

Central London Forward Employment Project

Paper No.2

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Executive Summary

Introduction

This paper is the second paper for the Central London Forward Employment Project and will provide practical recommendations for London boroughs on how best to engage with the new policy landscape for employment support.

The central London context

The central London economy is of vital importance to the overall UK economy as it is home to over 1.4 million people, over 16,000 businesses, and 2 million jobs across a range of industries.

In May 2010, 678,770 London residents were out of work and claiming benefits, of which 138,770 reside in central London. This figure represents 12.7% of the working age population which is slightly above the national figure of 12%.

In central London, out-of-work benefit claimant rates are above the London average in Islington (17.1%), Lambeth (15.1%) and Southwark (14.2%), and below the London average in Camden (11.8%), Kensington and Chelsea (9.9%), Westminster (10.1%) and the City of London (3.9%).

The Coalition Government policy: *Get Britain Working*

The Get Britain Working policy framework proposes the introduction of an integrated welfare-to-work initiative called the Work Programme that will be delivered by Prime Contractors appointed by the Department for Work and Pensions. Get Britain Working also includes a number of complementary employment support programmes known as 'Get Britain Working' measures that have been recently launched or are currently under development by DWP and will be within the mandate of Jobcentre Plus.

While the overall direction has been set, it is not sufficiently clear how local authorities will be able to work with Prime Contractors and Jobcentre Plus to co-commission complementary support in the new policy landscape.

2.1 – *Get Britain Working* – policy implications for local authorities

The Get Britain Working measures that will sit alongside and complement the outcomes to be delivered under the Work Programme are:

- **Work Clubs** – a network of neighbourhood-based places where unemployed people can gather to exchange skills, find opportunities, make contacts and provide mutual support;
- **Work Together** – to encourage unemployed people to get involved in volunteering;
- **Work for Yourself** – provide unemployed entrepreneurs access to business mentors and start-up loans;
- **Youth Action for Work** – provide extra training opportunities to supplement and complement the Work Programme;
- **Service Academies** – business-led pre-employment training and work placements for unemployed people in a range of industries; and

- **Mandatory Work Activity** – mandatory four-week work placements for long-term Jobseekers Allowance recipients.

There are concerns over how these measures will be resourced as support from the Government will be limited, particularly for London local authorities. However, the Get Britain Working measures do offer new opportunities for local authorities to work collaboratively with private and voluntary sector partners to provide training and employment opportunities for residents.

2.2 – Universal Credit: welfare that works

The White Paper *Universal Credits: Welfare that Works*¹ sets out the Coalition Government's ambition for the radical reform of the benefit system. The current system is seen as too expensive and overly complex for both beneficiaries and administrators; does not incentivise work and traps people into long-term dependency upon benefits.

The Universal Credit will consist of a single integrated benefit for people in and out of work and be introduced for all new benefit claimants in October 2013 and gradually extended to all benefit claimants by October 2017.

Significant changes put forward in the White Paper include proposals to cap the total amount of Universal Credit that can be claimed and the tapering of reductions to benefits when a person enters the workforce.

2.3 – New ways of working; maximising resources and opportunities

Local authorities are experiencing vast reductions in core employment and skills provision budgets, placing a large amount of pressure on the commissioning of future services. This is encouraging local authorities to re-evaluate strategic priorities and explore ways in which current needs can be met while achieving ambitious cost saving targets.

Two examples of opportunities for joint commissioning include:

1. a new private-sector led job brokerage (public sector commissioned); and
2. extending the Community Budget pilots to supplement support for particular cohorts; for example families, offenders, and vulnerable adults with multiple needs.

Get Britain Working offers the opportunity for a new model to manage the brokerage of jobs, work experience, training and apprenticeships in order to achieve sustainable employment outcomes. This new model would be commissioned by the public sector but delivered through the private sector to ensure that it is driven by employer demand and the labour needs and skills of local businesses.

Community budgets allow for the pooling of various strands of central Government funding into a single 'local bank account' for a co-ordinated multi-agency approach to various social problems. This process gives councils and local partners the opportunity to develop innovative and sustainable solutions that can be applied at an early stage to drive down both short-term and long-term social costs.

¹ Department for Work and Pensions, *Universal Credits: Welfare that Works* (November 2010)

Key Recommendations for CLF and local authorities

- Support JCP and local providers to establish Work Clubs and other initiatives under the Get Britain Working banner connecting to existing borough schemes and the new Work Programme.
- Use leverage with local business partnerships and BIDs to promote job and work placement opportunities for unemployed residents, and;
- Explore opportunities to 'sell' opportunities to Prime Contractors as a means of generating income for brokerage functions.
- Universal Credit - explore opportunities to co-locate JCP benefit services with other community functions, particularly to assist those who do not have access to the internet to manage their Universal Credit claims.
- Investigate opportunities to buy in to DWP's existing framework agreement for commissioning any additional employment support services for residents with multiple problems. Additional funds could include ESF monies and community budgets, and, or;
- Explore joint commissioning opportunities for additional employment support across boroughs on a payment by results model.

- **Additional Recommendations**
- Central London boroughs should remain cognisant for opportunities to secure training opportunities and jobs for residents through initiatives such as Service Academies.
- Local authorities will need to prepare to support Housing Benefit claimants when the changes to HB come into effect and manage any increase in demand for other services.
- Boroughs will also need to ensure that revenue protection systems are in place for when the Housing Benefit fraud investigation ceases to be a council function.

Introduction

In light of the Coalition Government's proposed changes to the new welfare to work programme, Central London Forward (CLF) has commissioned a project that will deliver a programme of research and analysis to identify:

1. opportunities for central London local authorities and their sub-regional partners to increase sustainable employment outcomes for their residents; and
2. how increasingly limited resources can be used more effectively through a joined-up approach.

The project was commissioned to outline the post-election employment and skills landscape and set out the key challenges facing central London boroughs as the Government implements a reform of employment services and the benefits system. It considers what opportunities there are for local authorities and their sub-regional partners to increase sustainable employment for residents while also using resources more efficiently.

The project is being undertaken by Westminster City Council and the London Borough of Southwark on behalf of CLF and supported by Capital Ambition, the London Skills and Employment Board and the London Development Agency.

This paper is the second paper for the Central London Forward Employment Project and will provide practical recommendations for London boroughs on how best to engage with the new policy landscape for employment support. The project will draw upon the views of central London local authorities, lessons learnt from existing local programmes and the views of key players including the Department for Work and Pensions (DWP) and prospective Prime Contractors.

The first paper for the CLF Employment Project explored the detail of the Work Programme policy framework and identified three roles for local authorities and sub-regional organisations:

- Influencing the new provider market through proactively engaging with Prime Contractors;
- Undertaking capacity building activity to improve employment outcomes; and
- Investigating ways to use resources more efficiently.

The report also identified areas for further work including proposed policies such as Service Academies, 'Work for Yourself' programmes, Work Clubs and proposals around Local Enterprise Partnerships that are addressed in this paper.

Part 1 – Context

This section provides an overview of the scale and costs associated with worklessness in central London and the specific issues that affect the employment prospects of central London residents. It also introduces the Get Britain Working policy framework that underpins the Coalition Government's welfare-to-work policy reforms with particular focus on the Get Britain Working measures and the interface with the Work Programme.

1.1 Project Background

The CLF Board agreed on 3 February 2010 that there should be a greater amount of joint-working at a sub-regional level to deliver more effective outcomes for out-of-work residents and employers in central London. The agreement by the Board followed a report from Shared Intelligence² in January 2010 which set out three broad options which could be pursued by central London local authorities:

- Continuation of existing collaborative activity;
- Joint strategy development; and/or
- Develop common provision and shared services.

The Board opted to work towards a more formalised and devolved sub-regional model, involving devolution of funding and where possible co-commissioning of Department for Work and Pensions and Jobcentre Plus programmes.

Since the Board's decision, the direction of the post-employment and skills agenda has been set by the Coalition Government and the Mayor of London:

The Coalition Government has announced that it will:

- create a new single programme to deliver employment-related support;
- streamline benefits into a single 'out-of-work' benefit;
- give a greater role to non-statutory providers in helping job-seekers in the first 12 months including charities and private enterprises;
- introduce a new funding mechanism where payments to providers will be dependent on the number of people placed into work for at least one year;
- establish business-led Service Academies that offer pre-employment training, training placements and work placements;
- scrap the Future Jobs Fund programme and cut area-based grants; and
- abolish Regional Development Agencies, including the London Development Agency.

² *Promoting Employment in Central London* is available on the CLF website www.centallondonforward.gov.uk

The Mayor proposes that:

- some functions of the LDA are rolled into the GLA; and
- responsibility for commissioning DWP, JCP and Skills Funding Agency budgets in London should be devolved to the Mayor.

Central London Forward has pooled funding from Capital Ambition and London Skills and Employment Board and matched it with LDA sub-regional funds to examine what opportunities may exist for local authorities and sub-regional partners across London to take advantage of the new funding and delivery landscape and increase sustainable employment outcomes for residents.

Links to local and sub-regional priorities

The project is directly linked to the sub-regional priorities of the seven boroughs in the London Plan's Central London sub-region (Westminster, City of London, Kensington and Chelsea, Southwark, Lambeth, Camden, and Islington). These are expressed jointly in the objectives of Central London Forward to:

- influence policy on major issues affecting Central London, including making the case for additional resources;
- promote the strategic importance and needs of Central London with a focus on sustainable economic development.; and
- identify and co-operate on areas of mutual interest to partners, including economic development.

1.2 The central London context

London local authorities have a vested interest in the welfare-to-work reforms proposed by the Coalition Government. London Councils has estimated that the current total cost of worklessness in London is around £5.1 billion with the vast majority of this amount consisting of benefit payments, totalling £4.8 billion.³

Each London Borough also bears large costs attributed to worklessness; for example, Westminster City Council will spend an estimated £3m on tackling worklessness in 2010/11 while Kensington and Chelsea will spend approximately £1.5m. In addition to these costs, there are associated social externalities associated with worklessness borne by the health service and criminal justice system.⁴

The central London economy is of vital importance to the overall UK economy as it is home to over 1.4 million people, over 16,000 businesses, and 2 million jobs across a wide range of industries. However, the size and importance of the central London economy has not made it immune to the impacts of the economic downturn.

