
**London Borough of Hackney
Governance and Resources Scrutiny Commission
Municipal Year 2016/17
Date of Meeting Monday, 5th September, 2016**

Minutes of the proceedings of
the Governance & Resources
Scrutiny Commission held at
Hackney Town Hall, Mare
Street, London E8 1EA

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| Chair | Councillor Rebecca Rennison |
| Councillors in Attendance | Cllr Deniz Oguzkanli, Cllr Nick Sharman, Cllr Susan Fajana-Thomas and Cllr Anna-Joy Rickard (Vice-Chair) |
| Apologies: | |
| Co-optees | |
| Officers In Attendance | Sonia Khan (Head of Policy and Partnerships) |
| Other People in Attendance | Professor Martin Doel (Professor of Further Education and Skills) and Dianna Neal (Head of Economy, Tourism and Culture) |
| Members of the Public | |
| Officer Contact: | Tracey Anderson ☎ 020 8356 3312 ✉ tracey.anderson@hackney.gov.uk |

Councillor Rebecca Rennison in the Chair

1 Apologies for Absence

1.1 None.

2 Urgent Items / Order of Business

- 2.1 The Chair informed the Commission they were in purdah (called the election period), this started from the end of July 2016 leading up to the London Borough of Hackney Mayoral Election.
- 2.2 The 'Code of Recommended Practice on Local Authority Publicity' provides that during the period between the notice of an election and the election itself – purdah - local authorities should not publish any publicity or controversial issues or report views or proposals in such a way that identifies them with any individual Member or groups of Members and campaign groups or individual campaigners.

- 2.3 Publicity relating to individuals involved directly in the election should not be published by local authorities during this period unless expressly authorised by law.
- 2.4 Factual information which identifies the names, wards and parties of campaigners for the election may be published by local authorities.
- 2.5 Local authorities should not issue any publicity which seeks to influence voters.
- 2.6 The Chair advised the discussions must avoid any reference or links to local policy. It was agreed with the Monitoring Officer the discussion on Devolution will be generic and refer to Pan London plans.
- 2.7 There was no urgent items and the order of business was as per the agenda.

3 Declarations of Interest

- 3.1 No declarations of interest.

4 Minutes of the Previous Meeting

- 4.1 Minutes of the meeting held on 15th June 2016 were agreed.

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| RESOLVED | Minutes were approved. |
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5 Devolution - The Prospects for Hackney

- 5.1 The Chair explained the Governance and Resources Scrutiny Commission commenced a review to explore the implications of the devolution process for Hackney. The review aimed to give councillors an understanding of the implications of Devolution for Hackney. The discussion focused on the area of education, employment and skills. The Commission submitted some questions in advance to our guest speakers. The questions were noted on page 19 of the agenda.
- 5.2 The Chair welcomed Dianna Neal, Head of Economy, Tourism and Culture from London Council. The Head of Economy, Tourism and Culture has been leading on employment skills devolution policy work at London Councils, making the case for resources in London and for London boroughs.
- 5.3 The Chair welcomed Professor Martin Doel, Professor of Further Education & Skills, University College London (Institute of Education). Professor Doel is the first professor of further education and skills at UCL and the former Chief Executive of the Association of Colleges. The AoC is a body that acts as the collective voice for colleges and represents them nationally to influence policy.

