London's boroughs are working together through Central London Forward to transform the sub-region and to continue to make a sizeable contribution to the London and UK economy. The partnership developed Working Capital, an innovative employment support programme for the hardest to help groups agreed with Government as part of the London Growth Deal in 2014 and are keen to move forward agreements in the Growth Deal on co-commissioning of the successor to the current Work Programme. Central London Forward is looking to continue to make a case for wider devolution of powers including:

- Pursuing further devolution of employment support to tackle long-term unemployment and complex dependency to boost productivity and reduce the associated excessive welfare costs, including piloting a new model of finance aimed at freeing up funding currently trapped in welfare expenditure to invest to save;
- Developing a sub-regional architecture for adult skills to create a more responsive skills system for individuals and employers;
- Creating the optimal conditions to boost housing supply in London by working collaboratively with Government, the Mayor and other London boroughs to ensure the needs of a growing and international competitive city are maintained and can continue to drive long-term growth;
- Re-stating the benefits of fiscal devolution to London over the long-term and in the short-term test the feasibility of smaller tax raising powers that can contribute additional yields, such as the case for a Hotel Levy, and demonstrating London's ability to use the proceeds of yields to invest in future growth initiatives.

Conclusion

Our proposition is built around a self-financing growth and reform model which will provide the foundations for more productive and prosperous local communities. Delivery will, however, require a package of freedoms and flexibilities that will enable these reforms and put them on a sustainable financial footing for the future.

We are therefore keen to work closely with Government to agree a package which will deliver:

- **Large scale mobilisation of the long term unemployed into jobs.**
- **A transformation of London's skills system to deliver in-demand skills.**
- **Lasting reforms to London's policing and criminal justice system**
- **Faster reform and integration of health and social care services.**
- **A coherent package of business support services.**
- **Delivery of significant and sustainable home building across all types of tenure on a London wide scale.**

We see this integrated package of proposals as building a single reformed system, with each element supporting integrated working at a local level.

The proposition has been designed as a platform upon which voluntary groupings of authorities can build and it should be recognised that these partnerships have further ambitions in relation to the growth, reform and development in their local areas.

Taken as a whole, London's proposition sets out an ambitious package of reforms that will unlock the full growth potential of the capital and drive increased productivity across the nation as a whole. These major public service reforms depend on devolution from central government to unleash the power of London government to act.

We are keen to move with pace, working alongside Government, to design a package that works for London and supports growth and productivity nationally.

Appendices

A: Employment: 'Local hubs' – improving resident experiences and employment outcomes through co-location and integration

B: Employment - Local Employment Support System Diagrams

C: Employment - Detailed "Asks" Of Government

D: Skills - London's Economy

E: Skills - The current post-16 skills and education landscape

F: Skills - Evidence from the LEP Skills Inquiry

G: Skills- Approach for a devolved Skills system in London

APPENDIX A: ‘Local hubs’ – improving resident experiences and employment outcomes through co-location and integration

Greater co-location and integration of local services has the potential to improve experiences and employment outcomes for disadvantaged local residents – around the national spine of financial support provided by Universal Credit.

This will require deeper and more collaborative relationships between DWP/Jobcentre Plus, local government and other local partners – around the needs of local people. The end of DWP’s estate and facilities management contract in 2018 creates a major opportunity to kick start this process (which could also generate savings for central government and increased revenues for local government).

By definition, it would be for each local area to determine their service priorities and to design a local system of employment and related support according to local circumstances and needs (building on existing provision and partnerships). However, this Annex covers some of the broad principles which are likely to be held in common.

The vast majority of people who lose their job find another one quickly and with little need for state support. For example, around 80 per cent of JSA claimants leave the benefit within six months. This is high volume, low cost activity, where the objective for both the resident and public agencies is speed and efficiency, with minimal bureaucracy.

For this group, the introduction of Universal Credit, and especially its digital elements, will enable greater ‘channel shift’, with more benefit administration and job search activity taking place on-line. This will allow for more differentiated, risk-based engagement between frontline Work Coaches and claimants, especially those who are in work.

This, in turn, will create a further opportunity to improve and intensify work-focused support for longer term and more complex claimants. First, by shifting the focus of DWP Work Coaches towards disadvantaged groups (currently resourced to spend on average just 88 minutes per ESA claimant per year). And second, by re-designing employment-related local public services around the individual, through greater co-location and integration.

The development of new or expanded ‘local hubs’ could propel these objectives, by creating a locus for bringing together the delivery of core resident-facing frontline services; building on learning from the Universal Support Delivered Locally (USDL) pilots.

DWP customers with more complex needs are invariably also the users of local government (and voluntary sector) services. However these tend to be organised around professional or sector divides, rather than the needs of individuals. These boundaries cannot be easily or quickly overcome, but place-based co-location – driving practical integration at the frontline – can create the opportunity for ‘human-shaped’ services and support.

Pursuing ‘local hubs’ through co-location and integration would mean that residents with greater needs would be able to access a range of face to face support in (or via) a single place; speeding up their access to help and reducing the experience of being passed between agencies. For practitioners, it would mean stronger professional relationships across service divides and more straightforward signposting and referral processes.

It would be for each local area to design their local system, but co-location and integration of employment support and related local public services through ‘local hubs’ could be organised around the following strands:

A single ‘front door’ to local employment-related services:

A ‘local hub’ could establish a single ‘front door’ for residents to access support to find work and help with other related issues (with financial support via Universal Credit accessed via the phone or on-line). This could operate as a simple reception and direction function, or could include a basic

diagnostic and triage operation for unemployed or inactive residents (potentially including use of the Claimant Commitment for DWP customers).

This 'front door' could have local branding, brigading a range of partners, including Jobcentre Plus. It would be for local areas to determine how many 'local hubs' they require, depending on the extent of co-location and integration, plus the current JCP foot print.

Multi-disciplinary employment support teams:

In many cases, unemployed residents could be signposted directly to the specific service or support function they need. However, for those who need more intensive and personalised support, the single 'front door' should provide rapid access to a co-located, multidisciplinary employment support team. This would comprise frontline staff from a core set of services and agencies, including:

- An integrated team of Work Coaches from Jobcentre Plus, the local council and potentially also the voluntary sector, focused on case-loading disadvantaged groups.
- Local authority housing support, able to provide help with a range of housing issues plus access to discretionary housing payments (and, for now, Housing Benefit).
- Local advice services, including debt support, financial advice, CAB etc.
- Any other local financial and welfare services (e.g. council tax support).
- DWP and local council employer engagement functions, comprising those who have personal relationships with local employers and knowledge of local jobs.

In addition to working directly with residents, this core multi-disciplinary employment support team would also be responsible for referring residents / customers to contracted employment programmes (e.g. Work Programme, Work Choice, ESF etc) as appropriate.

An arrangement such as this could involve a clearer division of DWP/JCP Work Coaches into a) those providing a lighter-touch diagnostic and triage function for less complex customers (including monitoring compliance with job seeking obligations) and b) those working more intensively with more complex customers as part of multi-disciplinary teams. Caseloads would need to be adjusted to reflect these different roles.

Links to wider employment-related support and services:

The development of 'local hubs' would also create the conditions to promote greater practical collaboration between employment support and other related specialist services, including easier referral and access for residents. Such an outer tier could comprise:

- Adult skills and community learning provision, including digital / IT.
- Troubled Families programme, linked in with wider children's services.
- Health and social care – e.g. IAPT, mental health and social care services.
- Substance misuse services (e.g. drug and alcohol).
- Childcare information services – for pre-school and school age children.
- Other relevant voluntary and community sector services.

Such collaboration could be achieved by those working on the single 'front door' and in the multi-disciplinary employment support team having good information and simple processes for signposting and referring residents / customers to such specialist services.

Alternatively – and preferably – these specialist services, agencies or organisations would allocate a key member of staff to be a virtual member of the employment support team, ideally spending a significant proportion of their time physically co-located with them.

Their role would be: dealing with quick or urgent issues identified at the diagnostic and triage stage (providing a filter function for their service); handling referrals directly and face-to-face (avoiding

delays and bureaucracy); and building good relationships and a strong understanding between frontline staff working across professional and service boundaries.

Systems and infrastructure to support 'local hubs':

There would need to be a local multi-agency programme structure to drive delivery and provide governance to the re-designed system of employment support organised through and around the 'local hubs'. This would be essential for nurturing a shared vision, overcoming cultural and professional divides, and resolving practical issues as they arose.

Such a programme would be organised around some core goals which all the relevant partners could sign up to and be mobilised around. The primary outcome for residents would be **sustained employment**, through decent work with progression prospects.

However, the role and activities of 'local hubs' would also aim to achieve a set of secondary outcomes, with indicators covering areas such as:

- Financial security – e.g. income poverty and debt.
- Housing – e.g. homelessness and vulnerable or insecure housing.
- Health – e.g. mental health, long-term conditions and substance abuse.
- Skills – e.g. basic literacy, numeracy, English speaking and digital skills.
- Family life – e.g. domestic violence and early child development.

To support the operation of 'local hubs' and progress against these outcomes, there would be a strong case for developing a joint analytical and intelligence function across the local partnership. This would aim to provide customer insight, performance data and service evaluation – as well as overcoming data sharing and information governance issues.

Finally, the kind of collaboration and partnerships necessary to develop effective 'local hubs' would be further supported by developing agreed customer journeys and referral pathways among a menu of local partners. This could map out the phases and stages of support available to residents / customers, from initial engagement through to in-work progression, clarifying the role of different services at different points on the employment pathway²².

²² Importantly, such a map or pathway should not drive a sequential approach to supporting residents to access employment, where it is assumed people have to work through each stage or phase. The goal of paid work should be reinforced as early as possible. Nor should it be assumed that 'complex needs' have to be resolved before employment can be considered. Many people with complex needs are successfully employed and work can often be a crucial component of addressing wider or underlying challenges.

APPENDIX B: Employment: Local Employment Support System Diagrams

LOCAL EMPLOYMENT SYSTEM – MODEL ONE:

LOCAL HUBS

Unemployed
Inactive
At risk of losing job

STRUCTURE:

- Organised at borough level, with sub-regional links.
- Co-located 'front door' to local employment support.
- Integrated employment support teams.
- Active links to wider services and provision.
- Strategic and coordinated employer engagement.
- Local partnership forum for joint decision making.

FUNCTIONS:

- Upfront diagnostic and triage.
- Supported 'self-help', via digital UC.
- Rapid signposting to specialist help (housing, debt, health etc).
- Sourcing work experience, work trials and volunteering.
- Light-touch, practical help for those at risk of losing their job.
- Early intervention – sick leave & ESA assessment phase.

Co-ordinated referral via 'local hub' to more intensive support

OTHER LOCAL PROVISION

- ESF – incl. Working Capital & MH employment trailblazers.
- Youth specific – including NEETs, FE and apprenticeships.
- Locally commissioned health-focused employment support.

WORK PROGRAMME PLUS

- Goal – sustained job outcomes.
- For 12 month plus JSA and some early access?
- Funded by DWP DEL.
- Prime provider operating across sub-regional geography.
- *Post-Work Prog Plus routes??*

SUB-REGIONAL PROGRAMME

- Goal – sustained job outcomes & reduced complex dependency.
- For ESA WRAG & complex JSA cohorts?
- Also access for ESA Support Group, lone parents and others volunteers.
- Funded by 'joint pot' of DWP DEL and local contributions, including proportion of devolved adult skills (plus AME-DEL pilot).
- Intensive work coach + integration of services *within* the programme.

Service Level Agreements, or access protocols, with local public services (outside the sub-regional programme)

Health and social care

Local jobs – incl. public sector

Housing support

Other adult skills provision

Childcare and early years

Troubled Families

LOCAL EMPLOYMENT SYSTEM – MODEL TWO:

LOCAL HUBS

Unemployed
Inactive
At risk of losing job

STRUCTURE:

- Organised at borough level, with sub-regional links.
- Co-located 'front door' to local employment support.
- Integrated employment support teams.
- Active links to wider services and provision.
- Strategic and coordinated employer engagement.
- Local partnership forum for joint decision making.

FUNCTIONS:

- Upfront diagnostic and triage.
- Supported 'self-help', via digital UC.
- Rapid signposting to specialist help (housing, debt, health etc).
- Sourcing work experience, work trials and volunteering.
- Light-touch, practical help for those at risk of losing their job.
- Early intervention – sick leave & ESA assessment phase.
- **More intensive support for 6/9/12 month JSA claimants.**

SINGLE SUB-REGIONAL EMPLOYMENT PROGRAMME: 'local hubs' take greater responsibility in two areas. 1. supporting most JSA claimants for up to 18 months, with more dedicated Work Coach time and 'spot purchase' of specific provision. 2. explicit focus on rapid return to work for those with health conditions, e.g. those on sick leave (SSP) and during the ESA assessment phase.

Co-ordinated referral via 'local hub' to more intensive support

OTHER LOCAL PROVISION

- ESF – incl. Working Capital & MH employment trailblazers.
- Youth specific – including NEETs, FE and apprenticeships.
- Locally commissioned health-focused employment support.

SUB-REGIONAL PROGRAMME

- Goal – sustained job outcomes and reduced complex dependency.
- For ESA WRAG, **18 month JSA & fast tracked JSA (those with complex needs and/or history of repeat or long term unemployment).**
- Also access for ESA Support Group, lone parents and others volunteers.
- Funded by 'joint pot' of DWP DEL and local contributions, including proportion of devolved adult skills (plus AME-DEL pilot).
- Intensive work coach + integration of services *within* the programme.

