AGENDA

Meeting	**Economy Committee**
Date	**Thursday 15 October 2015**
Time	**2.00 pm**
Place	**Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA**

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www.london.gov.uk/mayor-assembly/london-assembly/economy

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Members of the Committee

Fiona Twycross AM (Chair)
Stephen Knight AM (Deputy Chair)
Tony Arbour AM
Jenny Jones AM
Kit Malthouse AM MP
Murad Qureshi AM
Dr Onkar Sahota AM

A meeting of the Committee has been called by the Chair of the Committee to deal with the business listed below.

Mark Roberts, Executive Director of Secretariat
Wednesday 7 October 2015

Further Information

If you have questions, would like further information about the meeting or require special facilities please contact: John Johnson, Committee Officer; Telephone: 020 7983 4926; Email: john.johnson@london.gov.uk.

For media enquiries please contact: Lisa Lam; Telephone: 020 7983 4067;
Email: lisa.lam@london.gov.uk. If you have any questions about individual items please contact the author whose details are at the end of the report.

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Certificate Number: FS 80233

Agenda
Economy Committee
Thursday 15 October 2015

1 Apologies for Absence and Chair's Announcements

To receive any apologies for absence and any announcements from the Chair.

2 Declarations of Interests (Pages 1 - 4)

Report of the Executive Director of Secretariat
Contact: John Johnson, john.johnson@london.gov.uk, 020 7983 4926

The Committee is recommended to:

(a) Note the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, as disclosable pecuniary interests;

(b) Note the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s); and

(c) Note the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at Agenda Item 2) and to note any necessary action taken by the Member(s) following such declaration(s).

3 Minutes (Pages 5 - 38)

The Committee is recommended to confirm the minutes of the meeting of the Committee held on 14 July to be signed by the Chair as a correct record.

The appendices to the minutes set out on pages 9 to 38 are attached for Members and officers only but are available from the following area of the GLA's website:
www.london.gov.uk/mayor-assembly/london-assembly/economy

4 Summary List of Actions (Pages 39 - 40)

Report of the Executive Director of Secretariat
Contact: John Johnson; john.johnson@london.gov.uk; 020 7983 4926

The Committee is recommended to note the outstanding actions arising from previous meetings.

5 Economic Impact of Climate Change (Pages 41 - 88)

Report of the Executive Director of Secretariat
Contact: Simon Shaw, simon.shaw@london.gov.uk; 020 7983 6542 or Charlotte Maddrell, charlotte.maddrell@london.gov.uk ; 020 7983 5618

The Committee is recommended to note its report *Weathering the Storm: The Impact of Climate Change on London's Economy*, as set out at Appendix 1.

6 London Fairness Commission (Pages 89 - 94)

Report of the Executive Director of Secretariat
Contact: Simon Shaw, simon.shaw@london.gov.uk; 020 7983 6542 or Charlotte Maddrell, charlotte.maddrell@london.gov.uk ; 020 7983 5618

The Committee is recommended to:

(a) Note the submission to the London Fairness Commission, as attached at Appendix 1; and

(b) Note that the Commission's interim report cites the Committee's recent report on personal problem debt.

7 Site Visit to Tech City (Pages 95 - 98)

Report of the Executive Director of Secretariat
Contact: Simon Shaw, simon.shaw@london.gov.uk; 020 7983 6542 or Charlotte Maddrell, charlotte.maddrell@london.gov.uk ; 020 7983 5618

The Committee is recommended to:

(a) Note this summary of the Committee's site visit to Tech City; and

(b) Delegate authority to the Chair, in consultation with Group Leads, to agree a summary of findings from the site visit to Tech City.

8 Economy Committee Work Programme (Pages 99 - 102)

Report of the Executive Director of Secretariat
Contact: Simon Shaw, simon.shaw@london.gov.uk; 020 7983 6542 or Charlotte Maddrell, charlotte.maddrell@london.gov.uk ; 020 7983 5618

The Committee is recommended to:

(a) Agree that the Chair, in consultation with the Deputy Chair, writes to the Mayor to formally invite him to a future meeting of the Committee, or for Committee Members to meet with him on a date of his choosing;

(b) Agree to use its November meeting slot to continue its investigation into London's changing economy;

(c) Agree to use its December meeting slot to conduct a manufacturing site visit;

(d) Agree to use its January 2016 meeting to discuss the issue of childcare; and

(e) Agree that officers scope how the Committee might use its February 2016 meeting to explore the issues of low income households.

9 London's Changing Economy Since 2008 - Productive, Flexible, Inclusive? (Pages 103 - 110)

Report of the Executive Director of Secretariat
Contact: Simon Shaw, simon.shaw@london.gov.uk; 020 7983 6542 or Charlotte Maddrell, charlotte.maddrell@london.gov.uk ; 020 7983 5618

The Committee is recommended to:

(a) Agree the scope and terms of reference for an investigation into the changing nature of London's economy since 2008, as set out in Appendix 1; and

(b) Put questions on London's changing economy since 2008 to invited guests, and to note the subsequent discussion.

10 Date of Next Meeting

The next meeting of the Committee is scheduled for 24 November 2015 at 10am in Committee Room 5, City Hall.

11 Any Other Business the Chair Considers Urgent

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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Declarations of Interests

Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 15 October 2015**
This report will be considered in public	

1. Summary

1.1 This report sets out details of offices held by Assembly Members for noting as disclosable pecuniary interests and requires additional relevant declarations relating to disclosable pecuniary interests, and gifts and hospitality to be made.

2. Recommendations

2.1 **That the list of offices held by Assembly Members, as set out in the table below, be noted as disclosable pecuniary interests[1];**

2.2 **That the declaration by any Member(s) of any disclosable pecuniary interests in specific items listed on the agenda and the necessary action taken by the Member(s) regarding withdrawal following such declaration(s) be noted; and**

2.3 **That the declaration by any Member(s) of any other interests deemed to be relevant (including any interests arising from gifts and hospitality received which are not at the time of the meeting reflected on the Authority's register of gifts and hospitality, and noting also the advice from the GLA's Monitoring Officer set out at below) and any necessary action taken by the Member(s) following such declaration(s) be noted.**

3. Issues for Consideration

3.1 Relevant offices held by Assembly Members are listed in the table overleaf:

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[1] The Monitoring Officer advises that: Paragraph 10 of the Code of Conduct will only preclude a Member from participating in any matter to be considered or being considered at, for example, a meeting of the Assembly, where the Member has a direct Disclosable Pecuniary Interest in that particular matter. The effect of this is that the 'matter to be considered, or being considered' must be about the Member's interest. So, by way of example, if an Assembly Member is also a councillor of London Borough X, that Assembly Member will be precluded from participating in an Assembly meeting where the Assembly is to consider a matter about the Member's role / employment as a councillor of London Borough X; the Member will not be precluded from participating in a meeting where the Assembly is to consider a matter about an activity or decision of London Borough X.

Member	Interest
Tony Arbour AM	Member, LFEPA; Member, LB Richmond
Jennette Arnold OBE AM	Committee of the Regions
Gareth Bacon AM	Chairman of LFEPA; Chairman of the London Local Resilience Forum; Member, LB Bexley
Kemi Badenoch AM	
Mayor John Biggs AM	Mayor of Tower Hamlets (LB); Member, LLDC Board
Andrew Boff AM	Member, LFEPA; Congress of Local and Regional Authorities (Council of Europe)
James Cleverly AM MP	Member of Parliament
Tom Copley AM	Member, LFEPA
Andrew Dismore AM	Member, LFEPA
Len Duvall AM	
Roger Evans AM	Deputy Mayor; Committee of the Regions; Trust for London (Trustee)
Nicky Gavron AM	
Darren Johnson AM	Member, LFEPA
Jenny Jones AM	Member, House of Lords
Stephen Knight AM	Member, LFEPA; Member, LB Richmond
Kit Malthouse AM MP	Member of Parliament
Joanne McCartney AM	
Steve O'Connell AM	Member, LB Croydon; MOPAC Non-Executive Adviser for Neighbourhoods
Caroline Pidgeon MBE AM	
Murad Qureshi AM	Congress of Local and Regional Authorities (Council of Europe)
Dr Onkar Sahota AM	
Navin Shah AM	
Valerie Shawcross CBE AM	
Richard Tracey AM	Chairman of the London Waste and Recycling Board; Mayor's Ambassador for River Transport
Fiona Twycross AM	Member, LFEPA

[Note: LB - London Borough; LFEPA - London Fire and Emergency Planning Authority; LLDC – London Legacy Development Corporation; MOPAC – Mayor's Office for Policing and Crime]

3.2 Paragraph 10 of the GLA's Code of Conduct, which reflects the relevant provisions of the Localism Act 2011, provides that:

- where an Assembly Member has a Disclosable Pecuniary Interest in any matter to be considered or being considered or at

  (i) a meeting of the Assembly and any of its committees or sub-committees; or

  (ii) any formal meeting held by the Mayor in connection with the exercise of the Authority's functions

- they must disclose that interest to the meeting (or, if it is a sensitive interest, disclose the fact that they have a sensitive interest to the meeting); and

- must not (i) participate, or participate any further, in any discussion of the matter at the meeting; or (ii) participate in any vote, or further vote, taken on the matter at the meeting

UNLESS

- they have obtained a dispensation from the GLA's Monitoring Officer (in accordance with section 2 of the Procedure for registration and declarations of interests, gifts and hospitality – Appendix 5 to the Code).

3.3 Failure to comply with the above requirements, without reasonable excuse, is a criminal offence; as is knowingly or recklessly providing information about your interests that is false or misleading.

3.4 In addition, the Monitoring Officer has advised Assembly Members to continue to apply the test that was previously applied to help determine whether a pecuniary / prejudicial interest was arising - namely, that Members rely on a reasonable estimation of whether a member of the public, with knowledge of the relevant facts, could, with justification, regard the matter as so significant that it would be likely to prejudice the Member's judgement of the public interest.

3.5 Members should then exercise their judgement as to whether or not, in view of their interests and the interests of others close to them, they should participate in any given discussions and/or decisions business of within and by the GLA. It remains the responsibility of individual Members to make further declarations about their actual or apparent interests at formal meetings noting also that a Member's failure to disclose relevant interest(s) has become a potential criminal offence.

3.6 Members are also required, where considering a matter which relates to or is likely to affect a person from whom they have received a gift or hospitality with an estimated value of at least £25 within the previous three years or from the date of election to the London Assembly, whichever is the later, to disclose the existence and nature of that interest at any meeting of the Authority which they attend at which that business is considered.

3.7 The obligation to declare any gift or hospitality at a meeting is discharged, subject to the proviso set out below, by registering gifts and hospitality received on the Authority's on-line database. The on-line database may be viewed here: http://www.london.gov.uk/mayor-assembly/gifts-and-hospitality.

3.8 If any gift or hospitality received by a Member is not set out on the on-line database at the time of the meeting, and under consideration is a matter which relates to or is likely to affect a person from whom a Member has received a gift or hospitality with an estimated value of at least £25, Members are asked to disclose these at the meeting, either at the declarations of interest agenda item or when the interest becomes apparent.

3.9 It is for Members to decide, in light of the particular circumstances, whether their receipt of a gift or hospitality, could, on a reasonable estimation of a member of the public with knowledge of the relevant facts, with justification, be regarded as so significant that it would be likely to prejudice the Member's judgement of the public interest. Where receipt of a gift or hospitality could be so regarded, the Member must exercise their judgement as to whether or not, they should participate in any given discussions and/or decisions business of within and by the GLA.

4. Legal Implications

4.1 The legal implications are as set out in the body of this report.

5. Financial Implications

5.1 There are no financial implications arising directly from this report.

Local Government (Access to Information) Act 1985 List of Background Papers: None	
Contact Officer:	John Johnson, Committee Officer
Telephone:	020 7983 4926
E-mail:	john.johnson@london.gov.uk

GREATERLONDONAUTHORITY LONDONASSEMBLY

MINUTES

Meeting: Economy Committee
Date: Tuesday 14 July 2015
Time: 10.00 am
Place: Committee Room 5, City Hall, The Queen's Walk, London, SE1 2AA

Copies of the minutes may be found at:
www.london.gov.uk/mayor-assembly/london-assembly/economy

Present:
Fiona Twycross AM (Chair)
Stephen Knight AM (Deputy Chair)
Tony Arbour AM
Jenny Jones AM
Murad Qureshi AM
Dr Onkar Sahota AM

1 Apologies for Absence and Chair's Announcements (Item 1)

1.1 Apologies for absence were received from Kit Malthouse AM MP.

2 Declarations of Interests (Item 2)

2.1 The Committee received the report of the Executive Director of Secretariat.

2.2 **Resolved:**

That the list of offices held by Assembly Members, as set out in the table at Agenda Item 2, be noted as disclosable pecuniary interests.

3 Minutes (Item 3)

3.1 **Resolved:**

That the minutes of the meeting held on 18 June 2015 be signed by the Chair as a correct record.

4 Summary List of Actions (Item 4)

4.1 The Committee received the report of the Executive Director of Secretariat.

4.2 **Resolved:**

That the outstanding actions arising from previous meetings and correspondence received since the last meeting of the Committee be noted.

5 The Role of the Third Sector in Employment and Skills Programmes (Item 5)

5.1 The Committee received the report of the Executive Director of Secretariat as background to putting questions to invited guests (in two sessions) on the role of the third sector in employment and skills programmes. The first panel comprised:

- Rob Hancock, Regional Education Officer, SERTUC;
- Dan Gascoyne, Director, West London Alliance;
- Adrian Smith, Director of Commissioning, LB Lambeth; and
- Laura Furness, Local Deals Manager, Big Lottery Fund.

5.2 A transcript of the discussion is attached at **Appendix 1**.

5.3 During the course of the discussion, Rob Hancock (SERTUC) agreed to provide the Committee with statistics relating to the extent to which mandatory work placements are replacing actual jobs.

5.4 The second panel comprised:

- Julie Sexton, Senior Programme Manager, GLA; and
- Alex Conway, European Programmes Director, GLA.

5.5 A transcript of the second session is attached at **Appendix 2.**

5.6 **Resolved:**

That the report and discussion, and the commitment outlined in paragraph 5.3 above, be noted.

6 Economy Committee Work Programme (Item 6)

6.1 The Committee received the report of the Executive Director of Secretariat.

6.2 **Resolved:**

(a) That the amendments to the scope of the Committee's site visit in September be noted;

(b) That authority be delegated to the Chair, in consultation with party Group Lead Members, to agree the Committee's submission to the London Fairness Commission; and

(c) That the scope for the October meeting on London's flexible labour market be agreed.

7 Date of Next Meeting (Item 7)

7.1 The date of the next meeting of the Committee was confirmed as Thursday 15 October 2015 at 2.00pm in Committee Room 5, City Hall.

8 Any Other Business the Chair Considers Urgent (Item 8)

8.1 There were no items of business that the Chair considered to be urgent.

9 Close of Meeting

9.1 The meeting ended at 11.46am.

Chair

Date

Contact Officer: John Johnson, Committee Officer; Telephone: 020 7983 4926; Email: john.johnson@london.gov.uk.

Economy Committee – 14 July 2015
Transcript of Item 5 – The Role of the Third Sector in Employment and Skills Programmes

Fiona Twycross AM (Chair): That brings us to today's main item, the role of the third sector in employment and skills programmes. Can I welcome our guests for our first session today? I will ask each of you to introduce yourself and tell us who you are representing. Thank you.

Rob Hancock (Regional Education Officer, Southern and Eastern Region, Trades Union Congress): My name is Rob Hancock. I work for the Southern and Eastern Region Trades Union Congress (SERTUC) as a Regional Education Officer.

Dan Gascoyne (Director, West London Alliance): My name is Dan Gascoyne. I am Director of the West London Alliance.

Adrian Smith (Director of Commissioning, London Borough of Lambeth): My name is Adrian Smith. I am Director of Commissioning at Lambeth Council.

Laura Furness (Local Deals Manager, Big Lottery Fund): My name is Laura Furness. I am Local Deals Manager for the Big Lottery Fund.

Fiona Twycross AM (Chair): Thank you. I wonder if you could tell us a bit about how you feel nationally and locally commissioned employment programmes are performing in the areas that you cover, particularly for those with more complex needs including long-term Employment and Support Allowance (ESA) claimants and/or different communities in the capital.

Dan Gascoyne (Director, West London Alliance): There is quite a lot of evidence, whether it is from the National Audit Office (NAO) or the work that the Institute for Public Policy (IPPR) North has done to show that the Work Programme nationally seems to be performing more or less as well as previous programmes - and is perhaps better value for money - for Jobseeker's Allowance (JSA) claimants. For those on the ESA, consistently, it seems to be failing those harder-to-reach individuals who are suffering a more complex range of needs.

On the evidence locally, for example - and I should pass on Andrew Travers' [Chief Executive, Barnet Council] apologies; I know he wanted to be here from Barnet today - a statistic from Barnet shows that there are improving rates of employment for most groups. There are only about 3,700 JSA claimants, which is down by 43% over the past two years. Therefore, unemployment overall is falling. Beneath the headlines, though, some of their most vulnerable residents are still struggling. Those claiming ESA are up 2% on last year and there is a clear disconnect there, which suggests that the programmes that are there to support them are not working as well as they could be.

Fiona Twycross AM (Chair): Thank you.

Adrian Smith (Director of Commissioning, London Borough of Lambeth): I have a very similar impression in many respects. The Work Programme is performing very well for many groups. When you look at a borough like Lambeth, we are getting to a point now where we are reaching what you might consider to be full employment, upwards of 80%.

However, clearly, despite the uplift in the economy, there are certain groups who are not benefiting from the job offers that are available on the current support offer for those. Particularly, just to echo the point Dan [Gascoyne] has made, those who have more complex needs or face more barriers to employment are not benefiting from the improvement in the economy and are not benefiting from the kind of support that is on offer. What we are seeing increasingly is we have a hard core of residents who have remained out of work or very far away from the labour market, around about 20,000 people, over many cycles of the economy, whereas those who are closer to the market - JSA claimants and others - are benefiting quite well.

We were, in LB Lambeth, with our partners in LB Southwark and LB Lewisham, part-funders of the research for the IPPR North report. We have been trying to draw on much of that learning and insight to try to develop some welfare-to-work programmes that we can unpack. However, clearly, we are of the view that more locally based models where you can integrate the system to be able to wrap around the whole-person needs of someone who is out of work, particularly if they might be on Income Support or ESA and facing many barriers, is really the optimum model for helping those people back to work.

Fiona Twycross AM (Chair): What it is about the locally commissioned programmes that you feel can better meet people's needs?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): When you go down to the individual level and you meet someone who walks in to sign up or take up a benefit or meet their job coach, what they tend to face in their own lives are multiple barriers. We have frequently found that somebody will walk in with a housing issue. It might be contact with homelessness or temporary accommodation. They may also have contact with the criminal justice system or it may be that they are a substance misuser. By having a nationally commissioned programme that looks at all of these issues in isolation, it is very difficult to support that individual back to work.

We have been trying to increasingly knit different kinds of provision together locally, which looks at it not only from the individual's perspective but ultimately from the end outcome perspective, defined as them being independent and resilient, where being in work is a key factor of that. By having the flexibility for those locally commissioned programme, we have been able to align in that person's case the housing offer, the substance misuse support that they get and the employment programme that they access, which for that individual is obviously a far greater and more optimal support offer for them. It is very hard to knit that flexibility together when you have nationally commissioned programmes.

Fiona Twycross AM (Chair): Dan, is that your experience as well?

Dan Gascoyne (Director, West London Alliance): Absolutely. In west London, we help our boroughs to collaborate together to find better solutions to deal with the problems they face and their communities face. We have a number of programmes that have started over the last six to 12 months that are demonstrating exactly the same point. In Barnet and in Brent Councils, both boroughs are looking at a local model of support for the long-term unemployed with local multiagency teams working alongside the voluntary and community sector to put a wraparound package of support around people in those localities.

The place-based focus is very important for us. We have certainly found that through the work we do, which started from some Transformation Challenge [Award] funded support originally back in the day and was part of the Whole Place Community Budgets programme about rewiring public services. In Brent, that is based around a particular estate, St Raphael's Estate, working with the Help Somalia Foundation with a central office and a multiagency team supporting individuals with multiple referral routes into that team. In Barnet, it's the Burnt Oak Ward and so a slightly bigger area, but again it is working with Love Burnt Oak, one of the local infrastructure organisations, to bring in a range of local partners from the voluntary sector and the mainstream services to work together, focused again around the individual. That does seem to be the way to go.

Fiona Twycross AM (Chair): Are third-sector organisations in your area particularly effective in working with the needs of some of the hard-to-reach groups?

Dan Gascoyne (Director, West London Alliance): Yes, absolutely. Fundamentally, third-sector organisations are often created within and for communities and based around the needs that are identified there locally. It stands to reason that they will be experts not only in the perhaps specialist issues they are dealing with or the services they are able to provide but also in terms of the networks within the community. That has been very helpful for us with the two projects I mentioned in terms of the co-design of those. Rather than simply commissioners locally deciding what the solution might be, we are very much working with local communities to design something that we think is going to work. It is still early days, but again we have a good network of individuals and community groups involved.

Fiona Twycross AM (Chair): I will bring the others in in a moment but, Adrian, you are nodding. Does that mean that you agree broadly with Dan's points on this?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): Yes, entirely, both on the co-design point in particular but also on the provision that has followed, although there have been challenges in both. Some of the most profound learning in the co-design phase was when we were bringing voluntary and community sector groups who worked, for example, with people with mental health problems together in a room and have them talk to us about their own experience and how the system could be rewired to improve the support offer for them. That was a real challenge for some of the professionals in the system, who had become very accustomed to providing services in a certain way, but that advocacy role was really important in the co-design work.

Fiona Twycross AM (Chair): Laura [Furness] and Rob [Hancock], do you have anything to add on that?