In May 2010, 678,770 London residents were out of work and claiming benefits, of which 138,770 reside in central London. This figure represents 12.7% of the working age population which is above the national figure of 12%.

In line with the rest of the UK, the most commonly claimed benefit in central London is the Employment Support Allowance or Incapacity Benefit. In May 2010, there were a total of 67,900 ESA/IB claimants in central London along with 23,900 Lone Parent claimants, and 40,800 JSA claimants.

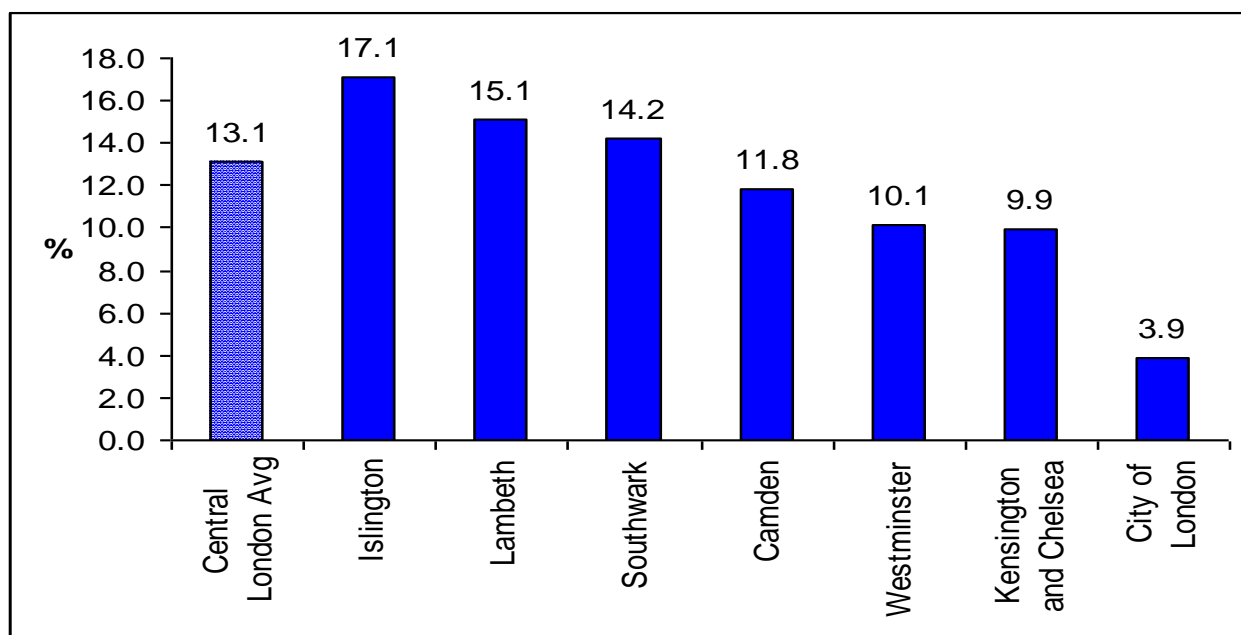
Looking at CLF member boroughs in particular, out-of-work benefit claimant rates are above the London average in Islington (17.1%), Lambeth (15.1%) and Southwark (14.2%), and below the London average in Camden (11.8%), Kensington and Chelsea (9.9%), Westminster (10.1%) and the City of London (3.9%). There is an approximate correlation by borough between these rates and the proportion of social housing.⁵

³ Inclusion, *Counting the cost – a Worklessness Costs Audit for London Report for London Councils* March 2010

⁴ A report by the Social Exclusion Unit identified employment as one of the nine key factors that have a huge impact on the likelihood of a prisoner re-offending. For example, being in employment reduces the risk of re-offending by between a third and a half. Reducing re-offending by ex-prisoners - Social Exclusion Unit report July 2002

⁵ Source – *Working Age Client Group, February 2010*

Figure 1: Out of work benefit claimants in Central London (% of working age population)⁶



Barriers to employment

Previous Central London Forward publications⁷ have outlined the difficulties and the barriers faced by central London residents attempting to secure sustainable employment. Acknowledged barriers to employment in central London include;

- the lack of affordable childcare;
- high transport costs;
- low literacy and numeracy skills; and
- high housing costs - salaries need to be higher than elsewhere to make work pay.

With over two thirds of central London employees commuting from outside central London into their place of work every weekday, the difference in labour supply and demand is particularly sharp in central London. There is more competition for jobs at both the top and the entry-level ends of the market. The low skilled job market in London is particularly competitive with three low skilled residents competing for every low skilled job.⁸

People from Black, Asian and Minority Ethnic (BAME) communities, women and the long term disabled have especially low employment rates. While the proportion of Londoners of working age who are economically active is 67%, the rate is only 58% among those of BAME origin, 62% of women and 45% of the long-term disabled.

Families in central London are particularly disadvantaged, as evidenced by the exceptionally high rate of children living in workless households in central London. In June 2010, the rate of central London children living in workless households was 29.1% compared to 18.3% for outer London areas and 16.1% for the UK.⁹

⁶ Source- DWP Benefits (Working Age Client Groups), Nomis. May 2010.

⁷ *Central London Forward – Promoting Employment in Central London* - January 2010 Final Report prepared by Shared Intelligence for CLF and *The Case for Central London: Building on its strengths, protecting its future*. CLF March 2010

⁸ *The Case for Central London* p10

⁹ *Work and worklessness among households 2010* Statistical Bulletin Office for National Statistics 8 September 2010

1.3 The Coalition Government policy: Get Britain Working Policy Framework

Overview

Prior to the 2010 General Election, the Conservative Party published their manifesto for employment entitled *Get Britain Working*.¹⁰ The manifesto outlined the Conservative Party's plans to radically reform the Welfare system and introduce the Work Programme. Get Britain Working is now the Coalition Government's overarching policy framework for welfare and employment.

The Get Britain Working policy framework proposes the introduction of an integrated welfare-to-work initiative, the Work Programme, which will be delivered by Prime Contractors appointed by the Department for Work and Pensions. Get Britain Working also includes a number of complementary employment support programmes 'Get Britain Working measures' that have been recently launched or are currently under development by DWP and within the mandate of Jobcentre Plus.

Figure two (below) provides an overview of the interface between the Work Programme, the Get Britain Working measures and the respective responsibilities of the Prime Contractors and Jobcentre Plus.

The Work Programme

The Coalition Government's proposed Work Programme will replace all existing employment-related support with a single welfare-to-work service that provides personalised help for all workless people. It will be the principal service for supporting job-seekers into work and will be introduced by the summer of 2011. Claimants facing the most significant barriers to work will be referred immediately to the programme whilst claimants under 25 will be referred after a maximum of 6 months on the Job Seekers Allowance.

Other key features of the work programme include:

- Greater personalised and wrap-around support regardless of the benefit claimed;
- Delivery through DWP-appointed Prime Contractors, covering sub-regions and encouraging the development of local delivery partnerships with social enterprises and third sector providers as sub-contractors to a Prime Contractor;
- Support through the programme for five broad categories of job-seekers including lone parents, two categories of Incapacity Benefit¹¹, JSA Flow (short-term claimants) and JSA Cycles (longer term claimants); and
- Differential payments for different categories of job-seekers. Providers will be paid on the number of job-seekers they place into sustained employment (between 12 and 36 months) with the majority paid on results. Sub-contractors will get a proportion of the payment received by the Prime Contractors.

¹⁰ *Get Britain Working* October 2009 is available from the Conservative Party website www.conservatives.com

¹¹ There will be two groups of ESA claimant: Individuals assessed as incapable of work who will receive ESA unconditionally; and individuals assessed as capable of work with additional support who will receive ESA on the condition they participate in employment programmes and look for work.

Figure 2 - DWP Reforming Welfare to Work presentation¹²

The Work Programme: Overview

Core Work Programme

- Single, personalised welfare-to-work programme for all client groups
- Contracted out, almost all funding for additional sustained outcomes
- Differential prices based on customer group
- Longer programme, with payments for potentially up to two years

Get Britain Working Measures

Work for Yourself

- Offers unemployed would-be entrepreneurs access to business mentors/coaches and start up loans
- Financial support for 6 months for new business start ups
- focus on JSA customers 25+ between 6 and 12 months unemployed

Work Together

- Promoting Volunteering opportunities
- Volunteer broker service
- Pooling of voluntary opportunities on a website, including non-benefit claimants

Work Clubs

- Community led organisations to support jobseekers return to work.
- Incorporates sharing of experiences, skills exchange and making contacts.
- Some Jobcentre Plus support.

Youth Action for Work

- 50k Work Pairings per year, young people placed with a sole trader for six months work experience
- 100k additional apprenticeships per year (including pre-apprenticeships to fill literacy/numeracy gaps)
- 100,000 additional Further Education college places
- Technical Schools in 12 largest urban areas
- 10,000 new university places

Service Academies

Mandatory Community Activity

- For all jobseekers who spend two years unemployed during a three year period.

¹² DWP Reforming Welfare to Work presentation October 2010

Get Britain Working Measures

Under the Get Britain Working policy framework, the Government has announced several community-based employment support initiatives that will sit alongside and complement the outcomes to be delivered under the Work Programme:

- **Work Clubs** – a network of neighbourhood-based places where unemployed people can gather to exchange skills, find opportunities, make contacts and provide mutual support;
- **Work Together** – to encourage unemployed people to get involved in volunteering;
- **Work for Yourself** – provide unemployed entrepreneurs access to business mentors and start-up loans;
- **Youth Action for Work** – provide extra training opportunities to supplement and complement the Work Programme;
- **Service Academies** – private sector-led pre-employment training and work placements for unemployed people in a range of industries; and
- **Mandatory Work Activity** – mandatory four-week work placements for long-term Jobseekers Allowance recipients.¹³

For further detail on these measures please see Appendix 1.

Benefit reform – The Universal Credit

Get Britain Working also contained proposals for a radical reform of the benefits system following ideas put forward by Lord Freud and the Centre for Social Justice in the report *Dynamic Benefits*¹⁴. The Government has recently published a White Paper with proposals to introduce a ‘universal credit’ that will replace the majority of existing benefits with the objective of ensuring nobody is worse off in work by adjusting the levels at which benefits are withdrawn once an individual enters employment.