Service Level Agreements, or access protocols, with local public services (outside the sub-regional programme)

Health and social care

Local jobs – incl. public sector

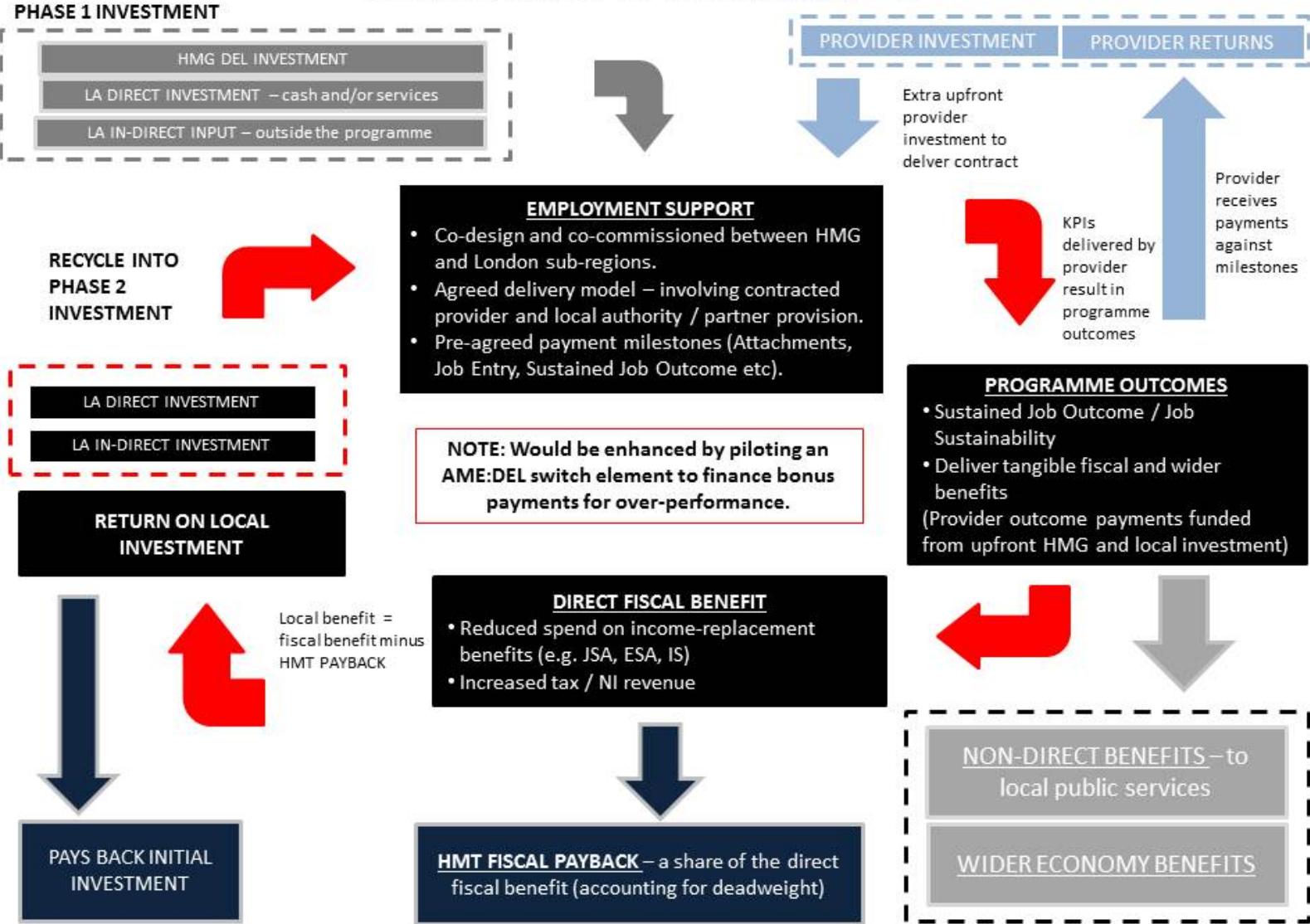
Housing support

Other adult skills provision

Childcare and early years

Troubled Families

POTENTIAL INVEST TO SAVE MODEL



APPENDIX C: Employment - Detailed “Asks” Of Government

1. DWP to work with London to develop a model of ‘local hubs’, integrating JobcentrePlus Work Coaches and other local employed-related services, to maximise the potential of estate co-locations and Universal Credit to improve experiences and outcomes for residents.

A number of London boroughs are already in discussion with DWP about options for estate co-locations when the current Telereal Trillium contract comes to an end in 2018. However, there is also a huge opportunity to use physical co-location to drive greater frontline service integration, in particular between DWP Work Coaches and local employment-related services. Moreover, the introduction of Universal Credit – and in particular its digital elements – creates a further impetus for a more fundamental re-design of the functions and operation of local JobcentrePlus services.

London Councils is assisting DWP to make contact with all boroughs where there may be co-location opportunities. However, at present the focus of these bilateral discussions is on buildings rather than services. In part this is because the operating and service model underpinning Universal Credit is still evolving. That said, there is an opportunity for DWP to collaborate strategically with London during this development phase to design a model for co-located and integrated employment services, around Universal Credit roll-out, drawing on the lessons of the USDL pilots.

The precise design of service integration will necessarily vary from place to place, depending on local circumstances and services (and the ‘test and learn’ approach to UC implementation). However, developing a framework service model for ‘local hubs’ in partnership with local government, drawing on the description given above and in Annex A, would maximise the potential of co-location to improve the quality of support for residents (in particular for those with more complex needs). Such a service framework would also be likely to encourage more boroughs to pursue co-location opportunities, thereby bearing down on DWP estate and facilities management costs.

2. DWP to co-design and co-commission with London’s sub-regions an employment programme for a cohort of disadvantaged residents, which tests the impact of more investment and greater integration for this group, jointly funded by central and local government.

Low investment per participant and little integration with wider public services are very likely to be among the important explanations for the relatively weaker performance of Work Programme providers in respect of benefit claimants with more complex needs (including those on ESA). Building on existing pilots²³, London’s sub-regions are keen to test a new model of employment support for disadvantaged groups which seeks to address these two limitations of nationally contracted, DWP-only financed programmes.

As described in the main document and in Annex B, we believe there are two broad models for how such a sub-regional employment programme could be structured and designed. Common to both options would be: a focus on sustained employment outcomes and tackling the drivers of complex dependency; outcome based funding, while protecting against ‘parking’; a focus on disadvantaged groups who need more intensive support; sub-regional geographies; co-financing between central and local government, with the aim of higher investment per participant; and service level agreements, or access protocols to drive integration. We would also want robust programme evaluation, potentially via a Randomised Control Trial²⁴.

²³ For example, the West London Alliance’s mental health and employment trailblazer and Central London Forward’s *Working Capital* programme.

²⁴ Such as has been included as part of Central London Forward’s *Working Capital* programme.

The design and financing of a sub-regional programme depends significantly on Ministerial decisions about the cohort and budget of Work Programme Plus. Also, DWP officials have been unable to share projected flows, volumes (or unit prices) for different possible payment groups. This has prevented London from undertaking more detailed work on costs and options (including on the potential scale and nature of local contributions). As Ministerial decisions get taken in the coming weeks, London stands ready to undertake the more detailed work that is necessary, in collaboration with DWP and HMT (consistent with the timetable for Work Programme Plus).

For now, our starting principle is that the more London contributes to employment support the more influence and control it should have over how resources are used, and the greater its potential share of the financial rewards from success. As such, we believe that a programme funded through a 'joint pot' of resources should be co-designed and co-commissioned between central government and sub-regions (with procurement, contract management and accountability led sub-regionally). Moreover, to unlock significant local contributions – in particular direct cash – it will be essential that this is structured as an investment proposition, with the prospect of a return.

3. Other government departments – in particular DoH, CLG and BIS – to promote employment outcomes themselves and work with London to pool funding and integrate services for an agreed cohort of disadvantaged residents, through a single, sub-regional employment programme.

A key argument for devolution in relation to employment support is that it makes possible the kind of meaningful and effective integration of services around a cohort of individuals that has proved elusive through discreet national programmes. It also opens up the possibility of driving a consistent focus on sustained employment across a range of public services and drawing together resources dedicated to a particular cohort but currently spent through disparate national and local funding streams. It does not make sense to have a series of separate programmes effectively targeting the same cohort and similar outcomes, emanating from different government departments.

While these objectives can be maximised by local action, national leadership can provide vital support. DWP would be the main partner for London in designing and commissioning a sub-regional employment programme, but other departments could take steps to maximise its potential impact:

- In developing its proposition for expanding the Troubled Families programme, CLG should work with London to explore options for addressing the complex dependency among adults without children through pooling funding and integrating services for an agreed cohort through a sub-regional employment-focused programme. In addition, the achievement of employment outcomes should be central to any expansion of the TF programme.
- BIS should support the devolution of the adult skills budget within London to enable sub-regions to integrate a proportion of this funding as part of employment support for disadvantaged residents, based on entitlements and eligibility. In addition, for low skilled unemployed Londoners, our focus would shift to employment outcomes as well as qualification acquisition in the funding and accountability of further education and adult skills as part of a devolution settlement.
- Department of Health (and NHS England) should embed employment as a clinical outcome, through the NHS Mandate and key outcome and indicator sets, such as for CCGs and public health. Health providers, in primary and secondary care, should be expected to record employment status and monitor the employment outcomes of their service users.
- DWP, DoH and NHS England should work to integrate a focus on employment into the health system, such as around key junctures in the benefit system. For instance, ensuring that a

patient's request of a FitNote for an initial ESA claim triggers a conversation about work in primary care. Similarly, the point at which the GP is informed of a patient's WCA outcome could be a further trigger for a discussion about rehabilitation, recovery and steps towards employment (to encourage a focus on work following the benefit decision).

The integration of health and employment systems would be a key objective from devolution in this area, given the health benefits of work and the significant levels of worklessness among London residents with a health condition or disability. Such integration via a local system could also open up new opportunities to engage with ESA claimants in the assessment phase and support group. These now account for a large majority of the overall caseload, yet DWP has little engagement with them due to constrained resources and the scope of conditionality.

4. HMT to agree to test an 'invest to save' element of financing as part of an employment programme for disadvantaged groups in London's sub-regions, to incentivise high levels of performance and maximise local contributions as an investment proposition.

Higher employment rates deliver a fiscal gain for the exchequer through lower welfare payments and higher revenues. Where employment support programmes achieve sustained job outcomes in excess of the non-intervention rate (i.e. accounting for deadweight), they deliver an additional fiscal gain. If the level of that net gain, calculated over a reasonable period, exceeds the unit cost of the support provided, the programme can be considered a valuable investment. This equation is most likely to hold for disadvantaged groups, where (relative to the wider population) the non-intervention employment rate is lower, meaning that the fiscal gain from entry to sustained employment is much more likely to be genuinely additional²⁵.

This is the basis for investment in employment programmes and targeting such support on those less likely to access the labour market in their absence. However, sharply falling departmental budgets severely constrain the scope for generating the net fiscal gains potentially available from supporting disadvantaged groups into work, at least in the short term. Currently, the far larger expenditure on benefits and tax credits (or AME) cannot be used to finance employment outcomes on a 'payment by results' (PbR) basis, even if restricted to instances where the Treasury and the OBR agree that they deliver net additional fiscal returns (accounting for deadweight). There is also no mechanism for recycling the proceeds of success into further rounds of investment in employment support.

This issue of the so-called DEL-AME divide is not a new one. The current Minister for Welfare Reform wrote a report for government in 2007 on how to unlock investment and drive performance by recycling benefit expenditure into the financing of effective employment support. The report found that the average duration of benefit claim among those who had been on Incapacity Benefit for 12 months was eight years. This year led to the conclusion that: "a genuine transformation into long term work for such an individual is worth a net present value of around £62,000 per person to the state" (based on the figures available at the time the report was compiled).

In expressing support in Parliament for the Freud Report a year or so after its publication, the Chancellor of the Exchequer (then Shadow Chancellor) stated:

"...the most important proposal in his [Freud's] report is to use the money that is currently spent on benefits – the so-called AME spending – on helping people get back to work".

²⁵ It is also the case that the cost of out of work benefits for disadvantaged groups is likely to be higher, meaning a higher average potential saving from employment entry. However, this may be off-set by lower than average earnings, reducing the drop in means tested benefits and limiting any extra income tax or national insurance contributions paid.

“We would make the change and allow the Government to use welfare spending through payment by results across the out-of-work benefit system to get people into work. That is a commitment from the Opposition, and the sooner the Government make that commitment the better”²⁶.

Drawing on this logic, London is very keen to pilot an ‘invest to save’ element as part of the financing of sub-regional employment programmes in London. This would provide an opportunity to test its impact on performance levels and expand the ambition of employment support, by creating incentives to work with a greater share of the agreed cohort (such as with those in the ESA support group, engaged on a voluntary basis). London would want to work with the Treasury and the OBR to design a robust evaluation capable of assessing impact, such as through a randomised control trial.