Laura Furness (Local Deals Manager, Big Lottery Fund): All I would add, really, is that for the new programme we are currently designing, we have been able to work on the point that for the voluntary sector, which works with the hardest-to-reach participants, do not want to have as hard a target because we acknowledge that they will be offering more wraparound support. We have designed our programme on that basis and the outputs and targets that follow will be on that basis to try to offer more holistic support to those furthest from the labour market rather than the participants closest to the labour market.

Fiona Twycross AM (Chair): Laura, can I ask you about the reasons that the Big Lottery Fund became more involved in funding employment and skills programmes in the first place? Was that prompted by concerns about current delivery?

Laura Furness (Local Deals Manager, Big Lottery Fund): Not really, no. It was prompted by the fact that we had not really done European funding previously and we wanted to get involved in European funding. There was an opportunity under European funding to work under Thematic Objective 9, Social Inclusion and Poverty, which fits with the Lottery's current vision of bringing a real difference to these communities most at need. It just felt like the two fit. As part of that, it was an employment programme and so it was an opportunity for us to make a real difference to people who may want to move further toward the labour market but need some support to do so, rather than necessarily gaps in provision.

Fiona Twycross AM (Chair): Thank you.

Stephen Knight AM (Deputy Chair): It used to be the way that local authorities saw part of their role as supporting a healthy and thriving third sector in their local areas. With the move to commissioning, do local authorities still see that as part of their role? I notice that, Adrian, your focus is as Director of Commissioning and that you commission from voluntary sector organisations. A lot of the money that used to go in grants now goes in commissioning contracts. Is it your job still to be supporting a healthy third sector in your borough or is that just a side effect of commissioning decisions and your focus is on delivering the best services at the lowest cost?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): Yes, the lens through which we look at that is through something we call 'provider development'. It is less of the old-school capacity building and more about trying to make sure that we have a rich mix of potential providers that we can work with. As we move through our commissioning cycle and we start to identify new or different services or interventions that we want to actively then commission, we need to have been investing in provider development to make sure that we have a provider market that works.

We try to do that through three different levels in Lambeth. One is that there are some big national providers - even for-profit providers - that we will work with. There are some others that are more kind of partners that we will work with and that may or may not be not-for-profit. Then we have a very clear focus as a co-operative council on supporting and working with not for-profit organisations. We have a different relationship with them, which, through provider development, might mean investing in their workforce commissioning and trying to improve the skills and capacity of their workforce. It might be trying to support an organisation for its long-term viability so that it can remain a provider in our market. It may take many different forms, but it tends to be the less of the old capacity-building model and more about trying to make sure we have a rich provider market. Therefore, we do still have that investment offer there, yes.

Stephen Knight AM (Deputy Chair): Your provider does not have to be the local voluntary sector organisation that has done it for years. It could be a national organisation or a private organisation or whatever?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): Yes.

Stephen Knight AM (Deputy Chair): Your focus is rather different. Dan, would you say that is true across all the boroughs that you work with?

Dan Gascoyne (Director, West London Alliance): Yes. I would not speak for them all individually, but I would say that clearly the impact of austerity brings huge challenges to all of our boroughs. Each of them face massive reductions in their budgets over the next few years and have cut huge amounts from their budgets in savings recently.

However, the point for me is about making sure that commissioning is done intelligently. If you understand what commissioning really is and do not think of it simply as a procurement model, you would understand that to achieve what commissioning is supposed to be about. If it is about meeting the needs of your community as a population in a place, then you need to have that diversity and the rich economy of provision. You need to have people who understand your local communities in order to get the best outcomes.

Commissioning generally is probably still relatively immature. There is something about how for us in west London we are trying to get a better understanding of shared commissioning intentions and outcomes so that that is a language that is understood across all of our boroughs. For me, you can have the most efficient contract in the world but, if it is buying the wrong thing, it is still a waste of money. The point Adrian [Smith] makes is really important.

Again, likewise, it is the ability to develop the provider market, including the voluntary and community sector, so that it is not simply, as Adrian [Smith] says, old-school capacity building. I know that capacity building is still, clearly, important and is still the language we would use when we are working with the voluntary sector and with infrastructure organisations.

Stephen Knight AM (Deputy Chair): How successful has this been in terms of ensuring that there is a wide variety of providers, particularly from the third sector, or are we seeing a large number of third-sector organisations failing as a result of this big shift, as we heard earlier?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): It is mixed, to be perfectly honest. In terms of introducing a more mature provider development model, it is relatively early days. We are talking about a set of outcome areas around employment and skills that are not fully mature in terms of commissioning and there are still lots of organisations that work with us that expect to be grant-funded or expect project funding, which is a regime that we are no longer working in.

I would also stress the point that because we are trying to come at this from that outcome perspective, we are not looking narrowly into the provider market and looking at only employment and skills types of organisations. We have experience of commissioning mental health voluntary and community sector groups to work to employment outcomes and it is a very different pattern of experience. However, our long-term aim is to have that rich market, which means we have to try to support different groups to survive. That is forcing or pushing us into some more creative an innovative ways of supporting groups. Instead of just commissioning them with revenue, we might be commissioning for outcomes based on a capital or an asset deal, which is allowing organisations to survive and to continue to provide services in a very local way, even though they are not being commissioned for a mainstream programme from the local authority.

However, that is not to say that we have not lost voluntary and community sector organisations, those that were not serving a purpose and were no longer meeting needs in their communities and were no longer sustainable or viable. That is part of the pattern, unfortunately.

Stephen Knight AM (Deputy Chair): Laura, your organisation has a much clearer focus on the third sector and supporting the third sector in particular. To what extent do you think that the big shift that there has been to commissioning has worked for the third sector and that the third sector has been supported through that shift?

Laura Furness (Local Deals Manager, Big Lottery Fund): I am not sure. I know that the third sector, from our experience and feedback, still likes a different model and still likes the grant model. That said, the shift in commissioning and the shift in the process has worked for some. It has not worked for others, I would say, but I do not think I could give a fully comprehensive answer because my role within the Big Lottery is primarily on European funding. I am seconded in just to do that role and I do not have the level of background in the Big Lottery as somebody else may do.

That said, previous to the Big Lottery, I was in the Office for Civil Society at the Cabinet Office. Again, we had quite a lot of feedback and thoughts that the older models were quite welcome with grants rather than contracts and the change of commissioning was difficult, but there were most certainly successes from the change of the process as well.

Stephen Knight AM (Deputy Chair): In terms of one of the changes going on, the outcomes-based commissioning model is a change in terms of the way it is being done. What has been the impact of that on those organisations that are bidding for these contracts? Dan [Gascoyne] or Adrian, does either of you have a view?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): I was going to ask if you could clarify what you mean by 'impact'.

Stephen Knight AM (Deputy Chair): What has been the impact of the shift to outcomes-based commissioning on the third sector?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): Do you mean the impact in terms of their sustainability as organisations or the impact that they are able to have on --

Stephen Knight AM (Deputy Chair): Yes, that and in terms of what they can deliver and their ability to compete, perhaps.

Adrian Smith (Director of Commissioning, London Borough of Lambeth): For us, it is not always about competition. I appreciate that. Our commissioning is allowing us to move into new areas, things like alliance contracting, where you can be putting groups of providers together where they do not have to compete and can work alongside other organisations whether they are not-for-profit or for-profit. That is an emerging model that works quite well. Therefore, I would always be seeing it through that lens.

For me, the introduction of commissioning and the outcome-based model is giving a greater degree of freedom to a lot of our voluntary and community sector organisations because they are able to better adapt their service models with the right support to be able to achieve those outcomes in very many different ways to the ways in which we would have traditionally designed services. We have employment-outcome programmes that are being delivered by local sports groups. They would never have had a chance in a traditional model because we would have been looking at it in a very siloed way. However, by using that commissioning cycle and, as Dan [Gascoyne] was saying, by starting with what you want to achieve and then looking at the different ways of getting there, setting the outcomes-based model is allowing those groups a far greater degree of freedom. Therefore, we have a much richer suite of services that are on offer to different residents that are meeting a whole of different needs that we were not able to meet in the past.

Stephen Knight AM (Deputy Chair): I can see in a sense that outcomes-based commissioning gives organisations a great deal more freedom in terms of how they meet those outcomes, which might be seen as positive. However, if it is outcomes-based funding, then in a sense there is a big transference of risk over whether it works or not to the voluntary sector organisation - a small organisation, potentially - delivering the service. It is that element that could be seen as putting the organisation at a greater degree of risk where their funding is dependent on a lot more unknown outcomes and is much more at risk. Has that side of it been an issue or been a problem?

Dan Gascoyne (Director, West London Alliance): Generally, there is clearly an issue around cash flow and the ability of smaller providers, whether they are voluntary or private sector, to be able to cope with an outcomes-based payment-by-results model that might defer payments until some later date. However, clearly, there are ways of designing the payment mechanism to help overcome that and to look at proxies towards outcomes that can be hit earlier on.

Fundamentally, whenever I look at the programmes that I have been involved with around reforming public services, whatever it might be, the tendency is that outcomes are poorly understood and it is very difficult to see, historically, the attribution between any intervention or budgetary spend and the ultimate outcome that is being sought. That is a generalisation, but it is pretty true across all public services. It is essential to move to a better understanding of how we reach outcomes. We clearly need to look at the payment mechanisms to make sure that they are not going to inhibit the richness of the market that we have talked about as being important.

Adrian Smith (Director of Commissioning, London Borough of Lambeth): If I could add, the alliance contracting model has been developed partly in response to the issue that you are identifying. Whilst I do not know of many - if any - examples of it being used in the employment and skills arena yet, it is certainly something that across the three boroughs of Lambeth, Lewisham and Southwark we are trying to explore because it allows that risk-sharing. It allows commissioners to be able to go after the real priority outcomes as they are defined but allows them to work more collaboratively with their mixed provider base in the alliance. It is definitely something we will see more of in coming years.

Stephen Knight AM (Deputy Chair): That is interesting. Can I move on, then, to the Social Value Act? I am interested to know what impact that has had on your commissioning decisions. How has it changed the way that you commission services?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): From a Lambeth perspective, we have taken an approach with the Social Value Act of building it into the commissioning cycle. It is seen less as part of the procurement phase and more as part of the outcome definition phase. Right upstream, we are talking about the broader social or public value that we want to achieve within the outcome definition. That is obviously driven by a needs assessment and other intelligence and evidence, but it is codified in the work as it progresses through the commissioning cycle. That has allowed us to then be able to get into the contracting phase with a clear understanding of what the Council wants to achieve through social value.

We would probably describe a number of case studies of success, but one of the challenges is always, again, around measurement and tracking and monitoring of impact around social value. We might have let a contract and have tried to codify the value that we want. Whether we then have the sophistication and the ability to measure and monitor and make sure we get all of those things in addition to the contract is something we have to refine.

Stephen Knight AM (Deputy Chair): That is the challenge moving forward?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): Yes. Like most authorities, we have our Social Value Toolkit. We have published that. We are using all the metrics that we can to try to put quantifiable measures against these things and we are being very open about that through the procurement phase of the work. Then tracking, monitoring and measuring is part of the challenge going forward.

Stephen Knight AM (Deputy Chair): Dan, would you say most boroughs are in a similar position?

Dan Gascoyne (Director, West London Alliance): That is a fairly similar position. For our part, we are encouraging our boroughs to make sure they are thinking about social value early on in the commissioning process as well. We are looking at how we can better track the performance of that and so that is something that is a work in a progress. Yes, it is fairly common.

Stephen Knight AM (Deputy Chair): Adrian, you spoke earlier about bringing voluntary sector organisations together into consortia and encouraging that in terms of, presumably, making the offer fit better with the services you want to commission. Have you seen a great many of these consortia delivered in the voluntary sector?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): The most advanced model that we have - certainly in Lambeth - that I have come across is around our Mental Health Alliance linked to the Lambeth Living Well Collaborative, where we have had an alliance contract in place getting on for over a year now. That has allowed the different commissioners - the Council, the Clinical Commissioning Group (CCG) and others - to come together and align their commissioning intentions and then have a joint alliance with a whole range of providers around mental health including the acute trusts and also different voluntary sector organisations. We have groups like Thames Reach and Certitude involved in that. It has allowed us to sharpen our focus on the kinds of priorities and outcomes we want to see. It has allowed us to be able to align and better integrate the service offer for those people who are in the system. It has allowed the commissioners to take just over £2 million out of the £11 million of public sector spend but, actually, we are seeing an improvement in outcomes and performance as a result. Therefore, for me, it is a really compelling model.

We have done about a year or so of learning. We are trying to extract that out and place that into the employment and skills area and, importantly in this area, look at it jointly with our neighbouring boroughs. There is a real issue in the employment and skills field. You have this huge number of different providers all working and often even chasing the same individuals in the system and there is not a great deal of market shaping that happens across the three. Certainly all of the different funders have not yet reached a point where they are able to align and prioritise certain cohorts. It should be that by bringing the three boroughs together with that kind of alliance model we are able to have more influence and leverage on the provider market, even in areas we do not fund, to be able to create those more collaborative models.

We have to recognise that it takes an awful lot of time and investment to create. You require trust. You require relationships. You require the right governance. However, it will be worth the investment in this area in particular, given that diversity that exists already in the market.

Stephen Knight AM (Deputy Chair): Do you think there is a definite trend for this to be the way forward: bringing lots of providers together into consortia and, indeed, commissioners coming together and jointly commissioning?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): Yes. Context will be everything. Different organisations really need a bit of history to work together. They need a common purpose to be working together. Again, never underestimate the importance of alignment around relationships, values and priorities. Where those things align, I see it as a really important model going forward.

Stephen Knight AM (Deputy Chair): Laura, do you see this in your area as well, bringing organisations together?

Laura Furness (Local Deals Manager, Big Lottery Fund): Absolutely. We have a lot of different programmes that require lots of different application formats. The biggest programme that we do in this arena is the European funding programme and we are encouraging a consortium approach from all applicants. That is a consortium approach not just from the voluntary sector but from the voluntary sector, the private sector and the public sector coming together to build the best partnership they can, not only to deliver the most effective outcomes and most effective service but also to start creating a legacy for future partnerships when this programme year comes to an end, to build the relationships early on and to continue to be able to work together.

Absolutely, we see the partnership approach for the harder-to-reach participants as being the way to go because there are so many needs. We feel it is quite difficult for one organisation to tackle the needs. It is better for the participant to have a service that can offer lots of things rather than going from one to another. I definitely echo what has been said about the importance of bringing partnerships together.

Stephen Knight AM (Deputy Chair): Am I right in saying that effectively what we are seeing is a commissioning exercise where, instead of getting lots of providers and choosing competitively amongst different providers, you are effectively trying to put together a provider from a consortium of potentials and doing a one-to-one deal in terms of how services are delivered?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): In some cases, yes, that could be the more appropriate model. It depends on what your evidence and what your needs assessment is telling you and it depends on what you have started to shape through the co-design period. I guess the point is that the contractual and legal vehicles exist to do that.

Stephen Knight AM (Deputy Chair): Where do you think this is heading? Are there future changes to the way we commission still to come or do you see a trend towards more consortia and more partnership arrangements?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): Inevitably, it will continue to evolve. Whilst commissioning is not new, we have not always applied the real commissioning rigour to areas like employment and skills. Therefore, we are still accruing benefits by applying that commissioning work.

For me, with the shift into provider development, workforce commissioning and the alliance contracting model, we will add another level of sophistication to our ability to achieve the outcomes. However, equally, earlier on in the commissioning cycle, there is still far more work to be done around intelligence, needs assessment and understanding, and then that co-design phase. You will see an evolution across the different phases.

Dan Gascoyne (Director, West London Alliance): Just to add to that, if you understand the outcomes that you are looking for, it does not take you long to realise that as an individual organisation you are unlikely to be able to meet those outcomes working on your own. The partnership with other parts of the public sector in particular is very important in terms of that joint commissioning. We have a very strong partnership across our seven boroughs in west London but we are increasingly working with others such as the Department for Work and Pensions (DWP), Jobcentre Plus and health as well. There is still a long way to go there, but that is a huge area that we need to develop in terms of our commissioning approach.

Stephen Knight AM (Deputy Chair): Just before I move to Rob [Hancock] for a second, Adrian, you are Director of Commissioning, I noticed, in LB Lambeth. Do you have a very big directorate? How many are employed doing commissioning in Lambeth now?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): The way we are structured in Lambeth is that in the Directorate of Commissioning we hold portfolios of outcomes. I hold outcomes for Lambeth's role in the London economy around employment and skills and, equally, around people living environmentally sustainable lives and our whole environmental sustainability agenda, and then a programme we have called Healthier for Longer, which is about wellbeing. As an illustration, my commissioning capacity for Lambeth's role in the London economy is about five or six people.

Stephen Knight AM (Deputy Chair): All your directors have 'commissioning' in their titles now in Lambeth?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): We have three full-time equivalents at director level for commissioning and another two are joined with health for integrated commissioning for adults and for children. Then there is me and one other, who focus just within the local authority.

Stephen Knight AM (Deputy Chair): Thank you very much. Rob, I wanted to turn to you in terms of the experience that you have of convincing commissioners perhaps to consider longer-term benefits rather than necessarily a short-term, financial cost-only analysis. We have heard from the commissioners that they are actually all doing this, in a sense. Is that your experience as a trade union representative?

Rob Hancock (Regional Education Officer, SERTUC): To be perfectly honest, it is not something I have been briefed on ahead of this meeting and so I do not feel confident to express --

Stephen Knight AM (Deputy Chair): What is your experience of commissioning and the move to commissioning of services?

Rob Hancock (Regional Education Officer, SERTUC): I was asked to comment on the moral barriers and those kinds of personnel issues. That is what I was invited along to speak about. To be honest, I do not have any first-hand experience with commissioning and so it would be wrong to invent any for the purpose of that answer.

Stephen Knight AM (Deputy Chair): My brief suggested that I should ask you, but that is a perfect answer when you do not know.

Fiona Twycross AM (Chair): The next session is probably particularly relevant.

Jenny Jones AM: I want to explore the issue of workfare because this Committee has heard from third-sector organisations that there are sometimes moral dilemmas. Moral dilemmas are a bit pick-and-mix at times. For example, the Salvation Army has supported workfare but does not support taking money from gambling.

Rob Hancock (Regional Education Officer, SERTUC): On workfare, the TUC's position is clear. We are opposed to workfare. We want any kind of involvement of employees or people looking to move into employment to be entirely voluntary and to have some kind of education and training outcome, as opposed to it being a source of cheap labour, to be blunt about it. That is where the TUC is coming from.

Jenny Jones AM: Apparently, the TUC supports work trials. Could you tell us a little bit about that?

Rob Hancock (Regional Education Officer, SERTUC): As long as there is trade union involvement so that anybody who is involved in a trial can get to meet a trade union representative, that trade unions are involved in the design of those trials, that health and safety considerations are taken account of and so on, then the trade unions will support them. However, that presupposes that people are there on a voluntary basis as opposed to it being mandatory.

Jenny Jones AM: Do you think it is unwise or wrong for charities and co-operatives to be involved in mandatory work placements?

Rob Hancock (Regional Education Officer, SERTUC): I noticed the word is 'moral' dilemmas and I am not sure that the TUC sees itself in any way a moral compass. We are just there to represent employees and so I would not like to comment on the conclusions that other people have arrived at. For us, all that we are interested in is seeing the development of employees and future employees because the economy needs that skills base. I can understand why the Salvation Army arrived at the conclusion it arrived at, but it is not for the TUC to pick a fight with the Salvation Army on moral grounds.

Jenny Jones AM: I do not see why not. We pick fights.

Stephen Knight AM (Deputy Chair): We could, if you wanted to, have a fight but I do not see much of a future in it, to be honest.

Jenny Jones AM: Perhaps I can go, then, to Adrian [Smith] and Dan. Two-thirds of participants in mandatory work programmes have said that they did not leave them enough time to look for jobs. Research has found that young people are twice as likely to find work if they have dropped out of a programme and three times as likely to find work if they refuse to participate at all. Clearly, there is not only a moral dilemma but also a practical reason for not engaging. Presumably, it is a barrier.

Dan Gascoyne (Director, West London Alliance): Your statistics are powerful. Again, I am not really qualified to comment on the moral issues around the third sector's thoughts about mandatory placements, but for what it is worth the programmes that we are setting up and co-designing are voluntary programmes to start with. The key is to make those attractive and compelling and understood. If people are aware in local communities that such programmes exist, they will want to go on them, particularly when they see it as a broader approach with more recognition of the wider needs they might have. That is all I would say about the mandatory programmes.

Jenny Jones AM: Just let me ask you: with the voluntary programmes, are people punished if they do not fulfil their obligations or their agreement?

Dan Gascoyne (Director, West London Alliance): Obviously, Jobcentre Plus has its own sanction arrangements and, again, it is not really something I particularly want to comment about in this session. They are not in the programmes that we are running, no. They are essentially additional to what is going on in the system. We are trying to prove that we can make a new model work and that will make its own case for how funding might change in the future. That is where I would be coming on and that brings us on to more of a devolution discussion, which is perhaps slightly later in the session.

Jenny Jones AM: Thank you.

Adrian Smith (Director of Commissioning, London Borough of Lambeth): I am afraid that you will get a similar response from me. Our politicians might engage more freely in the debate that you would like to have. In a very similar way to Dan [Gascoyne], what we have introduced locally is an offer where signing up to the programmes is voluntary. There is not mandation in there and I am not sure we would have the technical power to mandate. We have to be respectful of the DWP programmes that are administered by Jobcentre Plus, which have mandation and sanctions in them. At the moment, we do not have any leverage over that. We cannot change any of those policies. It is the policy framework that we have to work within.

That is not to say that we are not trying to build a business case that demonstrates that we would be better placed to design those policy frameworks locally because we are more responsive to the needs of our local population, and that is not to say that we do not think that you can create a model where a voluntary model actually can achieve better outcomes. That is the hypothesis that we are testing through the programme that we are running jointly with LB Lewisham and LB Southwark. We are finding lots more creative ways of getting people to engage and take part in programmes where they will work for the individual.

