



West London Economic Prosperity Board

17th February 2016

Title	Jointly Designing the Future Skills and Employment Support Offer in West London
Report of	Cath Shaw, Commissioning Director Growth & Development, LB Barnet
Wards	All West London Boroughs
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Summary

Negotiations continue on proposals for devolution and public service reform in London between the Government, Greater London Authority (GLA), London Councils (LC) and boroughs. The London Proposition covers six themes: Employment and Complex Dependency; Skills; Enterprise Support; Crime & Justice; Health; and Housing, as a platform for authorities and groups of authorities to improve outcomes. This report focuses on the 'Employment and Complex Dependency' and 'Skills' themes, which are increasingly being treated as a single work stream.

Negotiations are ongoing, but there are currently four emerging elements to the skills and employment devolution package:

- Increasing co-location of job centres with local authorities.
- Introduction of a new work and health programme, to be jointly commissioned with boroughs and provide support to claimants with health conditions or disabilities and the long term unemployed.
- Devolution of the "adult education budget" by 2018/19, combining the existing non-apprenticeship adult skills budget with the adult community learning budget, and estimated to be worth £330m for London.
- Leadership by London Government of the post-16 education and training reviews (the 'Area Reviews', covered in a separate report).

Each of these elements has a significant sub-regional dimension and West London, comprising the West London Alliance boroughs, is widely recognised to be a coherent sub-region. Consistency with the European Social Fund area boundary is also an advantage.

West London now needs to develop robust and workable approaches to developing these new services, the success of which will provide the basis for further negotiations with the Department for Work and Pensions, Department for Business Innovation and Skills and the Treasury. This will require consideration of the following key points:

- **West London's vision for universal and truly integrated employment service.** DWP has committed to working with London to enhance the core job centre plus offer (including via co-location). This as an opportunity to develop a customer-centred offer, leading to a more effective and joined up service. There is a risk that this will be overly influenced by a key driver for DWP: to make savings in estate costs. LB Brent has begun developing a vision of what integration could look like, what outcomes it could deliver, and a customer journey blueprint to show how a more integrated model could work and would welcome further input from other boroughs
- **Development of a credible commissioning function for skills and employment support at regional and sub-regional level** - capable of commissioning up to £25m for the Work and Health programme (replacing Work Programme and Work Choice) and £330m for skills, plus ESF matched funds, per year across London. In the immediate term work is needed to design and co-commission the work and health programme with DWP to be procured during 2016/17, to take advantage of the opportunity to influence outcome agreements and funding for adult education providers at the sub-regional level over the next two years prior to full devolution. This will include work to identify and articulate the particular needs and priorities of the sub-region, as well as the assets and contributions (including financial) it can bring to the table; consideration of how increasing control over skills budgets could support this; and, potentially, leadership of a process to commission

and procure the Work and Health programme for the sub-region, including all commercial aspects followed by on-going contract management and system governance.

- **How to resource this work.** Each sub-region will need to determine how to organise, resource and manage this work (with support from London Councils and the GLA). Some of these functions could be partly or wholly undertaken jointly between the sub-regions at the pan-London level. The division of responsibilities is currently being explored with partners, and resourcing the administration of devolved functions remains a key part of the negotiation with central Government. It is recommended that West London Chief Executives agree a resourcing plan for this work based on the emerging requirements from pan-London discussions. This will need to take account of increasing activity around delivery of the West London Area Review of post-16 education (see separate agenda item).

Next steps will depend in part on negotiations with Government and Whitehall, and in part on the extent to which the Board chooses to invest in the capacity and resources needed to take advantage of these opportunities¹.