- 5.4 The Head of Economy, Tourism and Culture from London Council opened the discussion with the following points from her presentation.
- 5.4.1 In relation to skills there is a productivity challenge in the UK compared to a number of other European countries. GLA recently looked at London's productivity compared to other global cities and London is not doing well in comparison to other cities in emerging economies like Singapore.
- 5.4.2 London has had strong employment growth over the last 5 years leading to a substantial reduction in the number of people claiming JSA. The labour market priority in London is to tackle long term unemployment and structural worklessness. Despite reductions health related unemployment has risen significantly since 2010. There are people with a range of complex needs that are locked out the labour market and this is a concern. Although there is low unemployment London is still above the national average and still needs to get 300,000 into the labour market.
- 5.4.3 In work poverty remains a big challenge. London has more households who are in poverty and in work than those in poverty and out-of-work. One in five jobs are paid below the Living Wage, affecting 700,000 Londoners.
- 5.4.4 In relation to skills and employment Brexit potentially could have an impact. Currently London relies on international labour both on high and low skills. Particularly in sectors like construction, accommodation and food services, administration and support services. London has a higher proportion of economic European nationals working in those sectors, estimated to be around 30% of the workforce.
- 5.4.5 In terms of employment, London Councils have been proposing and talking to Government about the commitment given to London and Greater Manchester in the 2015 spending review; to jointly design a new Health and Work programme.
- 5.4.6 The Health and Work programme will replace the work programme of work choice. It is a contractor provision for specific groups of people. This programme will be for the very long term unemployed - those on JSA 2 years plus - and people with disability and health conditions. This will be a small programme compared the original programme approximately a 70% reduction. A programme of £130million per annum nationally. A targeted programme working with DWP.
- 5.4.7 London Councils (LC) have been working with DWP on joint commissioning and joint design. Recently discussions have stalled while they clarify what devolution really means.
- 5.4.8 The initial design had 4 contract packages across London based on a sub-regional geography. It is anticipated the sub-regions would lead on the procurement process.
- 5.4.9 The benefits of employment devolution lie in investment, innovation and integration. *Investment* – being able to acquire more investment such as European social fund, skills funding and unlocking local health budgets. *Innovation* – being able to do some innovation in this programme. Having a programme that is flexible and you can to test and learn from. It was

highlighted that to date no one has been successful in getting this group of people - in significant numbers - into work. *Integration* – being able to have employment support provided by the programme and more integrated with local services. Giving local authorities a stake in the programme is thought would enable people to access better packages of support as services will be integrated with local services. It is recognised this programme cannot be achieved on a national level it is more likely to be achieved at a local level.

5.4.10 From integration they could achieve the following:

- Pooled or aligned funding
- Shared outcomes – health, work and skills
- Commissioning
- Provider model –supply chain
- Partnership delivery - via embedded co-working and co-location
- Access to support – referral pathways, ring fenced services etc.
- Sub regional capacity – to drive integration and performance management
- Governance – employment and skills boards.

5.4.11 Devolution would enable them to build a service around the employment sector. Achieve a more diverse supply chain and partnership in delivery. There would be four sub regions in London. The aim is to get the boroughs to work together for economies of scale because people regularly cross borough boundaries.

5.4.12 With the introduction of Universal Credit. The people with the ability who are able to get a job will be routed to digital and online services. The health and work programme will be a small pot in the employment support programmes. It is recognised that the people most likely to be accessing Job Centre Plus (JCP) centres and council's local job brokerage will be those with more complex needs. They are developing the concept called 'local employment hubs'. This concept is not viewed as devolution but more as public service reform. London Councils envisage working closely with JCP as their estate and facilities management contracts come to an end in 2018. This provides an opportunity for co-location and integration as JCP considers where to relocate their services. LC is talking to DWP about physical location

5.4.13 The idea behind local employment hubs is to start integrating some of the employment services locally, to offer better and co-ordinated job support. The proposals is to have a single front door so it's not seen as JCP but as the place people can get access to back to work services. Then providing rapid access to multi-disciplinary employment support team – JCP and Local Authorities. Being in a position to understand who is best placed to work with the individual, often this is done on benefit type and not by identifying the individual's needs. Linking into the wider employment related support and services. In addition there is also the option of considering a coordinated recruitment offer to employers.

5.4.14 On skills devolution although London is not a formal devolution area it is being treated as a devolution area, following the announcement in March 2015 that the Mayor of London would get devolution of skills provision.

5.4.15 There is a movement in government policy towards "*strong local areas and employers to take a leading role in establishing a post-16 skills system that is*

responsive to local economic priorities". LC's is in discussion with the Government about adult skills devolution which is post 19 education. This funding mainly goes to FE colleges and it is estimated to be £400million per annum within London.