Jenny Jones AM: Actually, this moral dilemma is not a problem for you because you are not involved in those schemes anyway?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): We have to be respectful that there is a policy framework and we have to work within it.

Jenny Jones AM: Laura, is it a problem for you that some third-sector organisations do not want to engage? Does that cause any problems?

Laura Furness (Local Deals Manager, Big Lottery Fund): We would love all third-sector organisations to want to engage, but we are aware that some organisations' own processes and policies may rule them out. We have looked very hard, along with our equalities and legal team, at whether there is any way around that. We are not able to find any way around that because our funding comes from where it comes from. Therefore, it is not ideal, but it is not causing a problem in the sense that we are not having a shortfall now of organisations. We would like all organisations to find it accessible, but we respect that some may not.

Jenny Jones AM: Is it, presumably, mostly faith-based organisations: Jewish, Muslim, anybody who frowns on gambling?

Laura Furness (Local Deals Manager, Big Lottery Fund): We have funded faith-based organisations. At the moment, there is only one very specific area of the sector that we are finding we are not able to work alongside, but we have not had any queries from anybody other than Salvation Army on the gambling issue.

Jenny Jones AM: I suppose they are just not contacting you or just not getting involved?

Laura Furness (Local Deals Manager, Big Lottery Fund): No, we have had some downloads and applications from other faith-based organisations. Without knowing each individual process, I do not know why it is more accessible to some than others, but we certainly do have some organisations that we have funded.

Jenny Jones AM: It strikes me that all three of you are all talking, really, about moving on with more voluntary systems. Are you giving feedback to the Government on this? Are you saying that this is actually healthier for society and for you in your work? Are you all being quite clear?

Rob Hancock (Regional Education Officer, SERTUC): We have certainly put papers to the Government on that. How far we will get with that is anybody's guess, but we have certainly made our position clear.

Dan Gascoyne (Director, West London Alliance): Similarly - and Adrian [Smith] used the term 'business case' - the work I referred to before, which started as part of the Government's Whole Place Community Budgets programme, has now evolved into some of the activity that we are delivering on the ground in a number of our boroughs. We are doing that based on a robust business case that was developed. This showed the cost-benefit to that, and showed how typically, for those more local employment programmes, about 80% of the savings in the programme were to Treasury through reduced benefit payments.

I appreciate that it is not to the departmental expenditure limit of the DWP and so it is more Treasury-aimed expenditure. Nonetheless, what we are trying to make the case for is how some of those savings nationally could then be reinvested locally. Until now, the investment had to be made by local partners on top of their normal budgets or through other one-off pots of funding like the Transformation Challenge Award or like the European Social Fund (ESF), which we are now using to scale up some of that activity. We would like to demonstrate a business case for the whole system to change. We are doing that and we are being very careful to make sure there is a robust evaluation process going alongside those projects for exactly those reasons.

Jenny Jones AM: Thank you.

Adrian Smith (Director of Commissioning, London Borough of Lambeth): Similarly, we have regular dialogue with our partners in the DWP in particular. The three local authorities - Lambeth, Lewisham and Southwark - have been happy to fund national research like the IPPR North report to make our case very publicly. We held a policy event two weeks ago with a number of officials from Treasury, the Department for Communities and Local Government (DCLG) and the DWP in attendance to hear, take part and listen to the leaders of our three councils talk about the success that we are achieving and the fact that we are proving the concept of a different model works. However, clearly, there is a process that we go through, which will now be wrapped up in the devolution debate, for what additional freedom, power or autonomy the political groupings of boroughs might have to be able to design policy or commission programmes themselves.

Jenny Jones AM: Thank you.

Fiona Twycross AM (Chair): Obviously, in the placements people have - for example, in shops - quite often the sense from people is that if there was not somebody effectively being mandated to work in these placements, they would be opportunities to provide actual jobs rather than placements. Does the TUC have evidence about the extent to which mandatory work placements actually replace real jobs?

Rob Hancock (Regional Education Officer, SERTUC): I do not know off the top of my head. It is a fundamental principle for the TUC. That is why we oppose mandation: because that does happen. I am sure somebody somewhere has some stats that I can produce later on if that would be helpful but I have nothing to hand, I must admit.

Fiona Twycross AM (Chair): Thank you.

Murad Qureshi AM: Thank you, Chair. Can I return to something we touched on: co-commissioning and devolution? At the last meeting, we heard about how the current round of European funding has been done by co-commissioning by those who hold the funds as well as local enterprise partnerships. Can you tell me what you understand by 'co-commissioning' and how you are practising it within the organisations?

Dan Gascoyne (Director, West London Alliance): Co-commissioning is fundamentally about commissioning jointly with other partners and, as I said before, having a shared understanding of the outcomes that we are looking to achieve through that commissioning process. That is the starting point.

Clearly, one of the problems with commissioning is that it is used in all sorts of ways and the language itself is misinterpreted depending on the sector you are from. Part of the work we are doing locally is to just have a common understanding of the language, which is quite important.

From where I am coming from - and you have asked about the ESF or European funding - in west London, we are fortunate that our seven boroughs comprise a functional economic area and that has been recognised through the ESF contract package area for west London, which we are pleased about. It means that we do have contracts at that scale and there is something about how we can make sure that that is locally shaped by commissioners and through involvement with working with partners including the voluntary and community sector. Nonetheless, it is quite helpful for us in terms of a strategic partnership to oversee that commissioning process within west London.

Murad Qureshi AM: Geographical boundaries are important, by the sounds of it, in your mind. However, I am still having difficulty thinking of Barnet as 'west London' and I think a lot of Barnet people will as well.

Adrian Smith (Director of Commissioning, London Borough of Lambeth): On the co-commissioning point, I would define it as being more than a loose partnership but not going as far as full integration. If you can see in that kind of spectrum, it is a space that allows different commissioners to come together and have a joint legal vehicle. We have set up a joint committee across our three local authorities to do this in the employment and skills arena, which provides us with the right governance, the right oversight and the right assurance around risk, financial probity and so on, but it is not as far as full integration. We have not collapsed democratic structures and created a new body that is going to act on behalf of those organisations but, similarly, it is not a loose partnership such that at any point any one of the commissioners could just walk away from this. We are trying to describe co-commissioning as that higher order of partnership. Where we would like it to go is where we are able to also do co-commissioning with other national and regional bodies but, clearly, again, that has other challenges to overcome around things like governance, assurance and so on.

Murad Qureshi AM: That definition is useful. For example, would you consider commissioning done by the tri-borough in west central between the City of Westminster, the Royal Borough of Kensington and Chelsea and the London Borough of Hammersmith and Fulham to be co-commissioning?

Adrian Smith (Director of Commissioning, London Borough of Lambeth): You are slightly out of my sphere of knowledge --

Murad Qureshi AM: There are a couple of things like library services and leisure. It could potentially cover waste management, which would be a huge contract.

Adrian Smith (Director of Commissioning, London Borough of Lambeth): I would make a distinction there between shared services, where you have agreed you will provide only one service jointly, and co-commissioning where, in effect, you would not be a provider of any of those services necessarily but you would be the co-commissioner of them. You would jointly specify outcomes, needs and priorities. You would jointly define resource allocation and options. You would jointly contract. It is not necessarily in a shared service model, which is probably more akin to the tri-borough.

Murad Qureshi AM: That is one level of possible definition. What about that between national and local? That is the thrust of much of what I am hearing this morning. What key features of co-commissioning there are we going to see expanded further?

Dan Gascoyne (Director, West London Alliance): Do you mean national and local co-commissioning or --

Murad Qureshi AM: Yes, that seems to be where it is aimed at.

Dan Gascoyne (Director, West London Alliance): Yes, we have been pushing for that for a long time. The local government sector is part of the mix in terms of devolution, we would argue. As with LB Lambeth, LB Lewisham and LB Southwark, in west London we are establishing a joint committee, which will have oversight of the economic prosperity agenda as we define it through the Vision for Growth that has been agreed for west London by all seven boroughs. That will, if you like, become a vehicle where we can have those co-commissioning conversations and engage with national partners as well as local partners. It provides the governance body through which we can have those conversations. Until now, it has been a little bit too *ad hoc*.

There has been some progress made through things like, for example, having secondees from central Government departments working locally in a place alongside local commissioners, again, dealing with some of the issues I mentioned before around language and understanding terminology and making sure we are on the same page. Clearly, even central Government departments have very different perspectives on what you might mean by 'commissioning', let alone central departments and local partners. There is some work that we have been doing over the last few years to break down some of those barriers.

We are in a position now - and with the conversations that are happening within London government - to ensure that we can lay down a set of asks around devolution that are persuasive, that draw on the evidence we are getting from a lot of this local work and that demonstrate how as a partnership across London within groups of boroughs and with national Government we can really see the system change that will deliver the outcomes we have been talking about.

Murad Qureshi AM: There is a whole set of arrangements that can work within this --

Dan Gascoyne (Director, West London Alliance): There is no single answer to that, no.

Murad Qureshi AM: We have to see it in the light of what is devolved down to London government as well. Rob, is there a role for trade unions in this co-commissioning? It is going to affect a lot of employees and undoubtedly already has.

Rob Hancock (Regional Education Officer, SERTUC): The obvious thing, it seems to me, is to involve trade unions in constructing the specification under which people would take part or people would be engaged in working on any project of this kind. The contribution that trade unions could make is about the human resource side, is it not? That is where we would be looking to have some kind of involvement.

Murad Qureshi AM: Presumably, it is covering issues like terms and conditions, transfers and so on?

Rob Hancock (Regional Education Officer, SERTUC): Yes, definitely.

Murad Qureshi AM: I have covered it, yes.

Fiona Twycross AM (Chair): Fabulous. Thank you. That was the last part of our questioning for the first session. If anybody has come along thinking that there is a point you really want to get across, it would be helpful.

Dan Gascoyne (Director, West London Alliance): I would say, picking up on what we were just talking about and perhaps linking it to where we started, in west London the joint committee we are establishing will fundamentally be composed of leaders from the seven boroughs, but it will also involve special representatives from other partners. That is really important because they will be invited in specifically to influence the work and the decisions that that board is taking and will include infrastructure organisations from the voluntary and community sector. That is an important difference from perhaps a traditional model of governance in a place locally.

Fiona Twycross AM (Chair): Thank you.

Laura Furness (Local Deals Manager, Big Lottery Fund): I will just add that under the current programme that we are running with the European funding, the projects that have been designed in London have been designed collaboratively with the London Enterprise Panel (LEP). I am sure Alex [Conway, European Programmes Director, Greater London Authority] may mention something about that later on. Down from that, they have been designed through task-and-finish groups from the local voluntary sector and other organisations to make sure that the co-design is appropriate for local areas.

Fiona Twycross AM (Chair): Thank you. Thank you so much to everybody for coming along and talking to us about this issue this morning. We really appreciate it. You are very welcome to sit in the audience and listen to the second part of the meeting, but we recognise how busy people are and so you are also very welcome to leave and get on with the rest of your day. Thank you very much.

Economy Committee – 14 July 2015
Transcript of Item 5 – The Role of the Third Sector in Employment and Skills Programmes

Fiona Twycross AM (Chair): For the second part of the session, I am delighted to welcome Julie Sexton and Alex Conway. Do you want to say very briefly what roles you have at the Greater London Authority (GLA) and then we will kick off with the questions?

Alex Conway (European Programmes Director, GLA): Chair, I have a little reminder of how European Union (EU) funding works and what our respective roles are, if that would be useful to share?

Fiona Twycross AM (Chair): Yes, very briefly. That would be great, yes.

Alex Conway (European Programmes Director, GLA): Yes. We are here in two separate capacities in relation to EU funds. The ESF is one of the EU's so-called 'structural and investment funds', which supports skills and employment programmes across the 28 Member States. Those programmes are managed by the Member States in accordance with seven-year so-called 'operational programmes', which are agreed with the European Commission.

The United Kingdom's (UK) allocation for the seven years from 2014 to 2020 is €5 billion out of €86 billion across the EU. In England, that is managed through the advice of 39 local enterprise partnerships, one of which is the LEP here. We have a bit over 10% of that €5 billion UK allocation in London, a notional allocation of around €560 million. If you double it with the match funding that all EU funding must use, it makes the programme worth around £800 million over seven years at the current exchange rate.

My team manages those funds regionally as a so-called 'intermediate body'. We are the only one in England at present, although that is likely to change. Over the last two years, we have developed a comprehensive package of proposals in partnership with boroughs, the voluntary sector and others to deliver those programmes for London. Most of that money is routed through the Skills Funding Agency, the DWP, the National Offender Management Service (NOMS) and the Big Lottery, who provide match funding and then procure.

A few million under the last programme - and probably under the next programme - goes to the GLA and that is managed by Julie's [Sexton] team. Match funding for this is agreed by the Investment and Performance Board to target areas of particular interest to the Mayor that other programmes may not cover. I am responsible for the whole lot of EU funding and the European Regional Development Fund also. Julie's team is responsible for the delivery of the GLA programmes, which have been very voluntary and community sector targeted and successful.

Julie Sexton (Senior Programme Manager, GLA): Yes. As Alex said, my team is responsible for managing the GLA's ESF projects. We have not specifically targeted our programmes at voluntary and community sector organisations. We come from the perspective that what is important is the end beneficiary and we want to see projects that deliver sustained outcomes that have real life-changing impacts for those beneficiaries. Nonetheless, in our current ESF youth programme, there are eight projects and six lead delivery organisations. Two are private sector, three are third sector and one is public sector and so we have quite a mix of providers. All 20 subcontractors on those contracts are third sector and so the third sector is definitely engaging with our programmes. Those are all payment-by-results contracts and the average contract size is around £740,000.

They are not tiny but they are not enormous. Similarly, we have an ESF volunteering-into-work programme running at the moment, another payment-by-results model, with not very large contracts - about £100,000 each - over a couple of years. Both lead partners and two of the three subcontractors are third sector.

We have been quite successful because of the programmes we are designing, which tend to be quite niche because our remit is to fit around what the DWP and the Skills Funding Agency (SFA) are funding. We tend to say, "Where there is a gap and where something is not being done, let us try that out". Our programmes tend to be trying things around the edges and maybe that is why they appeal to the voluntary and community sector.

Fiona Twycross AM (Chair): Thank you. Can you give us a few specific examples of how the GLA has tried to influence and shape employment and skills programmes in the capital through your respective teams?

Julie Sexton (Senior Programme Manager, GLA): Yes. We do different things. Most of this is Alex's team; for example, the 2014-2020 programme. For us, it is quite important that we have a diverse base of providers, as other people have said. We have to follow open and competitive tendering rules anyway because it is the ESF. That helps to ensure a diverse provider base in some ways. However, most of this probably comes down to how the new programme has been developed, does it not?

Alex Conway (European Programmes Director, GLA): Yes. If I can give you a potted history of how EU funding has been done in the past, if we go back to when I was first involved and the 2000-2006 programmes that were managed by the then Government Office for London, central Government money was pretty much at the start of those programmes just handed out to any organisation that wanted it. It was during the lifetime of that programme that the co-financing idea started that it might be more sensible when you have hundreds of millions of pounds at stake to use public sector match-funding streams. That continued for the 2007-2013 programmes, which were the first ones to be managed by the Mayor.

One of the slightly frustrating things about the current set of programmes that are now closing has been that at times it has felt a bit too top-down. The DWP has said, "ESF is augmenting our work programmes and it is going to work like this". We have sought to influence that with some limited success in some areas but not as much as we would have liked.

For the new 2014-2020 programme starting now, it should be quite different. We are at an early stage, but the idea is that the LEP is in the driving seat and that these Government organisations will procure what we ask them to do. A lot of work has gone on in the last couple of years to develop a programme, which you can find on the LEP website but it is summarised here, with a whole lot of different areas focusing particularly on youth, adult employment and adult skills. The idea is that the SFA, the DWP and the Big Lottery will be procuring what we want them to do to achieve the outcomes that we want. When I say 'we', that is us in partnership with the boroughs and the voluntary sector having a go, informed by research and evaluation about what works best for London.

Julie Sexton (Senior Programme Manager, GLA): It might be worth mentioning that certainly on the youth side, which I have been more involved in, we have had a number of task-and-finish groups. As part of the process of developing the draft new specifications for the new programme, we have had workshops with voluntary sector organisations invited to participate during the design and development stages, as well as boroughs and the private sector. We think that is quite an important part of how we have gone about this programme.

Fiona Twycross AM (Chair): How do you ensure that funding supports services for a wide range of London's communities?

Julie Sexton (Senior Programme Manager, GLA): For us at the GLA, as I say, we have very much tried to identify groups that we feel are not having their needs met. We have a relatively small programme. It is probably worth saying that. Our current ESF youth programme is only £5 million. When Alex [Conway] is talking about £800 million across London as a whole, you can see that ours is really not very large.

We have tried to focus that money on areas where we think the mainstream programmes are not delivering or delivering as effectively. Three of our current ESF youth programmes are working with young people who have multiple exclusions from school. We have two projects working with young people with learning disabilities and/or physical disabilities and we have three projects working with young offenders who are in custody and working with them while they are in custody and then post-custody when they are released. Therefore, we have focused on quite niche groups.

As a team, given the match funding that we have and the size of our programmes, we cannot ensure that the GLA programme as a whole meets the needs of all Londoners. However, because the commissioning process for 2014 to 2020 has been quite inclusive in terms of involving the boroughs and involving voluntary sector organisations, those discussions have been quite wide. There has been quite a lot of research as well into --

Alex Conway (European Programmes Director, GLA): That is exactly right. You heard Adrian [Smith] and Dan [Gascoyne] say earlier that we seem to be reaching a point in the London economy where we are not far off full employment in terms of the day-to-day but we also have our very longstanding, intractable groups within the London population where people have been out of work. Using some of the research that we have done, the big programme for 2014-2020 has particular programmes targeted at those different groups where we are going to try to get into more of these. If you look at the website, you will see it is exactly what you might expect: people with disabilities, people with mental health problems, older people. All the different groups that you would expect to see we have programmes targeted at and the idea is that over seven years we will have a more comprehensive approach that will affect and, hopefully, help all of London's communities.

Fiona Twycross AM (Chair): How do you assess the success of the programmes?

Alex Conway (European Programmes Director, GLA): I mentioned the operational programme earlier. The European Commission has expectations that every euro you spend will achieve a certain level of outputs in terms of people into work and young people who are not in education, employment or training into education, employment or training, skills and qualifications. The programmes are all assessed against those and we report against them. We are closing the current programmes now and you can see from that that there are over 60,000 people whom we have put into work and over 68,000 young people not in education, employment or training into education, employment or training. Auditors will come and check five times that we have achieved those outcomes.

Julie Sexton (Senior Programme Manager, GLA): From the GLA's perspective, we commission independent evaluations for all of our programmes. We are currently in the process of going through the evaluation of our ESF youth programme because it finishes this September. By the time the programme is finished, we will have that ready. The evaluations are all published on the GLA's website.

Fiona Twycross AM (Chair): Great. Thank you.

Dr Onkar Sahota AM: Great. We are looking at the barriers to third sector engagement. In your view, what are the outstanding barriers to third sector involvement in employment and skills programmes?

Alex Conway (European Programmes Director, GLA): I would not say there are any particular barriers in relation to EU funds or indeed employment and skills programmes generally beyond what you have already heard from Adrian [Smith] and Dan [Gascoyne]. Issues have come up around how the cash flow works for payment-by-results and whether organisations can get a fair bite of the cherry and we are getting better at making that happen. However, generally, third sector engagement in employment and skills programmes is very high and I would expect it to remain so.

Julie Sexton (Senior Programme Manager, GLA): I have said how many [third sector organisations] are delivering our programmes. Yes, there do not seem to be major barriers for participation.

I suppose anecdotally the thing that I hear when working with providers is that there is a difference in size. For smaller organisations, there are probably issues around capacity to bid and whether they have the resources in-house to bid. There are due diligence requirements if contract sizes get very large. There is usually due diligence. Most commissioners have due diligence requirements around the amount an organisation can bid for, which look at its turnover related to how much money it is bidding for. If you are a small organisation, your turnover is not very great. If it is a £1 million grant, obviously, it might be difficult for you.

We are seeing quite a lot of partnership. Most of our ESF programmes are delivered with partners, contractors and other sorts of partners. We have one consortium organisation, 3SC, which I think the Economy Committee may have spoken to in this process somewhere. 3SC is one of the organisations delivering for us at the moment. That is one of the ways that they [third sector organisations] try to get around that due diligence barrier.

There are definitely cash flow risks. It is a learning process. Payment-by-results is relatively new from the London Development Agency (LDA) days to the GLA days, but we do things like offer advances for our programmes. We also design our payment models so that there are interim payments and milestone payments along the way. It has changed over the years, but even if they are mostly now outcome-based programmes, there is cash-flow money on the way and providers are not waiting for a final payment at the end. I know that for some of the national programmes that is not the case. Obviously, there will be bigger barriers for organisations bidding for those.

Dr Onkar Sahota AM: Do you think there are any moral barriers to participation by the third sector, reputational barriers or undermining of the social mission of the organisations?

Julie Sexton (Senior Programme Manager, GLA): I do not think there are, for our programmes. Our programmes are all voluntary. To be honest, that is not a decision that we made consciously. It is something that has grown up over the years and we do not mandate people into our programmes.

Apart from that, I cannot think off the top of my head of any real issues or barriers that they would face from a moral perspective.

Dr Onkar Sahota AM: Just talking about the Day One Support for Young People trailblazer pilot that we had, the Mayor said that he was going to evaluate this and learn some lessons from it. What lessons have you learned from it?

Julie Sexton (Senior Programme Manager, GLA): I have not been involved in the Day One Support for Young People.

