

<b>MAYOR AND CABINET</b>			
<b>Report Title</b>	Memorandum of Understanding on participation of Central London Forward for the Purposes of Employment and Skills devolution, and the MOU for joint working for the purposes of procurement of the Work and Health Programme		
<b>Key Decision</b>	Yes	Item No.	
<b>Ward</b>	All		
<b>Contributors</b>	Head of Strategy		
<b>Class</b>	Open	Date:	21 July 2017

## **1. Executive Summary of the Report**

- 1.1 After many years of lobbying, employment support in London is being devolved to sub-regional Borough partnerships in London, and adult skills devolution will be jointly governed by the GLA and London's sub regions.
- 1.2 Lewisham has been working informally with Central London Forward (the sub regional partnership covering Lambeth, Southwark, Wandsworth, Kensington and Chelsea, the City of Westminster, Islington, Camden and the City of London) for two years. This report makes recommendations that will allow Lewisham to become an associate member of Central London Forward which will enable the procurement of employment support to the central sub region, and will give Lewisham a voice in the upcoming devolution of adult skills (including the Adult Education Budget).

## **2. Recommendations**

This report recommends that the Mayor:

- 2.1 Notes the positive progress on devolution of employment and skills in London, and the important role of sub regional partnerships
- 2.2 Agrees the Memorandum of Understanding of participation in the Central London Forward Joint Venture Agreement
- 2.3 Agrees the Memorandum of Understanding for joint working by public bodies that will allow Lewisham to be part of the central London sub regional commissioning for the new Work and Health Programme
- 2.4 Agrees the annual membership fee of £20K and the additional special projects fee of £20K which will cover the procurement and contract management of the Work and Health Programme, and the policy work required on the devolution of skills to the GLA/ sub regions.

### **3 Policy Context and Background**

3.1 This report is consistent with the Council's policy framework. It supports the achievements of the Sustainable Community Strategy objectives:

- Ambitious and Achieving where people are inspired and supported to fulfil their potential
- Empowered and Responsible where people can be actively involved in their area and contribute to supportive communities
- Healthy, Active and Enjoyable where people can actively participate in maintaining and improving their health and well-being
- Dynamic and Prosperous where people are part of vibrant localities and town centres well connected to London and beyond.

3.2 It is also consistent with the council's enduring priorities:

- Young peoples' achievement and engagement
- Clean, green and liveable
- Safety, security and a visible presence
- Strengthening the local economy
- Decent homes for all
- Protection of children
- Caring for adults and older people
- Active, healthy citizens
- Inspiring efficiency, effectiveness and equity

#### **4.0 The context for devolution in London**

4.1 London is the biggest and most economically successful city in Europe. It is now an established global megacity. But it hasn't always been this way. London's population was declining for over four decades until 1985. From that point it started to rise again. By 2015, London's population matched (and then exceeded) its 1939 peak level of 8.5m. The growth of people over the past decade has been fuelled by, and is itself a fuel for, London's economic success.

4.2 This success stems from London's specialisation in the knowledge and service sectors. Across the UK in 2015, 1 in every 10 jobs were in the manufacturing sector; in London it was 1 in every 50 jobs. In 1984 there were almost 500,000 jobs in London's manufacturing sector, thirty years later this has declined to just over 100,000. By contrast, in the sector that has professional, real estate, scientific & technical jobs the numbers have grown from just over 300,000 in 1984 to just under 900,000 by 2014. Indeed it is estimated that half of all London's forecast job growth is in this latter category.

4.3 Jobs draw people; and large talented pools of people draw jobs. Over the next 6 years it is estimated that London's working age population will grow by 11 per cent. For the rest of England the comparable rate of increase is just 1 per cent.