5.4.16 Discussions are ongoing re: devolution of the Adult Education Budget (AEB) to London. In London they are undertaking an area review of further education colleges and community loan in London. The review has found that the adult education budget is a small part of a skills system that covers a large sector. It is acknowledged that the adult education budget is only one part of a system that covers careers advice, apprenticeships, 16-19 funding and Advanced Learner Loans. The 16-19 fund is the larger pot of the funding and estimated to be about 57-60% of a further education college's funding. Therefore London will be getting a lever on only part of the whole system.

5.4.17 It is anticipated that skills devolution for London will achieve a responsive system to student needs, employers and:

- Boost economic growth and employment, and reduce welfare dependency, by focusing investment in skills that will increase productivity and progression into and within work;
- Increase the efficiency and effectiveness of public sector skills investment by bringing budgets and powers closer to the point of use – focusing on better demand information, integrating devolved employment and skills budgets, clearly articulating London's skills demands and priorities and getting greater investment from learners and employers, particularly for higher level skills.
- Create an agile and responsive skills system that meets the needs of Londoners and London's businesses and can adapt rapidly to the unique challenges for London's economy post-Brexit.

5.4.18 The key principles for a devolved skills system would be for it to be:

- Labour market-led: Consumer choice will be shaped by high quality labour market intelligence. Having a system with much better data.
- Shared responsibility: Employers and individuals should invest where they derive the greatest private returns; government investment will focus on market failures.
- Local accountability: Decision-making on skills within London will take place at the most appropriate geographical level. LCs see some of this going to the Mayor of London and down to sub regional level.
- Outcome focussed: Priority will shift to outcome measures such as jobs, earnings and progression to higher skills and better paid work that boosts business growth. Currently FEs are paid on qualifications and there is no data to confirm if these qualifications are leading to better paid jobs. LCs propose this is changed in a phased way.
- 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. Potential to bring the employment and skills system together more. Currently they are delivered by different government departments that do not interact closely at grass roots. They see boroughs as enablers to make the integration happen.

5.4.19 Finally consideration for boroughs would be:

- New ways of working: with employment and skills providers, having a different working relationship with the Mayor and GLA, with government, other partners and with other boroughs (sub-regional basis).
- Governance: developing effective Employment and Skills Boards; looking at what those might be and the levers they would have.
- Resource implications: developing sub-regional skills strategies, contract management.
- Focus on outcomes: not getting lost in the process with government discussion but trying to focus on getting better outcomes for Londoners.

5.5 The Professor of Further Education & Skills from UCL made the following main points in his presentation:

5.5.1 Started by highlighted that the points made by London Councils for employment and skills devolution was exemplified by the community college in Hackney. It was noted Hackney Community College have a national leading programme that works with people who have mental ill health.

5.5.2 He was encouraged by the progress of the health and work programme and agreed it should be part of London's devolution deal. Noting it would benefit from local integration.

5.5.3 It was pointed out the devolution proposition for skills implies there is a skills budget. The Professor clarified there was no unified skills budget. The skills budget would be made up of different elements to make up a skills system. They are: apprenticeships, higher education, 16-18 education and technical education.

5.5.4 There are parts to the system that is not capable of being devolved. The apprenticeship levy is a national system. Apprenticeship spend is national and therefore unlikely to change from this form. It was pointed out if an employer had employees under the apprenticeship framework in London and Manchester they would want them treated the same. The Higher education system is loan enabled. This is a national entitlement, enabling a citizen to access a loan. Therefore it is unlikely to be subject to devolution. This is used by post 19 citizens to support educational attainment. The 16-18 education has academies as an autonomy. Taking into consideration the points above it was unlikely that these 3 core elements would be included in any devolution deal. The part that is likely to be in-scope for devolution is the post 19 budget not including apprenticeships.

5.5.5 The parts of the Post 19 that can be devolved are community learning and the programmes delivered by colleges to meet local need.

5.5.6 All citizens up to the age of 25 are entitled to a level 2 or level 3 qualification. A large proportion of a college provision is providing programmes for under 25s. A citizen aged 45 would need to access an education loan for this education.