However it might be designed in accounting terms, between the treatment of AME and DEL, structuring local contributions as an investment proposition would be vital to unlocking significant local contributions towards employment support in London. Under the Work Programme, central government achieves a return on its DEL via AME savings (and increased revenues), while provider investment is based on the potential rewards of outcome payments under PbR. London would expect to contribute on a similar basis, with the prospect a return, commensurate with its investment, in the event that outcomes were delivered. At present, the vast majority of the cashable gain from employment entry currently accrues directly to the Treasury.

As a starting point, set out below is an example of how the financing of a sub-regional employment programme could be structured (potentially as an evaluated ‘invest to save’ pilot):

- Programme budgets would be agreed on the basis of an agreed cohort, volumes and prices, comprising monetised local cash and service contributions plus the DWP match (and any other relevant national funding for the same cohort)²⁷.
- Funding would be held by the sub-region to procure new provision, alongside local service contributions, to forge a programme operating model (in line with a programme design and commissioning model agreed with DWP and the Treasury).
- Providers would be paid for sustained job outcomes among the cohort, according to agreed prices, up to capped volumes determined by the core programme budget.
- There would be an agreement between Treasury and the sub-region to share the fiscal return from sustained employment outcomes (including ‘bonus payments’ for over-performance).
- In practice, this would involve HMT committing to release additional DEL in the event that outcomes were achieved that they (and the OBR) agreed would deliver an additional and quantifiable AME saving.
- As soon as it becomes technically possible, ‘Real Time Information’ (RTI) and Universal Credit administrative data should be used to calculate the fiscal returns from employment outcomes for programme participants.
- As part of this deal, individual boroughs in their sub-regions would commit to re-investing any return from this programme (beyond recouping their initial investment) in further phases of employment support for their disadvantaged residents.
- A robust programme evaluation, ideally structured around an RCT, would include assessing the impact of the financing model in driving higher levels of engagement with the cohort and improved performance (as well as impact on other variables, like health outcomes).

The protections for HMT in pursuing such an approach would be as follows. It would only be an ‘invest to save’ pilot, which would be RCT evaluated; it would only pay out when an outcome was achieved, minus counterfactual; it would only share a proportion of the fiscal return; and the potential for ‘bonus payments’ could be capped. In turn, there would be a set of potential benefits for HMT. It could draw in extra investment for employment support; it could create stronger incentives to ‘work

²⁶ <http://www.publications.parliament.uk/pa/cm200708/cmhansrd/cm080313/debtext/80313-0008.htm>

²⁷ Individual boroughs would contribute to their sub-regional pot on a pro rate basis, in light of expected volumes.

through the cohort' (including among non-mandatory groups);, and it would lock in accountability through an outcome-based payment structure.

5. DWP to align the contract package areas (CPAs) for all future contracted employment programmes, including Work Programme Plus, with London's four sub-regions (and consider shifting Jobcentre Plus districts in the capital to match the same geographies).

The two current CPAs for the Work Programme in London are very large, do not relate to functional labour markets, and do not align with the units of any other public service, apart from JobcentrePlus. Designing future programmes around London's sub-regions would draw benefits from operating through geographies with established structures for collaboration and decision-making across local government. This would mean a far greater possibility of engagement between contracted providers and local public services. Such geographies would, for instance, facilitate the pooling of budgets and the establishment of service protocols necessary to achieve greater investment and integration in employment support. A sub-regional geography in London would maintain the benefits of scale, while still minimising the burden of commissioning and contract management.

The forthcoming European Social Fund (ESF) round has established a framework for sub-regional employment and skills programmes. And sub-regional groups are developing their infrastructure and decision making processes in this area through significant employment support pilots²⁸. Working with the grain of London's sub-regional groups would also help to knit together the range of relevant national programmes and local services as part of a sub-regional employment support system, with clear referral routes and customer pathways. This objective would be further advanced by re-ordering London's JobcentrePlus districts to match this sub-regional geography. The same principle is being applied to re-commissioning of the adult skills system in London and would greatly enhance the ability to integrate employment and skills within the capital.

²⁸ For example Central London Forward, through *Working Capital*, and the West London Alliance, through their mental health and employment trailblazers.

Appendix D: - Skills: London's Economy

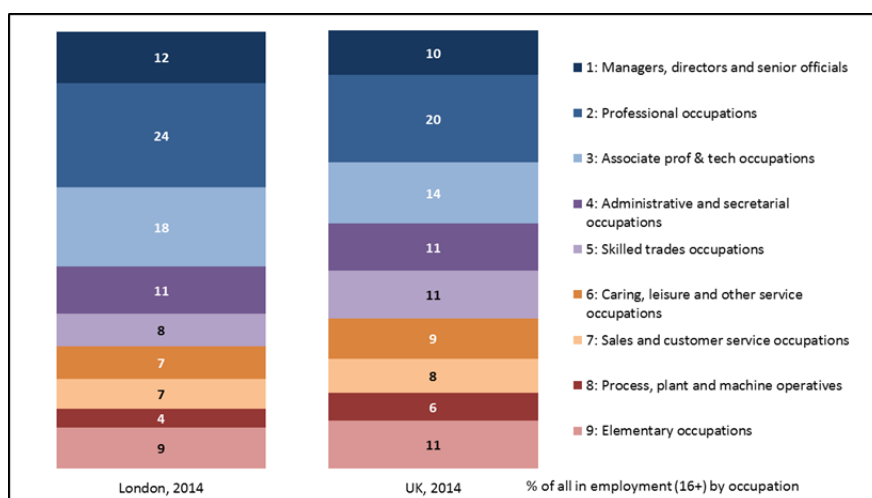
London is a thriving global capital city and its success supports growth and jobs in the rest of the UK²⁹. With a nominal gross value added (GVA) in 2013 of £338.5bn (equivalent to 22.2% of total UK GVA), its economy is comparable to that of Sweden or Poland, and is larger than those of Scotland, Northern Ireland and Wales put together³⁰. London's strong economic performance supports its net contribution to the Exchequer, estimated at £34.2 billion in 2013/14³¹. With London's economy expected to grow faster than the UK as a whole over the next two years (3.3% in 2015 and 3.1% in 2016 compared to expected UK GDP growth of 2.4% in 2015 and 2.2% in 2016)³² it is likely to remain a key contributor to the UK economy in the long term.

In addition to economic growth, in the early part of 2015 London's population surpassed its 1939 peak of around 8.6 million and the city is set to grow yet further, to 10 million by the early 2030s. This is testimony to London's success as the city where global business can find talent and where global talent can find opportunity.

A 1.1. Labour and skills demands

The economic success of the capital has been driven by an increasingly connected and global economy that has led to greater specialisation. This has in turn created strong demand for highly skilled, highly productive labour. Figure 1 shows that 54% of employees in London are managers, professionals or associate professionals compared to 44% for the UK as a whole³³.

Figure 1: Share of occupations in London and the UK, 2014



Source: ONS annual population survey, January 2014 – December 2014

This specialisation is expected to continue to drive employment growth in high-skilled occupations, and this is further compounded by the requirement to replace those that leave the London workforce

²⁹ GLA Economics, 'Growing together II: London and the UK economy', September 2014

³⁰ London data refers to 2013, and is available from the ONS Regional Accounts. Figures comparing London to other countries/regions are based on GVA data from Eurostat and refer to 2011.

³¹ The net contribution is based on an estimated total tax contribution of £127,2 billion. Source: City of London Corporation, 'London's finances and revenues', 4 November 2014.

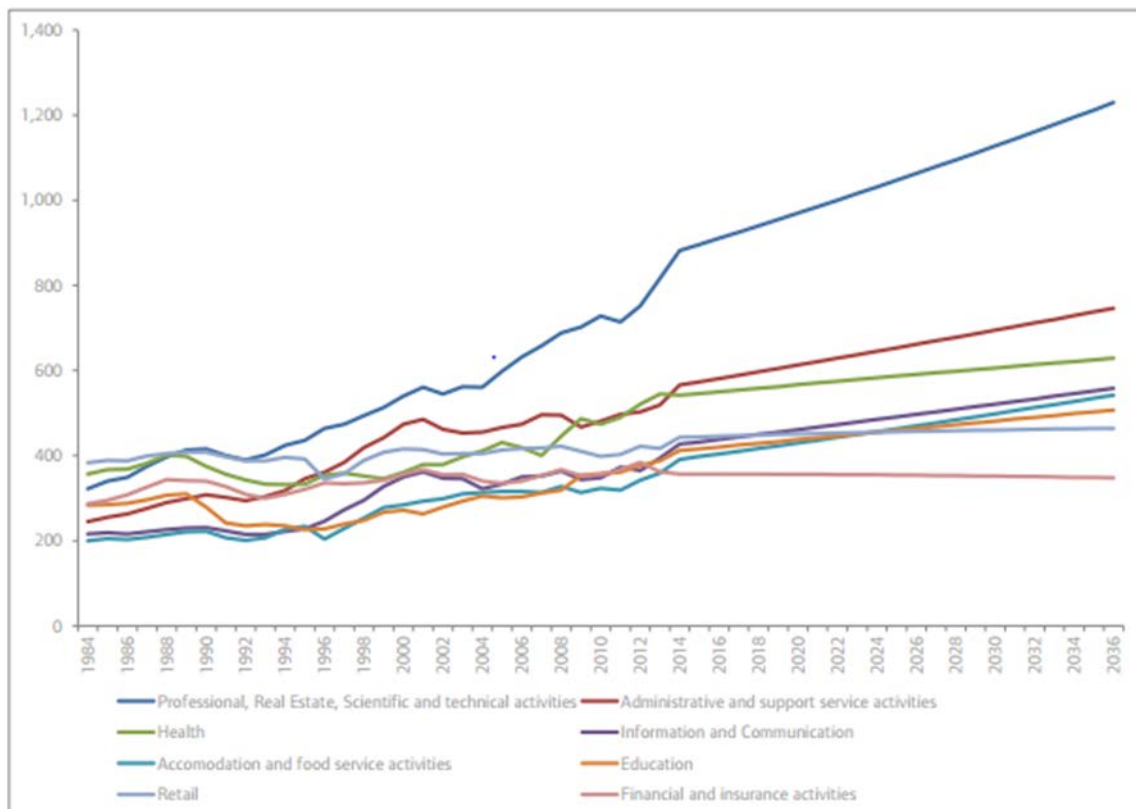
³² GLA Economics, 'London's economic outlook, Autumn 2014'.

³³ These occupations typically require a degree or equivalent qualification, with some requiring a formal period of experience-related training or further study.

each year. Further, growth in high-skilled jobs is expected to be faster in London than in any other UK region³⁴.

Jobs in the professional, real estate, scientific and technical sector are expected to grow strongly, accounting for nearly two-fifths of the total increase expected in London to 2036. Strong employment growth is also expected in the administrative and support service, accommodation and food service, and information and communication sectors – collectively accounting for just over half the expected total London increase to 2036. On the other hand, employment in primary and utilities, manufacturing, wholesale, and public administration and defence sectors are all expected to decline over the period to 2036 (see figures 2 and 3).

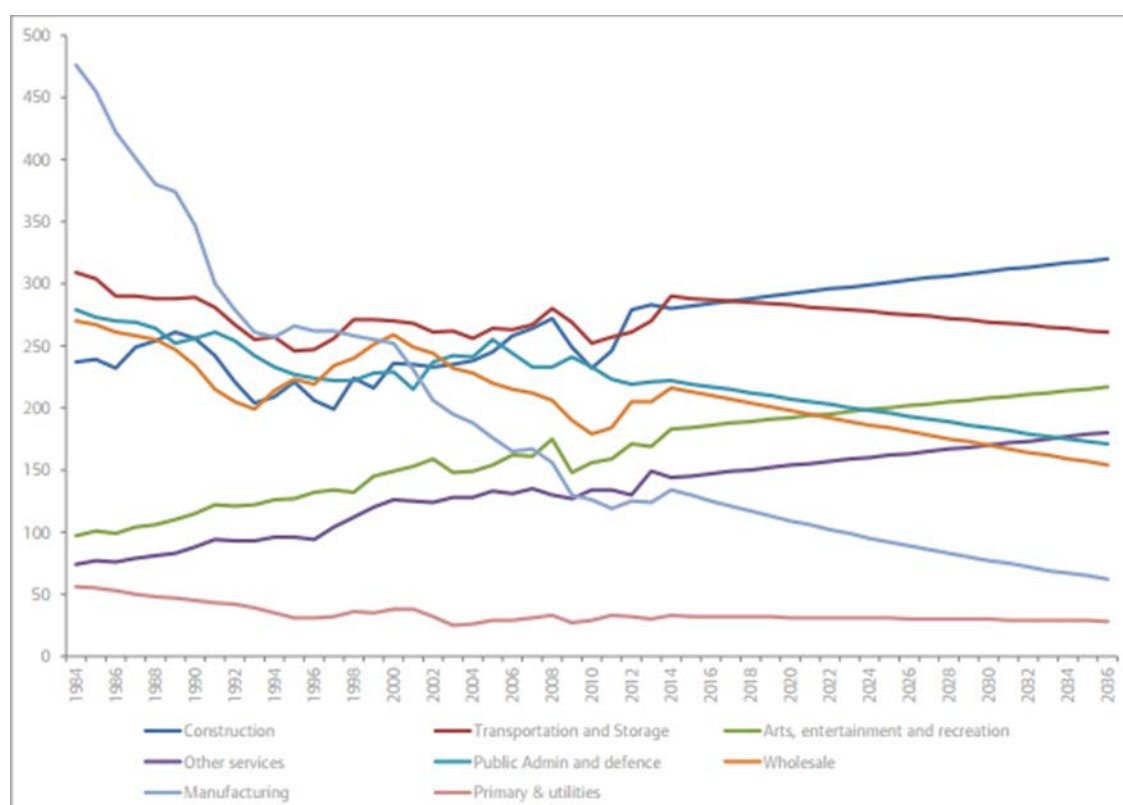
Figure 2: Historic and projected employment (000s) in London’s largest sectors, 1984-2036



Source: GLA Economics, ‘Employment projections for London’, July 2015

³⁴ UKCES Working Futures 2012-2022: Annex D, March 2014

Figure 3: Historic and projected employment (000s) in London's smaller sectors, 1984-2036



Source: GLA Economics, 'Employment projections for London', July 2015

Despite the capital's economic success, London has a higher proportion of households in poverty than the UK average (28% vs. 21%)³⁵ and higher rates of economic inactivity (22.9% vs. 22.1%) and unemployment (6.2% vs. 5.6%)³⁶. Getting a job is one of the best ways of moving out of poverty³⁷. ONS analysis showed that between 2007 and 2012, 70% of those aged 18 to 59 in the UK who was out of work and then moved into employment left poverty. Further, those with no or low skill levels in London³⁸ are more likely to be out of work than those with higher level qualifications³⁹.