The undefined role for local authorities

The Coalition Government has nominated the private sector and voluntary and community sector as the key groups to be commissioned to deliver welfare-to-work services. While the overall direction has been set, it is not sufficiently clear how local authorities will be able to work with Prime Contractors and Jobcentre Plus to co-commission employment support in the new policy landscape.

This paper for CLF outlines the current thinking and proposals for welfare-to-work reform and identifies opportunities for CLF boroughs and sub-regional partners to influence the new welfare-to-work system and improve sustainable employment outcomes for residents.

¹³ *White Paper Universal Credit: welfare that works* Presented to Parliament by the Secretary of State for Work and Pensions by Command of Her Majesty November 2010

¹⁴ Centre for Social Justice, *Dynamic Benefits: Towards Welfare that Works* 2009

Part 2 – The Get Britain Working Policy Framework

Part 2 explores the implications for local authorities of the Coalition Government's Get Britain Working policy framework.

Section 2.1 starts with an examination of the Get Britain Working measures and potential opportunities for local authorities to improve employment outcomes for their residents.

In section 2.2, the paper examines the impact and opportunities for local authorities from the proposals in the White Paper *Universal Credits: Welfare that Works* for combining the current range of benefits into a single benefit and the tapering of benefit reductions when people move into employment.

Section 2.3 looks at the new ways of working and the potential for efficiency improvements and achievement of cost-savings through the strategic joint-commissioning of employment support. Lastly, section 2.4 provides a series of recommendations for local authorities and sub-regional groups to consider.

2.1 – Get Britain Working: policy implications for local authorities

Overview

The Work Programme and the Get Britain Working measures were confirmed by the new Government as official government policy in *The Coalition: our programme for government*.¹⁵ Although the Work Programme is intended to provide the central core of employment support, the Get Britain Working measures will complement the work that will be delivered by the DWP Prime Contractors. These programmes will be delivered by a combination of organisations from business and industry, the public and voluntary sectors and local service deliverers.

In October 2010, the Department for Work and Pensions launched the Work Clubs, Work Together, and Work for Yourself programmes and announced that further options for employment support and training centring on Service Academies and Mandatory Work Activity programmes are being developed for implementation in areas where the unemployment support is needed most.¹⁶

The Get Britain Working measures are expected to be within the remit of Jobcentre Plus and are intended to encourage people into employment before they reach 12 months on JSA and qualify for the Work Programme

The Get Britain Working Measures – issues for local authorities

Local authority role

It is clear that the Government is calling for a 'grass-roots' or community-based approach for the Get Britain Working measures rather than being coordinated or managed at the regional, sub-regional or local authority level.

¹⁵ *The Coalition: our programme for government* Crown copyright May 2010 – the proposals in the document were preceded by the Conservative election paper on employment and welfare, *Get Britain Working*.

¹⁶ *Universal Credit: welfare that works* White Paper presented to Parliament by the Secretary of State for Work and Pensions by Command of Her Majesty November 2010

Local authorities and local delivery partners, through their leadership roles with communities, are well-placed to establish and manage a network of Work Clubs and Work Together programmes that meet the needs of local residents, specifically meeting the needs of hard-to-reach groups such as young people and migrants.

However, the Department for Work and Pensions has delegated Jobcentre Plus with the responsibility for overseeing the implementation of these programmes. It could be argued that DWP could have directly commissioned local authorities or local partners to undertake this role given that similar programmes have been commissioned, established and managed by local authorities or local delivery partners via programmes funded through Local Area Agreements or grants from the European Social Fund.

Jobcentre Plus has stated in communications to local authorities that JCP advisers will actively refer their clients to local Work Clubs and Work Together programmes.¹⁷ However, this approach does not recognise that a significant number of central London residents, particularly young people, may not be engaged with mainstream JCP provision as they are not in receipt of benefits, i.e. economically inactive.¹⁸

Despite the Get Britain Working framework not defining a specific role for local authorities in the provision of employment support programmes, it is clear that there is a role for local authorities, sub-regional and regional organisations to commission facilitate or manage the local delivery of various employment support programmes that fall outside of the remit of the Prime Contractors.

Local authorities and delivery partners can provide leadership, mentoring, meeting facilities and manage relationships between Work Clubs and community organisations. This is particularly important in areas suffering from high unemployment where the community leadership and role-modelling necessary to establish sustainable Work Clubs and Work Together programmes may not be available.

Regarding the Work for Yourself programme; if it is implemented in London, there is a similar coordination role required to identify, screen and organise mentors for people on the programme and assessing business cases for support. Local authorities and delivery partners have strong links with business member organisations such local chapters of the Chamber of Commerce, Business Improvement Districts and Small and Medium Business Associations from which a pool of business mentors could be drawn.

Duplication of existing services

Jobcentre Plus and partner agencies, such as the Skills Funding Agency and Sector Skills Councils, will need to ensure that the Get Britain Working measures do not duplicate existing service provision that has been commissioned or co-commissioned by local authorities and local delivery partners. For example, Westminster Works, Southwark Works and Lambeth Working have all commissioned a

¹⁷ Email from Central London District External Relations Manager, on two new Get Britain Working-related initiatives, Work Clubs and Work Together - 25 October 2010.

¹⁸ A programme commissioned by Westminster City Council reported in September 2010 that of the 213 participants aged 18-24 years old; only 89 young people (41%) were claiming the Job Seekers Allowance which suggests that a significant proportion of young people are not engaging with mainstream provision.

number of local delivery providers to provide targeted community-based employment services for local people that use volunteering strategies and enterprise programmes to assist people into training, work experience and employment.

Case Study - Green Man Skills Zone

Lambeth Council via Lambeth Working launched the Green Man Skills Zone in March 2010 to support Lambeth residents into work or training. The Skills Zone is a partnership that includes Jobcentre plus, Lambeth Adult Learning, Lambeth Next Steps and the Citizens Advice Bureau.

The Skills Zone offers a range services including:

- daily job support from two specialist advisors
- free Internet access for job searching;
- information, advice and guidance through the IAG Careers Service;
- three IT training courses;
- advice and support to parents about childcare services in Lambeth through the Family Information Service;
- Citizens Advice Bureau sessions every Friday; and
- Money management courses.

Resources available to local authorities

While local authorities are generally supportive of the rationale behind the Work Clubs, Work Together and Work for Yourself programmes, the Government's announcements were cautiously received as they were not accompanied with sufficient detail around implementation and resources attached to the programmes.

The establishment and management of the Get Britain Working measures is likely to require additional resource on top of existing budgets, especially to ensure that the hardest-to-reach groups are able to take advantage of these programmes. Although the cost of the initiatives could be partially offset by the extensive use of volunteers, to achieve the large scale of community involvement that the Government envisages for the Work Clubs and Work Together programmes, significant organisation and management resource will be required to ensure that the employment support mechanisms are providing an effective level of support for unemployed people seeking a return to work.

To address this, DWP has grouped local authorities into areas that have been classified as 'target' and 'non-target' districts. 'Target' areas have been defined as areas with high unemployment and face prospects of large public sector job losses. Target areas will qualify for a small amount of financial support to implement the measures.

Despite London having high levels of unemployment, the relatively low levels of expected public sector jobs losses means that all London districts have been classified as 'non-target' areas. It is unlikely that additional resources will be made available are unlikely to facilitate the Work Clubs and other Get Britain Working programmes in London.

A low-cost solution for local authorities could be to apply the new measures to existing support programmes. Local authorities currently do this in other welfare programmes where in an effort to rationalise resources and improve employment outcomes, community-based local authority programmes use a one-stop-shop model by co-locating services such as health, benefit advice and child care services. This enables a holistic approach to employability and has seen improvements in residents' access to services and subsequent engagement with support services.

With current employment services commissioned by local authorities run on funding that is due to end in the near future, Work Clubs, Work Together and Work for Yourself programmes may offer local authorities an avenue to maintain existing programmes to ensure continuity of provision and build upon previous successful interventions.

Case Study - Westminster City Council Family Recovery Project

The Westminster Family Recovery Project has an Employability Worker in post to support clients of working age to improve their job prospects by using services available through developed links with partner agencies in the area to provide 'wrap-around' support for the individual and their family.

Other agencies include Paddington First, Westminster Neighbourhood Enterprise Centre, NACRO Battersea, WAES, Westminster Libraries, Timebank, JCP, Waterview Centre (Central and North West London NHS Foundation Trust), Westminster Volunteer Centre, Dress for Success, Imperial College Healthcare NHS community recruitment programme, Wilberforce School.

Opportunities to lever-in support from the private sector

Across the board, the Government has been clear that it intends the private sector to play the dominant role in lifting the UK economy out of recession. With the provision of employment support and welfare reform, the view of the Government on private sector leadership in this area is no different.

The Get Britain Working measures present an opportunity for local authorities to facilitate private sector involvement in establishing, facilitating and managing programmes. Many local authorities have existing relationships with the private sector through local business associations, local authority supply chains, section 106 contributions and Business Improvement Districts, and are well-placed to advise the private sector on providing employment support.

In particular, private sector partners may also require assistance to strategically design their Corporate Social Responsibility (CSR) programme to achieve the maximum benefit for local residents by ensuring that the contribution of businesses is directed at areas that have the highest need.

Local authorities are able to take an overview, particularly in terms of strategic need, location of provision, signposting and matching providers with other providers to avoid duplication and linking programmes and funding initiatives into a coherent strategy to address unemployment.

Not every business will want to have 'hands-on' involvement as they may recognise that provision of resources may be the best contribution that can make to their local community. However, businesses that do want to be involved can provide 'in-kind' support such as IT assistance, meeting room facilities or establishing employee volunteer programmes that allow employees time to volunteer as mentors, which can be as equally valuable as monetary contributions for the establishment of work clubs or volunteering opportunities.