Recommendations

That the West London Economic Prosperity Board:

1. **Welcomes progress in developing a devolution package for skills and employment, and acknowledges that greater influence over the commissioning of these services could bring benefits for West London residents and businesses.**
2. **Requests the Barnet Chief Executive, Barnet Growth Director and West London Alliance Director, supported by all West London Alliance Growth Directors, oversee the design and commissioning of the Work and Health Programme and the move towards local hubs, while representing West London in the negotiation team to push for sustainable funding and joint-governance arrangements.**
3. **Requests West London Chief Executives and Growth Directors to develop and agree a resourcing plan for devolution of skills and employment commissioning taking account of the emerging requirements from the pan-London discussions.**
4. **Requests that West London (through the West London Alliance Director and Growth Directors) engages DWP strategically at a national, London and sub-regional level, to ensure that co-location is taken as an opportunity to deliver more integrated services, for example building on the learning from Working People Working Places pilots.**
5. **Requests officers Head of Employment and Skills and Partnerships and Innovation Manager at LB Brent investigate councils' responsibilities within an 'integrated front door'.**

¹ The London Proposition states that "*London is prepared to make a significant investment, through cash and services, to achieve this goal*" [of meaningful reform].

6. **Considers whether coterminous Job Centre Plus and Sub-Regional boundaries should be sought².**
7. **Requests a report identifying priority cohorts, outcomes and costed delivery models for both skills and employment support for agreement at the June meeting of the WLEPB.**

1. WHY THIS REPORT IS NEEDED

- 1.1. One of the functions of the West London Economic Prosperity Board is:
“Seeking to be the recipient of devolved powers and/or funding streams for the local government areas of the participating local authorities, which relate to the economic prosperity agenda” (WLEPB Function and Procedure Rules).
- 1.2. Concentrated areas of deprivation, unemployment and low skills endure within all West London Boroughs, illustrating the need for a more inclusive approach to growth. The West London Local Economic Assessment finds that there is a mismatch between the skills of the population and the needs of businesses, which is likely to become more acute over the next ten years and as the population continues to increase³. While the London labour market has seen strong employment growth in recent years and a subsequent reduction in the numbers of people claiming Job Seekers Allowance (JSA), long-term unemployment remains a significant issue and claimants of Employment Support Allowance (ESA) are by far the largest group.
- 1.3. While councils play an active role in shaping the employment and skills system - through strategic influence and partnerships, commissioned and in-house delivery - most of London’s employment support is currently delivered through the DWP:

Work Programme

The Work Programme is the DWP’s main welfare-to-work programme for the long-term unemployed. It commenced in 2011 and will be **re-commissioned in 2017**. While delivering satisfactory outcomes for Job Seekers Allowance (JSA) claimants once the economy recovered, performance for complex groups, particularly those with health conditions and disabilities (who claim Employment Support Allowance [ESA]) has been poor (albeit improving on initial outcomes). There are two main reasons for this

- (a) lack of integration with local public services
- (b) insufficient funding for complex cohorts leading to ‘parking’ of the most difficult cases.

² For West London this only affects Barnet.

³ It is important to note that the skills and employment propositions will need to be aligned to ensure they work together to improve skill levels and enable improved levels of employment.

Job Centre Plus (JCP)

JCP's role is to administer the working-age benefits system and to provide employment support to individuals claiming out-of-work benefits. Approximately 80% of JSA claimants find a job within six months, with little need for public service support, and the introduction of Universal Credit means the majority of future support for this group will take place on-line. JCP services are far less effective at dealing with more complex claimants (such as those with mental health conditions). JCP also has relatively limited levers with residents who aren't mandated to participate (because they do not claim a benefit or do not claim an active benefit). The core business objective of the service is the reduction of the benefit register, rather than entry into sustainable work, with a substantial number of clients in a 'low pay, no pay' cycle.

Skills Funding Agency

Adult skills provision (from age 19 and over) is currently funded by the Skills Funding Agency with allocated funds passed directly to local skills providers. Funding structures currently incentivise providers to deliver courses in-demand by learners (rather than employers) although outcome related payments are increasingly influencing providers to work with local employers to tailor skills provision to their needs. All individuals have a basic skills entitlement enabling them to access free courses to acquire 5 GCSEs A-C including English and Maths and a first Level 3 ("A" level equivalent) qualification. JCP also works with local providers to deliver basic skills courses to support JCP customers into work – including Basic Skills and ESOL as well as short courses aimed at improving their employability in specific industries.