The employment prospects for low-skilled Londoners are challenged by the ability to adapt to the changing composition of jobs across low-skilled occupations, such as the London-wide decline in clerical and secretarial roles at the same time as growth in other low-skilled occupations such as personal care, security and sales roles⁴⁰. Responding to this change is likely to require on-going education and training to simultaneously meet replacement demand in declining low-skilled occupations and demand from growing low-skilled occupations.

³⁵ Poverty is measured in relative terms, as the percentage of people in households with incomes (after housing costs) below 60 per cent of the national median. These are presented as a three-year rolling average. Source: ONS Family Resources Survey, 2010/11-2012/13.

³⁶ The unemployment rate is measured as the percentage of those aged 16 and over that are actively seeking work as the proportion of people in the labour force in London. People who are inactive are those not in work, but are not actively seeking employment, measured as the percentage of those aged 16-64. Source: ONS Labour Force Survey, Dec 2014 – Feb 2015.

³⁷ ONS, 'Poverty and Employment Transitions in the UK and EU, 2007-2012', 10 March 2015

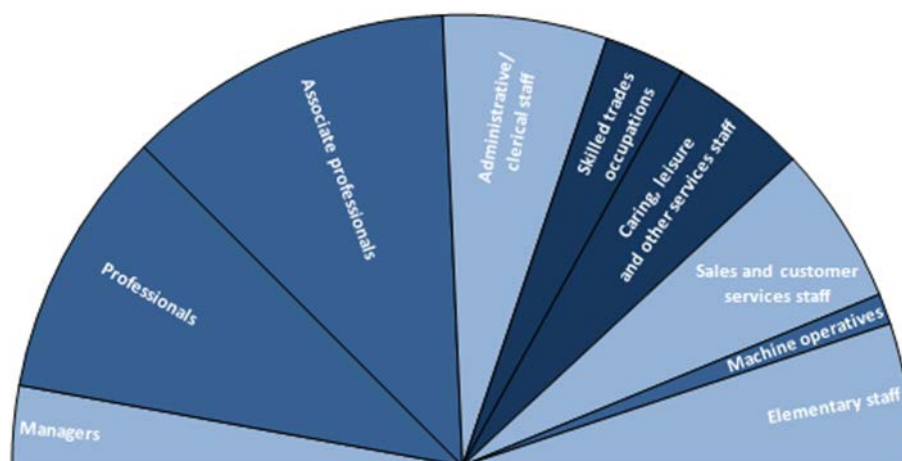
³⁸ In 2013, 15.8% of working age Londoners held low level or no qualifications.

³⁹ This is measured by the qualification share as a percentage of the population aged 16-64 in-employment and not-in-employment in London. This pattern is also projected to continue in the future. Source: GLA Economics, 'London labour market projections', April 2013, pp. 40-45

⁴⁰ GLA Economics, 'London labour market projections', April 2013

For employers in London, a lack of relevant skills, qualifications or experience can lead to delays and difficulties in filling job vacancies. The UKCES 2013 Employers Survey identified 30,000 'skills shortage vacancies' in London in 2013, 46% of which were in high skilled jobs (compared to 40% in England as a whole). A further 16% of these vacancies were in caring and leisure services or skilled trades jobs, with skills shortages reported to account for more than one in three (33%) of all vacancies in these two occupational groups (see Figure 4). As a result of skills shortage vacancies, around half of affected employers cited lost business and delays in developing new products.

Figure 4: Vacancies by occupation and density of skills shortages (i.e. the number of skill-shortage vacancies as a proportion of all vacancies).



Base: All establishments with vacancies. Source: UKCES Employer Skills Survey, 2013

According to the 2014 London Business Survey, while the majority of businesses in London (70%) rate the capital highly as a place to do business in terms of the availability of skilled staff, SMEs were much more likely than business units belonging to large firms to rate London as either adequate or poor on this measure (32% vs. 11%).

With London being a global hub for attracting talent and with businesses investing less in training, supporting low skilled Londoners to compete for jobs successfully becomes even more challenging. A higher proportion of employers in the capital (36%) did not fund or arrange any training for staff in the 12 months to mid-2013 compared to the rest of England (34%)⁴¹. Evidence from the UKCES also suggests that employer investment in training is in decline and that this is a particular challenge in London, where the labour costs of trainees tend to be higher⁴². Employers in London invested an estimated £7.1 billion on training in the 12 months to mid-2013, down 30% from £10.1 billion in the 12 months to mid-2011. This compares to an estimated 5% fall in employer investment in training for the UK as a whole (from £45.3 billion to £42.9 billion⁴³). UKCES data also suggests that the downward trend in the amount of fees paid to external providers (which fell by 18% for the UK as a whole) is even more pronounced in London⁴⁴. There is also a lack of employer engagement to help shape training in response to economic demand. Employers in London are slightly less likely to have had any contact with a training provider, FE college or HE institution in the last 12 months compared to

⁴¹ Source: UKCES Employer skill survey 2013, table 99.

⁴² The labour costs of trainees accounted for over half (55%) of the total amount that employers in London invested in training in 2012/13, compared to 50% in the UK overall. Source: UKCES Employer Skills Survey 2013.

⁴³ UKCES report that this fall in total training expenditure is mainly driven by a fall in expenditure among large employers with 100 or more staff, and employers in public administration and in education. Sources: UK figures are based on UKCES Employer skills survey 2013, tables 4.4, available at: <https://www.gov.uk/government/publications/ukces-employer-skills-survey-2013>. London figures have been provided by the UKCES.

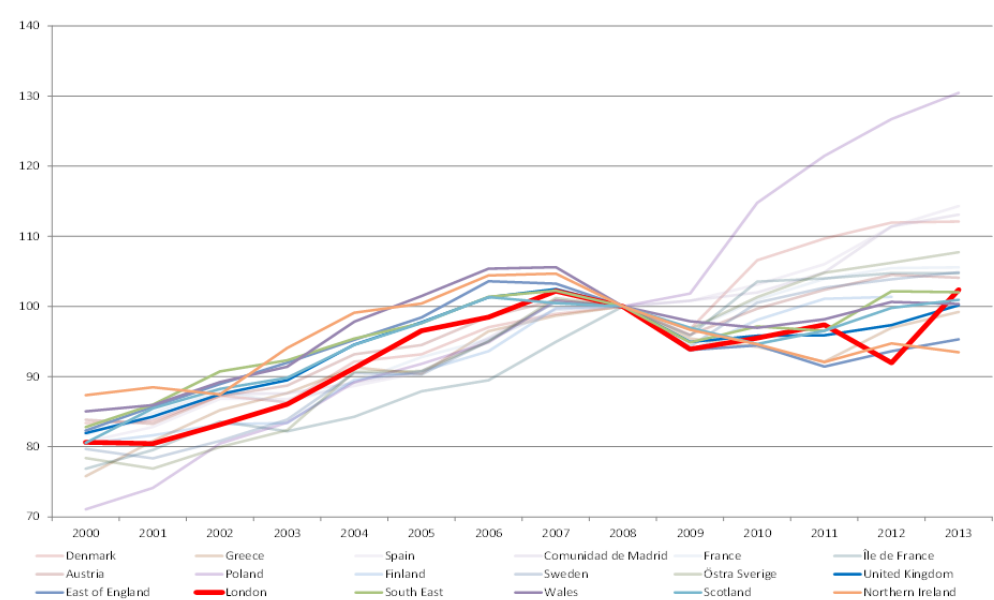
⁴⁴ UKCES Employer skills survey 2013, January 2014, table 4.5

those in England overall (52% vs. 54%), and much less likely than employers in the South East (57%) and East of England (58%)⁴⁵.

A 1.2. Driving growth and productivity

The recovery in London's economy since the 2008 financial crisis has given rise to strong employment growth, much stronger than would have been expected given the growth in economic output – but productivity has been sluggish. For the UK as a whole, growth in employment has also been very strong (and similarly much stronger than would have been expected given economic growth). For London this trend is particularly marked, and productivity over the period 2009 to 2013 grew at a slower rate than the UK as a whole with average output per hour worked growing by 1.9 per cent in London compared to 2.1 per cent in the UK as a whole; this reversed the situation seen between 2004 and 2007. Given the role of productivity in supporting long-term growth in output and real pay, concerns have been expressed about the long term prospects for the economy.

Figure 5: Output per worker in selected countries and NUTS1 regions, 200 to 2013 (index 2008=100)



Source: Eurostat and GLA Economics calculations

The overall cause of the productivity slowdown is a debated and as yet unresolved issue with the Treasury⁴⁶ observing that this could be caused by a number of factors. Possible explanations include: impaired resource allocation preventing capital and labour from finding their most productive uses making it more difficult for successful firms to expand; the relatively low cost of labour which may have led to businesses substituting away from investment and reducing the effective amount of capital workers can use⁴⁷; and the initial 'hoarding' of labour as firms sought to hold on to staff despite falling demand for their output.

As set out in the government's report 'Fixing the foundations: creating a more prosperous nation', higher productivity can increase household incomes and support sustainable economic growth for the long term, as well as contribute to fiscal consolidation. Longer term investment in London's economy and certainty in its funding streams including skills will help to improve the productive potential of

⁴⁵ UKCES Employer perspectives survey 2014, January 2015, table 110

⁴⁶ HM Treasury, July 2015, 'Fixing the foundations: Creating a more prosperous nation'.

⁴⁷ The Bank of England estimated that the weakness of business investment relative to its pre-crisis trend contributed around 2.5 percentage points to the puzzle by the end of 2013.

Londoners, which in turn can boost their earning power, and increase the productivity of London's economy overall.

The UK needs to make significant improvements to productivity across the regions. In London, we face missed economic opportunity from both the unemployment and under-employment of lower-skilled Londoners, as well as long-term risks to social cohesion and stability. Much more needs to be done to equip Londoners with the access, ambition and skills they need to compete in tomorrow's labour market.

As the Government consultation on a Dual Mandate for Adult Vocational Education notes local areas have 'a better understanding of the needs of the local business population, and are able to drive greater collaboration and specialisms across providers operating in a particular geography' towards provision and facilities that are more closely aligned with economic demand. Through radical devolution of power to London government (the Mayor and London's boroughs), we will prioritise spending in areas that will maximise efficiencies and local economic growth by bringing budgets together, integrating public services and improve on economic outcomes.

Appendix E. Skills: The current post-16 skills and education landscape

Almost £536m⁴⁸ has been allocated by the Skills Funding Agency in 2014-15 on skills provision mostly targeted at those aged 19 and over alongside some funding to support 16-18 year olds undertaking apprenticeships. This funding has been delivered through 49 FE institutions and hundreds of training providers. Data from the Skills Funding Agency shows that in the 2013/14 academic year 1,230,300 apprenticeship frameworks and learning aims were started by learners. In the same year, there were 1,231,230 leavers for apprenticeship frameworks and learning aims, and 965,550 achievements recorded. Pressures on departmental budgets has seen this funding reduced in recent years and in the spring/ summer of this year government announced a funding reduction of around 28% to the Adult Skills Budget (ASB) nationally for the 2015-16 financial year with a further withdrawal of ESOL Mandation.

Further education and sixth form colleges are also responsible for £350m of non-protected 16-19 funding. This is in addition to £600m funded for this age group to academies, schools and other sixth forms together supporting around 190,000 learners⁴⁹.

Demographic change is likely to remain the core driver of demand for post-16 provision of education and training. London has a growing 16 to 18 year old population, which is set to expand to 323,600 by 2032. In addition, uncertainty over the levels of net inward migration (both within the UK and beyond UK borders) and its impact on age cohorts are likely to further shape demographic trends, particularly in London where relatively high numbers of people are attracted to come to live, study and work. As London continues to draw in young people and migrants (who perhaps may lack English-language skills), these trends are likely to continue to add to the demand for post-16 skills provision in future.

Our initial analysis, which is supported by expert stakeholder views suggests that skills funding reductions may impact London more substantially than elsewhere in England, particularly given London's population rises and number of learners expected to rise in accessing this support. The demographic differences in London, including increased population levels, migration, greater need for ESOL reflecting the higher proportion of non-English speakers, greater demand for basic adult skills, higher unemployment than the UK average and the greater need for highly skilled labour exacerbates the challenge these reductions are likely to have requiring a renewed approach to maintaining quality whilst maximising efficiency.