Alex Conway (European Programmes Director, GLA): Shall I do that? Again, to be clear, Day One is part of the DWP's provision and so it was operated by them. I think you have requested evidence from them or they have offered to provide written evidence and so they may have more to say. It is match-funded with the ESF. I have seen a copy of the evaluation. I have it in front of me here. As with a lot of evaluations, it points out some things that worked and some things that did not work so well. This was a mandated programme. It is one pretty small pilot. I mentioned earlier that the total programme is worth over £800 million. This is a £12 million pilot.

Some of the lessons that I pick up from this are that overall there were some good results in terms of how the trailblazers feel. We have some personal experience of this in that there is a chap in my team who has a permanent job as a result of the Day One experience. However, also, there were problems including some of the things you have already mentioned around whether people had enough time to find work and whether placements were really available within 24 hours, which is a rather ambitious target. As with all employment and skills work, everything is evolution, not revolution, and you will learn the lessons from it.

Dr Onkar Sahota AM: Are you providing the Chair with those findings?

Alex Conway (European Programmes Director, GLA): Yes. I think they are in the public domain.

Dr Onkar Sahota AM: Has some evaluation of it taken place yet?

Alex Conway (European Programmes Director, GLA): Yes. All the ESF work is always evaluated.

Dr Onkar Sahota AM: Thank you.

Fiona Twycross AM (Chair): Thank you. Are advance payments something that the GLA offers automatically or would it come through discussions with organisations whether they needed money upstream? It was an issue that people raised with us last time.

Julie Sexton (Senior Programme Manager, GLA): Yes, we publish in our specification that organisations can have and we will offer advance payments. Most take it up. A couple say, "Actually, we would rather not have it". This is, working with our finance team, what we have agreed. We recover the advance later down the line against other payments. They get the money upfront and then we collect it back. However, because there are milestone payments along the way, by then they are delivering other outcomes and getting other payments anyway. That still means that they have had the money upfront and this helps their cash flow.

Fiona Twycross AM (Chair): Has it ever presented any problems with the programmes?

Julie Sexton (Senior Programme Manager, GLA): No. From what perspective?

Fiona Twycross AM (Chair): Not getting results. We are likely to be making some recommendations about the payment models, but you are very comfortable with the way that has worked in practice?

Julie Sexton (Senior Programme Manager, GLA): We have good results on our programmes. I did get a few stats here but I will pick out a couple of them, perhaps. Now I cannot find them. They were LDA ones, but we had some black-box projects from the LDA.

Fiona Twycross AM (Chair): We will go on to that later on.

Julie Sexton (Senior Programme Manager, GLA): Fine. In that case, I will not go into that. No, we have not found that paying milestone payments and advance payments detracts from getting outcomes.

What the evidence does show is that you want a certain percentage on the outcome because that drives provider behaviours, whatever sector they are in, to make sure that they are providing the ongoing support that people need and that you actually get the outcomes at the end. Our programmes do not tend to put a lot of weighting [on the final outcome payment]. We pay in advance; the ESF requirements are 5% but we have paid 10%. Then we pay around 30% - no, it must be more than that - on the final outcome and the rest of the funding is paid along the way, basically.[1]

Fiona Twycross AM (Chair): That is very helpful. Thank you.

Alex Conway (European Programmes Director, GLA): We had a wider evaluation carried out by the Centre for Economic and Social Inclusion (CESI) into the 2007–2013 programme and what you can take from it is that there has not been a problem in terms of payment-by-results in respect of - I do not know - organisations failing to achieve, not getting money and then going bust. It is quite the reverse: payment-by-results has driven up performance overall. Part of the CESI's recommendations for 2014–20 was to keep this going.

The reality is that we will have a mix because the Big Lottery does not do payment-by-results. The SFA and the DWP will. In the cosmic scheme of things, that is fine because we have an awful lot of money at stake here. Delivering it in lots of different ways and seeing what works and learning from it seems to me to be the right approach.

Jenny Jones AM: Can I stick with the Day One Support pilot for a moment? The Mayor actually said:

> *"These lessons will be considered by the GLA in the development of future employment provision particularly the 2014-2020 round of European Social Fund programmes."*

Can you tell me what you have learned and which lessons you are going to apply?

Alex Conway (European Programmes Director, GLA): It is a question for the Mayor, but for me it would be an example of a piloted approach, mandated. If the results had been either disastrous or fantastic, then there would be some clear lessons and you might say, "We are not going to do this again", or, "We are going to introduce this to every aspect of our work". I would say they were neither. At this stage, from memory, nobody is proposing further mandated work, although, as you know, it does form part of the Government's wider exercise. Funded projects are not being proposed, from memory. However, it has resulted in some good outcomes, including people into work, which is what we were trying to do.

Jenny Jones AM: I am deeply suspicious of that, but I wanted to ask you whether or not you think that the GLA should support calls for London-focused standards like the Merlin Standard for London. Is that something you are considering doing?

Julie Sexton (Senior Programme Manager, GLA): It is probably worth saying that in our last ESF/GLA youth programme we asked all applicants to either have the Merlin Standard or commit to working towards the Merlin Standard if they did not have it. At the moment, off the top of my head, four have it and two are going through the final stages of getting it.

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[1] Since the meeting, the Senior Programme Manager, GLA has clarified that the current ESF Youth programme pays 5% advance which is recovered against 'pathway outputs', 50% on 'pathway outputs' and milestones, 25%-30% on sustained outcomes at 6 months and 20%-25% on sustained outcomes at 12 months. The Team London Volunteering into work programme pays 5% advance which is recovered against 'pathway outputs', 65% on 'pathway outputs' and milestones, and 35% on sustained outcomes at 6 months. This information is all available on the GLA website.

Jenny Jones AM: Is it actually a requirement or just a suggestion?

Julie Sexton (Senior Programme Manager, GLA): We required them to either have it or work towards it in our last specification because we did not want to exclude organisations that had not yet started the process but might have a very good project that they wanted to take forward.

Jenny Jones AM: Have you given them a deadline?

Julie Sexton (Senior Programme Manager, GLA): No, I do not think we did, off the top of my head. I cannot remember but I do not think we did.[2] That would be quite hard for some organisations. We have organisations of different sizes. Some of them will be able to get through it. Some of them will already have those processes in place, others not. I do not think we were that strict.

Alex Conway (European Programmes Director, GLA): My thought would be that, clearly, the ideas behind the Merlin Standard are important but, equally, you could be a Merlin Standard-compliant organisation and advertise that on your website but not actually necessarily live up to the ideals. I am sure we can think of examples of organisations where that is the case. What the LEP has been concerned about is that we encourage partnership working at every level of the commissioning.

One of the things that we have used in the 2007–2013 programme that we would like to see used more in 2014–2020 is the Employability Performance Rating (EPR), which is an opportunity for employment and skills organisations to be rated Trip Advisor-style as to their user-friendliness for both the beneficiaries and the partner organisations they have worked with. That has worked very well and we are strongly encouraging the SFA and the DWP to use it.

Jenny Jones AM: The people who could feed back on that would be the people who are directly involved and would not be the general public?

Alex Conway (European Programmes Director, GLA): Yes. Do you want to say a bit more about how it works?

Julie Sexton (Senior Programme Manager, GLA): The way the EPR works is there is a score, basically, which gives people a star rating of somewhere between four and zero. The score is divided up between things like performance against a prime outcome. What is the primary thing you are trying to achieve with this project? That is part of it.

Then there are also quality aspects. There is a participant survey; you have to get a certain level of satisfied customers, basically. There is a self-assessment in terms of the quality of the provision. That is things like, if you are a youth project, whether you have the right safeguarding processes in place, whether you have quality standards in place, whether you are doing regular internal checks, whether you have the safety, whether you have equalities and diversity and all of those sorts of things. It is a bit similar to the Office for Standards in Education, Children's Services and Skills (Ofsted) self-assessment. Those are the main factors. The other thing is that if it is a subcontractor, the lead provider - or if it is a lead provider, the project manager or the commissioner - also gives a rating based on how the organisation has performed in terms of the way it has managed the project.

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[2] The Senior Programme Manager, GLA has since clarified that Lead Delivery Partners were required to have commenced the accreditation process for The Merlin Standard by the time delivery started on their project.

Those four different aspects come together to create an overall rating. That, again, is published every year so that subcontractors can see how they are comparing to other subcontractors and lead providers can see how they are comparing and also how their subcontractors compare.

Alex Conway (European Programmes Director, GLA): It is our attempt to make what can be a slightly opaque world a bit more transparent so that people can see whether people are actually living up to the standards that are expected of them.

Julie Sexton (Senior Programme Manager, GLA): Yes.

Jenny Jones AM: That is very good. However, you describe some organisations being too small, perhaps, or not well-resourced so that it is difficult for them to achieve the Merlin Standard or perhaps succeed on the rating system you describe. How much help are you able to give them to come up to a satisfactory level? If they keep falling below, presumably you cannot continue working with them.

Julie Sexton (Senior Programme Manager, GLA): On the EPR, if their delivery value is below £50,000, we do not rate them because it is not fair. It is too small. Above that, we do rate them and we would, for those organisations that are contracted with us, give them quite a lot of support if they needed it in terms of going out and talking to them about where they are falling down and how they might improve. The other organisation that does the EPR at the moment is London Councils. It would do the same thing because it is very hands-on in its project management, like us. NOMS I am less sure of. Actually, it is quite hands-on.

Alex Conway (European Programmes Director, GLA): It loves it, does it not?

Julie Sexton (Senior Programme Manager, GLA): Yes, it does love it and it is quite hands-on. For us, we are hoping very much - and they have given us all the right indications - that the DWP and the SFA will also do this in the 2014–2020 programme. The challenge will be whether they are willing or able to invest the level of time that we can in terms of managing or working with our projects.

Jenny Jones AM: Do you think there is more that the Mayor could do to support this raising of competence and quality?

Julie Sexton (Senior Programme Manager, GLA): Alex's team, through the ESF programme, does fund some capacity-building.

Alex Conway (European Programmes Director, GLA): There is some. For example, the London Voluntary Service Council (LVSC), which came to speak to you, receives funding from us to capacity-build in the voluntary sector. It has been recently running, for example, workshops or seminars for people who might want to get involved in these commissioning supply chains and how that works. We do invest in that kind of work. We recognise its importance. We are on to it.

Julie Sexton (Senior Programme Manager, GLA): For my part, I have been working with the LVSC in terms of offering up me or my team to talk when it has workshops with its voluntary sector organisations. Back in May LVSC had an event that was partly about the new ESF programme and partly about what to look out for and what to think about when you are going into partnership as a subcontractor. We went along, as a commissioner, to share some of our views about what we had seen of the way that lead partners work with subcontractors. I have to say that they are not always private sector lead partners. There is a real mix of approaches in the way that lead partners treat their subcontractors and, whichever section they come from, it can be a good approach or a not-so-good approach.

A lot of things could be done. One of the things that has been suggested to me is that maybe in our contracts we could have clauses that restrict lead partners from doing some things that are unpalatable, if you like. We know that some lead partners fine subcontractors if they submit their claims late, for example, and there are other things like that. Some lead partners we have heard of have 'pay to play' clauses where a subcontractor has to pay to be included in a partnership.

We know that there is a lot of practice out there that we do not necessarily think is a good idea. We may well look at that if we are successful with our bid and we have an ESF 2014-2020 programme at the GLA. We may well look at whether there are ways we can amend our grant agreements with lead partners to try to restrict those sorts of things. All I would say is that it would be hard for us to capture everything.

Jenny Jones AM: Yes, of course.

Alex Conway (European Programmes Director, GLA): That is the point: you have to enter into it with the right spirit. We can stamp out those things but someone who wants to --

Julie Sexton (Senior Programme Manager, GLA): Yes, and then someone will think of something else. Yes, exactly.

Jenny Jones AM: It is like getting around tax, is it not?

Alex Conway (European Programmes Director, GLA): Exactly.

Jenny Jones AM: OK. That is very interesting. It might be a recommendation for us, Chair.

Stephen Knight AM (Deputy Chair): My question is really about how the GLA monitors the effectiveness of programmes, particularly in a world where payment-by-results and outcomes-based commissioning is driving a black-box approach and ethos. Also, how do you balance that against the alternate view from the NAO and others who very much support an open-book approach to procurement and want total transparency so that commissioners and clients really understand deeply what is going on? How do these competing tensions play out and how do you know that these programmes are effective?

Alex Conway (European Programmes Director, GLA): I have no great answer on that but you are right to say that these are competing tensions. I am thinking about what Adrian [Smith] and Daniel [Gascoyne] were saying earlier about commissioning being a developing and early thing. I suspect that we are going to learn more as we go along.

It is a tricky one, it seems to me, because the black-box idea of, "Do not assume we know best. Just let the provider or the voluntary sector organisation get on with whatever works and, if the results are good, who cares?" has sense to it. However, there is also a sense to saying, "But then how are we ever going to learn, evolve and get better if it has all happened by magic?" Short of saying that we do evaluate everything and try to pick up on these, it is a hard one. It is a real tension. It is quite a new tension and I am not sure we have solved it yet.

Julie Sexton (Senior Programme Manager, GLA): Our black-box projects were very successful. They were LDA/ESF programme ones, although all of our approaches are pretty much black box; we are not very prescriptive in our specifications. The ones that we labelled as 'black box' achieved 41% working with long-term unemployed people. The programme helped 41% of people into work and 67% of those people sustained their outcome for six months.

Stephen Knight AM (Deputy Chair): The question is really whether you understand why and how they achieved that and whether you have the resources to monitor it and to understand what they are doing.

Julie Sexton (Senior Programme Manager, GLA): Yes. What I would say is that we did an evaluation that did pick up some of the things that those projects were doing. I will be honest; I cannot remember all of it off the top of my head, although it is published on the website. There was some quite innovative work with employers, for example, to find placements that then turned into jobs because there were vacancies there. It gave people a lead-in to a job. That was a fairly crucial part.

With all our programmes, we do independent evaluations. We do monitoring, which is about evidence checking and going out and supporting delivery partners if they are hitting problems. We have a steering group for our learning disabilities and difficulties projects that helps with the relationships with the boroughs, and that is quite important in making sure that they are identifying the people who need help and engaging with them.

We have a young offenders steering group that brings together the young offender teams, the Youth Justice Board and the young offender institutions around the table with the providers to, again, oil the wheels and make sure that they overcome any problems. There is quite a lot we do to help manage relationships or help build relationships between providers and other necessary stakeholders. Then, on top of that, we also do formal monitoring visits every six months and we have monthly returns that are all about progress and evidence and that type of thing.

However, we also try to undertake what I would call ‘observations’. They are informal: the project managers go out to visit the projects and see what is being delivered. It gives them an opportunity to talk to the people on the projects, the participants, and get a feel from them of what works. That is very anecdotal and so we rely on the evaluations, then, to try to do the same thing. One of the things we are very clear with our evaluators about is that we want them to talk to beneficiaries. We also want them if they can - and this is hard - to identify beneficiaries who perhaps have dropped out early as well as those who have carried on and benefited so that we find out what is not working as well as what is working.

However, I do not think there is a lot more than that we can do. We are trying to get that feedback on what works. I do very much think that black box is good because it allows that flexibility. Providers can do what works best for the individuals.

Stephen Knight AM (Deputy Chair): Do you find any of the providers are resistant to revealing what is working? In a sense, the true black-box approach is, “It is none of your business. This is our proprietary method”.

Julie Sexton (Senior Programme Manager, GLA): I have not, no. Genuinely, I have not. Our contracts say to them that they have to let us go and visit whenever we want, but we have never had to say that. We have never had to say, “Our contract says we can and so we are coming”. They are quite open to us visiting and talking to people. Again, their contracts say they have to contribute, participate and be involved in the evaluation, but we do not have to force them. We do not have to refer to the contract.

Stephen Knight AM (Deputy Chair): Is it a learning experience for you that will shape how you therefore commission the next set of services to, if you like, learn from the experiences that have worked?

Julie Sexton (Senior Programme Manager, GLA): Yes. We try to do that anyway. There is always a timing issue: our evaluation will come out in late September or October and the 2014–2020 programme is already through its first development stage. We did have an interim evaluation and that was published and that did focus on what at that stage seemed to be working effectively. We definitely fed that into the groups that were working on it. Yes, we try to make sure that we do feed them in.

Stephen Knight AM (Deputy Chair): You are familiar with the NAO's concerns around these areas and that there is not a national evidence base around things like payment-by-results across government. If you are gaining evidence on this, perhaps you could feed it back to them.

Julie Sexton (Senior Programme Manager, GLA): Yes.

Alex Conway (European Programmes Director, GLA): Certainly the CESI report is about how payment-by-results has improved performance across 2007-2013 and so maybe we should forward a copy.

Fiona Twycross AM (Chair): It is a slightly modified model because you are paying people upfront as well. That is an important element.

Julie Sexton (Senior Programme Manager, GLA): Yes, the CESI report does talk about advances and how helpful they are to providers.

Alex Conway (European Programmes Director, GLA): Yes.

Julie Sexton (Senior Programme Manager, GLA): There is quite a lot of information in there about what providers found helpful and not-so-helpful in terms of the different payment-by-results models used by different organisations.

Stephen Knight AM (Deputy Chair): That is helpful.

Dr Onkar Sahota AM: I want to talk about devolution and the idea of getting a single pot of flexible funding for various streams of work. How do you think the devolution of the employment programmes would facilitate greater integration of services including health and housing?

Alex Conway (European Programmes Director, GLA): The devolution of employment and skills budgets is something that the Mayor - no secret - has been pushing for. In a way, the biggest success of this has been to gain control of the ESF. What City Hall has been angling for is greater control of the SFA's budgets and the DWP's match funding to the ESF. As I understand it, those discussions continue. The new Government is talking big about devolution and pointing to what is going on in Manchester and so on.

It would be relatively simple for us; I have to say, partially because of our role in managing EU funds and others, to take on a greater role in respect of employment and skills. I do not think we would find that hard at all. It would make our lives simpler in some ways. Whether it is going to happen tomorrow, I do not have much of a feel. It does not seem like the Government has any radical plans to devolve the SFA or DWP budgets, but you never know. I am sure that we in City Hall will keep arguing for it. It would be useful.

In part that is because, again, one of the outcomes of the investigation - and we often remind central Government of this - is that generally the programmes that are managed regionally or locally, whether by the GLA or by London Councils, tend to get better results than programmes managed by the DWP or the SFA. That suggests to us that the closer to the area you are, the better. There is room and there are programmes that make sense working on a pan-London level, programmes working on a sub-regional level like the stuff you heard the West London Alliance talking about and programmes working at a borough level. The more of that we have and the less top-down stuff we have, the better.

Dr Onkar Sahota AM: Brilliant. How do you think devolution might address the spaghetti junction of multiple employment-and-skills funding streams?

Julie Sexton (Senior Programme Manager, GLA): It would be great if it could. I am not sure it is on the agenda at the moment, but I might be wrong.

Alex Conway (European Programmes Director, GLA): The fact is that there is a case for things that should be delivered nationally, regionally and locally, and a big part of my job is trying to make sure that we do not unnecessarily duplicate that work and we get the balance right. That is something we are learning all the time.

EU funding comes with a whole load of funny rules attached and so it is not very easy to integrate everything to do with EU funding into other funds, but there is an awful lot that could be done at the European level to simplify EU funds and we are lobbying for that as well. I do not think there is ever going to be a perfect project where all employment and skills is boiled down into a single programme, but the more we can simplify it and the more it can be managed regionally by us in partnership with boroughs and the voluntary sector, rather than nationally, the better.

Dr Onkar Sahota AM: Do you think there are any potential downsides or risks to devolution of employment programmes and, if so, can they be mitigated in some way?

Julie Sexton (Senior Programme Manager, GLA): The biggest risk is obviously the need to scale up because, whether it is the boroughs or the GLA, we have the good practice in place to deliver the programmes but we do not at this point in time have the scale that the DWP and the SFA do. That is a big risk and in terms of mitigation I am not sure. You would probably need the resources. You would have to assume that if there was devolution, the money would not be cut when it was devolved.

Alex Conway (European Programmes Director, GLA): I was thinking of a different sort of risk and there has been some discussion of this in respect to Manchester. Does the Government say, "You can do whatever you like and you find the money"? Again, in London, there is no magic pot of skills and employment money and so that would be a potential risk but, as you were saying, there are no signs that anything immediate is going to happen on this front at present.

Dr Onkar Sahota AM: If we were to get this devolution, is London ready to receive it or do we have to adapt in some way to be able to take advantage of that devolution if it did come our way?

Alex Conway (European Programmes Director, GLA): I would say we are ready and if the Government came out tomorrow with a deal that said, "Take control of the budgets", we would do it. It would probably involve both our teams scaling up our activities, but the fact is that we do this kind of work already and we have been pretty successful at it. I do not think it would give me any cause for worry. It would not be like taking over a completely new area of policy and so it would not have those kinds of risks.

Julie Sexton (Senior Programme Manager, GLA): The fact that we have taken this co-commissioning approach to 2014–2020 means that we have a lot of learning under our belt from that process, which would be very helpful if the funds were devolved.

Fiona Twycross AM (Chair): Following the points raised in our discussion today and the points raised in the first session, what is your overall prognosis for future third-sector involvement in employment and skills programmes?

Julie Sexton (Senior Programme Manager, GLA): I suppose I can only look back at our experience so far. With regard to the GLA's programmes, when I think about what we have submitted in our bid for funding to the European Programmes Management Unit (EPMU), there is quite a range of different projects. They are quite a mix of different sizes from £500,000 to more than £1,000,000, and they are doing a lot of different things for quite niche areas. Our programmes will probably continue to offer opportunities for the voluntary and community sector.

There is the Big Lottery Fund and so obviously there are opportunities there. Certainly for a lot of the SFA programmes that have been developed through co-commissioning there are, again, some really clear areas where the voluntary and community sector will bring a lot of expertise, skills and knowledge. There will be third-sector leads but, even if not, there will be lots of subcontractors involved in their programmes. I am less knowledgeable about the DWP programmes.