- 4.4 So London's success is fuelling itself. But the downside to success is a demand for housing that greatly outstrips supply; congestion generally and creaking infrastructure; and a range of public services, including those provided by local government having to expand their coverage and their productivity to keep pace with a fast rising population.
- 4.5 London led the economic recovery after the financial crash of 2008 – between 2010 and 2012 the capital accounted for 79 per cent of national private-sector jobs growth and over the past decade it has created over three quarters of a million jobs. A fifth of all UK businesses are located in the capital and it has the highest rate of business start-ups anywhere in the country.<sup>1</sup>
- 4.6 London boosts growth across the whole country. 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. And 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.<sup>2</sup>
- 4.7 If London were to maintain its historic growth performance and in so doing boost the growth rate of the 14 other largest metro regions in the UK to achieve growth in line with the Office for Budget Responsibility's (OBR) forecast for average nominal growth in GVA for the UK, the 14 regions' GVA would be £943bn higher in 2030 than in 2013. This would make a significant impact on the UK's net debt, set to be £1.6 trillion in 2018–19; and more quickly wipe out the UK's structural deficit, currently at £94bn (2013/14) and set to only become surplus in 2018/19.<sup>3</sup>
- 4.8 However, the indicators of strong performance mask three deep seated structural issues that will put London - and with it the UK's - long term social and economic prosperity at risk if they are not tackled:
- **London's labour market isn't working. Entrenched unemployment and low skills is creating an economic drag.** The 430,000 unemployed people in London are costing the tax payer £4bn and the economy approximately £6bn in lost economic output a year while the 30,000 skill shortage vacancies in the capital are making London £3bn poorer a year and denting confidence in the capital's economy
  - **London's housing market isn't working. Public resource is not deployed as effectively as it should, resulting in a chronic shortage of housing of all types.** London's population has passed its previous 1939 peak of 8.6m and there will be just over nine million people living in the capital by 2021. The capital now needs a minimum of 49,000

---

<sup>1</sup> Centre for Cities, *Cities Outlook 2015* (2015)

<sup>2</sup> Centre for Cities (2014), *Cities Outlook 2014*, pp.20-21

<sup>3</sup> City Growth Commission, *Unleashing Metro Growth: Final Recommendations of the City Growth Commission* (October 2014)

additional homes per year to clear the existing backlog of housing and meet future population growth.

- **Rapid population growth is rendering our public service model unfit for purpose.** Unless there is systemic reform of public finance (and even if the capital does manage to maintain its historic growth rate), London's rapid population growth combined with the planned reductions in spending, will mean that some Londoners will suffer in terms of access to services. If we do not secure an ambitious and bold new settlement for London we will undermine the recovery and see the rapid deterioration of public services. It is therefore vital that the £93bn of public expenditure in London is managed responsibly in the next period.

## **5.0 Devolution in London and sub-regional partnerships**

- 5.1 The London already has a significant degree of devolution- through the Mayor of London and the Greater London Authority. The GLA already has housing, planning, economic development and transport powers, as well as being an 'intermediate body' for EU structural funds.
- 5.2 The recent devolution deals granted to other regions in the UK (alongside the election of Metro Mayors and establishment of combined authorities) have bought many of those places in line with the powers London already has, but two areas of significant devolution have been granted to London in the last six months. In adult skills, London and its sub regions were given significant role in the Area review of FE and devolution to the GLA of the Adult Education Budget is underway. The Work Programme has been devolved. The new Work and Health Programme will be commissioned by the sub regional partnerships in London. The scale of London means that meaningful devolution has to go to a level below the Mayor of London, but for many strategic issues individual Boroughs do not have the scale to deliver.
- 5.3 Sub-regional partnerships in London have existed for many years and have changed in composition over time. Lewisham has traditionally not been a member of such formal partnerships, looking into the centre of London in relation to economic issues and to other south east London Boroughs in relation to health issues.
- 5.4 Lewisham has a very small economy, with a predominance of small and micro business and very few larger businesses. It is well connected by transport into Westminster, the City of London, Canary Wharf and Southwark where over 60% of our residents work. Lewisham has relatively affordable housing (although like the whole of London still unaffordable for those on average incomes- the average house price is now 14 times the median salary in the Borough). The focus of the council has been to increase the number of housing units to help tackle Lewisham, and London's housing crisis and we have exceeded our London Plan targets year on year.

- 5.5 The devolution of employment support and of adult skills means that Lewisham has to take a formal role in one of the sub regional partnerships. For economic issues, our residents look into the centre of London. Over 60% of residents travel into central London for employment. For the devolution of employment support and adult skills, Central London Forward is the most appropriate sub regional partnership. This does not affect existing Health partnerships that exist in South East London.
- 5.6 Central London Forward was established in 2008 as the Boroughs of Lambeth, Southwark, Hammersmith and Fulham, Kensington and Chelsea, Westminster, Islington, Camden and the City of London. This has changed over the years with Wandsworth replacing Hammersmith and Fulham (which joined the West London Alliance). This year Lewisham, Hackney, Tower Hamlets and Haringey are all to become associate members of CLF for the purposes of employment and skills matters.