A 2.1. Performance of 16-18 and 19+ skills provision in London

Raising the performance and success rates achieved in post-16 education is at the forefront of London government's ambitions to ensure that Londoners are better able to realise the economic benefits of high quality education and to reduce pressure on adult skills budgets. A report by the Local Government Association⁵⁰ estimated that the cost to the Exchequer of post-16 learning aims that were started but not successfully completed to be approximately £814 million in 2012/13. This represented around 12% of the funding allocated to provision for 16-18 year olds.

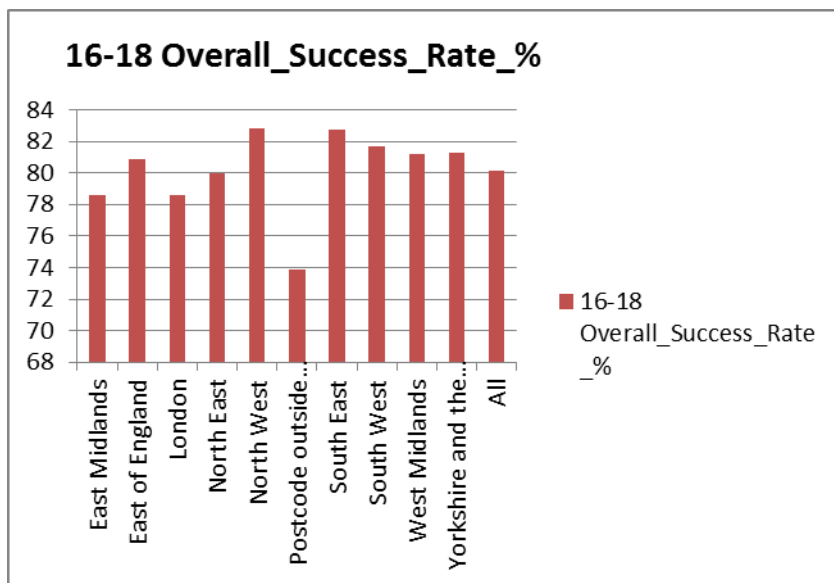
Figures 6 and 7 present the success rates for learners participating in further education in the 2013/14 academic year for 16-18 funded provision and 19+ in London and the rest of the country. Figure 6 shows that London has one of the lowest (78.6%) overall success rates for 16-18 provision compared with the rest of the country (80.17%). The data also highlights that a large proportion of learners are not successfully achieving the courses that they're undertaking.

⁴⁸ SFA published allocations for 2014/15 - April 15.

⁴⁹ EFA 16-18 education funding in London 2014/15 academic year.

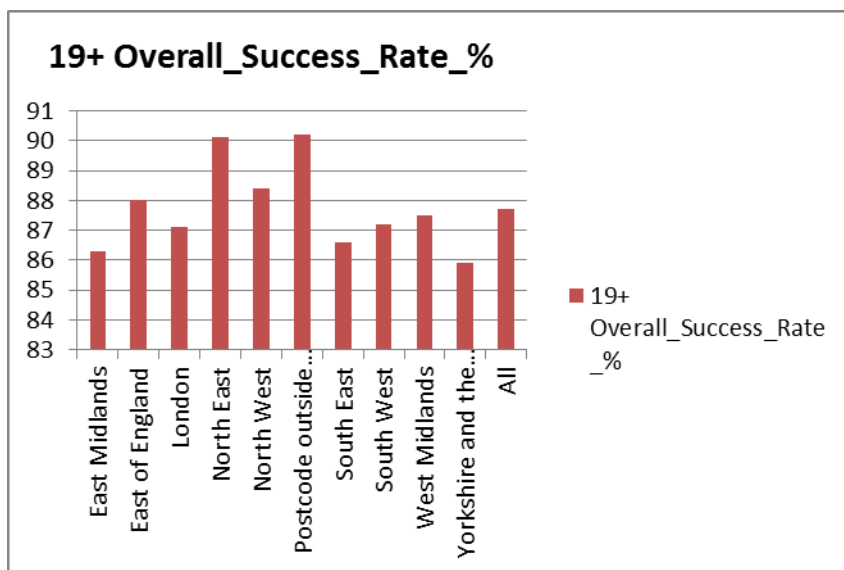
⁵⁰ Achievement and retention in post 16 education. A report for the Local Government Association, February 2015.

Figure 6: 16-18 overall success rates for all further education institutions types⁵¹ in England in 2013/14.



Source: Education and Training National Success Rate Tables 2013 to 2014, published by the Skills Funding Agency

Figure 7: 19+ overall success rates for all further education institutions types in England in 2013/14



Source: Education and Training National Success Rate Tables 2013 to 2014, published by the Skills Funding Agency

The success rates of 19+ provision is around 87.1% in London, the fourth lowest rate in England (figure 7), though higher than the success rates of 16-18 provision in London.

Whilst performance at GCSE has seen significant improvement in London in recent years, the Mayor's Annual Education report (2014) shows that in London, just under a quarter of key stage 5 students drop out of their studies before the age of 18. Only 2% of London's key stage 5 leavers are

⁵¹ All institutions include: General FE and Tertiary Colleges, other public funded, private sector public funded, schools, sixth form college and specialist college

accessing apprenticeships, compared with 4% across the rest of the country. Drop-out rates in London universities are higher than those across the rest of the country; an average of 6.3% per cent as opposed to 5.7% across England.

To help drive improvement in the success rates of post-16 education, a number of system and market failures need to be addressed. We need to ensure that funding incentives reward progression and employment as well as qualifications; young people receive quality careers advice on the range of options available to them, including academic, vocational and work-based learning routes; schools' and colleges' abilities to respond to employer demand for skills is strengthened, and the quality of teaching and GCSE attainment levels particularly in English and maths is improved.

A 2.2 English for Speakers of Other Languages (ESOL)

There were nearly three million foreign-born Londoners according to the 2011 Census (42% of the UKs total). A little over a half of these, 1.6 million people, spoke a language other than English as their first or main language (compared to 7.5million in England and Wales of whom 3.8 million speak a language other than English). 210,000 working age London residents cannot speak English well and 25,000 working age London residents cannot speak English at all.

Source: 2011 Census safeguarded microdata: regional sample for London

	All foreign born Residents aged 16-64	Main Language is English	Main language is not English				
			Speak English:				
			All	V well	Well	Not well	not at all
All people	2473	1120	1353	581	539	209	23.4
In employment	1660	805	855	415	335	97	8.1
Employment rate	67%	72%	63%	71%	62%	47%	35%

A lack of English language skills impacts different communities in different ways. Demos highlights that nationally 59 per cent of Bangladeshi and Pakistani women are economically inactive and that English proficiency is also lowest among these groups, with high rates of transnational marriage (with the female spouse coming from abroad)⁵². IPPR also finds that relatively low employment rates amongst non-EU migrants in the UK can be accounted for by relatively low employment rates amongst migrant women⁵³.

Speaking English well is important in order to get a job. Of the working age population in London in 2011, 46% of those who did not speak English well and only 35% of those who did not speak English at all were in employment, compared to 62% who spoke English well. So there is huge potential to unlock the talents and abilities of Londoners who need to improve their English to get on at work. This can best be achieved through targeted investment by groups of boroughs acting across a sub-region.

⁵² <http://www.demos.co.uk/blog/english-not-employment>

⁵³ <http://www.ippr.org/publications/migrant-employment-outcomes-in-european-labour-markets>

Once in a job English language proficiency is central to sustaining a job and progressing in work. The majority (64%) of those in London who cannot speak English well are employed in low skilled work⁵⁴, compared to 53% of those who speak English well or very well and 43% of those whose main language is English.

Using English proficiently means London can realise the skills of refugees and migrants, often with higher skills developed elsewhere, that are currently under used in low skilled occupations. London also benefits from a more integrated community enabling individuals to achieve their full potential, contribute fully to the community in which they live, access services and feel part of local decision-making.

Demand for ESOL outstrips supply. The National Association for Teaching English and Community Languages to Adults (NATECLA) reports that over 80% of providers nationally in 2014 had significant waiting lists of up to 1,000 students on English for Speakers of Other Language (ESOL) courses.⁵⁵

This is equally true in London where there even greater demand for ESOL. The performance of ESOL Plus mandated provision should not be taken as evidence of a lack of demand. Rather this provision suffered from the success of the London labour market, where eligible JSA claimants reduced significantly because they found work. Our proposals will ensure that we continue to help people get, keep and progress in a job where English language skills act as a barrier.

⁵⁴ As defined by the Home Office

⁵⁵ <http://www.natecla.org.uk/news/779/ESOL-waiting-lists>

APPENDIX F: Evidence from the LEP Skills Inquiry

As part of London's Growth Deal proposition, the London Enterprise Panel committed to undertake a Skills Inquiry for London to determine supply in the current skills landscape and to develop the evidence-base, reflecting business and the skills sectors' views for the future skills system. In London, the LEP recognises the views of many employers that there is disconnect between elements of the skills being delivered and the skills that our economy needs. The system is driven by supply of qualifications when employers need tailored training. Meeting articulated demand from employers needs to be better, but still be balanced with the need for qualifications that give individuals the passport they need to move within the labour market to better paid work.

Tackling this disconnect is not an intractable task and some of the solutions will lie at the London level. Indeed the Inquiry has shown that London's businesses are very ambitious for the capital highlighting to the LEP and London Government the need to go further and faster.

The Inquiry comprised a mixture of quantitative and qualitative work and has helped to inform London government's devolution proposal, including:

- research on skills supply and specialisation by further education colleges in the capital;
- research on demand-side data sources for skills; and
- stakeholder roundtables.

A3.1 Research on skills supply

In June 2015, the GLA, on behalf of the LEP Skills and Employment Working Group and FE Capital Steering Group, commissioned SQW to investigate specialisation across London's FE colleges and how this is meeting the skills needs of London's main employment sectors. The study adopted a mixed methods approach of primary and secondary data analysis as well as qualitative interviews with 37 FE colleges in the capital and sector stakeholders.

To make the analysis of supply-side data more manageable, nine sectors were loosely identified that are likely to have a bearing on future skills demand across London, either through future growth or by creating a large volume of replacement demand. The results of the data analysis were obtained using a 'best fit' association of very high-level employment sectors with very high-level (Tier 1) sector subject areas (SSAs), and lack the granularity required to fully understand the strength of particular colleges' specialised provision in response to the needs of their specific employers. As such the results must be treated with caution particularly as it provides no information on the quality of the training provided, the learning environments in which it is delivered, or the strength of a college's reputation for this particular area of provision with employers and learners.

High growth sectors	Sector Subject Area (SSA)
Scientific activities	SSA 02 – science and mathematics
Technology	SSA 06 – Information and communications technology
Tourism	SSA 08 – Leisure, travel and tourism
Creative	SSA 09 – Arts, media and publishing, including Media and communication
High volume sectors	Sector Subject Area
Human health and social work	SSA 01 – Health, public services and care
Transport	SSA 04 – Engineering and manufacturing technologies, including Motor vehicle and Transportation operations and maintenance
Construction	SSA 05 – Construction, planning and the built environment
Wholesale and retail trade services, distribution, hospitality, food	SSA 07 - Retail and commercial enterprise, including Retailing and wholesaling, Warehousing and distribution, Hospitality and catering
Professional, business support, administrative services, finance and insurance	SSA 15 – Business, administration and law

The research found:

- Of all non-apprenticeship starts, 68% (c.810,000) were at level 2 or below, and the number of these has increased by over 20% in the last three years.
- It is estimated that in the region of 43,000 young learner starts do not have level 2 in English and Maths across the FE colleges.
- There were over 161,000 learner starts at level 3+ across London in 2013/14, and of these, three-quarters were in SSAs that are relevant to London's main sectors.
- FE colleges accounted for the majority (56%) of level 3+ starts, and the four most popular SSA starts at level 3+ at FE colleges were all relevant to London's main sectors (health, science and maths, arts and media, and business admin and law).
- Apprenticeships are more concentrated in a smaller number of SSAs compared to non-apprenticeship learners, and particularly in three SSAs that are relevant to London's main sectors (business administration and law, health, and retail).
- Higher Apprenticeships accounted for only 3% of all apprenticeship starts in 2013/14, but the number has increased rapidly over the last three years.
The SSAs with the highest number of colleges planning to increase provision in future were Health, Business administration and law, and Retail (building on current high levels of provision) and ICT, Engineering, Construction and Arts (growing currently low levels of provision).

Colleges and sector stakeholders were clear that FE colleges' ability to respond to the skills needs of London's main employment sectors and particular employers is constrained by a range of factors.

These include regional LMI that lacks sufficient sub-regional granularity to inform colleges' strategic planning, a funding model based on numbers of learners rather than learner outcomes, a qualifications system that is slow to respond to changing skills needs, and staff who may not have the requisite skills and expertise. Thus investment in industry-standard estate and facilities, important though colleges regard this to be, can only go so far in delivering the higher-level technical and professional skills London needs for jobs and growth.

As well as these areas, other external forces need to be considered. These include the introduction of study programmes for 16-18 year olds, the change from funding qualifications to funding learners, and the requirements for English and mathematics to be retaken by students that fail to achieve a C grade at GCSE, all of which is likely to have impacted on volumes of starts for some providers.