The Get Britain Working measures may have a correlation with the sustained employment outcomes sought by the Prime Contractors if participants feature a significant number of twelve-month-plus JSA recipients. As the Work Programme will operate on a 'payment-by-results' model, where Get Britain Working measures can be seen to assist the achievement of sustained employment outcomes, Prime Contractors are unlikely to be disinterested bystanders and may be receptive to offers of joint-working with local authorities, sub-regional groups or local community partners to provide these services to Central London residents.

Case Study - Westminster Works and Barclays Corporate

Westminster Works partners have engaged with volunteer employees from a number of large private sector firms to deliver training workshops to assist jobseekers with CV creation and presentation and job search advice. A vital factor in the success of the workshops is utilising the skills of the volunteers to provide key learning points for job seekers.

For example: a workshop delivered by an Account Manager from Barclays Corporate combined CV and job search advice with practical advice on financial awareness to improve financial literacy and raise the confidence of job seekers in dealing with financial matters.

Service Academies

Overview

In the document *Programme for Government*, the Coalition Government announced that it will establish Service Academies to provide business-led pre-employment customer service skills courses with the active co-operation from sector skills councils and service sector employers.¹⁹

The Government has confirmed that one Service Academy will be established to provide up to 50,000 training places and work placements for the long-term unemployed in the Hospitality and Leisure sector. However, details about where the Service Academy will be located or how they will be managed has not been confirmed.

A Service Academy focussing on the Hospitality and Leisure sector represents a significant opportunity for London boroughs due to the plethora of hospitality and leisure-based businesses located within central London. In particular, the Service Academy presents an opportunity to complement work that will be delivered in the lead-up to the 2012 Olympic Games to prepare

¹⁹ *The Coalition: our programme for government* Crown copyright May 2010

workers and volunteers in the hospitality and leisure industries for the influx of visitors to London during that time. Combined with longstanding links with FE colleges and other training providers, central London boroughs are in a good position to consider a bid to host the Service Academy when implementation plans are confirmed by Government.

Pre-election policy documents indicated that a number of Service Academies could be established in a broad range of industries and occupations. The DWP is currently considering occupations and industries for which Service Academies would be appropriate. Adult social care and healthcare industries are leading contenders for the development and expansion of employment opportunities and London boroughs are well-placed with the necessary relationships and experience gained from working with a range of industries and employers and local partners to work with the private sector to develop and manage business-led training programmes on behalf of the Coalition Government.

Mandatory Work Activity

Overview

The Mandatory Work Activity (MWA) placement will be for a period up to four weeks in length and is intended to give people the experience of regular full-time employment and the associated skills and disciplines required to maintain employment i.e. regular attendance, punctuality, carrying out specific tasks and working under supervision.

To ensure participation, DWP has proposed that non-attendees will face a scale of possible sanctions that range from suspension of an individual's Job-seekers Allowance from a period of three months to a period of up to three years.

Identification of mandatory work opportunities

It is not yet clear what the role of the Prime Contractors and/or Jobcentre Plus will have in identifying the work opportunities that MWA participants will be asked to complete. The Government has not outlined what the expectations are of the businesses or organisations that are providing the work placement and whether they are expected to contribute to provide employment support. However, it seems unlikely that the private sector would be interested in hosting four-week work placements where people are mandated to attend.

Based upon the DWP research mentioned below, MWA activities are likely to be community-based or public works projects managed by local authorities and community organisations. In order to attract private sector work placements, subsidies or incentives may be required. If this happens, local authorities and local delivery partners may have an opportunity to use the incentive payments to fund more extensive support work with the claimants.

Local authorities could explore the possibility of offering places to MWA participants on existing support programmes as the MWA may offer a rare opportunity to capitalise on long-term unemployed residents' (albeit mandatory) engagement with work activity.

Despite the potential for opportunities for local authorities to engage with MWA participants, there are reservations whether Mandatory Work Activity will be an effective employment support initiative

in returning people back to work. A DWP report into 'workfare' programmes in the United States, Canada and Australia found little evidence that mandatory participation in unpaid activities increases the likelihood of finding work.²⁰ In particular, when the labour market is weak and unemployment is high, 'workfare' is one of the least effective methods of moving people into work.

The research also found that levels of non-participation in mandatory activities can be particularly high in some workfare programmes amongst people who face multiple barriers to work. The Government will need to address these concerns if the MWA programme is to achieve its objectives.

²⁰ DWP Research Report No 533 *A comparative review of workfare programmes in the United States, Canada and Australia* Richard Crisp and Del Roy Fletcher - Research carried out by CRESR on behalf of DWP 2008

2.2 Universal Credit: welfare that works

Why the reforms are being introduced

The *Universal Credits: Welfare that Works*²¹ sets out the Coalition Government's ambition for the radical reform of the benefit system. Ministers have long argued that benefit reform is necessary because the current system is too expensive, overly complex for both beneficiaries and administrators and does not incentivise work; instead the current system is seen as trapping people into long-term dependency upon benefits.²²

Criticisms of the current system

- *Complexity and inefficiency* - There are over 30 different types of benefits and many more combinations of benefits and additional premiums. This creates a system that is overly bureaucratic and often impossible for customers to navigate. For example, in 2009 2.3 million contacts nationwide to DWP were driven by people contacting the wrong agency
- *A disincentive to work* - Under the current system, people who get a job can end up losing more than £9 for every £10 they earn, creating perverse incentives for jobseekers not to get a job.
- *An expensive system vulnerable to fraud and error* - A total of around £1.7bn²³ is spent on benefit payments a year in central London. On top of this, the government wrongly pays out £5.2bn a year through fraud and error nationwide.

How the new system will work

The Universal Credit will be introduced for all new benefit claimants in October 2013 and gradually extended to all benefit claimants by October 2017. It will consist of a single integrated benefit for people in and out of work. Bringing together almost all existing income-related benefits, the Universal Credit will include Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit. A significant change put forward in the White Paper is a proposal to cap the total amount of Universal Credit that can be claimed at around £500 per week for couples and lone parent households, and £350 per week for single adult households.

The Universal Credit will consist of a basic personal allowance with additional amounts for disability, caring responsibilities, housing costs, and dependent children. As under the current system, the personal allowance will be the basic building block of Universal Credit. The personal allowance will provide for basic living costs and will broadly reflect the current structure of personal allowances in

²¹ Department for Work and Pensions, *Universal Credits: Welfare that Works* (November 2010)

²² Universal Credits: Welfare that Works, Speech, Iain Duncan Smith, Secretary of State for Work and Pensions, 11 November 2011 www.dwp.gov.uk

²³ Counting the cost – a Worklessness Costs Audit for London Report for London Councils prepared by Inclusion Research and Consultancy March 2010 www.londoncouncils.gov.uk p46

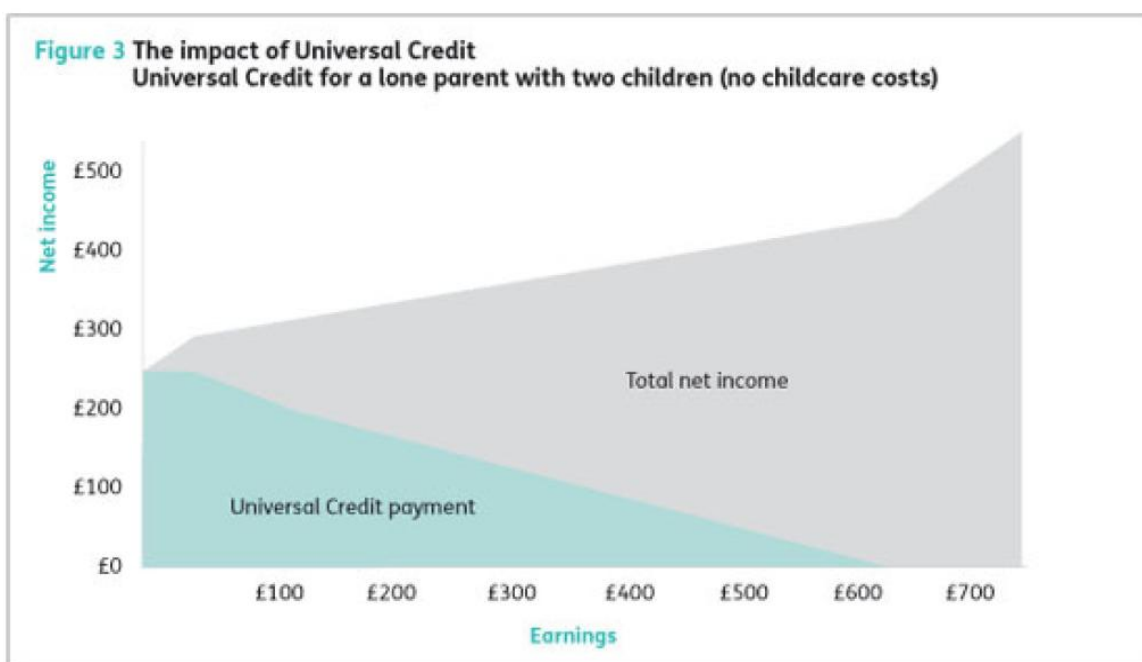
Income Support, Jobseeker’s Allowance and the assessment phase of Employment and Support Allowance. As now, there will be lower rates for younger people under 25 years of age.

A highly significant proposal in the White Paper is the tapering of benefit reduction when a person enters the workforce. This proposal is intended to incentivise work by ensuring that support is reduced at a consistent and managed rate as people return to work and increase their working hours and earnings. As demonstrated in Figure 3 below from the DWP White Paper, this proposal will ensure that people will generally keep more of their earnings for themselves and their families than is currently the case.

The White Paper proposes that when claimants move into employment, benefits will be withdrawn at a rate of 65 pence for every £1 they earn. This taper will apply to earnings net of tax and National Insurance meaning that the highest Marginal Deduction Rate for low-earning workers would be reduced from around 96 per cent, as it is currently, to 65 per cent for those earning below the personal tax threshold and to around 76 per cent for basic rate taxpayers.

For some vulnerable groups, a proportion of their income will be disregarded before it is withdrawn. For example, a person with a disability may be entitled to earn up to £7,000 net of tax and National Insurance before their Universal Credit is withdrawn at the 65 per cent rate.