Alex Conway (European Programmes Director, GLA): The Big Lottery is the really interesting case. When I first started working with EU funds 12 years ago now, I remember one of my first comments was that it is funny that the Big Lottery does not get involved in this because you would think its remit was rather similar". It has taken 12 years but we have got there in the end.

It is a new idea and it is doing things very much, as Laura [Furness] said, in partnership through the voluntary sector. I hope the results of that are exciting with successful projects from which we get a lot of new learning and that it will be very focused on the voluntary and community sector. Up until now, its involvement has been particularly notable with the things we have run through London Councils and through the GLA, but those are relatively small. I hope there will be lessons that some of the larger organisations like the DWP and the SFA might learn from.

Fiona Twycross AM (Chair): Great. Thank you very much for your contribution. We really appreciate it. Thank you.

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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Summary List of Actions	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 15 October 2015**
This report will be considered in public	

1. Summary

1.1 This report sets out actions arising from previous meetings of the Economy Committee and correspondence received which relates to the work of the Committee.

2. Recommendation

2.1 **That the outstanding actions arising from previous meetings of the Committee, as set out below, be noted.**

Action arising from the Committee meeting on 14 July 2015

Item	Topic	Status	For Action
5.	**The Role of the Third Sector in Employment and Skills Programmes** Rob Hancock (SERTUC) agreed to provide the Committee with statistics relating to the extent to which mandatory work placements are replacing actual jobs.	Awaiting response.	SERTUC
6.	**Work Programme / London Fairness Commission** - The Committee agreed to delegate authority to the Chair, in consultation with party Group Lead Members, to agree the Committee's submission to the London Fairness Commission.	See agenda item 6.	

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Action arising from the Committee meeting on 15 January 2015

Item	Topic	Status	For Action
7.	**Climate Change Risks to the London Economy** Authority was delegated to the Chair, in consultation with party Group Lead Members, to agree the final output from the Committee's investigation into climate change risk, and to lead follow-up on this output.	See agenda item 5.	

Actions arising from the Committee meeting on 9 December 2014

Item	Topic	Status	For Action
7.	The Chair agreed to write to the Department for Business, Innovation and Skills (BIS) to find out if they intend to commission a further assessment of the illegal money lending national project, as they had previously done in 2010.	In progress. A letter was sent by the Chair to BIS. No response has been received, as yet.	BIS

3. Legal Implications

3.1 The Committee has the power to do what is recommended in this report.

4. Financial Implications

4.1 There are no financial implications to the GLA arising from this report.

List of appendices to this report:
None.

Local Government (Access to Information) Act 1985
List of Background Papers: None.

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GREATER**LONDON**AUTHORITY **LONDON**ASSEMBLY

# Subject: Economic Impact of Climate Change	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 15 October 2015**
This report will be considered in public.	

1. Summary

1.1 This paper sets out for noting the Committee's report on the impact of climate change on London's economy.

2. Recommendations

2.1 **That the Committee notes its report *Weathering the Storm: The Impact of Climate Change on London's Economy*, as set out at Appendix 1.**

3. Background

3.1 In June 2014, the Committee agreed the terms of reference for an investigation into the economic impact of climate change in London:

- To map the likely effects of climate change on the London Economy; identifying the sectors most at risk and the likely effects on jobs and prosperity;
- To establish best practice amongst the business community, in terms of risk assessment and adaptation strategies; and
- To make recommendations addressing the risks from climate change to the London economy to the London Enterprise Panel and the Mayor, and potentially other representatives of London Government where appropriate.

3.2 As part of this investigation the Committee held two public meetings, a business engagement event, consulted several key stakeholders, published a summary of views and information, and sought written responses to that summary.

3.3 The final report was launched at a second business engagement event, by Jenny Jones AM, former Chair, in September 2015. The event, a panel discussion and Q&A, was hosted by the Institut Français as a part of a series of occasions to mark the run up to the Paris Climate Change Conference in November. The evening highlighted challenges faced, and efforts made, by the business communities and governments of both London and Paris, in the face of climate change.

4. Issues for Consideration

4.1 The terms of reference for this project were approved by the Committee at its meeting on 24 June 2014. Officers confirm that the report and its recommendations fall within these terms of reference.

4.2 In January 2015, the Committee delegated authority to the Chair, in consultation with the party Group Lead Members, to agree the final output from the Committee's investigation into climate change risk, and to lead follow-up on this output. The Committee published *Weathering the Storm: The Impact of Climate Change on London's Economy* in July 2015.

4.3 The full report is attached for Members and officers as Appendix 1, and can also be found on the London Assembly website at: https://www.london.gov.uk/mayor-assembly/london-assembly/publications/impact-of-climate-change-on-londons-economy.

4.4 The report made the following recommendations:

Recommendation 1:

When next revising the Climate Change Adaptation Strategy, the Mayor should include a chapter on the indirect risks of climate change for London's economy. This should consider the risks of a cascade of impacts, via supply chains, markets and investments based in vulnerable, remote regions. Particular attention should be paid to the security of those supply chains which underpin the functioning of London's economy and society. For example agriculture.

The London Climate Change Partnership, in support of this, and in line with its objective to map the interdependencies and critical pathways of London's supply chains, should work with sectoral trade associations and GLA economics, to clearly map the major vulnerabilities of London's economy. Additionally, those sectors which are found to be most vulnerable, particularly SMEs within those sectors, should be assisted to build the skills required to undertake their own supply chains mapping.

Recommendation 2:

The Mayor should commit to the principle of a transition away from investment in certain fossil fuels, namely coal, and towards reinvestment in responsible funds which deliver appropriate returns to the taxpayer.

Where possible, and in line with his priority to diversify London's economy, the Mayor should actively seek to build opportunities for investment in the green economy. For example by encouragement of public private partnerships to finance sustainable infrastructure projects under the London Infrastructure Plan 2050.

The London Pensions Fund Authority should draw up a plan for discussion of these two commitments at its board, looking at the options for managed divestment and responsible reinvestment of its funds from, at least, those companies for which a significant proportion of their business consists of fossil fuels

Recommendation 3:

The London Enterprise Panel, as a part of its ongoing skills audit, should evaluate the size and nature of the skills gap for the adaptation sector and put forward a proposal for how it might proactively encourage and support skills development in this area, particularly for SMEs.

Recommendation 4:

To encourage greater sharing of best practice, and so enable monitoring of adaptation implementation, the Mayor should launch an award for climate change adaptation to reward successful adaptation initiatives by London businesses. The Australian Climate Adaptation Champions Awards are a successful model of such a scheme.

Recommendation 5:

The London Climate Change Partnership should develop a London monitoring and evaluation programme for business adaptation to climate change, using the national set of indicators developed by the Adaptation Sub Committee of the Committee on Climate Change, as a basis. The Environment Agency should contribute to its development.

Recommendation 6:

The London Climate Change Partnership should discuss with the British Banking Association and the Association of British Insurers the risk management benefits for their members, in paying closer attention to the resilience of the companies to which they loan funds / provide insurance.

Their members could encourage those companies to provide comprehensive Business Continuity plans demonstrating their climate change resilience, as a condition of those deals. They could also provide assistance, particularly to SMEs, to help them meet the conditions set.

Recommendation 7:

The Mayor, along with London & Partners, should promote further London's expertise and assets in the low carbon and adaptation economies:

They should seek opportunities to export London's adaptation skills to cities worldwide, helping to drive demand for further skills development and investment in training institutions in London.

They should also seek to attract further overseas investment in London's adaptation technologies and services to boost London's Green economy. For example, by supporting events like Copenhagen's Climate Change Adaptation Expo, which has set the bar for innovation in this area.

Recommendation 8:

The Mayor, upon review of his strategies, should integrate climate change adaptation into his Economic Development Strategy. This should commit him not only to drive forwards the conversion to a low carbon economy, as reflected in his current priorities, but instead to a resilient low carbon economy:

It should include commitments to develop and promote London's adaptation skills base; to encourage adaptation innovation; and to attract and incentivise public and private investment in the adaptation sector.

The strategy should take a risk based, scenarios approach to climate change adaptation. It should also inform economic elements of the Mayor's Climate Change Adaptation Strategy.

The LEP should reflect this amended economic priority in any future revision of their own growth plan.

4.5 Responses to the report are outstanding, pending a deadline of 31 October 2015.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:
Appendix 1 – *Weathering the Storm: The Impact of Climate Change on London's Economy*

Local Government (Access to Information) Act 1985
List of Background Papers: Member's Delegated Authority Form 607

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LONDONASSEMBLY

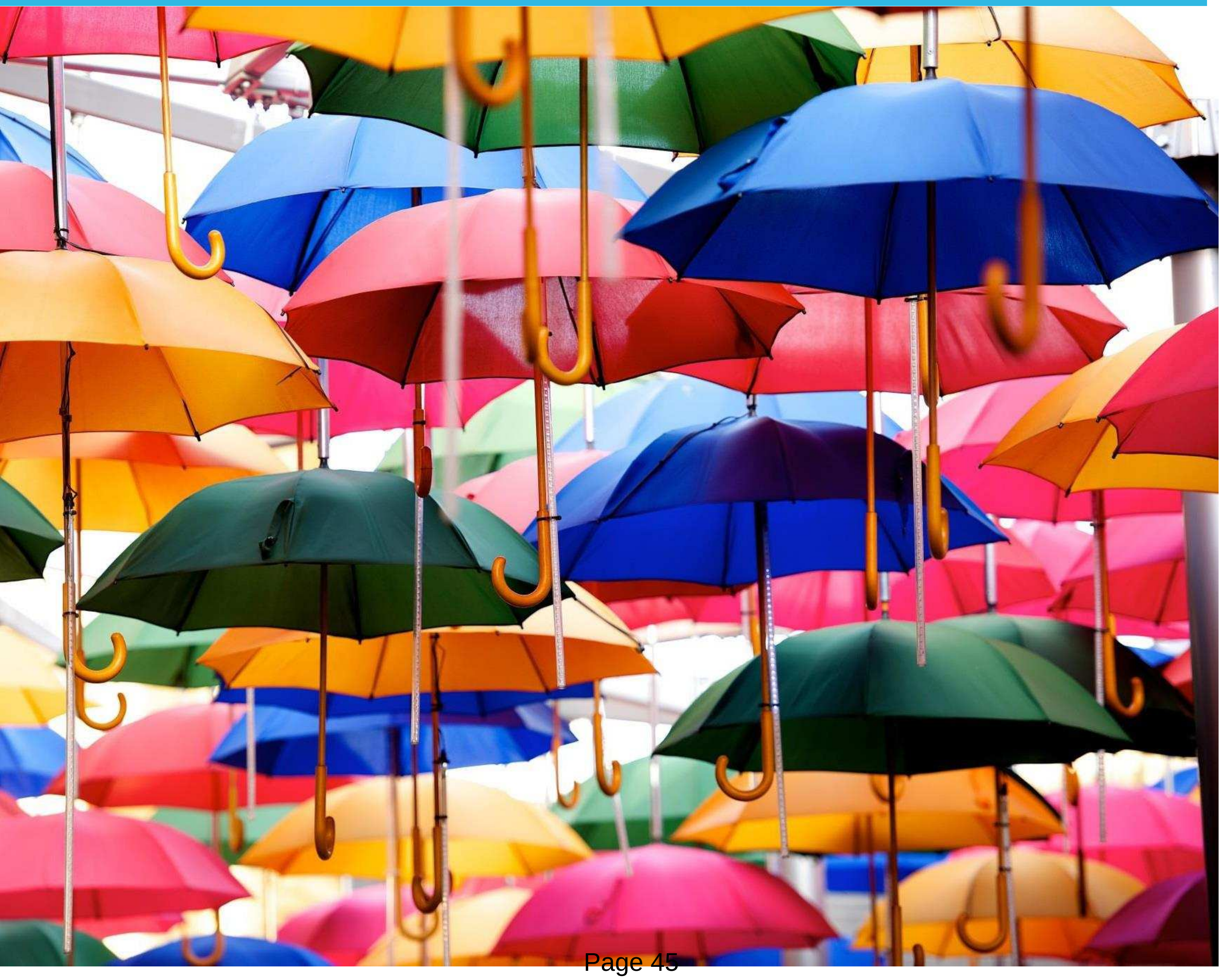
Economy Committee

Appendix 1

Weathering the Storm

The Impact of Climate Change on London's Economy

July 2015



Economy Committee Members

Fiona Twycross (Chair)	Labour
Stephen Knight (Deputy Chair)	Liberal Democrat
Jenny Jones	Green
Tony Arbour	Conservative
Kit Malthouse	Conservative
Murad Qureshi	Labour
Onkar Sahota	Labour

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Cover image: Tom Simpson

Contents

Foreword

Jenny Jones AM
Economy Committee

We have long known that climate change will have a significant impact on our economic prosperity. Lord Stern issued a stark assessment in 2006 in his Review on the Economics of Climate Change, estimating that if left unchecked the costs could be equivalent to as much as one fifth of the world's economic output each year.

But we have found, in the course of this investigation, that we are still doing too little to understand and prepare for the potential costs to London's economy.

When I think about the impacts of climate change on London, my mind jumps to the Thames Barrier protecting us from sea level rises. But we have heard that our city will also be exposed to more frequent and severe problems with overheating and flooding from rainfall.

Not only does this directly impact business operations, but the insurance sector too faces rising costs, which may make commercial business cover prohibitively expensive if we do not adapt to reduce the scale of the impacts we face.

The committee has also heard that London's economic links with the rest of the world expose us to many less obvious risks.

Businesses import risks through their supply chains, and own risks affecting their overseas assets, particularly when they involve countries that are more vulnerable and less well placed to adapt. We have heard that this is already happening, with floods in Thailand affecting the global IT industry, for example.

With trillions of pounds of assets potentially at risk, these ripples on the surface of our economy could be early warnings of something much more disruptive to come.

These risks are complicated by uncertainty about the level of global warming we can expect to experience. If world leaders are unable to secure the reductions in greenhouse gas emissions that we need in the upcoming conference in Paris, global average temperatures may rise by four or even six degrees, putting severe strain on our ability to adapt and – in the words of the Intergovernmental Panel on Climate Change –

potentially compromising common human activities such as growing food.

On the other hand if the agreements are successful we may need to change our approach to investment in order to ensure we do not become vulnerable to a drop in the value of fossil fuels.

We have heard that all of these risks, and their relevance to businesses in London, are still poorly understood.

So I haven't been surprised to learn that businesses are not fully prepared for the changes to come. It has been encouraging to hear from business leaders that are showing the way, and I hope our report will encourage more to follow their example. Small businesses are the least likely to have addressed these issues, which is unsurprising when most are focussed on making it through the next six months, so we must find a way to engage and protect them.

It has also been positive to hear about the opportunity for London to lead the world in services that build resilience into our economies. This 'adaptation sector' is already estimated to have a turnover of £431 million, and needs to grow.

This report marks a significant moment in the Committee's work on this pressing issue. I hope it will inform policy makers, stimulate new thinking, and convince you that further work is needed to secure our future prosperity.

Executive Summary

London's status as a global city makes its economy increasingly vulnerable to climate change. Not only do we face higher risk of flooding, drought and heatwave events at home, but our city's interdependence with economies elsewhere in the world means we 'import' risk through the financial services sector and international supply chains. Yet, we have found that these risks, even as their likelihood and potential severity increase, are poorly understood in the capital. In turn, businesses are ill-prepared, and employees insufficiently skilled, to respond to the risks as they arise. Our city, and its economy, are not fully resilient in the face of climate change.

Water scarcity, extreme flooding, land loss and heatwaves are expected to become increasingly commonplace in the critical food-producing and industrialising regions which provide the basis for many of London's supply chains. However, little work has been done to establish the extent of this risk for London's economy. We recommend that the London Climate Change Partnership maps the major supply chain vulnerabilities of London's economy. They should also help businesses, in the most vulnerable sectors, develop the skills to evaluate and respond to the risks which they face.

Many businesses, including 54 per cent of FTSE 100 firms, have not built climate change adaptation into their business strategy or continuity planning. Furthermore, small and medium enterprises are particularly unlikely to have taken steps to prepare for the risk of climate change: evidence suggests 60 per cent have no plan in place to deal with extreme weather conditions. The adaptation strategies which SMEs have put in place, some as a result of work through Business Improvement Districts (BIDs), rarely take into account the wider vulnerabilities of global supply chains and investments.

To encourage adaptation planning, and sharing of best practice, we propose the launch of a Mayoral award for climate change adaptation. It is also of paramount importance that the London Climate Change Partnership, in collaboration with the Environment Agency, develops a monitoring and evaluation programme for London, to measure the extent of business adaptation to climate change.

The prosperity of London's financial services industry may be at risk, because its global investments are vulnerable to the impacts of climate change in other parts of the world. Compounding this, the extent to which major investors based in London have made investments in fossil fuels, is a concern. Any global carbon emissions agreement made, at the UN climate change conference later this year, could make proven fossil fuel reserves un-burnable, and cause the value of fossil fuel investments to fall.

Businesses often consider climate change risk just one of many, to be factored into investment decisions. Despite this, awareness of its potential severity is growing. Some London-based investors have aligned with the global movement to divest from fossil fuels, and The Bank of England is conducting an inquiry into climate change adaptation which will consider the possibility of fossil fuel reserves becoming stranded assets. We would like to see the Mayor join them, by committing to the principle of a transition away from investments in coal. Similarly, we hope that the London Pensions Fund Authority will explore the options for managed divestment of their funds. Funds could instead be invested into responsible funds, which deliver appropriate returns to the taxpayer.

Such investment could help the insurance industry maintain the critical role which it plays in supporting businesses vulnerable to wider climate change risks. The financial pressures for insurance companies, of continuing to provide commercial insurance in the face of climate change, may mean insurance cover becomes less viable for businesses. However, research suggests that encouraging investment in adaptation technologies, leads to increased protection from the risks, thus reducing the costs to the insurance industry, and maintaining the viability of commercial cover.

Investment can also be a force for good in helping SMEs and other businesses adapt to climate change. By encouraging, or requiring evidence of, continuity planning, from the companies in which they are investing, financial services companies can help raise awareness of the risks posed by future climate change. At the same time they could provide assistance to those companies which might otherwise struggle to respond. We recommend that the London Climate Change Partnership should explore the potential of this with key sectoral bodies.

Opportunities for economic diversification, through investment in the green economy, are growing but need further encouragement and support. London’s adaptation sector has an estimated turnover of £431 million, and employs around 4,000 people (2011/12 figures). And a Mayoral initiative to develop a hub for green entrepreneurship, in Old Oak Common, is beginning to take root. However there remains a lack of concerted investment in adaptation skills, research and business development. The Mayor, and London & Partners, could do more to promote London's internationally recognised strengths in the sector, and attract further overseas investment in London's adaptation technologies.

To ensure that London becomes resilient to the full range of risks which climate change presents, to the capital and its economic prosperity, we call upon the Mayor to integrate climate change adaptation into his Economic Development Strategy. This would commit him to drive forward a *resilient*, low carbon economy; develop London's adaptation skills base; encourage adaptation innovation; and attract and incentivise public and private investment in the adaptation sector. The strategy must take a risk based approach, developed through a systematic evaluation of the future risks which London's economy might face, and designed to respond flexibly to changing climate scenarios. Such a strategy would remain fit for purpose whatever the level of future global warming.

1. Introduction

> "Preparing for extreme weather and further climate change is about managing risks and increasing our resilience to them – it is therefore as much about the economy, quality of life and social equality, as about the environment. Early action today will not only manage current and future risks, but save Londoners money and create jobs."
> **The Mayor's Climate Change Adaptation Strategy, 2011**

1.1. As the Mayor has stated, "there is clear evidence that our climate is already changing… and that we run the risk of experiencing significant changes to our climate that will dramatically impact on our quality of life and the economy."[1] It follows that, alongside working to reduce climate change, we must also develop strategic responses to it to guarantee the continued resilience of our economic and social wellbeing.

1.2. However, there remains considerable uncertainty about what level of global warming will occur in the coming decades, because of the difficulty of long-term projections and the uncertainty about both the outcomes of global negotiations on mitigation efforts and the implementation of agreed measures by governments.

1.3. The UK Government and most other governments globally are committed to the aim of limiting average global temperature rises to a maximum of 2°C above pre-industrial levels. Although the World Bank has estimated that even if all current pledges are met, the temperature could rise by up to 4°C by 2100.[2] This finding has been echoed by other analyses, including those released recently by the United Nations Environment Programme and PwC.[3]

1.4. Whatever the extent of the change, the physical impacts will not be uniform across the globe. For London, the Greater London Authority and Carbon Disclosure Project have recently identified the major impacts expected in the city, including more intense rainfall and more frequent heatwaves. These impacts are summarised in Figure 1 overleaf and have been explored in more depth by the London Assembly's Environment Committee.[4]

1.5. And it is not only physical risks at home which will impact significantly upon London. Our city is equally at risk from the indirect effect of impacts felt in distant parts of the world which are most vulnerable to climate change. Increasing water scarcity, extreme flooding, land loss and heatwaves are expected to become increasingly commonplace in the critical food-producing and industrialising regions which provide the basis for many of our supply chains. Most notably China, India and Indonesia. In turn, there will be a cascade effect of rising costs of materials and goods, and loss of trade and earnings, which will bring considerable costs to London's economy.[5]

London businesses will see an increase in physical climate change impacts

Hotter summers
Increased demand for mechanical cooling leading to increased energy demand; physical impacts on heat-sensitive infrastructure.

More intense rainfall
Increased probability and impact of flooding; impact on health, damage to property and infrastructure, and economic losses.

More frequent and intense heatwaves
Increase in mortality among heat-vulnerable individuals and the wider population.

Changes in seasonality of rainfall
Water supply/demand balance becomes more precarious; more frequent restrictions imposed on use.