Key recommendations from the research are that:

1. This analysis of the ILR data is treated as a first step in beginning to determine how the supply of L3 skills in London is matching demand;
2. Further refinement and analysis of these findings should now take place by the Mayor and boroughs as part of the proposed area based review process, including an analysis of skills delivery at other levels;
3. The LEP adopts a position on the need to significantly increase the number of Higher Apprenticeships through better engagement with universities and with schools; and
4. An analysis of the quality of provision is undertaken and considered in concert with further analysis of the data.

A 3.2 Research on skills demand

The Centre for Economic and Social Inclusion (CESI) were commissioned by GLA officers on behalf of the LEP to investigate the data required to inform the future planning of skills provision to meet London's economic demands. CESI's report identifies data that is already available covering both recent demand:

- Business Register and Employment Survey (BRES) ONS
- Employer Skills Survey, UKCES
- Labour Force Survey, ONS

- Annual Survey of Hours and Earnings, ONS and future demand:

- GLA Economics Projections
- UKCES Working Futures
- Sector Skills Council reports

The report highlights the strengths of this data whilst identifying gaps in the evidence base with recommendations on how those gaps may be filled. Together the identified sources provide a picture of current skills and jobs and the likely skills and jobs composition in the future.

Key recommendations from the research are that:

1. GLA explores the possibility of providing real time vacancy statistics (to include all vacancies) so that it can accurately inform users of the current demand for jobs by occupation;
2. This data should be complemented by information on the skills (or qualifications) needed to enter these jobs and build on the work led by Young Peoples Education and Skills (YPES) on Intelligence London and Skills Match⁵⁶;
3. GLA Economics is used as the main source for employment projections; and
4. GLA explores the possibility of enhancing the London Development Database.

A 3.3 Stakeholder roundtables

Stakeholder engagement has been integral to the Skills Inquiry. Three roundtables were held in July 2015 with external stakeholders and included leaders of London colleges, independent providers, the SFA, Jobcentre Plus, GLA, London Councils and business organisations. It was felt by participants that London's ask for skills devolution from central government should be bold and radical. Skills devolution in London must include:

- 16-18 provision delivered by schools as well as colleges and independent training providers;
- adult further education, skills and employment programmes for the unemployed, and apprenticeships delivered by colleges and independent providers, and
- higher education.

A 3.4 Overview and recommendations

As part of the Inquiry work, the following recommendations have been made by stakeholders to the LEP:

- Devolution of all 16-18 participation funding (excluding apprenticeships) to the London Mayor;
- Area Based Reviews in London to include School Sixth Forms;
- London to have a single Commissioner for post-16 education and training;
- GLA to have powers over new post-16 capital investments;
- An employer Incentive Fund for Post-16 Apprenticeships;
- An adult Incentive Fund for Level 3+ Loans;
- Devolution of funding for adult basic skills & employment programmes;
- A post-14 integrated careers offer.

Whilst these recommendations have supported London's government's proposal to develop solutions to the challenges identified, we recognise that these are significant proposals for reform, which will need to be delivered over a longer period of time. Therefore the proposals in the remaining part of this document reflect what collectively the Mayor and London's borough leaders agree needs to be devolved to London government to achieve change and improvement in meeting the economic needs for the UK's capital city and to drive up skills, boost employment and productivity by 2020. London government will work with central government and providers to achieve this change progressively over time.

⁵⁶ Skills Match is an interactive tool which allows the visual exploration of the relationship between skills supply and employer demand in London up to 2020. See more at: <http://www.londoncouncils.gov.uk/node/25878#sthash.7QVgSxFf.dpuf>

APPENDIX G: Skills- Approach for a devolved Skills system in London

The following sections present more detail on our proposals for the future skills landscape, outlining what London will do at the regional level, what will be delivered at sub-regional level, what additional leverage is needed and what collectively the Mayor and borough leaders aim to achieve through:

1. A clear vision and skills strategy for London informed by timely demand-side data to better plan for current and future skills needs;
2. Delivering a streamlined, resilient and responsive skills sector with greater specialisation, innovation, quality and stability focused on delivering level 3 and above qualifications, outcomes, productivity and economic growth including a London-led strategy for all future new investments in post-16 skills and education provision;
3. Achieving excellence in professional and technical education;
 - a. Greater employer investment and ownership in developing skills, with industry working collaboratively with post-16 skills and further education institutions to better prepare Londoners with the skills that the economy needs; and
 - b. A strong Apprenticeships offer for London;
4. A London Entitlement for basic skills to ensure all Londoners are equipped to compete in London's competitive labour market;
5. A sustainable and coherent careers offer for London.

Figure 1 at the end of appendix 4 summarises the proposed skills landscape.

A 4.1 A vision and skills strategy informed by strong labour market data

Issue

With a decreasing envelope of public funding available for skills development in London, we must be very clear about how best to target this investment to boost employment, economic growth and productivity – and how to leverage investment from other sources to meet these goals.

Better use of data by suppliers, and the development of user-friendly data-based tools for consumers has already transformed many markets for goods and services, and is about to transform how government provides services to citizens. The use of labour market data to guide choices by individuals about education and training options is however so far relatively under-developed. GLA Economics employment projections provide a long-term view on future employment demand in the capital, but there is limited timely, detailed information on the demand for skills, which could help inform provider and learner choices.

The Employer Skills Survey is probably the best source to identify employer skills demand for qualifications and generic skills. Research by the Centre for Economic and Social Inclusion (CESI)⁵⁷ carried out on behalf of the LEP for the GLA, has identified the lack of available, timely data on job postings in London as restricting the ability of 'skills market participants' (such as the LEP, commissioners, providers, employers and careers services) to provide training, deliver careers guidance, and develop the skills that London's economy needs.

Action

With devolved powers and funding to invest in skills, London Government will gather timely, accurate, granular Labour Market Information (LMI) which will be used to:

- Inform the London Skills Strategy and sub-regional skills commissioning strategies;
- Inform the pan-London careers offer;

⁵⁷ London Labour Demand Understanding the demand for skills in London's labour market, Centre for Economic and Social Inclusion, August 2015.

- Inform providers' offer and help to develop a shared understanding of skills priorities across the sub-regions;
- Inform London's Area Based Reviews.

At the regional level, analysis will determine the demand for higher level technical and professional skills to meet London's labour market needs. The Greater London Authority working with sub-regional groupings of boroughs and Young People's Education and Skills will build on the regional labour market information that it currently hosts on the London Datastore and Skills Match to bring together a range of existing data sources to present a coherent picture of current and future labour and skills demand. As part of this, London government will commission the development of an on-line data platform that presents 'real time vacancy data' by scraping information on online job postings to accurately inform users of the current demand for jobs by occupation. This LMI will need to be supplemented by data sharing between London and national government, specifically BIS and DWP. At a regional level the data will be used to help:

- **Inform the London Skills Strategy**, identifying the main sectors where there is the greatest demand for jobs and the associated required skills and education at level 3 and above in the capital.
- **Set a London Entitlement** for skills, which may vary from nationally-funded entitlements, and will be informed by sub-regional skills commissioning strategies (see below);
- **Set an outcomes framework** for skills funding;
- **Identify where funding uplifts or flexing of pricing may be required** to stimulate provision in areas of undersupply.

At the sub-regional level, London Councils will work with boroughs to develop a standardised approach to the analysis of local labour market needs to understand sub regional variances, demand for lower skilled work, and progression pathways. Sub-regions will collect and analyse information on labour market demand to complement regional intelligence by drawing on:

- Primary data gathered through employer engagement, including with SMEs who account for half of all of London's employment;
- Secondary data, such as job vacancy data, drawing on any of this data at a pan-London and sub-regional level;
- Demand intelligence from local development plans, London's Infrastructure Programme Tool and boroughs' own knowledge of local commercial and infrastructure developments;
- Analysis by sector skills councils;
- Additional data analysis supporting an Area Based Review (to be undertaken at a sub-regional level in London).

Many London boroughs are already investing to collect this data individually. A sub-regional approach will improve the co-ordination and efficiency of this. Drawing on this data and the pan-London skills strategy, sub-regional partnerships will develop **multi-year⁵⁸ sub-regional skills commissioning strategies** to focus skills investment in their area, incorporating:

- Priorities for curriculum development, capital and skills entitlement investment;
- Outcomes expected from providers in the sub-region to inform collective and individual outcome agreements (details below);
- Priorities for sub-regional commissioning to support unemployed residents into work;

⁵⁸ These strategies will be for four years, starting a year after local elections in London. Initial strategies may be shorter to achieve this cycle in the long term.

- Plans for aligning other local budgets and activities with skills investment, including employment services;
- Plans for embedding the offer in industry including attracting additional private sector investment in skills to boost total investment.

The strategies will be developed and agreed with local employers and providers and considered at the pan-London level. London boroughs will continue to bring together and work with providers and employers to implement the strategies.

Skills investment that is more responsive to labour market need requires **greater accountability, oversight and stewardship** at the London and sub-regional level in order to **drive improvements in quality** and ensure the delivery of regional and sub-regional strategies. The current system of accountability is insufficient to manage short-term risk or drive economic growth. It lacks a clear focus on labour market outcomes, focusing instead on financial stability and teaching and learning. Interventions are on a college-by-college basis, without clear analysis of educational and skills needs in the area, and the capacity available to meet them.

For skills providers, skills funding in England is currently determined centrally with few devolved flexibilities. The Adult Skills Budget funding model pays providers on the basis of enrolments and achievement of qualifications with little recognition for other positive outcomes achieved by learners gaining jobs or progressing into further or higher education. Levels of funding are driven by a provider's ability to deliver courses based on the previous year's delivery, rather than to meet need and economic demand. This approach presents few incentives for skills providers to specifically respond to future demand for skills or opportunities to innovate in new areas of growth. As part of our proposal London Government is seeking devolution of the Adult Skills Budget. To ensure robust accountability for delivery against this budget via London's commissioning strategies, London Government proposes:

- **Working with Ofsted** within the regional inspection framework to ensure that inspection criteria take into account providers' responsiveness to the local labour market (as set out in sub-regional skills strategies). This will include how providers are delivering learning required locally, their success in moving learners into sustained jobs, progressing those in low paid, low skilled work, using LMI and learner destinations data to inform their offer, how they are contributing to collective outcome agreements (see below), the quality of Careers Information, Advice and Guidance, and demonstrable evidence of effective partnership working with employers, including additional funding leveraged.
- Agreeing **collective outcome agreements** with providers at a sub-regional level, and **individual provider outcome agreements**⁵⁹ at an institutional level, so that providers are held to account for driving improvement in their offer and strengthening links to the labour market. The agreements will reflect the sub-regional commissioning strategies. Colleges will be accountable for outcomes to a sub-regional skills and employment board with representation from London boroughs, business and providers⁶⁰. Boroughs will provide a 'support and challenge' function to providers to ensure that commissioned work is reaching their communities. This approach will be proportional – with less focus on those colleges clearly meeting their outcome agreements. Providers will continue as autonomous incorporated institutions with full responsibility for their own assets, liabilities and business strategies.
- **Strengthening local authorities' role in interventions** by the London Skills Commissioner through joint working between the London Skills Agency and sub-regional skills and employment

⁵⁹ Initially individual outcome agreements would be with FE colleges only, to make this system manageable. All providers would be expected to show how they are contributing towards the collective outcome agreements. This includes Adult and Community Learning Services.

⁶⁰ Other representatives could include JCP/DWP and learner representatives.

boards to address poor performance against sub-regional skills commissioning strategies by agreeing remedial actions over time.

Outcomes:

- A clear strategy and vision for addressing the skills that London needs;
- The provision of real time vacancy statistics (to include all vacancies) that can accurately inform users of the current demand for jobs by occupation;
- All users are better informed of the likely number of jobs and where the jobs for new developments will be based.
- Skills investment that is responsive to the labour market, is strategic and makes best use of limited public skills investment;
- Increased employer and learner investment in skills development, through greater engagement in and understanding of London's skills offer;
- Improved Careers Information, Advice and Guidance for learners.
- A streamlined, specialised and responsive skills provider base, with a focus on outcomes, learner destinations, productivity and economic growth;
- Improved, more strategic oversight that drives up quality of skills provision and deals with risk quickly and effectively.

A 4.2 Delivering a streamlined, resilient and responsive skills sector with greater specialisation

Issue

For employers in London, a lack of relevant skills, qualifications or experience can lead to delays and difficulties in filling job vacancies. The UKCES' 2013 Employer Skills Survey has identified 30,000 such 'skills shortage vacancies' in London in 2013, 46% of which were in high skilled jobs (compared to 40% in England as a whole). A further 12% of these vacancies were in skilled trades jobs, with skills shortages accounting for more than one in two (53%) of all vacancies in this occupational group. As outlined previously, demand for higher-level skills is also expected to increase. Despite this demand for higher level skills, around two thirds of provision delivered by further education colleges in the capital is at level two or below. There is some specialisation but this is currently not necessarily linked to industry or to providing the most effective employment routes.

Whilst standards of education in London's schools and universities rank as some of the best in the country (and in the world), the overall success rates of London's further education colleges lag the rest of the country. Whilst many of London's colleges are Ofsted rated as 'good' or 'outstanding', around a third of London's 39 colleges are rated as 'requiring improvement' or 'inadequate'. Action is therefore required to ensure that we have a fit for purpose further education sector in London that delivers quality provision in the areas where training is required.

