

# INTERIM PROPOSAL

## EAST AND SOUTH EAST LONDON CITY STRATEGY PILOT

July 2006

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### 1. Introduction

The five local authorities of Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest, the GLA, the LDA, JCP, LSC, and ELBA have formed a Consortium (the 'Consortium'), to begin to refocus, redefine and then pilot the way in which the challenges of worklessness and child poverty can be addressed. Responding to the challenge set out in the Green Paper on Welfare Reform published in Spring 2006, this Consortium is tasked with designing and implementing an innovative, creative and radical approach to drive system-wide change with partners in the five Olympic boroughs.

The target objectives for the Pilot are to work towards the national targets of an employment rate of 80%, and a reduction in child poverty levels by 50% by 2010, and 100% by 2020.

Despite its proximity to the City and significant numbers of new jobs being created within the area, the five boroughs continue to have the highest levels of worklessness in the UK. London has the highest rate of child poverty in Great Britain, with 39% of all children living in poverty, rising to 51% of children in inner London.

The five boroughs have some of the highest levels of child poverty, reflecting high levels of worklessness amongst both lone parents and couples, and the scale of this problem in the area warrants its selection as a City Strategy Pilot.

There are 46,000 workless households with children in the five boroughs (accounting for around 90,000 children). 19% of couples with children and 60% of lone parents are workless.

There are many examples of good practice and projects within the five boroughs. This Pilot will enable local good practice to be built upon, and extended across a wider area, and new, creative and innovative activity and practice to be introduced, through the reform of relevant policy and focus on disadvantaged client groups. The Consortium partners have a strong track record of sharing best practice which will help to extend the lessons learnt to other areas, both within the Consortium and London wide, as the Pilot progresses. The staging of

the 2012 Olympic and Paralympic Games in the area, and the commitment to achieving a lasting legacy is a catalyst to development of new and innovative approaches.

The Pilot period of two years will allow the Consortium to demonstrate that it has led the way to create an approach, structure and ability to coordinate and align multi-agency activity and funding, and to develop this further into a sustainable approach with a legacy that will continue after the formal Pilot period has ended. Participation in this Pilot is seen as the start of a long term commitment to support and drive institutional and policy change, and thus address the core DWP targets as outlined above.

## **2. Labour market skills and demand**

The overarching aim of the Pilot is to increase employment rates within the five boroughs by ensuring residents are able to access jobs both locally and within the wider labour market. A growth in employment opportunities within the five boroughs has not led to a commensurate reduction in worklessness to date. The Pilot area draws in commuters from a wide area of the South East and exports residents to work outside the area. The Pilot will be operating in this broader context and to achieve its outcomes will need to focus on increasing access to opportunities both locally and within the wider London Labour Market.

It is recognized that the availability of local jobs is an important factor in addressing the worklessness issue in the Pilot area, and thus the sourcing of more flexible and part time employment opportunities is essential. It is hoped that this will in part be driven by the unprecedented growth anticipated in the area's economy over the next ten years.

It is noteworthy that 64% of employed individuals resident in the five boroughs work outside their borough of residence, and over half work outside the five borough area. Therefore, the Consortium will need to consider these factors, and ensure that the maximum opportunities exist for residents, irrespective of the location of the opportunity. This may impact on individual targeting and should be investigated further.

### **2.1 The labour market**

Based on data from the 2004 Annual Population Survey, Tower Hamlets, Newham and Hackney have the highest levels of worklessness in the UK. Waltham Forest is ranked 9<sup>th</sup> and Greenwich is ranked 38<sup>th</sup>. Worklessness is a major issue, with each borough well below the current national employment rate of 75% and the national target of 80%. In Tower Hamlets, Newham and Hackney, the employment rate is below 60%.

In the five boroughs, there are currently 37,000 JSA claimants. In addition there are an estimated 67,000 sick or disabled people claiming benefit and 34,000 lone parents claiming benefit. Consequently, there are three times as many IB / Lone Parent Claimants as JSA claimants. In the same area, there are estimates suggest there are 138,000 non-benefit claiming workless individuals.

## **2.2 Skills demand**

Despite rapid job growth in the area with the number of jobs increasing by around 15% between 1998 and 2004, compared to a 4% growth in the rest of London, levels of worklessness have not improved at the same rate. Unemployment in the area has fallen only slightly faster than the London average. It follows that the increase in the number of jobs projected in the five boroughs is unlikely to impact significantly on worklessness unless new approaches are taken to address the barriers that stop residents gaining employment, whether within the area or in the wider London labour market.