Increased urban heat island effect
Compounds impact of hotter summers and heatwaves; prevents night-time cooling.

Sea level rise
Risk of tidal flooding; low probability due to protection of Thames Barrier and other flood defences.

High risk Medium risk Low risk

Summarised from: Carbon Disclosure Project, *Data provided for the CDP Cities 2013 report: Greater London Authority*, 2013

1.6. In recent years, there has been an increasing focus among researchers and policy-makers on the potential economic impact of the complex set of trends associated with climate change. In 2006, the UK Government published findings of a review on this topic led by the economist Lord Nicholas Stern, which concluded that the overall costs of climate change – if mitigation and adaptation measures are not taken – could be equivalent to losing at least five per cent of global annual Gross Domestic Product (GDP), and perhaps as high as 20 per cent.[6]

1.7. More recently, the Association of British Insurers estimate a significant tidal flood in London could have an economic impact on London 'equivalent to the scale of the recent recession'. However despite such headlines, we know little about the likely economic impacts of the full global complexity of climate change at city level. And so the focus of this investigation is on the hundreds of thousands of businesses that are based in London.

1.8. The amount of information available to support them is limited, for a number of reasons:

- There is a great deal of uncertainty about likely future impacts of climate change and the timescales seem beyond many business planning timeframes.
- There has been a lack of work at a city-wide or sectoral level to map differing climate change scenarios and the full range of impacts they will bring for the economy.
- At a business level, many, especially smaller businesses, lack the capacity and resources required to identify and address the risks they face.
- A number of firms are taking proactive steps in this area, but commercial sensitivities may make them reluctant to publicise their work, which limits the amount of shared learning that is possible.

1.9. This report presents a summary of what we have learned, and makes a series of recommendations for the Mayor and the London Enterprise Panel. These are designed to assist key decision makers to do more to support London's businesses in adapting to, and becoming resilient in the face of, climate change.

2. Risks for London businesses

> "Responding to climate change is perhaps the biggest global challenge of the 21st Century, and the transition to a low-carbon economy will require investors to take account of the reality of a carbon-constrained world. This shift is happening, but there are obstacles to overcome – stock markets are currently over-valuing companies that produce and use carbon..."
> **House of Commons Environmental Audit Committee, 2014**

2.1. The UK Climate Change Risk Assessment, published by the Department for Environment, Food and Rural Affairs in 2012 identified ten distinct risks for business arising from the effects of climate change. These included reduced returns for UK financial institutions' investments (due to the absence of mainstreaming climate risk and adaptation into decision-making processes) and a decrease in output for UK businesses (due to an increase in supply chain disruption as a result of extreme events).[7]

Supply chain vulnerability

2.2. One of the recurring themes of our investigation has been that London's position as a global city makes its economy, which is increasingly interdependent with economies elsewhere in the world, vulnerable to climate change impacts occurring overseas, as well as those in the UK. Daniel Dowling, Assistant Director of Climate Change and International Development at PwC, emphasised this to the Committee:

> London, as a globalised city, is potentially 'importing' a great deal of risk through its financial services sector and the international supply chains of large and small businesses. If we are looking to assess the total economic impact of extreme weather events and climate change on London's competitiveness, then we need to improve our understanding of the scale and distribution of these international risks. In addition to our growing appreciation of local physical risks here in London, we need to extend the scope of our analysis to include the risks to our business with interests abroad, where appropriate risk information is limited and the vulnerability of assets and operations is often higher.[8]

2.3. A key component of the London economy risk assessment is the international supply chains which many London businesses, and wider society, depend on. We have heard a number of examples where severe weather episodes in one part of the world disrupt economic activity elsewhere. The clothing, agriculture and electronics sectors are thought to be particularly vulnerable.[9] For instance, the 2011 floods in Thailand affected computer supplies worldwide as the affected area was the centre of global hard drive manufacturing.

A container ship unloading at Tilbury docks in Essex: London's economy depends on global supply chains that often originate in countries highly vulnerable to climate change. *Image: Ashley Dace*

2.4. The UK's international trade represents around 65 per cent of our Gross Domestic Product (GDP),[10] and London trades more than any region except the wider South East. The total value of commodities imported to London in 2014 was around £68 billion, while the value of exports, many of which are also to regions vulnerable to the impacts of climate change, was £29 billion.[11]

2.5. The Committee on Climate Change, an advisory body to the UK Government, reported recently that supply chain disruptions can lead to loss of revenue, reduced productivity and a fall in share price for businesses. It also identified a significant skills gap among supply chain professionals, many of whom have not been sufficiently trained to understand supply chain complexity. The biggest vulnerabilities tend to exist in the earliest stages of a supply chain – particularly in developing countries in South and South East Asia and in Sub-Saharan Africa – but these can be overlooked if businesses only consider the risks faced by their direct suppliers:

The largest climate risks to supply chains appear to be in the earlier stages of product manufacture. These tiers of the supply chain are less likely to be understood and managed by UK businesses. Our analysis suggests a larger proportion of value in the earlier stages of production is generated in countries that are at a moderate or higher risk from climate change.[12]

2.6. The risks to London's economy from climate change are not limited to the local physical impacts of changing weather conditions. Yet both the Mayor's Economic Strategy and London Climate Change Adaptation Strategy focus on such impacts while failing to take into account the full complexity of interconnected global risk.

Recommendation 1:
When next revising the Climate Change Adaptation Strategy, **the Mayor** should include a chapter on the indirect risks of climate change for London's economy. This should consider the risks of a cascade of impacts, via supply chains, markets and investments based in vulnerable, remote regions. Particular attention should be paid to the security of those supply chains which underpin the functioning of London's economy and society. For example agriculture.

The London Climate Change Partnership, in support of this, and in line with its objective to map the interdependencies and critical pathways of London's supply chains, should work with sectoral trade associations and GLA's internal economics team, to clearly map the major vulnerabilities of London's economy. Additionally, those sectors which are found to be most vulnerable, particularly SMEs within those sectors, should be assisted to build the skills required to undertake their own supply chain mapping.

Investment Risks

2.7. London is a global centre for the financial services industry. A fifth of London's Gross Value Added (GVA, a measure of regional economic output) comes from the finance and insurance sector, which employs around 350,000 Londoners.[13]

2.8. We heard that the prosperity of London's financial services industry may be at risk because its investments are vulnerable to the impacts of climate change in other parts of the world. UK investors have £10 trillion of assets abroad (2011 figure), including in many countries with significant vulnerabilities to the effects of climate change, such as China. Figure 2 below lists the top 25 country destinations for UK investments, and the value of assets held there.

The UK has £10 trillion of assets overseas, including in countries vulnerable to climate change

Country	Value of UK assets (£bn)	Country	Value of UK assets (£bn)
United States	£2,784	**Hong Kong**	£112
Germany	£910	**Singapore**	£108
France	£867	**Sweden**	£96
Netherlands	£612	**Brazil**	£74
Japan	£439	**Denmark**	£73
Ireland	£409	**Finland**	£65
Switzerland	£336	**South Korea**	£56
Luxembourg	£296	**India**	£52
Spain	£282	**Norway**	£46
Italy	£262	**Russia**	£43
Australia	£196	**South Africa**	£42
Belgium	£180	**China**	£41
Canada	£167		

Source: PwC, *International threats and opportunities of climate change to the UK*, 2013

2.9. A further concern is the extent to which major investors based in London – including banks, insurers and pension funds – have made investments in carbon, specifically fossil fuels. This was highlighted in a recent report from the Carbon Tracker Initiative, which discussed the value of investments on the London Stock Exchange that are dependent on fossils fuels:

> The UK has less than 0.2 per cent of the world's coal, oil and gas reserves, and accounts for around 1.8 per cent of global consumption of fossil fuels. Yet the CO_2 potential of the reserves listed in London alone account for 18.7 per cent of the remaining global carbon budget. The financial carbon footprint of the UK is therefore 100 times its own reserves… With approximately one third of the total value of the FTSE 100 being represented by resource and mining companies, London's role as a global financial centre is at stake if these assets become unburnable en-route to a low carbon economy. [14]

2.10. This risk of a 'carbon bubble' is becoming increasingly live as we approach the UN Climate Change conference in Paris in late 2015. Any global carbon emissions agreement, limiting global temperature increase to 2 degrees, would make the majority of proven fossil fuel reserves un-burnable. The resulting drop in fossil fuel value would have a significant impact upon investment markets. As Professor Samuel Fankhauser of the Grantham Research Institute at the London School of Economics explained to the Committee:

> It is true if you just do the basic atmospheric physics that we can burn about one third of currently known reserves and then the atmosphere is full, which means two thirds have to be written off in one way or another. The good news, in a sense, is that this is now fairly well known by many people, including many investors.[15]

'The Source' exhibition at the London Stock Exchange: Investors based in London may be at risk from the 'carbon bubble' bursting if fossil fuel investments lose significant value. *Image: Kai Hsutai*

2.11. Despite this, companies have continued to invest in fossil fuel assets. A report from the Carbon Tracker Initiative and Grantham Research Institute showed that the stock market in London increased its exposure to carbon (particularly coal) by seven per cent between 2011 and 2013, and that fossil fuel companies were spending US$647 billion per year exploring new reserves.[16] One of the world's biggest oil and gas companies, Shell, recently wrote to its shareholders to reassure them of the value of its carbon assets:

> Indeed, changes in regulatory priorities could well be relatively sudden. However, because of the long-lived nature of the infrastructure and many assets in the energy system, any transformation will inevitably take decades. This is in addition to the growth in energy demand that will continue until mid-century, and possibly beyond. The world will continue to need oil and gas for many decades to come, supporting both demand, and oil and gas prices. As such, we do not believe that any of our proven reserves will become “stranded”.[17]

2.12. However a divestment movement is gaining increasing global traction and we have seen investors, including the Guardian News Group, Bank of America, Church of England, and AXA Insurance, deciding to sell some or all of their investments in fossil fuel companies.[18] London’s financial services sector could be affected negatively if such a movement gathers considerable support, particularly if it takes place suddenly. Conversely, divestment could bring wider benefits for climate change mitigation efforts, if investment is instead channelled into the green economy.

2.13. Simon Howard of the UK Sustainable Investment and Finance Association (UKSIF) highlighted the uncertainties of how this change in investment practices may occur:

> At this stage, if we consider the large investors, the things that are going to suffer are large listed companies, BP, British Gas, Exxon, the people who we might expect to benefit are at this stage small and unlisted and therefore not easy for regulated asset owners to invest in. Therefore one cannot simply say to a pensions fund, “Sell transport, sell oil, sell mining, and invest in wind turbines”, because there is far too much money there, compared to that opportunity, and this opportunity is frequently in the venture capital/private equity space, and regulators treat assets held in those in a different way.[19]

2.14. The recent example set by the Norwegian Sovereign Wealth Fund is perhaps the most useful indicator of things to come. In January 2016, they will divest all holdings in companies for which mining or burning coal makes up more than 30% of their business. In total, this will result in divestment of $8 billion of the fund’s investments, affecting 122 companies globally, including the UK utility SSE in which the fund holds $956m of shares. The Norwegian government has cited both global warming and financial risk incentives for the move.[20]

2.15. There is certainly a growing awareness of the potential of climate change to impact negatively upon global investment markets. The Bank of England is conducting an inquiry into climate change adaptation which will consider, among other things, the possibility of fossil fuel reserves becoming stranded assets. In parallel, the opportunities for economic diversification through investment in the green economy are growing.

2.16. The Assembly agreed, in March 2014, a motion to press the Mayor to publicly support the principle of divestment, and to commit the GLA to avoid investment in any funds connected with fossil fuel extraction.[21] The Assembly welcomed the Mayor's strong support for responsible investment as outlined in his response.[22] However he was unwilling to commit to a wholesale move away from fossil fuels, citing a continued need for natural gas as part of the UK's energy mix.

Recommendation 2:
The Mayor should commit to the principle of a transition away from investment in certain fossil fuels, namely coal, and towards reinvestment in responsible funds which deliver appropriate returns to the taxpayer.

Where possible, and in line with his priority to diversify London's economy, **the Mayor** should actively seek to build opportunities for investment in the green economy. For example by encouragement of public private partnerships to finance sustainable infrastructure projects under the London Infrastructure Plan 2050.

The London Pensions Fund Authority should draw up a plan for discussion of these two commitments at its board, looking at the options for managed divestment and responsible reinvestment of its funds from, at least, those companies for which a significant proportion of their business consists of fossil fuels.

Ability to insure climate change risks

2.17. The insurance industry has a vital role in the economy, helping to protect businesses against risk. As noted in the introduction to this report, climate change is expected to exacerbate a number of risks businesses face, and place financial pressures on insurance companies.

2.18. For instance, a recent report from the Met Office and the Association of British Insurers found that a 4°C rise in global average temperatures would lead to a 14 per cent increase in annual insured losses caused by floods in the UK.[23] As with investments, the risks for UK companies do not just come from domestic events: 30 per cent of premium income for members of the Association of British Insurers is earned overseas.[24]

2.19. A roundtable hosted in February 2015 by Climatewise,1 in association with the insurer Aviva and the University of Cambridge's Institute for Sustainability Leadership, suggested that the use, hitherto, of trend-based Catastrophe Models, to quantify the risk posed by natural hazard events, may have resulted in systematic underestimation of insured losses from climate change by up to 50 per cent. Avoiding such underestimation in future would necessitate a shift towards viewing risk based upon what might happen in future, rather than upon historical trends.[25]

2.20. An implication of the growing realisation of the potential extent of climate change losses may be that insurance cover becomes less available to businesses. For instance, in a recent survey of businesses by the consultancy Marsh, 63 per cent of respondents said they expected property assets with lower resilience, for example those vulnerable to flooding, would become uninsurable in the future.[26] The Committee heard about this prospect from Nick Beecroft of Lloyd's of London:

> The industry has no capacity to insure climate change. We cannot continually keep paying the costs of the same climate-driven events generating the same damage.[27]

2.21. Additionally, from Tom Burke, Chair of E3G:

> I suspect that we are going to find it increasingly difficult for businesses to get insurance if they are in high-risk areas for floods in particular, and also other weather-related events.[28]

2.22. A written submission from the British Property Federation highlighted the particular risks for smaller businesses seeking to obtain flood insurance:

> Small and medium-sized enterprises (SMEs) are more vulnerable than big businesses and their existence could be threatened if they are unable to afford their flood insurance premiums… SMEs are finding it increasingly difficult to obtain flood cover in high risk areas. This could have negative impacts on the UK economy as a whole but at a local level, on those communities who may lose access to local retailers and service providers.[29]

2.23. Climatewise concluded that government policy, particularly as it relates to investment in risk reduction measures, is key to enabling the insurance industry to continue to provide commercial insurance in the face of climate change. For example, in the UK, the creation of FloodRE flood

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[1] a global collaboration of leading insurers focused on reducing the risks of climate change,

insurance was predicated on anticipated government investments in flood defences, which would reduce the risks from climate change and therefore make them more insurable. Furthermore, Climatewise questioned:

> …whether financial regulation should incentivise investment flows towards assets that contribute to risk reduction.[30]

2.24. The role of insurance regulation in supporting adaptation to climate change will be considered further in the Bank of England's work on adaptation to climate change. However, it is clear that encouraging investment in the adaptation economy will reduce risks from climate change and so, in turn, support the insurance industry to continue to provide commercial insurance in the face of climate change.

Skills gaps in the adaptation sector.

2.25. One of the barriers for firms in responding to climate change risks is a lack of necessary skills among the workforce. In a previous Economy Committee report, we identified a skills shortage in the building retrofit industry, particularly among property assessors.[31] At our meeting in October, Mark Jenkinson of Siemens highlighted a shortage of engineers needed to help build resilient infrastructure.[32] Dr Outi Korkeala of Ricardo-AEA explained that this was one of the findings of her recent research into the economics of adaptation for the European Commission:

> We modelled the employment implications of adaptation… we looked at the occupations, the skills needs up to 2050, and exactly those skills – for example statisticians, research and development, building and civil engineering, technicians – those are the skills that are needed in terms of adaptation and mainstreaming adaptation.[33]

2.26. A recent survey of businesses by the Institute of Environmental Management and Assessment found that a large majority of respondents did not feel their workforce was adequately trained in sustainability, across the areas of finance, product development and procurement. The survey also found 48 per cent of firms said recruitment of sustainability professionals with the necessary skills was problematic, and 42 per cent had met barriers in securing appropriate training for their staff.

2.27. However, a lack of skilled workers limits the development of adaptation responses within businesses. This prevents the growth of adaptation related employment opportunities and so demand for training in adaptation skills remains low. Without demand, training providers will not develop appropriate adaptation skills offerings and so it is impossible to address the lack of a skilled adaptation workforce. This is a critical choke point for the continued resilience of London's businesses in the face of a growing risk from climate change.

Recommendation 3:
The **London Enterprise Panel**, as a part of its ongoing skills audit, should evaluate the size and nature of the skills gap for the adaptation sector and put forward a proposal for how it might proactively encourage and support skills development in this area, particularly for SMEs.

3. Business adaptation to climate change

> "The business, industry and services sector is vulnerable to climate change due to the combination of the sector's climate sensitivity and adaptive capacity. Although the majority of the risks identified in this risk assessment fall into the category of climate sensitivity, a number of risks to the sector are the result of low adaptive capacity, and in particular, a low recognition of the need to act on climate change. This crucially needs addressing in order to minimise the potential risks and seize opportunities."
> **Department for Environment, Food and Rural Affairs: Climate Change Risk Assessment, 2012**

Business Level Adaptation Planning

3.1. The potential impacts for individual businesses may differ significantly. This makes it important that they identify their own specific risks and understand how business processes can be adapted to address them.

3.2. A number of tools and frameworks are available to businesses and other organisations, to enable them to assess their exposure and to devise business continuity or adaptation plans. These include the Business Resilience Health Check, an online tool developed by Climate UK, Business in the Community and the Environment Agency, which helps businesses assess their risks and identify actions they can take.[34]

3.3. In the Mayor's Climate Change Adaptation Strategy, he promotes the Business Areas Climate Impacts Assessment Tool (BACLIAT), produced by the UK Climate Impacts Programme (UKCIP), which helps businesses assess their climate change-related vulnerabilities in the areas of financing, market demand, logistics, production processes and service delivery, workforce and customers, building premises and management implications.[35]

3.4. However despite the availability of such tools, we have seen little evidence that businesses have made full use of them to map their dependencies or devise adaptation plans. In 2012, a Carbon Disclosure Project survey of FTSE 100 firms found that 80 per cent of them had identified substantive risks to their business from climate change, but only 46 per cent had incorporated climate change adaptation into their business strategy.[36]

3.5. The Committee has heard that smaller businesses face particular challenges in responding to the risks of climate change. As suggested by Dr Outi Korkeala of Ricardo-AEA:

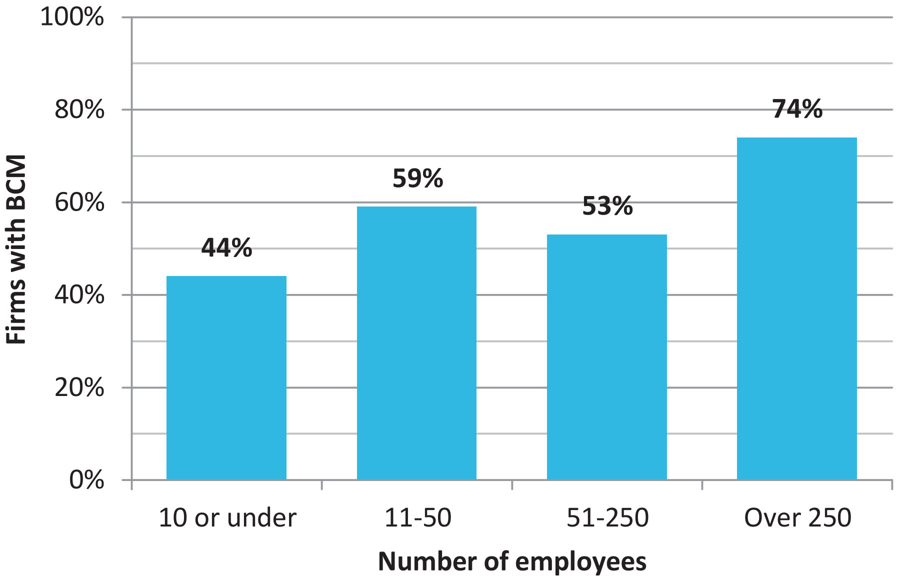
> There are plenty of tools available, for example the Environment Agency Climate Ready website. Whether those tools are useful, particularly for small businesses, it must be considered that sometimes when you talk about climate change, the risks… may be in 10 to 20 years' time. A small business is normally operated on a much shorter horizon.[37]

3.6. Additionally, by Professor Chris Rapley of the London Climate Change Partnership:

> The evidence is that it is the small and medium-sized enterprises [that are most vulnerable to climate change]. The point is the extent to which they have the capital, the time or intellectual capacity to think through these rather longer-term strategic issues when they tend to be living more hand-to-mouth, perhaps, than some of the bigger companies that can take risk management in a deeper and more profound way.[38]

3.7. Recent research by the Federation of Small Businesses, into the adaptation of small business to severe weather events, has found that three out of five small businesses they questioned did not have a plan in place to deal with extreme weather conditions. This is despite the fact that two thirds of small businesses have been negatively affected by

Small businesses are up to 30 percent less likely to have business continuity arrangements (BCM) than larger organisations.



Source: Chartered Management Institute, *Weathering the Storm*, 2013

flooding, drought or snow in the last three years.[39]

3.8. In 2013, the Chartered Management Institute, working with the Cabinet Office and other partners, published a survey of organisations, asking about the impact of severe weather disruptions and whether they had put in place business continuity management (BCM) arrangements to address this and other risks. The survey found that public sector organisations (72 per cent) are significantly more likely to use BCM than those in the private (58 per cent) and voluntary (58 per cent) sectors.