Action

Government has set out its approach to establishing a fit-for-purpose further education sector via Area Based Reviews. London's Mayor and borough leaders will work collaboratively with government and the skills sector to use this process to develop and deliver our vision for a post-16 skills and education landscape in London focused on meeting business and local economic need. The approach to re-commissioning will address the issues outlined as well as focus on driving up quality to achieve much higher standards of education in London's further education and sixth form colleges. Key areas to address include responsiveness to business demand, specialisation, achieving a more outcome focussed skills system that maintains stability and a clear route to employment for learners, with open data on destinations to measure impact.

To achieve this approach successfully, London government will require the sharing of relevant financial and performance information from Government and resources to help inform and undertake a strategic economic assessment of the current skills landscape and future needs. This information will be supported by London's own analysis including on the demand and supply data of skills to determine London's specialisms, key outcomes for the vision and how collectively key stakeholders can work together to achieve the reform that is needed.

To enable suitable time to undertake this analysis and to set up a robust approach and clear vision for the future, it is proposed that London commences the Area Based Reviews in wave 3 of the government's timeline with the first of London's reviews commencing in spring 2016.

To ensure that London has the levers it needs to re-shape the landscape successfully, leadership of the ABRs should be accompanied by the transfer of statutory powers from the Secretary of State to the Mayor from the Further and Higher Education Act 1992 to enable removal of all or any of the members of governing bodies, appoint new members where there are vacancies and give directions to the college/ institutions where poor performance persists to ensure accountability of skills providers to the Mayor on ABR recommendations.

In London, as well as further education colleges and sixth form colleges, the reviews should include major private sector providers, school sixth forms, University Technical Colleges, HEIs and national colleges (where relevant) to provide a strong assessment of the potential impact of demographic changes in an area. The reviews should also include the Adult and Community Learning Services available in the area, given their role in providing basic and employability skills. The reviews should include a clear focus on meeting business and local economic need, informed by an assessment of London's main sectors. They should also take into account the needs of specific cohorts of learners, such as those with particular learning difficulties or disabilities.

A distinct approach needs to be taken in London, because of the scale and diversity of the city (49 colleges, 380,000 learners) and to reflect the Mayor's statutory duty to promote economic development and produce and publish an Economic Development Strategy. ABRs in London should be undertaken sub-regionally based on existing groupings of boroughs. These sub-regional partnerships have the political identity and governance to support the process and can act as brokers to facilitate changes based on the final review recommendations. The overall review process will be led and overseen by a London-wide steering group chaired by the Mayor and with a nominated borough Leader as Deputy Chair and representation from the LEP, other borough leaders and key stakeholders to ensure that the outcomes of the reviews provide the city as a whole with the skills base and structures that it needs to compete as a world city. The sub-regions would report into the London-wide steering group.

It is also proposed that the Mayor and the steering group is advised by an independent post-16 Skills Commissioner for London to help shape the area based reviews and provide the necessary expertise on strategic and economic outcomes for the future skills landscape. The process for undertaking the sub-regional Areas Based Reviews will also need to give consideration to the provision available in the outer metropolitan area adjacent to Greater London and will be flexible to evolving alliances between institutions that may cross over the proposed sub-regional grouping areas.

The approach to the ABRs will consider how best to ensure full implementation of the recommendations of the reviews, providing regular and publicly available progress reports, and recognise the Mayor's statutory responsibility for economic development in London, and boroughs' responsibilities for economic well-being locally. It is proposed that a development pot is made available from government linked to the work of the Education and Training Foundation to help institutions implement improvements including to curricula development, promoting excellent teaching standards and raising quality of places for all.

To ensure the stability and resilience of London's further education and sixth form colleges and 16+ skills provision, London government considers area-based reviews as an important part of the process of necessary reform and structural change to the FE system in London but not as the conclusion of this process. Rather the area-based reviews can only be effectively implemented as part of broader devolution to London including the transfer of both powers and funding from central government, and to support an integrated and strategic approach to investment in post 16 skills provision in London. The review process should be complementary to London's proposals for devolution and reform and should actively facilitate the implementation of this agenda. As part of the re-commissioning process, London requires agreement from government on the devolved funding and powers sought and outlined in the introduction.

Outcomes

London expects to achieve:

- Increased efficiency in the market to deliver the skills that London needs;
- Improved efficiency in the use of resources that minimises duplication of government spend in new and existing investments in post-16 skills and education;
- All skills and education provision in London is Ofsted rated 'good' or 'outstanding';
- All London's learners and employees understand the skills needed by London's employers and are supported and motivated to acquire them
- Increased investment from learners and business in professional and technical education that has clear economic outcomes;
- All Londoners are equipped with basic skills for employment with increases in learners achieving 5 A-C GCSEs (including in English and Maths);
- A significant increase from current levels (71%) of learners achieving level 3 and above qualifications and progressing into work, apprenticeships and/ or higher education;
- A significant increase in overall success rates for all learners and a significant reduction the current rate of drop-out between 16 and 18 for those studying level 3 qualifications;
- A significant reduction in young people aged 16-24 who are not in education, employment or training (NEET), reaching near full participation for 16-18 year olds in all of London's boroughs.

A 4.3 Achieving excellence in professional and technical education

We have already highlighted as part of the London Enterprise Panel's London 2036 plan, that if the capital city is to maintain its current strong position, we need to ensure that we are training more technical talent to respond to market shortages of technically capable workers by improving education and training at all levels from school through to adult education. As outlined in previous sections, jobs growth is expected to focus on higher level occupations across London's economy as a whole, specifically professional, associate professional and technical, managers, directors and senior officials. Jobs in these occupations are expected to increase by around one-fifth by 2022. Correspondingly, demand for higher level qualifications (QCF levels 4+) is expected to increase by about one-third.

As part of an integrated approach to economic development in London, and ensuring economic opportunity for all Londoners, there is a strong case for collective intervention, given that skills pathways are long-term and complex across schools, further and higher education and the private sector. Improving the supply of technically-qualified people will require a range of measures which starts from adjustments to school curricula and careers advice through to changes of emphasis in both further and higher education as well as greater levels of industry co-operation and provision. Some of the levers will be held nationally and some by the private sector, but we need to ensure that the right levers are devolved down to London and its sub-regions to meet its economic needs and to boost productivity. Working with the skills sector and key stakeholder groups in London, the Mayor and London's borough leaders aim to work collectively to re-shape the skills landscape over the next two years and by the 2017 academic year to deliver a regional skills system with more quality professional and technical education at level 3 and above with appropriate levers devolved to meet the key specialisms of the capital's economy.

Approach

To achieve a sustainable professional and technical education landscape that produces the skills needed for the city's specialisations, we will have:

- a. Greater employer investment and ownership in developing skills, with industry working collaboratively with post-16 skills and further education institutions to better prepare Londoners with the skills that the economy needs; and
- b. A strong Apprenticeship Offer for London.

A4.4 Employer investment in post-16 skills and further education

Issue

Fragmented demand for skills training limits the buying power of individual employers and their ability to shape training to their needs. This is particularly true for smaller businesses in London⁶¹ and the UK as a whole⁶². Evidence suggests that a lack of employer engagement and investment in skills training is a particular challenge in London. For example, a higher proportion of employers in the capital (36%) did not fund or arrange any training for staff in the 12 months to mid-2013 compared to the rest of England (34%)⁶³. At the same time, among those employers in London providing training to their staff, the majority (54%) responded that they 'would have provided more training if they could have done', higher than in the rest of England (45%)⁶⁴. One reason for this difference was that the employers in London which would have trained more were much more likely than employers in the rest of England (17% vs. 12%) to report that they found it hard to find time to organise training⁶⁵.

Evidence from the UKCES 2013 Employer Skills Survey suggests that employer investment in training is in decline and that this is a particular challenge in London, where the labour costs of trainees tend to be higher⁶⁶. Employers in London invested an estimated £7.1 billion on training in the 12 months to mid-2013, down 30% from £10.1 billion in the 12 months to mid-2011. This compares to an estimated 5% fall in employer investment in training for the UK as a whole (from £45.3 billion to £42.9 billion)⁶⁷. Further, UKCES data suggests that the downward trend in the amount of fees paid to external providers (which fell by 18% for the UK as a whole) is even more pronounced in London⁶⁸. Employers in London are also slightly less likely to have had any contact with a training provider, FE college or HE institution in the last 12 months compared to those in England overall (52% vs. 54%), and much less likely than employers in the South East (57%) and East of England (58%)⁶⁹.

Action

As well as employer investment through the apprenticeship levy, proposals for which are described in the next section, London proposes to create a skills innovation funding pot that employers and representative employer bodies can directly bid into. It is proposed that this is funded via a return from London's contribution to the apprenticeship levy to help support training that progresses prospective learners into apprenticeships. Through this process, we would invite business to work jointly with skills providers to create and develop new and innovative solutions to deliver priority skills provision. The programme budget could be linked to the LEP's FE capital funding opportunities and would replace the existing innovation code budget that is supported by the Skills Funding Agency.

London Government will also work with central government to provide better data on the impact of learner participation in professional and technical courses to help inform prospective learners and employers of the benefits and outcomes of undertaking and investing in these courses. In order to

⁶¹ In the year to mid-2014, micro-businesses in London were less likely to engage in upskilling, training or development (33%) compared to business units in other SMEs (69%), and large firms (85%). Source: London Business Survey, table TRN1

⁶² Evidence from the UKCES suggests that the pattern of training spend per person trained is inversely correlated with establishment size; the larger the employer the less is spent. This may reflect economies of scale for larger employers. Source: UKCES, Employer skills survey 2013: UK results, January 2014,

⁶³ Source: UKCES Employer skill survey 2013, table 99.

⁶⁴ Source: UKCES Employer skill survey 2013, tables 127.

⁶⁵ The main barriers to providing more training reported by employers in London and England as a whole were that: a) training was too expensive or that they lacked funds for training (60%), and b) that they could not spare more staff time (47%). Source: UKCES Employer Skills Survey 2013, January 2014, table 128.

⁶⁶ The labour costs of trainees accounted for over half (55%) of the total amount that employers in London invested in training in 2012/13, compared to 50% in the UK overall. Source: UKCES Employer Skills Survey 2013.

⁶⁷ UKCES report that this fall in total training expenditure is mainly driven by a fall in expenditure among large employers with 100 or more staff, and employers in public administration and in education. Sources: UK figures are based on UKCES Employer skills survey 2013, tables 4.4, available at: <https://www.gov.uk/government/publications/ukces-employer-skills-survey-2013>. London figures have been provided by the UKCES.

⁶⁸ UKCES Employer skills survey 2013, January 2014, table 4.5

⁶⁹ UKCES Employer perspectives survey 2014, January 2015, table 110

achieve this, London will need better open data to be made available by government including destinations data produced by HMRC at the London, borough and provider level.

Outcomes

Through this we expect to achieve:

- Greater collaboration between industry and skills providers to develop and deliver in-demand skills;
- An increase in the number of learners aged 16 and over with work ready and industry relevant skills;
- A doubling of apprenticeship opportunities, particularly at higher levels created by employers in London by 2020;
- Increased investment from learners and business in professional and technical education that has clear economic outcomes;
- A significant increase from current levels (71%) of learners achieving level 3 and above qualifications and progressing into work, apprenticeships and/ or higher education;
- A significant reduction in young people aged 16-24 who are not in education, employment or training (NEET), reaching near full participation for 16-18 year olds in all of London's boroughs.

A 4.5 A Strong Apprenticeships Offer for London

The introduction of a levy on large UK employers to support all post-16 apprenticeships will offer the opportunity to engage businesses in work-based-learning and is welcomed by London Government. However, it may also present a number of issues for London whereby the region's businesses pay more into the levy than they receive in return.

Although much of the detail about how the levy will be calculated is yet to be announced, the high number of large businesses (defined as a business with 250+ employees) in London (see table 1) means that the region will be making a significant contribution to the levy.

BIS data (see table 1) suggests that there were 6,745 large private sector businesses in the UK at the start of 2014, 1410 of which were based in London, representing 20.9% of all UK large businesses and 30% of total UK turnover.

Table 1 Number of London businesses in the private sector and their associated employment and turnover, by size of enterprise, 2014

Size of enterprise	Businesses		Employees		Turnover	
	Number	Share, %	Number, 000s	Share, %	£, billions	Share, %
All SMEs (0-249 employees)	933,035	99.8%	2,506	50%	460	43%
Large (250+ employees)	1,410	0.2%	2,461	50%	603	57%
London large business share of UK	6,745	20.9%	10,071	24%	1,874	57%
London total	934,445	100.0%	4,967	100%	1,064	100%
London total share of UK	5,243,135	17.8%	25,229	20%	3,521	30%

Source: BIS business population estimates, 2014. Notes: micro-businesses include unregistered businesses in addition to VAT traders and PAYE employers. The number of employees represents those people employed in London, not employed by London-based businesses. Turnover excludes financial and insurance activities.

Against this background of business density, and despite a number of high profile London campaigns which have increased the number of apprenticeships being offered by employers, London has actually underperformed in terms of Apprenticeship formation in recent years. Table 2 shows that the number of apprenticeships created in London between May 2010 and April 2015, is consistently below the England average and below a number of regions with lower business density (for example the east of England). If this trend continues, there is a risk that London will not derive a proportionate benefit (in terms of apprenticeship starts) from its levy contribution and that much of the funding raised by London based businesses will be used to the benefit of other areas across the country. Further analysis will be undertaken by the GLA to measure and report the potential impact of the Levy in response to the Levy Consultation.