Our ambition is to use the opportunity created by the Pilot (in terms of policy influence and change, better joined up working and potential freedoms), as a means of developing closer working and active support from employers and partners. We intend to extend and improve support and accessibility to local people. Activity will focus directly on increasing the numbers of local people moving into work, reducing child poverty rates and raising the skills of residents so that they can better compete for and remain in work.

The Pilot will address improving pathways and access to jobs, and address the barriers that stop local residents gaining and retaining employment. We intend to develop sustainable relationships that will move people into jobs being created by significant developments and opportunities within the five boroughs and across Greater London, including the Olympics and Paralympics.

There are already a significant number of initiatives and partnerships in existence in the five boroughs. There are many examples of initiatives that have been introduced to tackle barriers that prevent people accessing jobs. A great deal of expertise exists. Collaborative working has been developed through LSPs, outreach services and the Local Area Agreements. Much progress has been made in aligning priorities across different agencies. Further alignment and cooperation between agencies are the key themes to be addressed in order to set up an effective and efficient Pilot project, together with recognition and resolution of the governance challenges such an approach would face. The aligning and pooling of funding and expertise will support this objective as well as allow new models of integrated service delivery to be developed.

## 2.3 Child poverty

One of the overarching objectives of this Pilot will be to reduce levels of child poverty in East London. Figures for London show that approximately 50% of children in poverty are in lone parent families in London and 50% are in couple households. 59% of children in poverty are in workless households i.e. a household is where no adult member is in employment or self employment. The remaining 41 per cent are in working poor households, of which most are single earner couple families and lone parent families where the parent is working part-time. Child poverty rates are significantly higher for many ethnic minority groups and for some recently arrived migrant groups.

This poses an enormous challenge given the population makeup of the five Boroughs and existing patterns of ethnic minority disadvantage and cultural challenges, which are particularly marked among families with children, reflecting the younger age structure of most ethnic minority groups.

While there are important variations in employment outcomes between different minority groups, East London has high representation of some of the groups with the highest average levels of disadvantage. Thus, an objective of tackling child poverty therefore converges with the aim to reduce disparities in employment affecting minority groups.

There will be a need to look at how the services needed by workless individuals can be better integrated *at the point of use*. We recognise that achievement of more integrated access to the full range of services will be an important challenge for the Pilot. By focusing on individual needs and the menu of services required to overcome multiple barriers, the Pilot will also help identify gaps in provision.

## 3. The Consortium

It is intended that the Consortium will initially comprise the following, during the Business planning stage:

- Greater London Authority
- London Development Agency
- Learning and Skills Council
- Jobcentre Plus
- Greenwich, Hackney, Newham, Tower Hamlets and Waltham Forest Local Authorities
- East London Business Alliance, plus member businesses.

A working group of Consortium members has been established and has contributed to and endorsed this proposal.

One of the aims of the pilot is to align objectives, targets and resources between stakeholder organisations. The resources to meet the pilot objectives will, to a large extent, come from increasing the flexibility with which existing budgets can be deployed, rather than from dedicated funding streams. However there are two ring-fenced funding streams which will be specifically dedicated to the pilot and it is proposed that they be managed as follows:

- a. Seed corn funding for this Pilot will be held by the London Borough of Hackney on behalf of the Consortium, and commissioning protocols will be agreed. This funding is to cover Pilot set up and development costs, plus funding for a small secretariat (or project team) to service the Pilot project. The Secretariat will work to the Consortium as a whole.
- b. The Deprived Area Fund (DAF) will be held by JCP. Expenditure from DAF will be agreed by the Consortium in advance of any commitment to spend.

In the short term, the Consortium working group will be tasked with preparing and submitting the Pilot Business Plan. Once the Consortium has been formally established and aligned with other East London initiatives (such as LEST, LETF and the five borough LAA), and its leadership structure and responsibilities have been assigned, financial management of Pilot funds will be determined.

During the Pilot, reward payments and reinvested IB savings will also fall within the Pilot funding strategy and again, direction on how these funds will be utilized will be defined by the Consortium.

A working group, drawn from members of the Consortium, will be responsible for preparing an evidence based, challenging Business Plan for submission to the DWP (by the end of October 2006). The LDA will lead on this activity and coordinate partner input.

#### **4. Alignment of Consortium partners**

The Consortium will bring together the main strategic and operational partners whose activities can impact on the level of worklessness in the area. It will build on successful working that has commenced through LSPs and LAAs, and based on a shared understanding of local factors, will promote the setting of joint priorities, targets and commissioning, and the alignment / pooling of funding.