5.5.7 The approximate break down of a further education college budget is:

- 57-60% 16-18 year olds
- 25-30% adult (post 19)

- 10% higher education.
- 5.5.8 Under the devolution proposal this would mean potentially 25% of the further education college budget being commissioned locally. It was considered that devolution in this part of the budget had the potential to influence spend in the other areas of the FE budget that were not devolved. Provision could be shaped by the development of centres of excellence.
- 5.5.9 Funding for the Adult education budget had reduced by 40% over the last 5 years. It was anticipated that over the next 5 years the budget would be stable but flat lined in cash terms.
- 5.5.10 There has been an indication that the devolution of business rates setting could be connected to future spend on the adult education budget. This may mean that after the 4 years, part of the adult education budget would be funded by business rates and this is something councils should be mindful of.
- 5.5.11 Accountability needs to consider how London devolution would make it accountable to its citizens. It would be good for colleges to work more closely with boroughs. There is a risk of moving towards direct control from Whitehall to direct control to councils.
- 5.5.12 In relation to FE funding it was noted that the current capacity of provision following learner demand. Current FEs funding pays per programme and student. If this is removed it will be hard to reinstate.
- 5.5.13 It was pointed out that the employer demand/need is not the same as learner demand. Careers education is key to shaping FE provision. The local college and the council will need to be responsive to the local labour market. Employer demand needs to be reconciled to the learner need. This process needs to be an iterative process and not economy lead.
- 5.5.14 Although every borough may have a college provision it will not just be providing education programmes for their local community but across borough boundaries. People move across London in patterns that do not match borough boundaries. The work with colleges needs to be a working relationship and not a transactional relationship. The prospect of a joined up approach and having spend at the point of delivery is key. This will involve having a trusted relationship between the parties.

5.6 Questions answers and Discussion

- (i) **Members commented the presentations outlined the shortcoming of the devolution from Government to London. There is a case to be made that this can only work if the more serious elements as described, are devolved. The approach to developing London's economy around skills ignores the type of development there should be.**
- **A strong economic development that shapes the jobs and activities**
 - **looks at type of employment needed and;**
 - **Understands the employment changes.**

- (ii) **All these elements need to be working together to shape the relationship between employer, economy and learner. There needs to be more clarity on how the partnerships will work.**

In response the Professor of Further Education & Skills from UCL advised this needed selective intervention at critical points, rather than trying to control the system from the top down.

- (iii) **Members commented if devolution at a lower level from London to boroughs was required to establish the right pathways for learning. The work programme being cited as an example where contracts covered too large an area.**
- (iv) **Members also highlighted accountability as a real issue and how they can get this right. In their view accountability would require a local public accounts committee with a remit that expanded beyond the council. Involving local partners like JCP, the NHS etc. Having a format similar to a PAC would provide powers to scrutinise the work. Member were of the view they needed to express some ideas about the type, form and level of accountability. Members asked the guest if they agreed with the areas highlighted as a concern and if they had any answers to these concerns at this point.**

In response the Professor of Further Education & Skills from UCL advised further education was intended to be driven by the curriculum requirements. Colleges know that a local offer for lower level entries (levels 1, 2 and 3) is needed to cater to local need and engage those who have become disengaged. For level 4 and 5 students they are more likely to travel to the right institution of learning.

Entry level for colleges is generally driven by the local community and student demand. In relation to accountability an example was given of a local college in Bath holding a community meeting to discuss the college provision to find out what was missing. In his view the college opening itself up to local scrutiny by a range of partners is the right thing to do and considered good practice.

The Head of Economy, Tourism and Culture from London Council advised the GLA have been very supportive about the devolution proposals for employment. London Councils have noted all London boroughs do things differently and recognise at a local level this would sit in different areas within the council because of their difference in make up. It was highlighted that Borough are in discussions and committed to making it work locally. However the contracts would need to be sub regional for economies of scale and could not be borough level.

On skills they are currently in discussions with the Mayor of London about what this might look like. The challenge would be if a local college provision is not meeting local needs and how councils can address this and if they have levers to address this. London Councils expressed there is a real role for boroughs to use their levers of influence for local need. Boroughs have an idea about how their local economy is performing and they speak to local businesses. This is an opportunity to share the intelligence they hold about jobs and developing the local economy in the future.

The Professor of Further Education & Skills from UCL advised against trying to redesign the system in one year but to take a phased approach to changing the system. It will be important to evaluate the effectiveness of the approaches 2 years later and evolve. Not taking a phased approach could risk destabilising the system.