## **6.0 Devolution of Employment Support**

- 6.1 Central Government agreed to devolve the Work and Health Programme (WHP) to London and Greater Manchester following a series of lengthy negotiations between DWP, HMT and DCLG over summer 2017. Local government through the LGA and London councils has been lobbying for the devolution of the Work Programme for many years.
- 6.2 The agreement is that London, via its four sub-regions, will lead and own a devolved programme that will be qualitatively different to the national Work and Health Programme and will provide greater opportunity for local investment, integration and innovation.
- 6.3 WHP is the national programme that will replace the previous employment support programmes, Work Programme and Work Choice. The programme will take a minimum of 5 years referrals with the possibility of a 2 year extension. WHP is subject to an aggressive timetable with a staggered national launch planned from November 2017– March 2018. London will launch the programme in March 2018.
- 6.4 The funding envelope devolved from DWP to Central London will be £29m, matched with ESF funding to offer a maximum contract value of £53m. This is significantly less than the previous Work Programme.
- 6.5 A devolved Work and Health Programme offers sub-regions and boroughs the opportunity to increase employment among disadvantaged groups, unlock additional funding to help more local residents, and integrate employment services with public services, driving co-investment and opportunities to locally test what works with cohorts with complex labour market barriers.
- 6.6 Commissioning for the Work and Health Programme will be undertaken for the Central London Region by the City of London. The design of the new Work and Health Programme is being undertaken by Central London Forward following

consultation meetings with boroughs, task and finish groups, VCS organisations and health partners including NHS England, CCG's and local authority Public Health Departments, the following design principles have been agreed:

- A Payment by Results model that to include an upfront fee for providers delivering the programme and additional payments for defined outcomes, where participants earn the equivalent of working national minimum wage for 26 weeks at 16 hours per week, and where participants earn the equivalent of London Living Wage for 26 weeks at 21 hours per week - (e.g. participants earning £3,000 or £5,300 respectively).
- Matched funding through ESF so that additional volumes and cohorts can be included in the programme, subject to approval from Greater London Authority
- Local integration with caseworkers embedded within local authority services and located in borough premises, where possible
- CLF will explore opportunities to unlock funding through negotiating public service deals with health partners. Opportunities to reduce duplication and align resources will be explored in order to maximise the direction of travel that health is moving in where employment outcomes will count as health outcomes.
- Local health partners will help to co-design the programme and support some of the high level decision making. The local design will ask Providers to deliver a specialised health and condition management offer either through health and well-being caseworkers or disability specialist providers.

## **7.0 Devolution of Adult Skills**

- 7.1 The skills system in England has been widely criticised for being too complex and insufficiently responsive to the needs of businesses and the local economy. In London, this problem has been particularly acute. The growth of higher skilled sectors like professional and business services, financial services and IT over the last two decades has driven demand for better skilled labour. And this trend is set to continue, with job growth in professional services alone expected to account for 40% of the total increase in jobs over the next 20 years.<sup>4</sup>
- 7.2 However, the skills system has failed to keep up with this demand and grow the skills that London's businesses need. Vacancies caused by skill shortages doubled from 14,000 in 2011 to 30,000 in 2015. Indeed, 42% of businesses surveyed were not confident that they could find people with the high level of skills they required to meet their needs over the next 5 years.<sup>5</sup> Despite this growing demand for higher skilled labour in London, most of the qualifications provided by the system are at lower levels - 83% of further education skills provision and 60% of apprenticeships were level 2 and below in 2014/15.
- 7.3 Under pressure from London government, the Government has sought to respond to this problem in two ways. First, by launching an Area Based Review in London (and elsewhere) to look at whether the skills system was financially

---

<sup>4</sup> London, Skills devolution to London: A Proposal for Government (2015)

<sup>5</sup> London Business Survey (2016).

viable and had the capacity to meet the needs of learners and employers. More recently, it has announced a willingness to devolve aspects of the skills systems to London as part of the London devolution deal.

7.4 In parallel to the Area Based Review, London has been pushing for greater devolution of the skills system through the London Devolution Deal.

7.5 London has asked the government to:

- Devolve funding and responsibility for 19+ adult education (including power to set policy direction, entitlements and incentives)
- Devolve funding and responsibility for 16-19 further education provision
- Devolve a share of London's apprenticeship levy to increase higher level apprenticeships and SME take-up
- Formal role in commissioning a London-wide careers advice service

7.6 The Government has committed to devolving the 19+ adults skills budget with limited strings attached beyond delivering existing statutory entitlements. The budget for 19+ adult skills (£400m/ year across London) is likely to be devolved to London in 2018/9 and this will include the existing adult and community learning budgets.

7.7 GLA is preparing for implementation and has established the Skills for Londoners Board. The GLA and London Councils are in negotiation on how skills will be jointly managed in London with the sub regions. Central London Forward will have an important role in defining the skills needs in the central region and making the case for central London within London discussions.

7.8 A central London Employment and Skills Board will be established to oversee and steer the skills strategy in the central London Boroughs. This will enable a voice for Central London Boroughs in the devolution of skills to the GLA.