As a result, institutional barriers will be broken down, duplication in the system removed, referrals between agencies improved and gaps in provision addressed. There will be a universal focus on the needs on the individual, which will drive the policy changes sought by the Consortium. Removal of duplication will release

funding for reinvestment in wider Pilot priorities, to support the DWP investment from the Deprived Areas Fund.

The Consortium will review existing initiatives operated by partners and explore if Pilot freedoms will provide the added flexibilities to maximise benefits and returns achieved.

Compartmentalised use of funding has led to a plethora of delivery agencies with no overall co-ordination and disparate projects initiated. Funding does not follow the individual – but rather, is driven by contract / funding constraints. There is difficulty in influencing provision on the ground / lack of flexibility / local discretion. Other support services e.g. childcare, health are often not part of a package for welfare to work.

Different targets for different agencies leads to confusion, dissipation of effort and duplication of resources. By aligning funding, in recognition that the hardest to reach face multiple barriers to work (including skills), we expect to deliver flexible responses that will meet the needs of individuals.

To achieve this, it is proposed that we will seek to influence change via:

- Piloting changes to the commissioning process with an emphasis on funding following local need;
- Joint commissioning to enhance use of good models and eradicate duplication;
- Work with partners and colleagues involved in developing other key local initiatives such as London 2012 Employment and Skills Taskforce (LEST) and Local Employment and Training Framework (LETF), to avoid duplication and ensure alignment and coverage of activity;
- Where there are fragmented contracts remaining, information on progress and accountability can be incorporated in to the Pilot monitoring system.

## **5. Areas of focus for the Pilot**

At this stage, it is important to clarify the top line priorities for this Pilot, and to begin to explore areas of activity, policy change and partner requirements. Further work is required to build up the evidence base and approach to tackling these priorities during the Business Planning period.

To be fully effective, it will be essential to have a shared vision between all Consortium members and key agencies responsible for training, employment and skills including employer agencies and PCTs. Once clarity has been achieved

regarding the freedoms and flexibilities required, an evidence based business case will be prepared to support any requests submitted to DWP.

Problems in sharing information on clients of different agencies can make the targeting of individuals and joint agency responses difficult. It may also mean that individuals may not benefit from all the help that might be available, multiple 'problems' may not be identified and duplication of effort can occur. It also leads to a lack of tracking and monitoring of clients. Therefore, a consistent thread across all Pilot initiatives will be the investigation and resolution of perceived data sharing restrictions and issues, and tracking and monitoring requirements, to create a workable, accessible and transparent system.

With the high levels of worklessness in the five borough area, all those who are workless or need help with the transition from education to employment can be identified as disadvantaged, and customers of this Pilot. Specific disadvantaged groups that will be targeted include:

- Lone Parents
- Low Income Households with dependent children
- 14-19 year olds not in education, employment or training (NEETS)
- Residents in receipt of Incapacity Benefits (IB)
- JSA Claimants.

This Pilot is keen to focus on three top line priorities:

### 5.1 Reduction in child poverty levels

The levels of children living in workless households in the Pilot area are significantly higher than the rest of London. The table below shows a breakdown of these levels by borough, as compared to the rest of London.

	Number of dependent children in Workless households	All dependent children
Tower Hamlets	22,436	50,248
Newham	26,758	71,557
Waltham Forest	14,729	52,206
Greenwich	15,787	51,457
Hackney	18,848	52,771
TOTAL	98,558	278,239
London	393,798	1,618,983
<i>Source: 2001 Census</i>		

The high incidence of child poverty in the Pilot area is compounded by the fact that a significant proportion of workless people often face multiple barriers / types of disadvantage.

It is proposed that one of the objectives of the Pilot be to increase employment among households with dependent children. This does not mean that only households with children should be targeted by the Pilot: it means that initiatives should be designed in such a way as to maximise takeup by parents, for example by ensuring that suitable, flexible and affordable childcare is included in the offer to all workless individuals who need it, and that employers are encouraged to include flexible working arrangements in job offers. Other areas where parents might particularly benefit without being the sole beneficiaries would include tax credit advice and debt counselling.

Therefore, it is proposed that this Pilot will explore how to establish integrated access for as many as possible of the services which are most likely to benefit lower income families, taking the form of a core offer, open to all residents who wish to avail of it, consisting primarily of access to employment opportunities, and information advice and guidance services. The range of services to be accessed could over time include advice on tax credit entitlements, training, childcare, recruitment, information/advice/guidance, debt counseling/financial management of the transition to employment, and income maximization.

Because of the diversity of the neighbourhoods which make up the five boroughs, it will be important that service provision is genuinely responsive to local demand, as the balance of requirements is likely to vary considerably between one area and another.