Figure 3 - The impact of the Universal Credit²⁴



Conditionality

The White Paper also proposes that benefits will be subject to conditions that every Income Support, Jobseeker’s Allowance and Employment and Support Allowance recipient must agree to through a claimant commitment agreement. This commitment will be extended to all Universal Credit

²⁴ Figure 3 p15 of *Universal Credits: Welfare that Works* (November 2010)

recipients once it is introduced in 2013. The claimant commitment will set out the conditions of benefit claims and the consequences they will face if they fail to meet those conditions.

Claimants will be placed into one of four groups, each with their own level of conditionality:

1. *Full conditionality* - This will be the default option for claimants including lone parents and couples with older children. Claimants in this group will be required to actively seek work and to be available for work as they would currently under the Jobseeker's Allowance.
2. *Work preparation* – Claimants will be placed in this group if they are disabled or have a health condition which means they have limited capability for work. They will be expected to take reasonable steps to prepare for work.
3. *Keeping in touch with the labour market* – Claimants will be in this group if they are a lone parent or lead carer in a couple with a child aged over one year but below the age of five. They will be expected to attend periodic interviews to discuss their plans for returning to the labour market.
4. *No conditionality* - Claimants will be in this group if they are disabled or have a serious health condition which prevents them working and preparing for work; a lone parent or lead carer in a couple with a child younger than one year; or someone who has intensive and regular caring responsibilities. People receiving Universal Credit but earning above the relevant threshold will not be subject to conditionality.

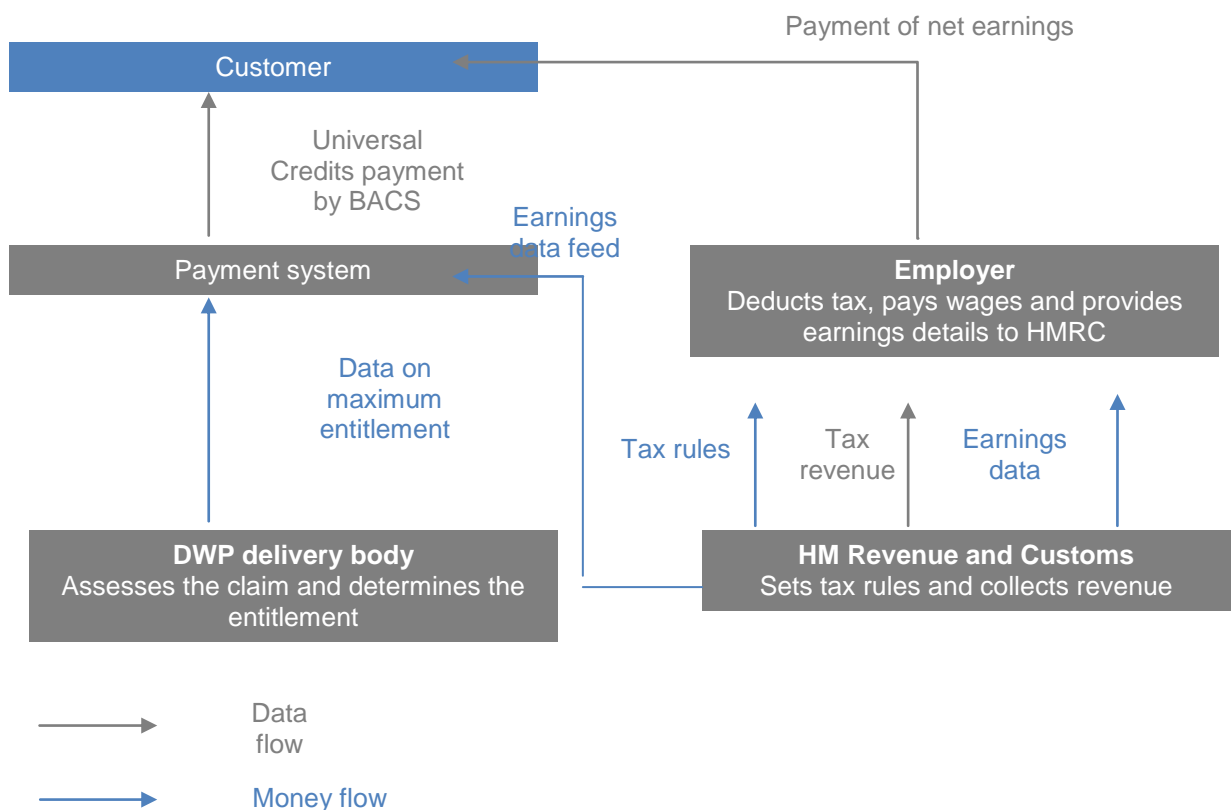
Figure 4: conditions and sanctions under Universal Credits

Conditionality	Group	Condition	Sanction
Low	JSA and ESA Work Related Activity Group	Includes failure to: <ul style="list-style-type: none"> • Attend an appointment • Carry out a jobseekers direction • Attend employment related programme • Attend a work focused interview (ESA) • Carry out work related activity (ESA) 	<ul style="list-style-type: none"> • 100 per cent JSA/ESA withdrawn until re-engagement then withdrawn for a minimum period (1,2 then 4 weeks) • Advisers will retain the ability not to impose a sanction for first and subsequent failures where good causes apply
Medium	JSA only	Failure to: <ul style="list-style-type: none"> • Activity seek work • Be available for work 	<ul style="list-style-type: none"> • 1st failure – 100 per cent of JSA withdrawn for four weeks • 2nd failure – 100 per cent of JSA withdrawn for three months
High	JSA only	Failure to: <ul style="list-style-type: none"> • Apply for a job • Accept job offer • Take part in Mandatory work activity 	<ul style="list-style-type: none"> • 1st failure – 100 per cent JSA withdrawn for three months • 2nd failure – 100 per cent of JSA withdrawn for six months • 2nd failure – 100 per cent of JSA withdrawn for three years
Low	ESA and lone parents with a child aged between one and five years old	Failure to attend Work Focused Interview	<ul style="list-style-type: none"> • 1st failure – 20 per cent withdrawn until re-engagement • 2nd and subsequent failures – 40 per cent withdrawn until re-engagement

Administration and delivery

DWP will have sole responsibility for managing the new system. The majority of claims will be made and managed on-line through personal accounts that jobseekers can update as their circumstances change. Changes in earnings will be picked up automatically from the PAYE system, and some other changes will be also be dealt with through data-sharing across government. The government anticipates this will ensure that Universal Credit payments are up to date and to help prevent payment errors. Payments will be credited to bank accounts on a monthly basis, to reflect custom and practise for those in employment. Budgeting support will run alongside this to ensure families do not fall into debt, although the White Paper does not specify the extent of this support.

Figure 5: The proposed Universal Credits delivery model



Implications for central London

With over 141,000 residents currently in receipt of out-of-work benefits, central London has a strong interest in a welfare and employment support system that is effective.

Key issues

- **Housing Benefit** - Housing Benefit will form part of the Universal Credit and responsibility for managing claims will be transferred from local authorities to DWP. Central London authorities will lose the funding they receive from DWP to cover the cost of claims (c. £610m) and their administration grants will be cut by around seven per cent a year from 2011 until

the end of this Parliament. In the future, the Housing Benefit element of Universal Credits will be paid directly to the claimant and not the landlord, which may result in an increase in the level of rent arrears for local authority housing stocks.

- **Fraud** – Local authorities will no longer be responsible for tackling Housing Benefit and Council Tax Benefit fraud. Instead a new, highly resourced central fraud investigation unit will be created. For many central London authorities, Housing Benefit fraud investigation forms one of the largest areas of internal audit. Steps will need to be taken to ensure that other revenue which internal audit protects, such as parking income, is protected while the benefit fraud function is wound up.
- **Council Tax Benefit (CTB)** – CBT will not form part of Universal Credits. CTB will instead be cut by ten per cent and localised to all local authorities over 2013-2014. This will equate to a ten per cent cut to council income which will need to be managed.
- **Social Fund** - The current system of Community Care Grants and Crisis Loans will be reformed and local authorities given responsible for administering much of the new system. The cost of any new duties will be fully funded by DWP, although the department has made it clear that it expects local authorities to use existing structures and mechanisms wherever possible.

Opportunities to shape the new benefits system locally

Localised Council Tax Benefit - The current CTB system gives councils no incentive to reduce the number of CTB claimants. With the new freedom councils are expected to gain in the *Welfare Reform Bill* (expected Jan 2011), there will be scope to replace the current CTB system. One alternative is a single block grant to local authorities. The grant would be the total amount a council estimates to spend on CTB over three years (including the ten per cent reduction). If councils reduce the number of CTB claimants they should be allowed to keep savings equivalent to the amount no longer paid in CTB claims. In addition to these savings, the council would also receive additional revenue from former claimants now paying Council Tax from their own income. This extra income could be spent on programmes that further reduce the number of CTB claimants.

Localising the delivery of the Universal credit - While the majority of Universal Credit claims will be made and managed on-line, Jobcentre Plus will continue to provide a slimmed down face-to-face service. To ensure that this service is tailored to local circumstances, genuinely targeted to need and integrated fully with employment related support, there is an opportunity for councils to co-locate JCP's benefit delivery function with other community services. This model has been developed by a number of other local authorities, including the LB of Barnet.

Key issues for central London residents

- **Accessing and understanding the Universal Credit** - For households where online channels are not appropriate, alternative arrangements will need to be available to make and manage Universal Credit claims. There is likely to be a significant call on these alternative options when the Universal Credit is introduced. Of the 10 million people in the UK who have never been online, 47% are from low income families. In central London, there will also be the added difficulty of managing claims from a diverse and highly mobile population. It is likely

that many benefit claimants will need support to understand and manage the changes to their benefits which could result in an increased demand for support and advice services, such as the Citizen's Advice Bureau.

- **Political accountability** - Many benefit claimants will find the reforms disruptive and difficult to manage, particularly changes to Housing Benefit. Local authorities will need to manage the reputational risk that this may pose as residents may hold the council accountable for these changes.
- **Wider impacts on the labour market and wages** – the Universal Credit will be capped so recipients do not receive income at a rate higher than national median earnings. However, the cost of living in central London is significantly markedly higher than across the rest of the country. This could potentially impact on central London's economy and labour market in a number of ways, including:
 - If the universal credit in central London is paid at a relatively lower rate than rest of the country, this may increase demand for support services; and
 - Living in central London will become unaffordable for many low paid workers, reducing the labour supply for low-skilled jobs in key industries for example, distribution and hospitality industries.