- (v) **Members referred to the long term unemployed back to work programme and expressed an interest in hearing more about the outcomes, shared outcomes with health and progress in developing them; especially for areas that may not be linked to direct employment but part of an individual's progress. Members enquired how this would impact on the individual. Member referred to the proposal to test and learn from the system and enquired if there were areas that could be tested in relation this?**

The Head of Economy, Tourism and Culture from London Council informed the commission for outcomes DWP are very much job outcome focused. The work programme is still fairly welded to the model of payment by results. LCs hope DWP have learnt some lessons from having this focus and will move away from that for this programme and cohort of people. It is hoped DWP will recognise that providers need some upfront money to work with people especially a group that has complex needs. In addition to having smaller contracts that will enabling them to work with smaller providers or build relationships with providers that are beneficial.

Under the new Health and Work programme they would look to do a survey at the start of the customer journey and then complete a survey again at certain points in the journey to see if there are any health improvements. The key to achieving this will be to get the health care system to acknowledge that employment outcomes are relevant to their system too.

It was acknowledged that achievement of health outcomes may not lead to physical outcome. Therefore providers need to be paid based on the individual's progression (outcomes). They are considering whether there should be a bonus payment for better paid jobs e.g. London living wage. Recognising it is beneficial if providers get people into sustainable employment.

In terms of innovation what has worked well is IPS (In placement support). This is expensive but has worked well for people with health conditions. Although a rigid programme it has successful outcomes with 40-50% going into employment. A pilot of this is in West London. Elements of the IPS are being considered for this support programme. The IPS programme is very employment focused but they provide a lot of support around the person.

It was noted that for the proposed Health and Work programme DWP have a more generous per personal allowance. This is a positive step.

The Professor of Further Education & Skills from UCL recommended that FE staff and work programme staff should not be integrated. Both sets of staff have very separate goals.

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The Professor pointed out the Skills Funding Agency tried to introduce a payment system based on job outcomes. He advised that if a college was placed in an area with a vibrant job market students could come out and get a job. For the colleges based in slower economies where students struggled to get a job, this impacted on funding regardless of whether the college was doing a good job for students. This was holding providers accountable for the elements they cannot control.

It was pointed out that each learner has a HMRC number and this can be linked to the learner's earnings to review over time. This could be a possible outcome measure. This earnings intelligence is being considered for level 2 apprenticeships as a way of measuring the return on investment. However, there is some concern that this tool will be used to hold provider to account. The view is this can be an important tool but should be used as a system management tool.

(vi) Members enquired about the following:

- a) The current status of London's negotiations with Central Government.**
- b) Referred to the health devolution pilots and highlighted when they commenced nothing was crystallised. For these devolution areas how is London preparing?**
- c) How the Employment and Skills Board will work and will local authorities have a place on the board to influence its work?**
- d) For adult skills funding could the changes create additional costs?**

In response to the points above The Head of Economy, Tourism and Culture from London Council advised:

- For the health programme they were having positive talks with DWP about the design of the programme, but the progress of these talks have slowed.
- For skills there have been talks about devolution for the adult education budget (post 19). At this point there are a few unanswered questions and it is not clear what level of freedom they would have with this budget. For the GLA there are some concerns like would they get an administration budget with the devolved funding, as it is recognised it would be challenging to absorbing the resource costs for administration.

Points to bear in mind are London has a new Mayor and a fairly new Government. The Mayor of London held a devolution summit in July. This was to talk about devolution for London, particularly in light of the Brexit which is deemed to have an impact on skills. As a result London may put in a fresh skills devolution proposals for the spending review.

Business rates devolution is likely to have an impact on skills too. There is the potential some of the skills funding could go in business rates devolution.

London Councils are mindful that they need to get a deal that is beneficial to boroughs.

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In relation to additional costs. It is anticipated that the funding will be at a sub-regional level, but London Councils recognise there needs to be a debate about this. It is imperative they get the right balance. This is to ensure as much money as possible to be going to learners. Currently there is a stable settlement for the next 4 years for adult education and they want this stability to remain.