Initial thoughts to help achieve Pilot targets and desired outcomes include:

- Offering the full range of services to address barriers to employment/advancement, to be available across the Pilot area;
- Equal accessibility to services by all who would benefit from them;
- Providing single points of access for services (employment, training, childcare, information advice and guidance), integrating services at the point of use, to meet specific local needs;
- The package of service provision should be led by client demand, with intelligence from interactions with clients driving the development of the offer.

## **5.2 Transition from Education to Employment**

The five boroughs have some of the highest concentrations of young people who are not in Education, Employment, or Training (NEET) in the UK. For example, in Hackney, 13.8% are known by Connexions to be in this position and a further 14.8% whose situation is unknown but who are likely to also be in this category – almost a third of young people. Whilst progress is being made in reducing the number of NEETs, there is considerably more that will need to be done to ensure

that all young people move successfully from education and training into work. This is particularly true for those young people in their early teens, for whom school fails to motivate them. This is an area where it is crucial that what is available to young people is joined up, to ensure there is effective vocational guidance, there are alternative vocational routes for them to follow, and to ensure that they have the opportunity for work experience in new sectors of the economy. Excellent practice exists in pockets and needs to be extended more widely.

Initial thoughts to help achieve Pilot targets and desired outcomes include:

- Ensuring pathways into work for young people are clear, accessible, workable and sufficiently resourced;
- Securing commitment from employers to provide jobs for Pilot clients, and provide forecasts for growth that will support the Pilot's objectives;
- Extending the good practice that exists more widely in terms of providing quality work experience, highlighting the changing local and regional economy and opportunities available;
- Better involving employers with education;
- Providing vocational courses and guidance;
- Linking schools and colleges to the five borough local labour and business scheme;
- Removing the bureaucracy for employers around the modern apprenticeship scheme, and devising a new, accessible offer;
- Enhancing data sharing though securing a better understanding of the problems caused by difficulties in data sharing between school level data, JSA data and NEET data;
- Flexibilities for young people making the transition from education to employment to be explored include relaxation of benefit rules so that more young people can claim benefit whilst undertaking training and paid work experience; lowering the age of eligibility for New Deal programmes and extending programmes to other claimants; allocating resources for vocational employer led and designed training and extended work placements.

### 5.3 Worklessness

Over the coming months, the Consortium will investigate closely those groups where greatest impact can be made in contributing to the attainment of local and national employment targets. The groups to be investigated will include IB claimants, JSA claimants, lone parents receiving benefits, and those not in receipt of any benefits.

The Government is currently conducting a review into the proposed wider reform of IB, and this Pilot will remain aware of what is happening in the wider context.

Within the context of IB, the Consortium's plans will be mindful of the breakdown of different health issues of these claimants, an overview of which is provided below:

Top 90% IB claimants by condition East London (Nov 2005)						
Condition	Greenwich	Hackney	Newham	Tower Hamlets	Waltham Forest	East London
Mental and behavioural disorders	4,700	6,100	4,100	5,200	3,500	23,600
Diseases of the musculoskeletal system and connective tissue	1,900	1,800	2,400	1,500	1,500	9,100
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	1,000	1,100	1,500	1,400	1,600	6,600
Diseases of the circulatory system	500	800	800	700	300	3,100
Diseases of the nervous system	700	500	700	600	400	2,900
Injury, poisoning and certain other consequences of external causes	400	700	600	500	400	2,600
Diseases of the respiratory system	300	300	300	400	100	1,400
Endocrine, nutritional and metabolic diseases	300	300	200	300	200	1,300
Certain infectious parasitic diseases	100	200	500	300	100	1,200

Source: DWP benefits data

Chart Data	1997	Change to 2005
Mental and behavioural disorders	16,700	6,900
Diseases of the musculoskeletal system and connective tissue	10,900	-1,800
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	6,500	100
Diseases of the circulatory system	4,800	-1,700
Diseases of the nervous system	3,500	-900
Injury, poisoning and certain other consequences of external causes	2,900	0
Diseases of the respiratory system	2,100	-700
Endocrine, nutritional and metabolic diseases	1,900	-600

The data shows that intervention to address mental health issues will be a key area of focus for the Pilot, particularly given the disproportionate increase in these levels since 1997.