2.3 – New ways of working; maximising resources and opportunities

This section looks at ways in which local authorities can take advantage of opportunities in the new policy environment through sharing services and joint strategic commissioning and will also look at the possibilities available through the establishment of a Local Economic Partnerships.

Overview

Large-scale budget reductions and the introduction of centrally-governed contracts for the delivery of employment services have changed the policy environment for welfare and employment in which local authorities operate. However, with these changes there are opportunities to identify new, innovative solutions to old issues.

Sharing services – Joint strategic commissioning

Local authorities are experiencing vast reductions in employment and skills provision which is placing a large amount of pressure on the commissioning of future services. This is encouraging local authorities to re-evaluate strategic priorities and how to meet current and future need while achieving ambitious cost-saving targets.

The need to reduce costs has drawn options for joint-commissioning and joint service delivery sharply into focus, such as local authorities sharing services, pooling discrete funding (e.g. Section 106), and the joint-procurement of services for delivery over several local authority boundaries.

A survey conducted of Central London Forward borough officers in October 2010, identified an overwhelming desire amongst CLF boroughs to develop outcome-focused partnership approaches with other local authorities and on a multi-agency basis.²⁵

The survey respondents recognised that central London boroughs have developed considerable expertise in areas such as employer engagement, securing development funding and models of employment support which could be expanded into sub-regional or regional programmes.

The local authorities noted that, in most cases, residents and service users do not relate to or recognise borough boundaries and that resourcing across boundaries should be utilised to provide continuity and efficiency of services. In part, this reflects existing cross-borough partnership externally funded activity such as LDA/ERDF enterprise and employment programmes but would perhaps involve a single deliverer or group of deliverers being commissioned across the area.

The key benefits of a shared service or joint commissioning approach identified by CLF boroughs include:

- Achieving economies of scale;
- Sharing of intelligence;
- Ability to access larger funding streams;

²⁵ Please see CLF Employment Paper no. 1 October 2010

- Ability to access funding which requires cross-borough delivery;
- Less confusing provision of services for residents;
- Broad distribution of risk to enable pilot and/or innovative projects to undertaken; and
- Greater sphere of influence;

Potential risks of rolling out a shared services approach include:

- Possible limitation of the number of delivery organisations;
- Delivery partners may not have capacity to deliver on large scale;
- ‘One size fits all’ approach may not address individual needs of boroughs; and
- Possible reduction (perceived or otherwise) in local accountability, (and local mitigation in the case of Section 106).

Boroughs engaging in joint activity should carefully consider governance arrangements for the activity and ensure that there are clear lines of political accountability for decisions made about service delivery. However, to fully embrace a shared-service agenda, a balance needs be struck to allow local authorities to innovate with relative freedom from local political pressure to realise gains that can be made over a wider areas through a true ‘partnership’ approach. Local authorities should also be aware that there will be some areas in employment and skills where delivery and need differ so widely from borough to borough that there may be little scope or prospect of aligned or shared delivery.

The boroughs acknowledged that some economic development activity is already carried out through a shared-service agreement: for example, GLE enterprise activity is funded and owned by all 33 London boroughs. Similarly, sub-regional and regional employment programmes, such as the Construction Employer Accord and enterprise/growth initiatives, such as Supply Cross River are recognised as existing jointly commissioned economic development models.

The proposal to divide London into two (East and West) contract package areas for the Work Programme will encourage further joint working by London boroughs. Working over a large area may necessitate local authorities to develop joint approaches to support local delivery providers and address gaps in mainstream provision.

Case study – Potential merger of local authority services²⁶

The London Boroughs of Westminster, Hammersmith and Fulham and the Royal Borough of Kensington and Chelsea are currently exploring opportunities for sharing services in a number of delivery areas to reduce costs and remove unnecessary duplication.

The early focus is on the children’s services and adults’ services departments with working groups set up to develop and study options for three main areas: environmental services, family services and corporate services.

²⁶ Joint statement from Westminster Council, Hammersmith and Fulham Council and Kensington and Chelsea Council Friday, 22nd October 2010 www.westminster.gov.uk/press-releases

Chief Executives of the three local authorities are expected to report to councillors in February 2011 on whether joint commissioning of services is possible and which service areas offer the best option to keep costs down while delivering high quality front line services.

Two further examples of shared-services and joint commissioning are examined in detail below:

1. Opportunity for central London - a private sector-led job brokerage service

Accessing opportunities generated by employers will play a critical role in determining the success of the Government's new Work Programme and wider welfare-to-work aspirations. The Work Programme offers the opportunity for a new model to manage the brokerage of jobs, work experience, training and apprenticeships in order to achieve sustainable employment outcomes. While commissioned by the public sector, this new model shall be delivered by the private sector to ensure that it is driven by employer demand and the labour needs and skills of business.

The new model could be a single service that covers a number (if not all) of the central London local authority areas in conjunction with Prime Contractors, local authorities and other agencies including Further Education colleges and Adult Education Services. Central London is well positioned to connect opportunities which include work experience, apprenticeships, part-time and full-time jobs to residents participating on employment support programmes in central London and beyond.

Key characteristics of central London's economy which demonstrate the opportunity for employment programmes are set out at Figure 6 below. As London emerges from the recession, it is likely that central London will continue to generate jobs through new business formation with the City of London and the City of Westminster having by far the highest rates of business formation of any part of the UK, with two other Central London boroughs, Camden and Kensington and Chelsea positioned in the national top ten boroughs for new business start-ups.

As the Government seeks to consolidate and simplify employment support services, it is likely that the job brokerage functions traditionally pursued separately by a range of public agencies, including DWP-appointed contractors, JCP via Local Employment Partnerships, local authorities and Skills Funding Agency contractors will either be merged or discontinued.

The existing multi-agency offer to employers across central London is confusing for employers and the associated costs of promoting programmes to employers, managing and hosting separate job-brokers could be significantly reduced through a new approach undertaken by central London boroughs.

A shared-service specification developed across the client agencies could set out the brokerage requirements, connecting their requirements as employers to the employment needs of central London residents. The specification offered to both clients and residents could include:

- Part time jobs
- Full time jobs
- Work trials and work experience
- Apprenticeships

Central London is fortunate in that there are multiple strong business-led partnerships in the area via Business Improvement Districts (BIDs), Chambers of Commerce and other member groups who could potentially play a strong brokerage role in advocating opportunities to the businesses which they represent.

With increasing numbers of benefit claimants being expected to work, combined with a demand from programme funders for participants to achieve sustained job outcomes in employment programmes, local authorities in central London need to develop a new approach to reward employers for investing in local people and incentives local people to move into employment.

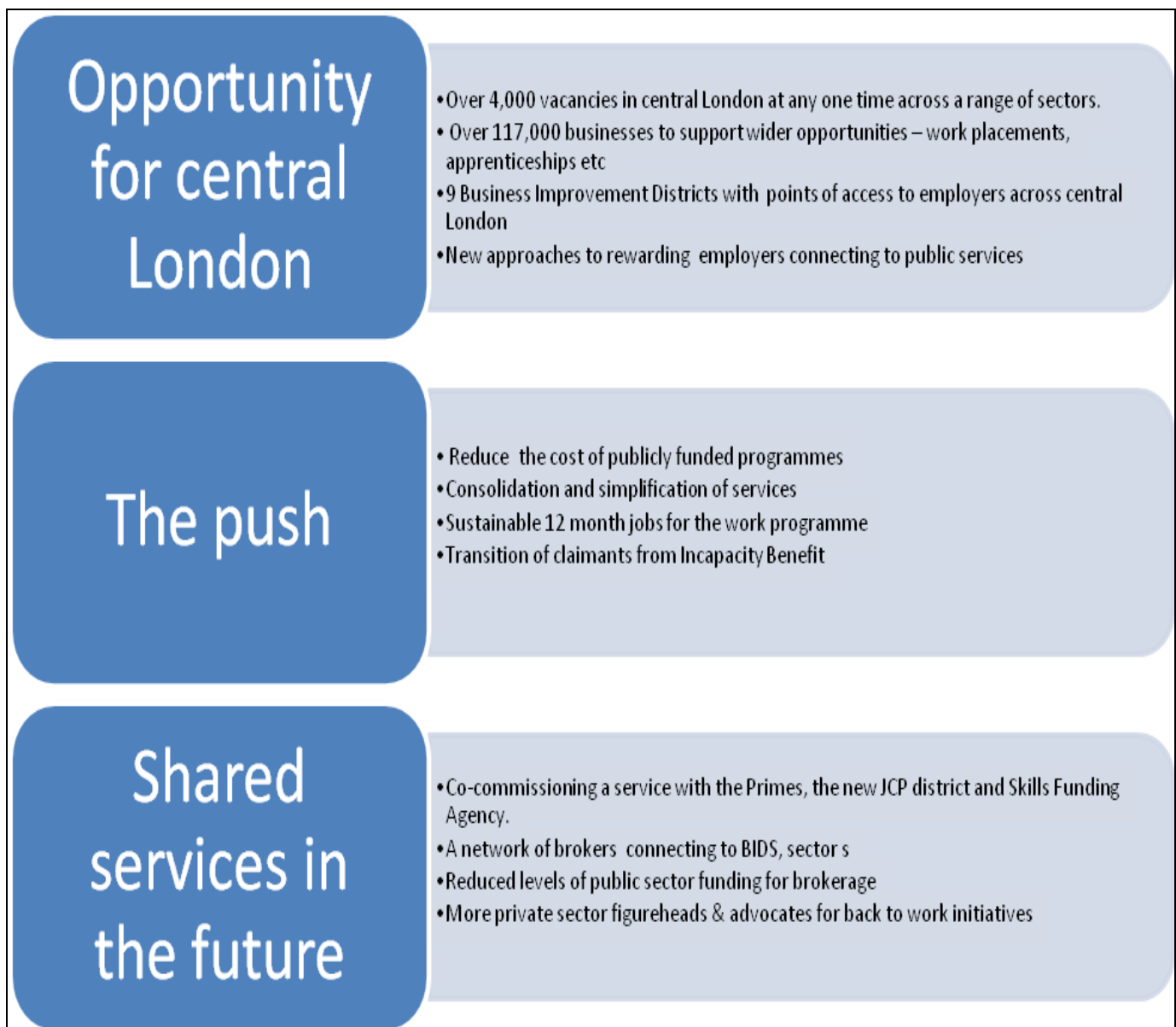
Stimuli to attract employers could include:

- Increased PR opportunities for businesses engaging with employment programmes;
- Variable business rates to reflect level of investment by businesses; and
- Offering rewards for residents who maintain employment; connected to public services (e.g. discounted use of childcare or leisure facilities) and/or local businesses (theatres, cinema or restaurants).