- 1.4. The West London Alliance has already made significant progress in developing more integrated local employment and skills services (within the current constraints) that reflect the aspirations of the CSR. Including:
- The Mental Health Trailblazer, which is seeking to pioneer an alternative and more effective way to provide integrated health and employment support to residents with low to moderate mental health needs. This is currently being procured for Harrow and Barnet, soon to be rolled out to all 7 West London boroughs.
 - Working People Working Places, which has created integrated models of front-line employment and skills support, with Jobcentre Plus co-location at its heart, along with a more holistic assessment of residents needs, drawing upon a wide array of local resources including public services and the voluntary and community sector.
 - The Skills Escalator which aims to support in-work benefit claimants to increase their skill levels with short targeted courses (e.g. Fork Lift Drivers Licence) which enable them to progress in work and increase their income.
- 1.5 Evidence from these pilots and demonstrated through detailed business cases consistently shows that the types of cohorts being supported will otherwise place significant demand and cost pressures on public services.

- 1.6. Nationally, devolution deals have been agreed in cities such as Manchester, Sheffield and Liverpool and regions such as the West Midlands while debates continue about the future of a devolved Scotland and, increasingly, Wales. The London Proposition articulated a comprehensive devolution agreement to raise the employment rate in London (and halve the disability employment rate gap), to address the skills gap and to put forward a model for joint governance of employment and skills, including a financial 'Gain-Share' or AME/DEL split⁴.
- 1.7. The Government has responded to these proposals in a number of ways. London Boroughs must now respond with some urgency:
- The joint Comprehensive Spending Review (CSR) and Autumn Statement on the 25th November 2015 stated: *"the Mayor of London and the boroughs [to] jointly commission... A new **Work and Health Programme** after current Work Programme and Work Choice contracts end, to provide specialist support for claimants with health conditions or disabilities and those unemployed for over 2 years."*
 - The CSR also announced £115 million of funding for the **Joint Work and Health Unit**, including at least £40 million for a health and work innovation fund, to pilot new ways to join up across the health and employment systems.
 - London has been offered a **devolution deal on skills** similar to those announced with Manchester and Sheffield. That being steps towards full devolution of Adult Education Budget (including former non-apprenticeship Adult Skills Budget, Community Learning budget and bursary funding), expected to be circa £300m for London, from 2018/19. This includes the opportunity for London and sub-regional government to influence outcome agreements with FE colleges for 2016/17 and change allocations for individual colleges during 2017/18. From 2018/19 there is an expectation that while London Government will commission the majority of Adult Education for London sub-regions will have the ability to control a proportion of this budget, aligning it other devolved and local funds.
 - Central Government also agreed for London to take the lead on the London **Area Reviews**, covered in a separate paper on this agenda [Post 16 – Education and Training Review: Implementation Plan].

2. REASONS FOR RECOMMENDATIONS

- 2.1. The immediate priority is to confirm our commitment to the West London sub-region for this purpose, so that all boroughs are covered and the potential to pool investment and drive integration is maximised (for example, via links to

⁴ To encourage investment by government in support to deliver outcomes (from Department Expenditure Limits), to make savings to the reactive investment such as out of work benefits (Annual Managed Expenditure) and for the savings to be used, in turn, to sustainably finance devolved provision.

devolved ESF and adult education budget provision⁵). This is essential to accelerating the vital work needed to:

- Influence Universal Support, via 'local hubs' (co-located and integrated with JobcentrePlus).
- Commission and procure the Work and Health Programme.
- Manage the devolution of adult education budget (linked to Area Based Reviews).