3.9. And, as shown in Figure 3 on the previous page, larger organisations are more likely to use BCM than smaller organisations (all sectors).

3.10. The London Climate Change Partnership has been working with Business Improvement Districts[2], such as the Team London Bridge Green Infrastructure Programme detailed below, to address the issue of infrastructure adaptation.

Team London Bridge – Green infrastructure

Team London Bridge is a Business Improvement District in Southwark. It has been taking steps to improve green infrastructure in the London Bridge area, which, among other benefits, will help boost flood alleviation for businesses.

Working with the Greening the BIDs programme, Team London Bridge carried out a Green Infrastructure Audit to identify 3.7 hectares of potential green roof space, 49 sites for rain gardens and 33 sites for green walls. Work is underway to fund and deliver these projects, providing an example of how businesses can work with each other and public agencies to address potential impacts of climate change.[40]

3.11. Clearly this is a positive step towards a better adapted SME community. However at present the scope of the work is limited solely to the local, physical risks of climate change. Adaptation strategies put into place do not involve planning or responses which take into account vulnerabilities of global markets, supply chains or investments.

3.12. While the availability of self-help tools online is a helpful starting point for businesses to address their adaptation risks and needs, and gives the impression that business adaptation planning is being taken care of, the reality, for SMEs in particular, is quite different. Lack of resources, such as

[2] a membership body for businesses, which raises funds to spend on improvements to the local area

a dedicated sustainability officer or budget, combined with a short term view of risks which might affect them, means SMEs are unlikely to prioritise adaptation planning, or to be aware of the tools available and the implications of failing to engage with them.

3.13. Additionally, the work which is being done directly with businesses is focussed on local adaptation. As a result, even those businesses which are alive to the risks of climate change do not have the full risk picture.

Monitoring business adaptation

3.14. We have considered the available evidence on steps businesses are taking to respond to these challenges. A small number of surveys have been conducted which examine how many firms have assessed their climate change-related risks and developed business continuity or adaptation plans. These are typically UK-wide, and no comparable evidence on adaptation by London businesses is available.[41]

3.15. Some businesses and business groups have shared information on their adaptation plans. For instance, the Committee heard from the retailer Marks and Spencer about its adaptation strategy:

> M&S currently has an adaptation strategy and is now working to integrate specific actions into existing processes ranging from planned, preventative maintenance regimes, retrofit specifications of equipment, up-skilling of relevant staff and tabling climate change risks at relevant high-level property decision making meetings.[42]

3.16. We have also heard about work undertaken by the supermarket chain Asda to identify and address climate change risks in its supply chains. The company has identified, for instance, that 95 per cent of its fresh produce is at risk from climate change. Asda has set out ways in which it is working with its suppliers to ensure they can adapt: for instance, one supplier was supported to increase its resilience to water shortages at a potato processing factory.[43]

3.17. However, ascertaining the extent to which businesses have implemented adaptation measures is difficult for two reasons. First, there is no formal reporting, monitoring and evaluation framework for the necessity for, and uptake of, adaptation measures across the London economy. Second, information a business holds about the impacts of climate change on its activity, and the adaptation measures it has adopted, is often considered commercially sensitive, and is therefore not publicly disclosed.[44]

3.18. Shared learning of best practice is identified in a 2014 report by European think tank E3G as essential for ensuring the full range of risks facing a city's economy are properly monitored and managed.[45] Without such monitoring it is impossible to plan for the city-wide implications of a particular climate change scenario. In particular, the risk that unforeseen, interconnected risks from climate change trigger a chain reaction of economic damage cannot be properly contained.

3.19. In addition, the ability of SMEs in particular, to monitor and influence supply chains for increased resilience is hampered by lack of scale, both in terms of finance and knowledge. John Steel, CEO of Fairtrade coffee suppliers, CafeDirect, believes collaboration is key.

> All stakeholders can collaborate pre-competitively to understand the longer term issues in a supply chain and take steps to make it more sustainable. [Or just] share resources and best practice with other businesses.[46]

Recommendation 4:
To encourage greater sharing of best practice, and so enable monitoring of adaptation implementation**, the Mayor** should launch an award for climate change adaptation to reward successful adaptation initiatives by London businesses. The Australian Climate Adaptation Champions Awards are a successful model of such a scheme.

3.20. The Committee heard from the Environment Agency which supports the idea of monitoring the take-up of adaptation measures by London businesses. Identifying, monitoring and evaluating a full range of indicators of adaptation actions would help London to measure the effectiveness of business action on adaptation. This would inform decision making at a London scale regarding the adaptation actions needed in certain climate change scenarios.

3.21. The Environment Agency told the Committee they would welcome the opportunity to work with GLA and the London Climate Change Partnership to contribute to the development of this type of approach.

Recommendation 5:
The London Climate Change Partnership should develop a London monitoring and evaluation programme for business adaptation to climate change, using the national set of indicators developed by the Adaptation Sub Committee of the Committee on Climate Change, as a basis**. The Environment Agency** should contribute to its development.

Support from the financial services industry

3.22. Financial services firms may have an important role to play in helping other London businesses to adapt to the risks of climate change, through their role as investors, creditors or insurers.

3.23. A 2013 report on climate change risks from PwC highlighted the possible role of insurance firms in helping clients adapt to risks:

> The insurance industry, with its risk management expertise and skills, is well-positioned to help society reduce its vulnerability and improve its community resilience. Greater resilience not only helps to reduce the impacts of adverse events but also to lower insurance premiums. The insurance industry is keen to reward preventive measures through lower premiums, and in return benefit from the lower volatility in losses as a result of lower frequency and magnitude of claims.[47]

3.24. Banks may also be well-placed to help their business clients, particularly smaller businesses, to focus on their climate change-related risks and consider adaptation plans. This could involve, for instance, encouraging them to use an adaptation planning tool at the time of a loan application. As Tom Burke of E3G suggested to the Committee:

> The people who share that risk with the businesses are the banks that are lending them their operating capital. All of the businesses go to the banks, and it seems to me the retail banks could play a much more positive role in helping their business customers understand these risks and prepare contingencies for handling those risks... building some relationship between the retail banks and those small business customers to help with resilience.[48]

3.25. The National Association of Pension Funds has agreed that investors have an important role to play in better supporting the businesses in which they invest to adapt to the challenges of climate change. Investors' fiduciary responsibilities to ensure pension promises are able to be met means trustees must take all reasonable steps to reduce the risk that businesses within their investment portfolios do not sufficiently adapt. And they have the ability to question and monitor investment managers to ensure that they are engaging appropriately with individual companies and managing the risks to their investments.[49]

Recommendation 6:
The London Climate Change Partnership should discuss with the **British Banking Association** and the **Association of British Insurers** the risk management benefits for their members, in paying closer attention to the resilience of the companies to which they loan funds / provide insurance.

BBA and ABI members could encourage those companies to provide comprehensive Business Continuity plans demonstrating their climate change resilience, as a condition of those deals. They could also provide assistance, particularly to SMEs, to help them meet the conditions set.

4. Opportunities in the climate change adaptation sector

> "Sales of adaptation goods and services by UK companies have grown in recent years, and at a faster rate than general growth in the UK economy. UK companies provide key adaptation goods and services such as flood protection and resilience measures, professional services including architecture and engineering, and finance and insurance products and services. But the sector remains small and sales by UK companies appear to have grown more slowly than those of competitors in other countries."
> **Committee on Climate Change: Adaptation Sub-Committee Progress Report, 2014**

A resilient sector

4.1. The need to address climate change risks is creating new economic opportunities. There is a growing demand for new goods, services and infrastructure that facilitate and support climate change adaptation. Not only does this bring dynamism and diversity to London's economy but it also provides services which businesses in London may be able to exploit to increase their own resilience.

4.2. The Committee on Climate Change recently carried out an assessment of the size of the adaptation sector in the UK.[50] As shown in Figure 4, this identified sales of adaptation goods and services in a number of sub-sectors, and provided an assessment of the potential for future exports

The UK adaptation sector, in 2011/12, had a sales potential of over £2 billion

Sector	Adaptation sales, 2011/12	Assessment of export growth potential
Architectural	£270 million	High
Climate change management	£80 million	Medium-High
Construction and retrofit	£660 million	Medium
Environmental finance	£220 million	High
Finance investment and insurance	£190 million	High
Risk management and business continuity	£100 million	High
Sustainable drainage and water management	£120 million	Medium
Transport infrastructure	£490 million	Low
Water irrigation	£10 million	Medium-High

Source: Adapted from Committee on Climate Change: Adaptation Sub-Committee Progress Report, 2014 growth in each.

4.3. One of the findings of the Committee on Climate Change's assessment was that although this sector had grown in the UK – both absolutely and relative to the rest of the economy – other countries had seen faster growth than the UK. Japan, France, Russia, the United States, Italy, Brazil and Germany were all highlighted as countries with stronger adaptation sector growth than the UK between 2009/10 and 2011/12.[51]

Flood protection at the Olympic Park: The adaptation sector is providing opportunities for London businesses to sell goods, services and expertise to address climate risks. *Image: Paul Hudson*

4.4. In London, the turnover of the climate change adaptation sector has been estimated at £431 million, and to employ around 4,000 people (2011/12 figures).[52] The Greater London Authority and London Climate Change Partnership are currently undertaking a project to assess the latest value of the sector in London, and to identify any interventions required to help boost it.[53]

4.5. And the Mayor is working to enhance London's Green Business advantage by promoting the development of a new hub for green-tech entrepreneurship as part of the Old Oak Common redevelopment, which is expected to bring up to 55000 jobs to London's economy, many in the green tech sector.

4.6. The London Sustainable Development Commission have commissioned a plan, to be delivered by Autumn 2015, which will outline how to attract hundreds of start-up, and larger, green businesses to the Old Oak

Common area. It is intended that such businesses would be linked with the research expertise of nearby Imperial College. Ultimately, it is hoped the hub will attract the highest concentration of eco-business outside of California.

4.7. London has particular strengths which can be exploited globally. Daniel Dowling of PwC focused on design and engineering and consultancy services:

> London can help to seize the opportunities of managing climate change by leveraging its internationally recognised skill base in design and engineering services. Our water sector, along with energy generation and transmission companies, and technology developers, have already made good progress on adaptation. So, together with our wider advisory and professional services capabilities, we can help other cities or countries build their resilience too. [54]

4.8. Meanwhile, Simon Howard of UKSIF focused on financial services, and suggested the Mayor could support this work:

> We are the second-largest responsible and sustainable finance market in the world after the United States. We are Europe's largest. We have strengths in it. We should be looking to export them. I do think the Mayor has a role to play in this because kick-starting is needed and pump-priming is needed.[55]

4.9. Mayoral interventions such as the Low Carbon Entrepreneurs' competition and the Old Oak Common Green Tech Hub are undoubtedly helping to develop London as a leading green city. However there is space for further investment in, and promotion of, the adaptation sector to enable London to see the full benefits of a diverse and resilient green economy.

Recommendation 7:
The Mayor, along with London and Partners, should promote further London's expertise and assets in the low carbon and adaptation economies:

They should seek opportunities to export London's adaptation skills to cities worldwide, helping to drive demand for further skills development and investment in training institutions in London.

They should also seek to attract further overseas investment in London's adaptation technologies and services to boost London's Green economy. For example, by supporting events like Copenhagen's Climate Change Adaptation Expo, which has set the bar for innovation in this area.

5. Towards 'Paris 2015'

> "…cities are amongst the major contributes to climate change, [and so] it is our duty to find viable paths for our future."
>
> **In response to the challenge of global climate change, a European commitment and local solutions, March 2015**

5.1. In the run up to perhaps the most anticipated Climate Change Conference in recent memory, the UN Framework Convention on Climate Change conference in Paris in late 2015, there remains considerable uncertainty about the future extent of global warming and the effects of a changing climate. And there will be significant variation in impact across and within regions. Despite these challenges, it is critical that London and its businesses develop a far-sighted, risk-based, adaptation plan to safeguard our future economy.

5.2. Considering plans being developed at a city-wide or regional level, the Committee has heard about the benefits of a 'pathways approach' to adaptation, which emphasises flexibility. A submission from Ashley Kingsborough and Professor Jim Hall of the Environmental Change Institute at the University of Oxford explained:

> 'Adaptation pathways' approaches seek to maximise flexibility and minimise sensitivity to climate change scenarios by delaying decisions until critical thresholds are achieved. Such approaches are increasingly relevant to adaptation planning in London. They are utilised in the Thames Estuary and being developed in response to heatwaves, droughts and surface water flooding. Critical components of assumption based planning are the identification of adaptation thresholds or levels or tolerable risk and the incorporation of ongoing monitoring to inform the prioritisation of future actions. The emphasis upon reacting flexibly to change as it materialises reduces the reliance on assumptions about future scenarios…[56]

5.3. And Juliette Daniels of the London Climate Change Partnership explained how this task can also be adopted at business level:

> You can fall into a bit of a trap of looking just at scenarios and thinking that you have to pick one to adapt to. Actually, if you take a context-first approach and look at your thresholds and your tolerances within your operations and your organisation, you will have a very good understanding of the types of action you can take in different scenarios without having to know what that future is going to be.[57]

5.4. Building a scenarios approach to adaptation, (incorporating both local risks of climate change for London's economy and the more remote risks transmitted via supply chains, markets and investments based in vulnerable, remote regions) would provide a flexible responsive means by which London might underpin future economic stability. This would avoid issues of under- or over-estimation of risks, and prevent locked-in adaptation plans which ultimately prove to be unfit for purpose.

5.5. Such an approach is recommended in the Mayor's Infrastructure Plan, in relation to water management, and has been used by the Environment Agency in its plan for managing tidal flood risk in the Thames Estuary.

5.6. And we have learned that a progressive, agile adaptation strategy is only one half of the picture. Development of the adaptation economy, to ensure that London is able to deliver that strategy, is equally important and will require support both from investors and political leaders.

5.7. The Committee heard from both the National Association of Pension Funds and The Investment Association which reported that investors are looking for clearer signals from policy makers that there is a firm international, national and regional political commitment to act on climate change.

5.8. Investment of significant funds in the green economy, including the adaptation sector, will be dependent upon the level of certainty around future investment risk and opportunities, and the resulting demand for investment opportunities, such commitment will bring. This will require clear political leadership for a city-driven approach to both mitigating, and responding to the risks posed by future climate change:

5.9. The Committee welcomes the commitment made by the Mayor at a meeting of European mayors in Paris, in March, "to strengthen the instruments that will lead us toward the energy and environmental transition," and to "coordinate public procurement to bring about the emergence of a more ecological offer," concentrating investment expenditures on the "green" sectors of the economy.[58] Furthermore his statement of support for environmental policies which stimulate London's low carbon goods and services economy shows clear leadership in the climate change arena.

5.10. As Paris approaches it is critical that the Mayor continues to be active in promoting these commitments, and that he broadens the scope of his environmental policies to ensure adaptation is an integral element. This will ensure London continues to establish itself clearly as a world leader in the race to combat climate change.

Recommendation 8:
The Mayor, upon review of his strategies**,** should integrate climate change adaptation into his Economic Development Strategy. This should commit him not only to drive forwards the conversion to a low carbon economy, as reflected in his current priorities, but instead to a <u>resilient</u> low carbon economy:

It should include commitments to develop and promote London's adaptation skills base; to encourage adaptation innovation; and to attract and incentivise public and private investment in the adaptation sector.

The strategy should take a risk based, scenarios approach to climate change adaptation. It should also inform economic elements of the Mayor's Climate Change Adaptation Strategy.

The **LEP** should reflect this amended economic priority in any future revision of their own growth plan.

Appendix 1 Recommendations

Recommendation 1:
When next revising the Climate Change Adaptation Strategy, **the Mayor** should include a chapter on the indirect risks of climate change for London's economy. This should consider the risks of a cascade of impacts, via supply chains, markets and investments based in vulnerable, remote regions. Particular attention should be paid to the security of those supply chains which underpin the functioning of London's economy and society. For example agriculture.

The London Climate Change Partnership, in support of this, and in line with its objective to map the interdependencies and critical pathways of London's supply chains, should work with sectoral trade associations and GLA economics, to clearly map the major vulnerabilities of London's economy. Additionally, those sectors which are found to be most vulnerable, particularly SMEs within those sectors, should be assisted to build the skills required to undertake their own supply chains mapping.

Recommendation 2:
The Mayor should commit to the principle of a transition away from investment in certain fossil fuels, namely coal, and towards reinvestment in responsible funds which deliver appropriate returns to the taxpayer.

Where possible, and in line with his priority to diversify London's economy, **the Mayor** should actively seek to build opportunities for investment in the green economy. For example by encouragement of public private partnerships to finance sustainable infrastructure projects under the London Infrastructure Plan 2050.

The London Pensions Fund Authority should draw up a plan for discussion of these two commitments at its board, looking at the options for managed divestment and responsible reinvestment of its funds from, at least, those companies for which a significant proportion of their business consists of fossil fuels.

Recommendation 3:
The London Enterprise Panel, as a part of its ongoing skills audit, should evaluate the size and nature of the skills gap for the adaptation sector and put forward a proposal for how it might proactively encourage and support skills development in this area, particularly for SMEs.

Recommendation 4:
To encourage greater sharing of best practice, and so enable monitoring of adaptation implementation**, the Mayor** should launch an award for climate change adaptation to reward successful adaptation initiatives by London businesses. The Australian Climate Adaptation Champions Awards are a successful model of such a scheme.

Recommendation 5:
The London Climate Change Partnership should develop a London monitoring and evaluation programme for business adaptation to climate change, using the national set of indicators developed by the Adaptation Sub Committee of the Committee on Climate Change, as a basis**. The Environment Agency** should contribute to its development.

Recommendation 6:
The London Climate Change Partnership should discuss with the British Banking Association and the Association of British Insurers the risk management benefits for their members, in paying closer attention to the resilience of the companies to which they loan funds / provide insurance.

Their members could encourage those companies to provide comprehensive Business Continuity plans demonstrating their climate change resilience, as a condition of those deals. They could also provide assistance, particularly to SMEs, to help them meet the conditions set.

Recommendation 7:
The Mayor, along with London & Partners, should promote further London's expertise and assets in the low carbon and adaptation economies:

They should seek opportunities to export London's adaptation skills to cities worldwide, helping to drive demand for further skills development and investment in training institutions in London.

They should also seek to attract further overseas investment in London's adaptation technologies and services to boost London's Green economy. For example, by supporting events like Copenhagen's Climate Change Adaptation Expo, which has set the bar for innovation in this area.

Recommendation 8:
The Mayor, upon review of his strategies**,** should integrate climate change adaptation into his Economic Development Strategy. This should commit him not only to drive forwards the conversion to a low carbon economy, as reflected in his current priorities, but instead to a <u>resilient</u> low carbon economy:

It should include commitments to develop and promote London's adaptation skills base; to encourage adaptation innovation; and to attract and incentivise public and private investment in the adaptation sector.

The strategy should take a risk based, scenarios approach to climate change adaptation. It should also inform economic elements of the Mayor's Climate Change Adaptation Strategy.

The **LEP** should reflect this amended economic priority in any future revision of their own growth plan.

Appendix 2 Contributors to the Investigation

In order to assess the climate change challenge for London's economy, the Committee took a number of steps.

We held two public hearings with contributions from a range of experts and stakeholders.

24 June 2014:

- Nick Beecroft, Lloyd's of London
- Daniel Dowling, PwC
- Professor Samuel Fankhauser, Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (LSE)
- Professor Christopher Rapley CBE, London Climate Change Partnership
- Juliette Daniels, London Climate Change Partnership

23 October 2014:

- Dr Outi Korkeala, Ricardo-AEA
- Simon Howard, UK Sustainable Investment and Finance Association (UKSIF)
- Mark Jenkinson, Siemens
- Tom Burke, E3G

We also received submissions directly from a range of individuals and organisations:

- Boris Johnson, Mayor of London
- British Property Federation
- City of London Corporation
- Cross River Partnership
- Environment Agency
- Kent County Council
- Ashley Kingsborough and Professor Jim Hall, Environmental Change Institute, University of Oxford
- Marks and Spencer
- National Centre for Atmospheric Science

- Dr Swenja Surminksi, Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science (LSE)
- Team London Bridge
- Technology Strategy Board
- Federation of Small Businesses
- The Investment Association
- London Councils
- NAPF
- London & Partners
- London Climate Change Partnership
- Bank of England, Prudential Regulation Authority

And we reviewed the evidence published by governments, businesses, research institutes, campaigners and others.

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Hindi

यदि आपको इस दस्तावेज का सारांश अपनी भाषा में चाहिए तो उपर दिये हुए नंबर पर फोन करें या उपर दिये गये डाक पते या ई मेल पते पर हम से संपर्क करें।

Vietnamese

Nếu ông (bà) muốn nội dung văn bản này được dịch sang tiếng Việt, xin vui lòng liên hệ với chúng tôi bằng điện thoại, thư hoặc thư điện tử theo địa chỉ ở trên.

Bengali

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Greek

Εάν επιθυμείτε περίληψη αυτού του κειμένου στην γλώσσα σας, παρακαλώ καλέστε τον αριθμό ή επικοινωνήστε μαζί μας στην ανωτέρω ταχυδρομική ή την ηλεκτρονική διεύθυνση.

Urdu

اگر آپ کو اس دستاویز کا خلاصہ اپنی زبان میں
درکار ہو تو، براہ کرم نمبر پر فون کریں
یا مذکورہ بالا ڈاک کے پتے یا ای میل
پتے پر ہم سے رابطہ کریں۔

Turkish

Bu belgenin kendi dilinize çevrilmiş bir özetini okumak isterseniz, lütfen yukarıdaki telefon numarasını arayın, veya posta ya da e-posta adresi aracılığıyla bizimle temasa geçin.