Suggested further work

- Analysis of brokerage costs in central London for key public agencies including DWP prime contractors, local authorities, the Skills Funding Agency and Jobcentre Plus.
- Develop a business case for a co-commissioned service to initiate discussions with DWP and the Work Programme prime contractors.

Figure 6 - Summary of brokerage opportunities and services in central London



2. Relationships with other organisations through Community Budgets

The Department for Communities and Local Government has recently made a formal announcement concerning the 16 ‘community budget’ areas which were announced in the Comprehensive Spending Review.²⁷ From April 2011, the first phase of 16 areas covering 31 councils and their local partners will be put in charge of ‘Community Budgets’ ahead of the national roll-out scheduled for 2013-14.

²⁷ The 16 Community Budget areas are: Birmingham, Blackburn with Darwen, Blackpool, Bradford, Essex, Greater Manchester (13 councils), Hull, Kent, Leicestershire, Lincolnshire, London Borough of Barnet, London Borough of Croydon, London Borough of Islington, London Borough of Lewisham, The London Boroughs of Westminster, Hammersmith and Fulham, Royal Borough of Kensington and Chelsea and Wandsworth, Swindon.

Community Budgets allow for the pooling of various strands of central Government funding into a single 'local bank account' for tackling the various social problems that surround families with complex needs. This process gives councils and local partners the opportunity to develop innovative and sustainable solutions to local problems that intervene at an earlier stage so that families have a chance to turn their lives around. This integrated, early intervention approach will also help drive down both short-term and long-term social costs.

Community budgets could give rise to systemic joint delivery of health and employment services delivered with NHS partners to capitalise on the health benefits of employment to reduce health inequalities and promote healthy lifestyles.

Presently, the local authorities involved in community budgets are exploring the scope of community budgets with relevant government departments, including the Department for Work and Pensions. In central London, the areas piloting the community budgets programme are the London Borough of Islington and a four-borough programme covering the City of Westminster, the Royal Borough of Kensington and Chelsea and the London boroughs of Wandsworth and Hammersmith and Fulham.

Initial discussions have indicated that the Department for Work and Pensions is committed to consolidating its funding for employment support through the Work Programme and have yet to confirm their position on establishing or contributing a funding stream for employment support to be delivered through community budgets.

Key issues and questions that need to be addressed through the discussions between local authorities and DWP include:

- Will funding from DWP be drawn from a separate grant or top-sliced from existing DWP programmes?
- Will pooled funding from DWP for additional interventions need to be commissioned using the DWP framework?
- Is there scope for a payment by results model or continue with grant funding model?
- Is there an overlap between 'families with complex needs' and the Child Poverty agendas?
- For phase 2 of Community Budgets – will this continue to focus on 'families with complex needs' or include other groups where pooled funding would assist local delivery?

Local Economic Partnerships

Overview

The Government has proposed to establish Local Economic Partnerships (LEPs) to take over some of the functions of Regional Development Agencies in commissioning and delivering local economic development activities.²⁸ LEPs will be partnerships set up between local government and local businesses in order to drive economic growth based on the business needs of local companies.

²⁸ *Local growth: realising every place's potential* White Paper presented to Parliament by the Secretary of State for Business, Innovation & Skills 28 October 2010

Local Enterprise Partnerships (LEPs) have been introduced by the Government as a joint local authority and private-sector business mechanism for creating and sustaining private sector employment and business growth.

LEPs are designed to replace the economic development functions of Regional Development Agencies and focus on functional economic areas such as transport, business support and innovation, inward investment and aspects of housing, including estate renewal and acquisition and disposal. However, LEPs are not necessarily intended to replace existing local authority services, such as delivery of planning, transport and housing strategy. Rather, the LEP will operate over and above these functions, i.e. to deliver strategic planning, research and development and commissioning.

Guidance from the Department for Communities and Local Government notes that LEPs are encouraged to include a range of business and economic interests, including small and medium-sized enterprises. This may include representation from, for example, Chambers of Commerce, the Federation of Small Businesses or more specialist business groupings. Representatives from the business community must make up a minimum of 50% of the LEP membership and ideally the LEP should be chaired by the private sector. This is designed to ensure a clear business input into the drivers of local economic growth.

The Government does not intend to define local enterprise partnerships in legislation or specify governance structures for delivery and accountability. The constitution and legal status of a LEP will be determined by the membership and informed by the particular activities that it wishes to pursue and local circumstances. This may mean that a LEP needs to have a legal personality or a specified accountable body in some circumstances, such as if it wished to own assets or contract to deliver certain functions.

In summer 2010, the Coalition Government invited local authorities to express interest in forming LEPs to promote local economic development. In late October 2010, the Government approved 24 LEPs after receiving 56 applications.

A London Local Enterprise Partnership

After initial uncertainty whether there would be a London LEP, an application for a London-wide LEP has been made by the Mayor of London and it is currently under consideration by the Government. It was assumed that London boroughs (or groups of boroughs) could not submit a proposal for a LEP because of London's regional governance arrangements and therefore unable to access the Regional Growth Fund to support some LEP activities.

The Mayor of London and London Councils have agreed to develop a London-wide LEP, that focuses on the whole of the city as a functional economic area, while recognising that sub-regions (including central London) have strong and established partnerships unique characteristics, including labour markets and employment opportunities. The Mayor has a pivotal role to play in ensuring the capital can grow sustainably, particularly given his responsibility for transport and strategic planning, and on economic development issues of pan-London significance.

The London LEP will have a strong focus on labour market opportunities and challenges, with a particular leaning towards supporting colleges with business-appropriate skills provision and identifying appropriate business interventions and skills linkages for the Work Programme.

London Boroughs and the Mayor recognise that local authorities have a key role in ensuring Further Education colleges, Work Programme providers and the private sector work collaboratively to meet the city's skills needs, and especially to ensure that skills reflect new and developing employment opportunities, such as new technologies and creative and cultural industries.

The focus on knowledge and skills is likely to impact on and influence the funding and development of 14-19 learning and skills provision led by boroughs, and on services centred on NEETs and apprenticeship activity. The LEP will need to acknowledge the considerable mismatch between skills and the available opportunities in the central London sub-region. Central London has a disproportionately high numbers of residents with high-level skills (NVQ 4 and above) and equally high numbers of people with low or no skills.

The proposed LEP in London intends to have a focus on green industries and technologies as drivers of economic growth, with stated aims including a transition to a low carbon economy through a Green Enterprise District. This builds on existing sub-regional employment programmes supporting London residents into 'green' jobs, such as the Retrofit Employer Accord Pilot (REAP).

Currently, the London Development Agency undertakes regional economic development functions on behalf of Greater London but its impending abolishment may leave London with very limited access to public funding for economic development. The Mayor has proposed that the majority of the functions delivered by the London Development Agency (LDA) will be assumed by the Greater London Authority (GLA).

Other functions that could come within the responsibility of London-wide LEP are also conducted through the Mayor of London i.e. regional transport through Transport for London, Homes and Communities Agency funding and inward investment through Think London (soon to be replaced by Promote London). These organisations will inform the scope and powers of future London LEP activity.

Key funding options for local authorities under the LEP

Key to the success of a London LEP will be the unlocking of funding outside of core sources, for example European streams such as JESSICA²⁹, European Investment Bank funds and local Tax Increment Funding (TIF). Allied to this, local authorities may wish to examine opportunities for pooling of discrete resources, such as Section 106 funding to support LEP employment growth activity which has been identified by CLF boroughs as a key opportunity going forward.

²⁹ JESSICA, Joint European Support for Sustainable Investment in City Areas, is an initiative of the Commission in cooperation with the European Investment Bank (EIB) and the Council of Europe Development Bank (CEB), in order to promote sustainable investment, and growth and jobs, in Europe's urban areas.

Four possible external funding options available to the LEP:

1. This joint investment could take the form of pooling money for skills and training facilities or programmes. Those areas particularly identified by boroughs include counselling services for unemployed residents, creating opportunities through new businesses moving to and starting up in localities and successful sector-specific training.
2. Alternatively, boroughs might work to develop standardised approaches to Section 106 commitments, such as a methodology and approach to new office and retail developments. Boroughs have particularly identified these opportunities as part of their agenda for supporting young people who are Not in Education, Employment or Training (NEETs) and lone parents through employment initiatives with the construction and development industries.
3. A third alternative is the supporting of resources, facilities and VCS agencies based on or close to borough boundaries which might best be agreed at a more local, bi-partisan level.
4. Business Improvement Districts (BIDs) may be in a position to contribute to the funding and strategic direction of LEPs. BIDs can also provide a direct link to employment from the skills and enterprise work commissioned by the LEP.

Issues that London boroughs need to consider

- There are questions around the leadership and accountability mechanisms of LEPs and whether they are suitable for an agency that is responsible for funding high-value projects and programmes.
- Local authority representation on the LEP is a potentially vexing issue as the LEP Board must avoid a membership so large that it stifles efficient decision-making but also must ensure that an effective consultative mechanism is in place to consider the interests of its constituent local authorities. Private sector representatives are also unlikely to have the mandate to speak on the behalf of local people so the Mayor of London's role in the LEP will need to transparently connect to the concerns of local authorities to articulate the employment and skills needs of central London residents.
- The formality of governance arrangements needs to reflect the level of powers and functions that the LEP is charged with exercising. Greater powers, especially any financial powers such as would be required for worklessness and skills commissioning or inward investment, will require a greater degree of accountability and more formal governance arrangements.
- However long it takes for the governance and accountability structures to be put into place, once created, Local Enterprise Partnerships must quickly establish credibility with the business community in order to attract a dynamic membership to promote growth and jobs in the local area and become effective drivers of employment and skills policy. Central London authorities can play a key role in this.