## 6. Consortium achievements for target groups

In order to contribute to the achievement of Pilot targets, the agreement of baseline data is essential. The tables below summarise the most recent reported

position of employment rates and unemployment across the five boroughs (further analysis is required and will be undertaken as part of the business planning process):

	Number in Employment	Working age population	Employment rate	NEET Rate %
London	3,307,300	4,788,700	69.1	6.8
Greenwich	91,600	138,300	66.2	13.1
Hackney	77,300	139,200	55.5	13.8
Newham	86,100	156,400	55	11.2
Tower Hamlets	73,500	136,000	54	14.5
Waltham Forest	88,800	138,200	64.3	6.7
<b>Total</b>	<b>417,300</b>	<b>708,100</b>	<b>58.9</b>	<b>10</b>
<i>Source: Annual Population Survey/LSC</i>				

#### Claimant Count (May 2006)

	Total claimants	Claimant count (%)
Greenwich	6,297	4.3
Hackney	8,032	5.8
Newham	8,480	5.2
Tower Hamlets	8,609	6
Waltham Forest	6,597	4.5
<b>London Total</b>	<b>169,541</b>	<b>3.4</b>

*Source: Jobcentre Plus*

During creation of the Pilot Business Plan, cross agency targets and funding will be identified, and aligned.

Success will be dependant on the flexibility of the model being able to make the best use of methods of helping local job seekers make the transition from worklessness to employment. Challenging current practices and extending pilots that work will be crucial. The boroughs have a strong record in securing the involvement of employers, both through the use of planning agreements and through using employer agencies such as ELBA and local chambers of commerce. There are already good examples of ring fencing of jobs, partnership accord type agreements as well as involvement of employers in schools and colleges, delivered through a range of packages. Coordinating these and freeing up resources for initial set up costs will provide effective pathways to employment.

In order to change the inherent structural worklessness issues that exist in the area to address the top line priorities detailed above, a step change in approach is required and identified constraints will need to be removed.

As stated in Section 5, in order to achieve our objectives of increasing the total numbers of individuals moving into work to reduce worklessness, and positively impacting on child poverty rates, the Pilot will:

- Drive and influence policy, to provide an environment within which the Pilot will be able to operate effectively;

- Develop better understanding of the local barriers to employment and support available within the boroughs, including funding streams;
- Refine and pilot ways of cross agency engagement, to better support and service customer base;
- Learn the lessons of past and current activity with a view to building upon success;
- Engage effectively with partners;
- Align and where appropriate deliver integrated support to local people;
- Better engage with those individuals and communities who are currently out of work;
- Improve value for money through joint working and joint investment in delivery.

## **7. Performance Tracking**

Transparent monitoring and evaluation of the Pilot's performance and impact is required. The Consortium is currently discussing data needs for target setting with DWP and will report at a later stage on the targets.

Targets will be based on 'flows' into employment or other destinations as opposed to measuring progress against the 'stock' of the workless, providing more accurate and informative benchmarking in this dynamic situation.

The setting of challenging, transparent targets will ensure focus for the Pilot, but the Consortium recognise that a robust tracking and performance management system will be required.

Work will be undertaken to better understand the focus of current funding streams and ensure that management information meets both the needs of the Consortium members and those organisations that will provide funding. It is envisaged that wherever possible, existing measurement systems will be used.

Investigation into the potential reinvestment opportunity of benefit savings achieved into the Pilot programme is required, and this will also need to be monitored and tracked in the longer term.

Investigation will be undertaken to assess the impact of population flows in the Pilot area, to ensure targets accurately reflect achievement. Similarly, account needs be taken of those who have moved from the area once they secure employment.

## **8. Impact on wider LAA and other local initiatives**

A five borough Local Area Agreement is currently being developed for employment, business and skills activities. This brings together many of the key partners proposed for the City Strategy Consortium. The five boroughs LAA will link to individual LAAs at borough level, ensuring consistency and synergy and that the focus of the local LAAs and work of LSPs can be brought to bear on issues such as teenage pregnancy, educational attainment and health. The five boroughs LAA is to be overseen by a 'Host Borough Strategy Board for employment, business and skills'.

It will be necessary over time to develop a common governance structure for the City Strategy Pilot, as outlined in Section 3 above, and the employment related elements of the LAA. Partners therefore plan to work towards a common governance structure over the summer and aim to finalise this as part of the final Business Plan (for submission to DWP at the end of October 2006). In the meantime, partners will continue to develop the strategic proposals as a matter of priority.

## **9. Next actions**

To operationalise the City Strategy Pilot, the working group referred to in Section 3 above will convene in July to begin the planning and research phase of work, and review the policy changes that may be required, with a view to submitting an evidence based, detailed Business Plan to DWP at the end of October 2006. In the meantime, liaison with DWP will continue and a communication plan to involve all partners and stakeholders will be designed.

7 July 2006