Local Hubs

- 2.2. As DWP's property contract with Telereal Trillium draws to a close, a number of the West London local authorities are in touch with their Jobcentre Plus District Managers about property co-locations. However, without a clear agreement on the desired service model, there is a real risk that the opportunity for transformative service re-design will be missed as 'business as usual' continues in different buildings. While there is local JCP commitment to the idea of integration and service redesign rather than just physical co-location, there remains a need for **WLA to engage with DWP at a strategic level** to ensure the outcome of better integration is not lost in the pursuit of back office savings.
- 2.3. Given the reductions in spending, it may not be easy to define the Borough's estate and services for 2017/2018 onward. In this context, it is necessary to **gain a detailed understanding of council's responsibilities within an 'integrated front door'** such as support to access benefits and other services and ensure that the associated costs of this are reflected in any deal. This would help to ensure these essential services are not under resourced and guard against cost being transferred from Central to Local Government. JCP will now be dealing with a greater volume of residents due to Universal Credit, weekly signings and increased numbers of people who would have previously been referred to the Work Programme. These people will have more complex needs and may well be accessing council services, therefore local authorities are well placed to assist them. It is important for boroughs to gain an understanding of how their contributions can be well targeted to appropriately resource new demands *and* achieve council priorities.
- 2.4. London Job Centre Plus districts are not coterminous with the sub regional partnerships in London; for West London this means that Barnet is part of the North London JCP. The Board should **consider whether coterminous alignment across London should be sought** to facilitate closer integration and clearer accountability in an increasingly devolved employment and skills system.

Work and Health Programme

⁵ The current expectation is that London will be able to influence the adult education budget in 2017/18 (via Outcome Agreements), with full devolution of funding in 2017/18.

2.5. The national budget for the Work and Health Programme will be £130m over four years, with a likely annual allocation in London of between £15m-25m (so perhaps £60m-£100m in total)⁶. This could be matched with ESF in London and linked to any future devolved adult education budget. The programme will be for very long term JSA claimants (24 months plus) and certain unemployed individuals with a health condition or disability. London Boroughs are set to move rapidly to an intensive phase of joint work with DWP to design the programme and develop the commissioning strategy.

- **January – April 2016:** Finalise programme design
- **April to summer 2016:** Develop commissioning specification
- **September 2016:** Issue Invitation to Tender (ITT)
- **April 2017:** Award contract
- **September 2017:** Go live (four year programme)

2.6. Initial conversations since the spending review suggest that DWP is, subject to further discussions, open to using London's four emerging sub-regional geographies as the contract package areas for the Work and Health Programme and for **sub-regional partnerships to lead on the commissioning, procurement and contract management of the programme**. This provides the potential to: draw in additional investment (for example, from ESF⁷ and adult skills spend where we will have greater control in 16/17 and 17/18 and a devolved budget from 2018/19); drive meaningful integration of local services (for example, health services); and develop more innovative approaches to supporting residents into work.

2.7. Each sub-region will need to **determine how to organise, resource and manage this work** (with support from London Councils and the GLA). Set out below are headlines of the kind of functions which will need to be undertaken or developed over the coming months, working with DWP (some could be undertaken jointly between the sub-regions at a pan-London level, which is currently being explored). It is essential that London and its sub regions can demonstrate that suitable and credible arrangements are in place.

- Governance arrangements for the sub-regional employment and skills system;
- Programme management – including for the Work and Health Programme;
- Analytics, forecasting and financial planning;
- System design – including design of the Work and Health Programme, and devolved skills budgets and how it will be integrated with other local services;
- Commissioning strategy – for Work and Health Programme and Adult Education;
- Procurement of Work and Health Programme;
- Influence of skills outcome agreements for 2016/17 and allocation of funding in 2017/18

⁶ This will be determined on the basis of participant volumes and unit pricing per participant.

- Mobilisation of Work and Health Programme – embedded with other local provision;
- Contract and performance management of employment and skills providers;
- On-going active partnerships and service integration function;
- Review, learning and evaluation.

2.8. Sub-regions must **identify priority cohorts, outcomes and costed delivery models**. Modelling of delivery model costs and outcome payments is currently being developed, commissioned by Central London Forward to Westminster Policy Institute for use by all London boroughs.