2.4 Recommendations

Key Recommendations for CLF and local authorities

- Support JCP and local providers to establish Work Clubs and other initiatives under the Get Britain Working banner connecting to existing borough schemes and the new Work Programme.
- Use leverage with local business partnerships and BIDs to promote job and work placement opportunities for unemployed residents, and;
- Explore opportunities to 'sell' opportunities to Prime Contractors as a means of generating income for brokerage functions.
- Universal Credit - explore opportunities to co-locate JCP benefit services with other community functions, particularly to assist those who do not have access to the internet to manage their Universal Credit claims.
- Investigate opportunities to buy in to DWP's existing framework agreement for commissioning any additional employment support services for residents with multiple problems. Additional funds could include ESF monies and community budgets, and, or;
- Explore joint commissioning opportunities for additional employment support across boroughs on a payment by results model.
- **Additional Recommendations**
 - Central London boroughs should remain cognisant for opportunities to secure training opportunities and jobs for residents through initiatives such as Service Academies.
 - Local authorities will need to prepare to support Housing Benefit claimants when the changes to HB come into effect and manage any increase in demand for other services.
 - Boroughs will also need to ensure that revenue protection systems are in place for when the Housing Benefit fraud investigation ceases to be a council function.

Part 3 – Conclusion

The introduction of the Get Britain Working policy framework and the reduced role of local authorities in the delivery of employment support have moved local authorities into a role where the focus is on strategically influencing employment support providers by advocating local and sub-regional priorities and facilitating partnerships.

Although there are reservations over the availability of resources to deliver the Get Britain Working measures effectively, local authorities have a strong role to play in their implementation and management particularly in ensuring that hard-to-reach residents do not miss out on employment services. The Get Britain Working measures also create opportunities for more joint-working with neighbouring boroughs, cross-borough delivery partners and the private sector to build and manage networks of Work Clubs, submitting bids to manage training and employment provision such as Service Academies and construct new funding models to sustain future employment support.

Joint commissioning models offer avenues to achieving better services for residents at reduced cost while the economy of size can be beneficial to assist the creation of innovative funding arrangements to commission sustainable employment programmes as the opportunity to access grant-funded programmes will be increasingly rare in the future.

Next steps

Further work has been identified in this paper around the potential for the establishment of a new brokerage model for jobs, work experience, training and apprenticeships across central London. The work would include the undertaking a full analysis of the brokerage costs in central London for key public agencies including DWP prime contractors, local authorities, the Skills Funding Agency and Jobcentre Plus.

From a positive cost analysis, a business case for a co-commissioned service could then be constructed to initiate discussions with DWP and the Work Programme prime contractors to forge new opportunities for central London boroughs.

The Project team will also produce a practical guide that draws in the learning gained from the CLF Employment Project into an easy-to-access publication for local authorities.

Appendix 1

Get Britain Working Measures

1. Work Clubs

The Government is using the Work Club programme to encourage the development of local community-based support for unemployed people across the country. Work Clubs will be expected to provide unemployed people with a place to meet and exchange skills, find employment opportunities, make contacts, share experiences and receive support to help people to return to work.

The rationale for Work Clubs is that local communities are better placed to help people to make the best use of local knowledge and provide peer-support than central government departments or agencies. The Government holds an expectation that the creation of Work Clubs will be a straightforward and organic process that will require little assistance from Jobcentre Plus. However, Jobcentre Plus will be maintaining a strategic oversight of Work Clubs and have appointed dedicated regional leads to support the local establishment of Work Clubs.

Jobcentre Plus is looking to engage with Local Authorities, voluntary sector, community groups and charitable organisations to find suitable prospective organisers and encourage partnership working to create, develop and deliver Work Clubs

For people or organisations wishing to get involved in Work Clubs, information, advice and guidance is being provided via the DWP website. Jobcentre Plus will also promote and encourage benefit recipients to join a local Work Club and inform Work Clubs of employers in the area who are prepared to offer support through work placements, mentoring and providing meeting resources.

Jobcentre Plus have started approaching central London community partners to identify organisations that would be willing to facilitate the establishment of a Work Club and provide hosting locations and the necessary resources for Work Clubs.

2. Work Together

Work Together is an initiative that aims to encourage and promote volunteering opportunities for unemployed people in their local communities. The delivery strategy for Work Together will evolve as the programme matures. DWP and the Office for Civil Society are working at the national level with key voluntary organisations to enhance the delivery of volunteering opportunities to the unemployed people through the Work Together programme.

The Government has not prescribed how Work Together should be delivered at the local level but has charged Jobcentre Plus to work with local voluntary and community sector organisations to facilitate volunteering opportunities for unemployed people. Jobcentre Plus will be encouraging unemployed people to consider taking up volunteering by signposting people to local organisations that have agreed to support unemployed people.

3. Work for Yourself – (The Enterprise Allowance)

The Secretary of State announced the launch of an Enterprise Allowance at the 2010 Conservative Party conference. The Enterprise Allowance is intended to help unemployed people to start their own businesses with the target of supporting the start of '10,000 new small businesses by next year'.³⁰

The Enterprise Allowance is a key component of the Work for Yourself programme, providing a package of support potentially worth £2,000 for people who wish to start a new business. It will be available to Jobseeker Allowance (JSA) recipients who have been claiming JSA for more than 6 months and is scheduled to be introduced in January 2011, initially in those areas of the country which face the greatest unemployment challenge.

Once a viable business case has been presented and approved, an individual will be able to claim financial support through a weekly allowance payable at the same level as JSA payments for 3 months, and then at half that rate for a further 3 months. If start-up capital is needed, a loan of up to £1,000 could be made available.

Support will also be available through a business mentor who will provide guidance in developing the business case and through the early stages of trading although the Government has not provided details on how it will be provided.

Jobcentre Plus hold responsibility for the administration of this programme but the qualifying criteria for Work for Yourself applicants has yet to be confirmed and it is not certain that it will be in place in time when the Enterprise Allowance is piloted in January 2011.

4. Youth Action for Work

This programme has been signalled to include a range of initiatives:

- work pairing programme to offer mentoring and work experience opportunities with small businesses;
- apprenticeships schemes including pre-apprenticeships to fill literacy and/or numeracy gaps;
- Investing in high quality, work-focused Further Education;
- Developing Technical Academies in 12 urban areas; and
- Recruiting an additional 10,000 university students

However, the only confirmed announcement is a Work Experience programme that will be limited to the 18-21 age group. The work experience will range from two-to-eight weeks and will be a voluntary programme although once an individual has committed to participate, sanctions will be imposed for non-attendance. Work will be on a full-time basis but no expenses are likely to be allocated for travel.

³⁰ Conservative Party press release - *Our contract with the country for 21st Century Welfare* Tuesday, October 5 2010

5. Service Academies

In the document *Programme for Government*, the Coalition Government announced that it will establish a Service Academy to provide pre-employment customer service skills courses with the active co-operation from sector skills councils and service sector employers.³¹

Similar to the pre-employment programmes currently delivered by local authorities and local partners, the Service Academy concept is intended to ensure Work Programme participants have the soft skills and basic industry skills that employers use as sifting criteria and provide training course participants with an overview of jobs in particular sectors before they apply.

The key point of difference is that the training content, materials, structure and means of delivery are to be determined by major businesses and experts in order to provide unemployed people with sector specific skills that are relevant to the immediate needs of employers.

The announced Service Academy will be focussed on the Hospitality and Leisure sector and will provide up to 50,000 training places and work placements for the long-term unemployed. The Conservative Party announced before the election that eleven hospitality, leisure and tourism companies had signed up to support the Service Academy with the aim of offering full-time work to 20% of participants.³²

Details about where the Service Academy will be located or how they will be managed has not been forthcoming. However, prior to the election, Lord Freud stated on the Conservative Party website that the Service Academy will offer a two-week pre-employment course followed by a four-week work placement.³³

6. Mandatory Work Activity

In the recently published White Paper, *Universal Credit: welfare that works*, the Government outlined plans for jobseekers to be referred to a 'Mandatory Work Activity' by their employment adviser if it is believed that the individual would benefit from the work placement.

The Mandatory Work Activity (MWA) placement will be for a period up to four weeks in length and is intended to give people the experience of regular full-time employment and the associated skills and disciplines required to maintain employment i.e. regular attendance, punctuality, carrying out specific tasks and working under supervision.

The government believes that requiring a small group of recipients to engage in full-time activity will give them the opportunity to demonstrate their claimant compliance with the Jobseeker's regime. However, the referral to a MWA is coupled with a sanction if the unemployed individual cannot present a good reason for not attending or completing the MWA placement.

³¹ *The Coalition: our programme for government* Crown copyright May 2010

³² Barcelo Hotels and Resorts, Bourne Leisure, Gala Coral Group, Guoman and Thistle Hotels, InterContinental Hotel Group, Merlin Entertainments Group, Pizza Express, Sodexo, Starbucks, Travelodge and Whitbread PLC - Conservative Party press release - *Conservatives pledge 50,000 training places for unemployed* Monday, March 15 2010

³³ *Helping young people into the workplace* Lord Freud, Thursday, March 18th, 2010 Conservative Party Blog – <http://blog.conservatives.com>

While the White Paper makes it clear that all cases will be judged on the individual circumstances, the paper provides a scale of possible sanctions for non-attendance that ranges from suspension of an individual's Job-seekers Allowance from a period of three months to a period up to three years.

There are reservations that Mandatory Work Activity will be an effective employment support initiative in returning people back to work. A DWP report into 'workfare' programmes in the United States, Canada and Australia found little evidence that mandatory participation in unpaid activities increases the likelihood of finding work. In particular, when the labour market is weak and unemployment is high, 'workfare' is one of the least effective methods of moving people into work.

The report stated that 'workfare' programmes can even reduce employment chances by limiting the time available for job search and by failing to provide the skills and experience valued by employers. The research also found that levels of non-participation in mandatory activities can be particularly high in some workfare programmes amongst people who face multiple barriers to work.

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