Table 2

Apprenticeship Programme Starts by Region (2005/06 to 2014/15 in-year estimates)						
Region	2010/11	2011/12	2012/13	2013/14	2014/15	Total
	Full Year	Full Year	Full Year	Full Year	August to April (provisional)	
North East	34,550	38,340	35,870	30,480	26,730	165,970
North West	78,660	89,310	84,180	71,670	59,330	383,150
Yorkshire and The Humber	55,800	64,200	59,900	53,120	46,300	279,320
East Midlands	40,860	46,790	49,010	40,290	36,140	213,090
West Midlands	54,290	60,470	62,430	52,410	45,940	275,540
East of England	39,760	45,820	46,220	40,430	34,330	206,560
South East	58,340	66,850	68,960	60,220	48,960	303,330
South West	49,330	55,950	52,540	45,960	39,380	243,160
London	41,400	47,230	45,070	40,050	32,410	206,160
England Total	453,000	515,000	504,200	434,600	369,500	2,276,280.00
London as a percentage of Total	9.14	9.17	8.94	9.22	8.77	9.06

There is also a risk that the levy may incentivise large employers to create high volumes of low quality apprenticeships within their existing workforce in order to 'recoup' their contribution, which may not be suitable for delivering London's projected skills requirements, particularly at higher levels.

Issue

In achieving its 3 million Apprenticeships manifesto target, the Government will need to improve on the current level of market penetration. This requires better engagement of smaller and medium sized firms to create the opportunities to take on apprentices. London has a large concentration of small and medium sized businesses and offers great untapped potential to contribute to the Government's target through joined up and innovative approaches to enable the apprenticeship system to better meet the needs of the market.

The data in Table 1 underlines the importance of SMEs to London's economy, showing that 99.8% of London's businesses are SMEs which account for 50% of all London based employees and 43% of London's turnover. Therefore, if the Government's ambitious target of achieving 3m apprenticeship starts by 2020 is to be met, it is vital that London's SMEs are supported to engage with the Apprenticeship programme.

Research undertaken by Ofsted⁷⁰ found that training providers find it difficult to encourage SMEs to offer apprenticeship and work experience opportunities. SMEs cite barriers such as the cost of taking on new staff, not only in terms of pay and conditions but also the additional resources required in terms of management and human resources requirements. SMEs believe the work experience and apprenticeship recruiting processes are too "bureaucratic" with many smaller employers expressing concern over the employability of learners and their preparedness for the world of work.

Action

⁷⁰ Engaging small and medium enterprises in apprenticeships, Ofsted Jan 2015

Given the challenges outlined, we propose that London's levy contribution is top-sliced and devolved to the Mayor, with a view to employing this funding in the following ways:

- Capacity building activity for London's SMEs including development and delivery of a London-based Small Business Service, to include the provision of additional support for the recruitment of apprenticeships. This will include a focus on creating more higher level apprenticeship opportunities to meet London's future skills requirements.
- Interventions focused on pre-apprenticeship support of prospective apprenticeship candidates furthest from the workplace and not eligible for traineeships.
- To subsidise apprenticeship training and 'uplift' funding for SMEs taking on apprentices.
- To part-subsidise funding of other professional and technical education courses demanded by employers in key London sectors that supports progression into apprenticeships particularly higher apprenticeships.

In return, London will continue to offer travel-card discounts to apprentices (currently at 30%) and lead campaign activity working with industry, the London Enterprise Panel, schools, post-16 education providers and London's boroughs to promote apprenticeships and create new opportunities.

Outcomes

Through these actions, it is expected that we will achieve:

- A doubling of good quality apprenticeship opportunities, particularly higher apprenticeships created in London by 2020;
- An increase in the number of small and medium sized businesses creating new apprenticeship opportunities in the capital by 2020;
- A significant increase from current levels (71%) of learners achieving level 3 and above qualifications and progressing into work, apprenticeships and/ or higher education.

A 4.6 A London Entitlement for adult basic skills to ensure all Londoners are equipped to compete in London's competitive labour market

Issue

A robust adult skills and employment services solution in London is critical to the capital's continued success, through the continuing flexibility of its labour market and utilisation of its talent. Key to our devolution proposition is connecting more Londoners to work and to better-paid jobs on their doorstep. We want to move more people into work and off Universal Credit. At present 800,000 Londoners (20% of the work force) are in low paid and low skilled work. With the population set to rise by another 2 million by 2030 this could rise to 1 million.

Many low-skilled Londoners experience multiple barriers to getting, keeping and, most importantly, progressing in work. Our solution will see funding devolved to the Mayor and groups of boroughs acting in tandem through sub regional partnerships to tackle low skills. Aligning skills funding with other local resources at the sub-regional level will deliver wrap-around support that successfully removes complex barriers.

Separate funding streams and agency silos currently result in high levels of fragmentation between low-level skills provision and other national and local services that support low-skilled residents to move into and progress in employment. This fragmentation leads to areas of duplication and oversupply, resulting in inefficiencies in the system, and meaning that residents do not receive the most effective support to find and progress in work.

Action

London seeks a devolved settlement for the adult skills budget, and with this will take a new approach to **commissioning support to deliver a London Entitlement for adult skills** in the capital to be delivered via a London Skills Agency.

Sub-regional employment and skills boards will commission skills support that directly helps unemployed and economically inactive residents to access, sustain and progress in work. Groups of boroughs are uniquely placed to ensure provision responds to the needs of London's diverse communities, aligning local services and budgets with skills funding to create tailored wrap-around support that cannot be achieved at a national or in some cases regional level. Aligning and integrating budgets and services will **increase the efficiency and effectiveness of skills and employment investment and move more Londoners off benefits/Universal Credit.**

Sub-regional employment and skills boards will:

- **Commission services focused on supporting unemployed and economically inactive residents into work** including English, maths and ESOL provision. Funding will be flexible (i.e. not limited to full qualifications) and linked to activities that directly improve residents' employment prospects or help them to progress onto higher level skills training. Sub-regions will pool or align Section 106 funding, adult community learning, Flexible Support Fund (working with DWP) and other borough discretionary funds and services to develop an integrated service offer. This devolved funding will include element of London's European Social Fund (ESF) allocation;
- **Provide skills funding for Londoners on mainstream employment support programmes** (Work Programme Plus), linked to London's devolution proposals around Work Programme Plus (WP Plus). This will be a ring-fenced element of London's skills entitlement funding that would directly support those Londoners on WP Plus and needing skills investment in order to get a job.

Outcomes:

- An integrated employment and skills service in London, with clear pathways into work and progression within work, moving Londoners off Universal Credit;
- All Londoners are equipped with basic skills for employment.

Deliver a sustainable and coherent careers offer for London with relevant budgets devolved

Issue

Information for learners on employer demand is not sufficiently met by statutory careers guidance delivered in schools, or available to adults through the National Careers Service. London Ambitions⁷¹ states London's position with regard to a careers offer for London. The first phase of London Ambitions is focussed on addressing the well-rehearsed weaknesses in the careers offer for young people. We will build on London Ambitions to develop the vision and action plan for a truly world-class all-age careers offer for all Londoners.

Action

With London Ambitions establishing a firm footing with education, training and business leaders across the capital, we aim to build on its success through the devolution and alignment of existing centrally managed programmes and relevant budgets, in particular:

- The Careers and Enterprise Company;
- The Inspiration Agenda;
- Jobcentre Plus Advisers in schools;
- The National Careers Service.

Outcomes

This will enable:

- better connected education and training with the workplace, ensuring that more employers offer young people and adults high quality experiences of the world of work and that more recruit apprentices to strengthen long-term productivity;

⁷¹ London Ambitions: shaping a truly successful careers offer for all young Londoners:
<https://lep.london/sites/default/files/documents/publication/London%20Ambitions%20Careers%20Offer.pdf>

- improved access to good quality career development support, particularly personalised guidance for the most vulnerable young people and adults;
- improved the use of labour market intelligence, including better tracking and use of destination measures;
- less fragmented, more sustainable and more coherent career development support for young people and adults;
- a focus on return on investment to demonstrate impact and show accountability to London's resident and business populations.

A 4.8 Next steps and timeline

Central government will need to provide dedicated resource and data working with London, to facilitate the following analysis.

1. Full spectrum analysis of current skills delivery – looking at both numbers of students and funds allocated and spent on learners and learning aims by sector subject area, levels for both academic and vocational courses, age of learners - by post 16 education providers in London including by in-London provision to non-London residents in:
 - Schools providing post 16 education including University Technical Colleges and Studio Schools;
 - FE colleges and sixth form colleges – including an analysis of SFA spend against allocation by entitlement;
 - Independent (private) learning providers; and
 - Higher education institutions.
2. An assessment of quality and stability of current delivery including:
 - outcomes of publicly funded skills provision in London including success rates for specific subject courses by age, level and type of course (academic and vocational) by provider as well as an analysis of destinations data, where available;
 - A review of Ofsted findings on providers in London;
 - An assessment of further education and sixth form colleges' financial health including full disclosure by BIS of colleges' financial liabilities.
3. Detailed projected skills needs analysis in London including basic skills such as ESOL, level 2 and 3, 4 and above for the next 5 years building on the initial analysis undertaken by the Skills Inquiry.
4. A review of Colleges' current plans to meet these needs including plans for collaboration, mergers, specialisation, capital investment (including bids for FE capital funding) and other plans to develop provision to meet future skills demands.
5. An exploration of where efficiencies could be achieved through:
 - Aligning and integrating skills provision with other funding and services that supports Londoner's into work;
 - Minimising duplication of spend on skills development for identified cohorts of learners in London between national agencies, government and local programmes;
 - Streamlining administrative functions and standardising approaches for collating and disseminating labour market intelligence.

An indicative timeline of key milestones for developing and implementing the skills devolution proposition, including conducting Area Based Reviews is outlined below.

2015	<ul style="list-style-type: none"> • Develop and agree the approach to Area Based Reviews (ABRs) in London • Establish an interim London Skills Steering Group • Appoint a London Skills Commissioner • Conduct further analysis on current delivery and future needs to inform ABRs • Develop a full business case and transition plan for skills devolution
2016	<ul style="list-style-type: none"> • Establish sub-regional skills and employment boards • Begin first London Area Based Reviews • London Skills Steering Group begins to develop London Skills Strategy • Sub-regional boards begin collating and sharing labour market intelligence • Sub-regional boards develop sub-regional commissioning strategies • Establish London Skills commissioning function to commission delivery of ASB for 17/18
2017	<ul style="list-style-type: none"> • Complete London Area Based Reviews • SFA budgets and administration devolved to London • London labour market intelligence published in accessible format

A diagram showing the devolved Skills system in London is set out on the following page /.....

OFSTED

Inspections take into account provider responsiveness to London and sub-regional priorities

PAN LONDON

- Develop London skills strategy
- Disseminate London-level LMI on supply and demand
- Align FE capital investment with skills priorities
Approve new post-16 skills investments
- Set Apprenticeship Strategy including levy priorities
- Set 'London entitlement', uplifts and outcomes framework
- Oversee financial health/performance of providers

SKILLS COMMISSIONER

Advises the Mayor and boroughs on the strategy and approach for skills reform London-wide

EMPLOYER

- Articulate skills needs
- Invest in skills provision
- Help to develop curricula

Understanding local labour market need:

- Collect and analyse information on labour market demand. This includes:
 - Secondary data (e.g. job vacancy data)
 - Primary data gathered through employer engagement
 - Demand intelligence from local development plans
- Feed this information through to the pan-London level to inform a London skills strategy and careers offer
- Share information with local providers to inform their offer

Reviewing outcomes of skills provision:

- Review provider performance against sub-regionally agreed strategies
- This informs oversight and accountability and future commissioning strategy.

SUB-REGIONAL ADULT SKILLS

Careers IAG London Delivery Agency for adult skills Area Based Reviews

Understand local labour market need Develop sub-regional commissioning strategy

Oversight and accountability

Review outcomes of skills provision Commission skills provision

Developing a commissioning strategy:

- Use LMI and pan-London skills strategy to develop multi-year sub-regional skills strategies agreed at pan-London level
- Strategies incorporate priorities for curriculum development, capital investment, and specialisation
- Strategies also set out any specific outcomes for providers to deliver at the sub-regional level
- These are agreed with local providers and with local employers

Commissioning skills provision:

- Align and integrate appropriate budgets (ASB, ACL, ESF, FSF, S106, council core funding) to commission local provision to support low/no-qualified Londoners to progress in learning and work
- Outcome based commissioning
- Aligned with any devolved employment support programmes
- Aligned with other local authority services
- Includes integrating apprenticeship support for employers with local apprenticeship activity and brokerage services

VCS

Provision supports residents to progress in learning and work

JCP

Employment support aligned with sub-regional skills offer

SCHOOLS

Deliver high quality careers IAG

HEIS

Work with employers / providers on higher-level skills

PROVIDERS

Deliver skills provision that is responsive to the local labour market and

LOCAL AUTHORITY SERVICES

Align with skills provision to support residents to progress in learning and work

London Councils
59½ Southwark Street
London SE1 0AL

Greater London Authority
City Hall
The Queen's Walk
London SE1 2AA n

submitted: September 2015
cover image: Photofusion