2.9. Work is also underway to consider a more ambitious longer term programme, including London's aspiration for a 'gain share' approach. This will need careful consideration and balancing of opportunities and risks. Further reports will be provided to the Board as appropriate

Skills Devolution

2.10. 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

2.11. London Government has entered into a negotiation with HMT and BIS on the proposed devolution deal (set out in paragraph 1.7), to shape a deal which recognises the unique nature of the London labour market – for example by including appropriate influence over apprenticeships and 16-18 education and training in London, not included in deals with other cities – and provides clarity on the how administrative costs and financial risks will be shared between London and central government given that 16-18 education funding will not be devolved.

2.12. Nevertheless while a deal is being negotiated, the department for Business Innovation and Skills is looking to London Government – including the sub-regions, to begin to influence how skills funding is deployed in the sub-regions during 2016/17 and 2017/18. West London boroughs **must carefully consider their collective local skills priorities and develop our capacity of commissioning skills** in order to make the most of this opportunity. The Area Review process will assist with this, but additional work will need to be undertaken. London Government is also beginning to develop the detail about how we might manage a devolved employment support and adult education budget including:

- how we would set regional and sub-regional priorities;
- how we would approach the development of an element of the adult education budget to sub-regions;

- how we would link our employment and skills offer.
- Who the key target cohorts would be for this offer and wider skills delivery

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

3.1. The alternative is to not engage with the employment and skills devolution agenda. This is not recommended as significant opportunities to influence and improve employment and skills provision for our residents and employers would be missed. The reductions in overall expenditure on skills and employment support (especially impacting on the numbers of residents able to access specialist provision) as a result of cuts in previous years and the 2015 spending review risks leaving even more of our disadvantaged residents without support to access relevant skills development to enter and compete in the labour market. Without reform, an increasing number of West London residents will be locked out of the labour market and the benefits of work, which will continue to drive increased demand and costs for public services at a time of sharp spending reductions and west London employers risk not having access to the skilled workers they need to drive productivity and growth.

4. POST DECISION IMPLEMENTATION

4.1 London Councils has put forward the following structure for negotiating with DWP and co-designing a Work and Health programme for London.

- A negotiating team to have regular meetings with DWP. This would comprise two representatives from London Councils; a representative from Islington (Lesley Seary as the Lead Chief Executive for employment devolution); sub regional partnership Directors (including the WLA Director) from each of the four sub-regions (based initially on the ESF sub-regions) and one representative from the GLA.
- A wider reference group where London Councils provide updates to and gain feedback from all boroughs. This would meet regularly; the frequency of meetings will depend on how intense and quick the development of the new Work and Health Programme is.
- To demonstrate the real added value of sub-regional influence while addressing the likely objections and robustly argue for a longer term 'reward share' or AME:DEL switch element, the following detail is needed from boroughs with regards to the Work and Health Programme:

Work-steam	Lead
1. A blueprint/vision about how the programme should be designed to reflect local needs, assets and priorities ⁸ .	Boroughs within sub-regions and sub regions within London collaborating together
2. Concrete and plausible avenues for drawing together funding pots and services around the programme which would generate additional investment and enable meaningful integration (that would not be possible if DWP pursued a standard national commissioning process).	<p><u>London Councils</u>: seeking to make progress on a pan-London basis to clarify the possibilities in a few key areas:</p> <p>ESF – In dialogue with the GLA, with the aim of identifying a broad level of investment that could be drawn into a programme across London, and under what conditions sub regions could themselves become co-financing organisations if necessary .</p> <p>Skills devolution – similarly seeking to clarify what resource might be available via the adult skills budget from 2017/18 to integrate into a sub-regional employment/skills programme.</p> <p>Social investment – seeking a discussion with the cabinet office about whether the £80m ‘outcomes fund’ to support social finance could be drawn on.</p> <p>Health – seeing whether any resource from the £115m allocated to the joint DWP/DoH unit could be used to test and trial new approached via the Work and Health Programme in London.</p> <p><u>Sub-regions</u>: to explore any other investment possibilities, such as from s106⁹ or local health commissioners (CCGs or public health).</p>
3. Clear sub-regional geographies in place that cover the whole of London and which have the capability and governance arrangements to effectively run the commissioning procurement and contract management.	Sub-regions (West London geography is aligned with the ESF contract package areas, with effective governance and evidence of operational collaboration). Discussions about appropriate commissioning, procurement and contract management arrangements and accountability are ongoing.