## **8 The Central London Forward Memorandums of Understanding**

8.1 In order for Lewisham to take part in the devolution of work and skills in London, we need to agree two Memorandums of Understanding. The first (Annex One) is a MOU of participation in the Central London Forward Joint Venture Agreement, allowing Lewisham and the 3 other additional Boroughs to join the Central London grouping for the purposes of work and skills. The second (Annex Two) is a MOU for joint working by public bodies which lays down how the 12 Boroughs of CLF will work with DWP on commissioning and management of the Work and Health Programme.

8.2 The eight original members of Central London Forward entered into a joint venture agreement for Central London Forward on 11th February 2008 ("First Agreement") which was subsequently varied on 8th June 2009 ("First Extension"), 20th March 2012 ("Second Extension") and 12th February 2015 ("Third Extension") and together known for the purposes of this MOU as "the Preceding Agreements". Annex One adds Lewisham, Hackney, Tower Hamlets and Haringey to the core eight CLF Boroughs of Wandsworth, Kensington and

Chelsea, Hammersmith and Fulham, City of Westminster, City of London Corporation, Camden, Islington, Lambeth and Southwark.

- 8.3 The Third Extension introduced a new clause 15.3 which required that each Special Project had an associated memorandum executed by the participating authorities. The MOU on joint working in Annex allows for the implementation of the 'Special Project' described in Appendices One and Two (the commissioning of the Work and Health Programme).
- 8.4 The Authorities wish also to record the basis on which they will collaborate with each other on the Special Project. The attached MOU sets out:
- the principles of collaboration;
  - the key objectives of the Special Project;
  - the respective roles and responsibilities the Authorities will have during the Special Project;
  - the governance structures for the Special Project; and
  - the MOU with DWP.
- 8.5 The special project is procurement of the Work and Health Programme. For the purposes of clause 15 of the Preceding Agreements, Schedules 2-4 constitute the 'project specification' for the Special Project and the Parties confirm their agreement to the project specification. The Parties have agreed a specification ("Specification") for the contract being procured for to the Special Project (the "Contract").
- 8.6 It is acknowledged by the Related Authorities that the Lead Authority shall enter into a contract with the supplier of the Special Project for the benefit of the provision of the Services to the Lead Authority and the Related Authorities. The MOU is the Access Agreement for the Related Authorities for the purposes of the Contract.

## **9. Financial Implications**

The total spend of the span of the MOU (20k annual subscription to support the core CLF function and £20k contribution for the Special Project and Lewisham's share of the Management Costs of managing the Contract with the Provider).

The Work and Health Programme is funded by the DWP and the contract value is between £29- 53 Million across the Central London.

These costs will be covered through the use of existing resources.

## **10. Legal Implications**

- 10.1 The City of London have procured a Provider for the Work and Health Programme on behalf of the local authorities associated with Central London Forward ("the Special Project") and have followed a compliant EU procurement process.

- 10.2 The Council's spend in relation to the Special Project for the Work and Health Programme (£20k annual subscription to support the core CLF function and £20k contribution for the Special Project and Lewisham's share of the Management Costs of managing the Contract with the Provider) means that this is a Category B contract. Mayor and Cabinet are asked to approve the spend due to the nature of the Special Project and the wider implications.
- 10.3 Both MOUs are between the local authorities that are mentioned in paragraph 1.2. They include non-legally binding provision such as how the authorities are to collaborate with each other to achieve the Special Project. The role of the City of London to manage the Special Project, dealing with all enquiries, complaints, claims or actions, and the annual subscription and contributions that the authorities are to pay are legally binding.
- 10.3 A further legally binding provision in the MOU is that liability as a result of the Provider's default is dealt with by the City of London as the lead authority and distributed to the relevant authority where appropriate.
- 10.4 The MOU cannot be withdrawn from until the expiry date of 1 November 2025.

## **11. Equalities Implications**

There are no direct equalities implications arising from this report. However equalities objectives will be addressed in the contract documentation and formed part of the criteria used in the tender evaluation.

## **12. Environmental Implications**

There are no direct environmental implications arising from this report. The Council's environmental objectives will be addressed in the contract documentation and formed part of the criteria used in the tender evaluation.

## **Background documents**

Overview and Scrutiny Committee, 26<sup>th</sup> October 2015, Devolution report

Overview and Scrutiny Committee, 10 March 2016, Mayoral response on devolution

Overview and Scrutiny Committee, 24<sup>th</sup> October, Update on Devolution

Overview and Scrutiny Committee, 23 January 2017, Devolution Update,

Report Author: Robyn Fairman, Head of Strategy, x46635