In relation to the Employment and Skills Board sub regions are starting to think about their identity. What is required is a strategic board. The thought so far is Boroughs should be the lead for accountability. They will need a way of reaching partners and providers to get their views. London Councils is working with the sub regions to get their views on the type and models for the Boards.

For apprenticeships it is recognised they might not get the funding devolved, however the sector should be working with employers and colleges to increase demand for apprenticeships. London has the highest concentration of employers paying the levy but London does not have the desire level of apprenticeships to go with it.

The Professor of Further Education & Skills from UCL advised it would be a missed opportunity if this was just about commissioning for funding. The skills board should be looking to influence the wider skills spend.

The Professor of Further Education & Skills from UCL recommended having a champion for the voice of skills for each local area.

- (vii) Member commented at the start of the review they thought the key issue would be accountability. As the progressed and looked at specific areas it is becoming clear that it was not just accountability but accessibility of structures and their alignment so people was a key issue too. So people can be directed to the right place for support or information.**
- (viii) Members highlighted two other area of need. These were lack of communication between agencies and the provision of service for local need. Particular groups highlighted were people without formal qualifications, carers and ex-offenders. Members enquired if there were any special provisions for joined up work to cater for groups like this and if they have identified best providers or could provide examples of who would work with groups that have complex or specific needs?**

The Professor of Further Education & Skills from UCL advised Hackney Community College was a good example of providing a programme that meets local need and this was despite the funding disincentives and the accountability regime. HCC run a programme for people with mental ill health and continue to provide this programme despite the funding cuts.

There needs to be incentives in the system to attract the harder to reach groups. There needs to be acceptance that these groups are hard to achieve outcomes with.

The Head of Economy, Tourism and Culture from London Council acknowledged the issue about referral between agencies had not been resolved, although there are some examples of good work in the UK. They are

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aware of some specialist programmes being piloted for example in West London there is a programme specifically for care leavers.

LCs recognise the importance of meeting local needs but equally this could result in criticism that there are too many individual programmes for specific groups.

- (ix) Members commented a genuine trusting two way relationship - City Hall, London Councils and London Boroughs - was needed to jointly steward over the system. Members enquired what a genuine trusting relationship would look like.**

The Head of Economy, Tourism and Culture from London Council advised London's tiers of government have a good history of working together and acknowledged there have been occasions when the two tiers have not agreed.

The devolution discussion are showing positive signs with the new Mayor of London and Government. The Devolution summit was seen as a positive step.

The Mayor of London is aware that there is a key role for London boroughs in the devolution deal.

- (x) Members enquired if the health employment devolution proposal would hand over the funding with no conditions.**

The Head of Economy, Tourism and Culture from London Council advised at this stage if London received the funding it would be to achieve a certain level of job outcomes.

It was noted that currently if saving were achieved for the Employment and Support Allowance (ESA) the majority would go to Central Government and this was likely to be reinvested into other programmes. LAs were likely to received approximately 7% of any savings.

The Chair and the Commission thanks the Head of Economy, Tourism and Culture from London Councils and the Professor of Further Education & Skills from UCL for their attendance at the meeting.

6 Governance and Resources Scrutiny Commission - 2016/17 Work Programme

- 6.1 Work programme on pages 21-28 was noted for information.
- 6.2 During Members discussion about the work programme, they expressed dissatisfaction with the time it has taken to receive the final formal written response to their review 'Delivery Public Services – Whole Place, Whole System Approach'. The Commission agreed to request for a formal response from the Cabinet Member for Finance about the delay.

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| ACTION | Members agreed a Chairs action to write to Cabinet Member for |
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| | Finance for an explanation. |
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- 6.3 Members discussed reviewing the work of the Commission over the last 10 years for discussion at the next meeting.

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| ACTION | Overview and Scrutiny Officer to provide information about G&R's work over the last 10 years. |
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- 6.4 Members requested for a written report outlining the findings to date for the devolution recommendations discussion at the next meeting.

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| ACTION | Overview and Scrutiny Officer to provide information about the key findings from the devolution discussion at the next meeting. |
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7 Any Other Business

- 7.1 None.

Duration of the meeting: 7.00 - 9.05 pm