⁸ In anticipation of the spending review announcement, London Councils commissioned Westminster Policy Institute to create a tool to cost interventions for potential client groups. This tool will allow sub-regionals to input the variables listed below in order to agree: eligible match (cash and in-kind); eligible customers, size of cohort (volumes) and unit prices.

⁹ It should be noted that Central London boroughs are in far stronger position with regards to Section 106 income. Outer London boroughs are more likely to be reliant on seeking funding contributions from CCGs or Public Health.

- 4.2 The West London Alliance Director will work with chief executives and growth directors to developing a resourcing plan which enables the WLA boroughs to engage fully with the skills and employment devolution offer from central government.

5. IMPLICATIONS OF DECISION

5.1. Corporate Priorities and Performance

- The proposals support the West London Vision for Growth on employment and skills, as well as the WLEPB ambition for devolution.

5.2. Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

- 5.2.1 The recommendations propose more detailed investigation into the devolution proposals. Taking forward any or all of the proposals will have resource implications¹⁰.

Potential co-location with Jobcentre Plus: This will result in property deals with financial implications. Feasibility work with JCP is yet to be started in detail.

Co-commissioning with DWP to deliver the Work and Health Programme: This will require boroughs agreeing shared accountability for performance with the DWP, the level of devolved funding, as well as the level of investment of local resources. More detailed work is required to agree with the DWP the co-commissioning governance and accountability, to agree the level of investment from DWP and local parties, and the payment by results model. Risks need to be fully considered by boroughs in light of this additional detail.

Investment in the employment support co-commissioning pot will need to be considered alongside the relative merits of investing in other devolution co-commissioning pots such as adult skills or the European funding opportunities that require match funding.

5.3. Social Value

There may be potential for the West London Alliance to collaboratively procure a provider of the Work and Health Programme and ensure Social Value is duly considered.

5.4. Legal and Constitutional References

Not applicable

¹⁰ If boroughs officers are to spend time on influencing / delivering it will impact on their borough roles.

5.5. Risk Management

- The risk of not progressing the devolution proposals for co-location, co-commissioning and 'gain share' are that opportunities for the West London boroughs to influence the design and investment of provision will be missed, which in turn could lead to programmes that don't meet the needs of our residents.
- Each proposition has its own risks that will need to be explored when they are considered in more detail:
 - The co-location proposal risks being a property solution for JCP without providing the integration of services that boroughs require. To mitigate this, boroughs need to clearly negotiate the benefits of integration and have a clear view of minimum expectations.
 - Co-commissioning entails financial and delivery risks, if the right deal isn't reached regarding the total level of DWP and local investment to create a viable and successful programme. Accountability arrangements for performance also need to be developed and agreed with the DWP and HMT.

5.6. Equalities and Diversity

- The devolution proposals for West London are aimed at supporting vulnerable residents with complex dependency. However, full equality impact assessments will still be undertaken when they are taken forward in more detail, including; co-location; co-commissioning; and 'gain-share'.

5.7. Consultation and Engagement

- It is proposed that client groups that would be supported by the provision would be involved in the design process for the services, along with key partner organisations.

5.8 Insight

- 5.8.1 The West London Economic Assessment provides a baseline of key economic performance and employment data for the sub-region.

6. BACKGROUND PAPERS

- 6.1 The West London Vision for Growth may be found [here](#)
- 6.2 The London Proposition may be found [here](#)
- 6.3 Congress of Leaders – London Councils 14 July 2015 Item 2 - Devolution & Public Service Reform [here](#)