Arabic

الحصول على ملخص لهذا المستند بلغتك،
فرجاء الاتصال برقم الهاتف أو الاتصال على
العنوان البريدي العادي أو عنوان البريد
الإلكتروني أعلاه.

Punjabi

ਜੇ ਤੁਸੀਂ ਇਸ ਦਸਤਾਵੇਜ਼ ਦਾ ਸੰਖੇਪ ਆਪਣੀ ਭਾਸ਼ਾ ਵਿਚ ਲੈਣਾ ਚਾਹੋ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਇਸ ਨੰਬਰ 'ਤੇ ਫ਼ੋਨ ਕਰੋ ਜਾਂ ਉਪਰ ਦਿੱਤੇ ਡਾਕ ਜਾਂ ਈਮੇਲ ਪਤੇ 'ਤੇ ਸਾਨੂੰ ਸੰਪਰਕ ਕਰੋ।

Gujarati

જો તમારે આ દસ્તાવેજનો સાર તમારી ભાષામાં જોઈતો હોય તો ઉપર આપેલ નંબર પર ફોન કરો અથવા ઉપર આપેલ ટપાલ અથવા ઈ-મેઈલ સરનામા પર અમારો સંપર્ક કરો.

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Subject: London Fairness Commission

Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 15 October 2015**
This report will be considered in public	

1. Summary

1.1 This report presents for noting the submission to the London Fairness Commission.

2. Recommendations

2.1 **That the Committee notes the submission to the London Fairness Commission, as attached at Appendix 1.**

2.2 **That the Committee notes that the Commission's interim report cites the Committee's recent report on personal problem debt.**

3. Background

3.1 On 14 July 2015, the Committee agreed to delegate authority to the Chair, in consultation with party Group Lead Members, to agree the Committee's submission to the London Fairness Commission.

4. Issues for Consideration

4.1 The Committee sent its submission to the London Fairness Commission on 31 July 2015. The submission is attached at **Appendix 1** for the Committee to note.

4.2 The Commission's interim report cited the Committee's recent report on personal problem debt a number of times, in particular that an estimated 500,000 Londoners are over-indebted or in financial difficulty.[1]

4.3 The Commission will publish its final report in 2016.

[1] http://londonfairnesscommission.co.uk/wp-content/uploads/2015/09/London-Fairness-Commission-Interim-Report-Full.pdf

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:

Appendix 1: Submission to the London Fairness Commission

Local Government (Access to Information) Act 1985

List of Background Papers:

Members delegated authority form - 14 July 2015 – MDA590

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LONDONASSEMBLY
Economy Committee

Submission to the London Fairness Commission
31 July 2015

Addressing inequality in London is a key concern for the Assembly. The Economy Committee has recently pursued a number of projects which are particularly relevant to the work of the Commission. Below we provide a concise outline of each project, its key findings and recommendations made to the Mayor and others.

Our report on **low pay and the London Living Wage** highlighted the worrying prevalence of low pay in London, particularly in the retail, hospitality, catering, cleaning and social care sectors.[1] We welcomed the Mayor's vision of the Living Wage becoming the norm in the capital, but concluded that there would need to be a very significant uplift in activity to achieve this. In particular, the report recommended:

- partial devolution of minimum wage enforcement to London;
- a significant increase in efforts by the Mayor to target Living Wage uptake in low-pay sectors;
- London boroughs seeking Living Wage compliance setting a clear start date for a staged introduction of the Living Wage to social care workers, including contracted services;
- organisations harnessing procurement, investment and other commercial decisions to expand Living Wage uptake; and
- an increased focus on furthering progression for low-paid workers.[2]

Given the Mayor's manifesto commitment to support the creation of part-time jobs and increase parental employment, London's ongoing low rate of **parental employment** has been an ongoing concern for the Committee, particularly where women frequently end up working in lower paid, less secure work in order to be able to fulfil their parenting role.[3] We called on the London Enterprise Panel (LEP) and government to take action to address the barriers to parental employment, including:

- exploring opportunities to provide 'wrap-around' childcare and reviewing childcare payment models;
- working with employers to increase the number of quality part-time jobs; and
- improving childcare support offered under Universal Credit.

The Committee also recently investigated **internships** in the capital.[4] We highlighted London's major problem with unpaid internships. Based on the responses to two surveys, we found that fewer than 4 in 10 are paid the National Minimum Wage or above and five times as many young people told us that they would be able to do an internship if they were paid the London Living Wage. We therefore called on the Mayor to address this issue by:

- developing a policy position on internships;
- promoting good quality paid internships in London (internships lasting longer than four weeks would be paid at least the National Minimum Wage, and preferably the London Living Wage);

[1] Economy Committee, Fair pay: Making the London Living Wage the norm, February 2014
[2] The Committee has also previously recommended that adult careers services in the capital also foster progression for low paid people. Please see Tailor-made: Improving adult careers services in London
[3] Economy Committee, Parental employment in London, December 2013
[4] Economy Committee, Internships in London, December 2014

- taking part in an awareness-raising campaign on the rights of interns and make clear to business the legal requirements and benefits of paying interns; and
- addressing the lack of data on internships and commission more research to understand the role of internships in London and to target further interventions.

The Mayor responded by publicly issuing his support for good quality paid internships.

Personal problem debt was a recent focus for the Committee.[5] Our report highlighted the shift from debt related to consumer spending to essential living costs. Approximately half a million Londoner s are currently over-indebted or in financial difficulty. We were also particularly concerned about the impact of Council Tax arrears, which we heard are fast becoming one of the most problematic sources of debt. We also called on the Mayor to promote more affordable credit and savings options, noting that in particular this would support growth for credit unions and other affordable credit options. The Mayor agreed to take some specific actions to address problem debt in the capital, particularly on supporting the proposed London debt observatory and increasing young people's awareness of illegal money lending.

The Assembly's report into **food poverty** in the capital identified the drivers for food poverty. The top three drivers were considered to be benefit delays, low income and unemployment. The report called for sustainable responses to food poverty in the capital.[6] This included a focus on addressing the underlying causes of food poverty. The Mayor accepted the Assembly's recommendation for London to be a 'zero hunger city'.

Relevant issues relating to inequality in the capital has been considered by a number of the Assembly's committees.

The Assembly's Housing Committee also explored the **impact of welfare reform** on Londoners.[7] The report highlighted changes in landlords' attitudes to tenants claiming Housing Benefit and household movements out of inner London. The Committee made a number of recommendations to the Mayor and others including:

- collecting and publishing regular monitoring data on the impact of welfare reforms in London, including household movement within and out of London
- ensuring that additional support to London in recognition of its higher housing costs are regularly reviewed and adequate; and
- working with boroughs to ensure they are allocating discretionary housing payments in an effective and sustainable way.

The Housing Committee also produced guidance on **estate regeneration**, which would ensure residents and community groups are involved in decisions to demolish or renovate their homes.[8] The committee found that in the past decade, estate regeneration had led to a significant net loss of social housing, deepening inequalities in housing provision, but also that there were good examples of resident engagement in decision making, funding and ongoing communications.

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[5] Economy Committee, Final demand: Personal problem debt in London, March 2015
[6] Economy Committee, Zero hunger city: Tacking food poverty in London, March 2013
[7] Housing Committee, Assessing the consequences of welfare reform, April 2014
[8] Housing Committee, Knock it down or do it up?, February 2015

The Assembly's Budget and Performance and Transport committees have championed changes to **transport ticketing**, particularly in support of lower income households and part-time workers. Evidence shows that part-time workers are statistically more likely to be women and less well-paid than full-time workers. Therefore, the Budget and Performance Committee welcomed the introduction of the lower daily pay as you go (PAYG) cap for peak time travel. This had been a long-standing recommendation by the Committee and the Assembly.[9] The Transport Committee has also called for the introduction of one-hour bus tickets.[10]

[9] Budget and Performance Committee, Pre-budget report 2014, December 2014
[10] Transport Committee, Bus services in London, October 2013

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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: Site Visit to Tech City	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 15 October 2015**
This report will be considered in public	

1. Summary

1.1 This is a note of the London Assembly's Economy Committee's visit to London's Tech City.

2. Recommendation

2.1 **That the Committee notes this summary of the Committee's site visit to Tech City.**

2.2 **That the Committee delegates authority to the Chair, in consultation with Group Leads, to agree a summary of findings from the site visit to Tech City.**

3. Background

3.1 The digital economy has seen growth from around 250 tech firms in 2010 at the launch of the Tech City initiative, to more than 5000 today[1]. And, whilst those companies include the likes of internet giants Google, Cisco, Intel and Airbnb, 98% of the UK's digital businesses are SMEs[2]. UK wide, jobs in digital companies are growing by 28%, year on year, with over 1 million vacancies advertised in 2014. Around 40% of those jobs were in London,[3] and over 250,000 people are currently employed in Inner London's digital sector. Several barriers to growth have been identified by key figures in the sector, some of which threaten to have a significant impact upon Tech City's economic potential. The most significant of these, as reported by those in the sector, is the vast talent shortage.

4. Issues for Consideration

4.1 On 10 September, members of the London Assembly Economy Committee, London Assembly Education Panel, and Mayor John Biggs AM, met with various prominent individuals in the tech sector with a role in digital skills growth and connectivity improvement. The aim of the visit was to explore:

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[1] *Rohan Silva (ES, 16 June 2015)*
[2] *Tech City – Tech Nation Report, January 2015*
[3] *Tech City – Tech Nation Report, January 2015*

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- How the tech sector is rising to the challenge of a shortage of digital talent. In particular, how it is working to ensure that Londoners, especially less-advantaged youth, and the long-term unemployed, are given the skills to benefit from opportunities in the tech sector;

- The impact of the Mayor, LEP and others' interventions to support technology skills training for Londoners;

- What actions the Mayor, LEP and others could take to ensure Londoners benefit from the growth of London's tech sector, with a view to production of a Digital Manifesto for the new Mayor.

The skills gap

4.2 As recently highlighted by the LEP, in their London 2036 report, London's technology skills shortage prevents Londoners gaining maximum benefit from London's tech economy. A certain level of skills shortage may be expected for a young fast-growing sector. However, the technology skills gap poses a risk for tech growth in the capital. There is also significant concern that young Londoners are not taking up tech opportunities on their doorstep, despite growing up as active consumers of technology with considerable potential to turn their skills into a career.

Formal Education

4.3 Opportunities to increase access to digital skills, and the digital sector, include initiatives within the formal education system. From September 2014 the old ICT curriculum was replaced with one focusing on digital literacy, teaching children as young as 5 to code. And in London, schools and colleges are increasingly including technology skills within all teaching. However in many schools computing is still being taught by non-specialist staff, and there is certainly scope for more action.

4.4 Members heard from Sarah Wood, of Unruly Media, about the need to erode the false binary between vocation and academia in schools, in order to help more children into tech and keep a pipeline of home-grown talent entering the tech industry. "Children are constantly being asked to choose." They need hands on experience of skills, relevant to the future economy, such as coding, whilst also needing a good grounding in Maths and Science to make them employable in future. Rubén Kostucki at Makers academy further explained that the school curriculum and computing curricula in universities struggle to keep pace with advances in tech.

Digital Skills Providers

4.5 Beyond the classroom, more innovative solutions are a part of the mix. Members visited Technology Will Save Us, who create affordable coding kits, to teach children the rudimentals of computer programming in an informal way. They have just partnered with the BBC to provide, via schools, a coding kit to every 11-year-old in the country.

4.6 For school-leavers and adults, digital learning opportunities are springing up all over the city. Many choose to complete fast-track programming courses with private organisations such as Makers Academy, General Assembly and Decoded, as a launch-pad to a new career. But at present such courses are only accessible to those with £8,000 to spend. East London has 287 schools, and no end of talent to help fill the skills gap, but children from the local area struggle to access training both through lack of awareness, and an inability to afford it.

4.7 Wearedotdotdot.com has been established by Centre for London, who spoke with Members on the visit, to provide a gateway for young people in East London and beyond to find and access digital skills opportunities. It advertises everything from code clubs to apprenticeships, to help kids into tech all the way from school age to young adulthood. And its founders have built a partnership with Makers Academy, to build opportunities for local youth to access coding courses through the tech city fellowship. The first participant in the scheme, Simon, has just graduated and is now helping teach other young coders. However initial funding for the tuition fee loans provided to students remains a significant barrier to the growth of the scheme.

Apprenticeships

4.8 Elsewhere, apprenticeships exist, designed to get young disadvantaged Londoners into the industry. Tech City Stars has had some success amongst others. However the dominance of SMEs in the sector means the industry has struggled to fully embrace and take advantage of the opportunity for talent which apprenticeships provide. In their 'Trained in London' report, the Committee found that London's tech sector had less than 0.4 apprenticeships per 100 employees, making it the second lowest performing sector in the capital. And the House of Lords Select Committee on Digital Skills found, in February 2015, that the number of digital technology apprenticeships, particularly high-level apprenticeships, was far below what the economy needed. In 2013/14, less than 3 per cent, of the total number of apprenticeship starts, were in ICT.

4.9 Finally, concerns remain in the industry, regarding the agility of apprenticeships, and their ability to adapt rapidly and frequently enough to keep up with the constantly evolving recruitment needs of businesses. Makers academy pointed out that they have never taught the same course more than once as they change their curriculum in line with the pace of change in the industry as a whole. In order to ensure apprenticeships keep a similar pace of innovation, more input from the sector is required, however SMEs struggle to engage individually, and a cross sector incubator lab, has been called for to enable SMEs to collaborate on building a sustainable, collaborative apprenticeship programme from which they would gain value.

5. Summary of findings

5.1 The Committee would follow the visit by producing a summary of findings. This would also set out recommendations to promote the growth of the digital economy, and to develop the talent of young Londoners to meet the skills needs of London's tech businesses.

6. Legal Implications

6.1 The Committee has the power to do what is recommended in this report.

7. Financial Implications

7.1 There are no direct financial implications arising from this report.

List of appendices to this report: None

Local Government (Access to Information) Act 1985	
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GREATER**LONDON**AUTHORITY **LONDON**ASSEMBLY

Subject: Economy Committee Work Programme	
Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 15 October 2015**
This report will be considered in public	

1. Summary

1.1 The Committee receives a report monitoring the progress of its work programme at each meeting.

2. Recommendations

2.1 **That the Chair, in consultation with the Deputy Chair, writes to the Mayor to formally invite him to a future meeting of the Committee, or for Committee Members to meet with him on a date of his choosing.**

2.2 **That the Committee agrees to use its November meeting slot to continue its investigation into London's changing economy.**

2.3 **That the Committee agrees to use its December meeting slot to conduct a manufacturing site visit.**

2.4 **That the Committee agrees to use its January 2016 meeting to discuss the issue of childcare.**

2.5 **That the Committee agrees for officers to scope how the Committee might use its February 2016 meeting to explore the issues of low income households.**

3. Background

3.1 The topics listed below have been agreed as priorities for the Committee's work programme during 2015/16:

- **Mayoral programmes and commitments on economic issues.** The Committee will continue to scrutinise the Mayor's economic programmes and commitments, including those related to apprenticeships, the London Living Wage and job creation.
- **The role of the third sector in employment and skills programmes.** The report will be published shortly.

- **Digital economy**. The Committee has explored how the tech skills gap is impacting the growth of London's Digital sector, and the opportunities which expanding tech skills could bring for young Londoners. Please see agenda item 7 for more information.
- **London's flexible labour market.** The Committee will explore the changing nature of London's economy and labour market and the impact of the changes for London's employers and employees.
- **Food poverty**. The Committee will continue to follow up on the Assembly's previous work on food poverty in the capital. The Committee will be holding an informal event in January 2016 (date tbc).

3.2 Other issues that may be included in the work programme include childcare and manufacturing. The Committee has also published its final report on the risks to the London economy from climate change.

4. Issues for Consideration

4.1 Mayoral commitments

The Committee has already agreed that it should scrutinise the Mayor's key economic commitments, including those related to apprenticeships, the London Living Wage and job creation. The Committee would be very keen to discuss the Mayor's reflections on his work in these areas and what lessons learnt he would pass onto his successor.

Officers have made informal enquiries to the Mayor's office to explore whether the Mayor is able to attend a Committee meeting before the end of the Assembly term. Unfortunately, the Mayor has so far been unable to commit to attending a meeting.

Accordingly, it is recommended that the Chair, in consultation with the Deputy Chair, writes to the Mayor to formally invite him to a future meeting of the Committee, or for Committee Members to meet with him on a date of his choosing.

4.2 Manufacturing site visit

There are both long-standing manufacturing businesses in the capital, as well as more recent businesses with potential to expand. The Committee would visit manufacturing businesses in the capital to better understand their potential, the challenges which they might face and any opportunities for the Mayor to support this sector.

4.3 Childcare

London boroughs currently have a statutory duty to secure free part time early education, for the 40 per cent most disadvantaged two year olds for 15 hours per week for 38 weeks of the year (or 570 hours per year). Also, all three and four year olds in England receive 15 hours of free early education each week for 38 weeks of the year (570 hours per year). The Government is extending this entitlement for working parents of three and four year olds to 30 hours each week through the Childcare Bill. This should be fully in place by 2017. The Government has also been consulting on how to increase the hourly funding rates paid to childcare providers in different parts of the country.

London Councils is working to support London boroughs to ensure places are available for eligible children in London, ensure public recognition of how local government has achieved this and lobby Government for support to overcome challenges in the capital.

London boroughs are facing significant challenges to secure places in the capital due to:

- limited places available across the London childcare market;
- central government funding not reflect the hourly cost of part-time childcare in London;
- lack of flexibility within the offer to meet the differing needs of children.

The Committee last reviewed the issue of childcare and parental employment in 2013.[1] The Committee would use a meeting to explore progress on, and challenges to, delivering childcare entitlements in the capital.

4.4 Low income households

The Government is pursuing multiple reforms to the welfare system, which particularly affect low income households, both those in and out of work, as well as introducing the National Living Wage. Officers would scope how the Committee could use its February meeting slot to explore the impact of such reforms on household incomes in London. Officers would set out a meeting scope as part of the Work Programme paper for the committee's November meeting.

4.5 Topics for discussion at later meetings will be proposed for agreement by the Committee during the course of the year. This table will be updated in subsequent reports to the Committee.

Meeting Date	Main discussion
18 June 2015	Role of the third sector in employment and skills programmes
14 July 2015	Role of the third sector in employment and skills programmes
10 September 2015	Informal site visit to explore London's digital economy
15 October 2015	London's changing economy – Productive, Flexible, Inclusive?
24 November 2015	London's changing economy – Productive, Flexible, Inclusive?
08 December 2015	Informal manufacturing site visit
January 2016 (date tbc)	Informal food poverty event
21 January 2016	Childcare
24 February 2016	Support for low income households (subject to future agreement)
15 March 2016	To be decided

[1] http://www.london.gov.uk/mayor-assembly/london-assembly/publications/parental-employment-in-london

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:
None

Local Government (Access to Information) Act 1985 List of Background Papers: none	
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GREATERLONDONAUTHORITY LONDONASSEMBLY

Subject: London's Changing Economy Since 2008 – Productive, Flexible, Inclusive?

Report to: Economy Committee	
Report of: Executive Director of Secretariat	**Date: 15 October 2015**
This report will be considered in public	

1. Summary

1.1 This paper provides information on the Committee's investigation into the changing nature of London's economy since 2008.

2. Recommendations

2.1 **That the Committee agrees the scope and terms of reference for an investigation into the changing nature of London's economy since 2008, as set out in Appendix 1.**

2.2 **That the Committee puts questions on London's changing economy since 2008 to invited guests, and notes the subsequent discussion.**

3. Background

3.1 At its meeting on 14 July 2015, the Committee agreed to use the October meeting to discuss the economic and social implications of the growing casualisation of London's labour market. The Chair and Deputy Chair have since agreed to broaden the scope to cover a wider review of London's economy, since 2008, with specific reference to changes in the size and structure of London's labour market, and how they have affected employment, earnings and labour market productivity.

3.2 In September 2015, the Committee published a call for evidence to a range of business stakeholders, and stakeholders working in the employment sector, as well as to academics and think tanks.

4. Issues for Consideration

4.1 The scoping document is attached at **Appendix 1.**

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4.2 The terms of reference for the investigation are:

- To establish how the London economy has changed since 2008, focussing on key trends in the labour market, particularly employment, earnings and labour market productivity;
- To explore how far the changes have been in the interests of London's employees and employers;
- To examine the extent to which the Mayor has met his economic priorities, as they relate to the labour market. And to suggest what the next Mayor ought to include, on the labour market, in their economic development agenda.

4.3 At this meeting the Committee will put questions to the following guests:

- Lucy Haynes, Director for Member Relations and London, The Confederation of British Industry
- Colin Stanbridge, CEO, London Chamber of Commerce and Industry
- Sue Terpilowski OBE , London Policy Chair, The Federation of Small Businesses
- Mick O'Sullivan, Strategic Support Coordinator, UNITE
- Ian Brinkley, Senior Economic Advisor, The Work Foundation

4.4 It is proposed in the Work Programme report (to this meeting) that the Committee uses its November meeting slot to continue its investigation into London's changing economy.

5. Legal Implications

5.1 The Committee has the power to do what is recommended in this report.

6. Financial Implications

6.1 There are no direct financial implications arising from this report.

List of appendices to this report:
Appendix 1 – Scoping paper: London's Changing Economy Since 2008 – Productive, Flexible, Inclusive?

Local Government (Access to Information) Act 1985
List of Background Papers: None.

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London's Changing Economy Since 2008: Flexible, Productive, and Inclusive?

The Committee has formally agreed to an investigation on London's economy with specific reference to changes in the size and structure of London's labour market, and how those changes have affected employment, earnings and labour market productivity.

Overview

One of the five economic objectives set out in the Mayor's Economic Development Strategy is "To give all Londoners the opportunity to take part in London's economic success, access sustainable employment and progress in their careers." Separately, he has stated that his economic priority is to ensure *Londoners make the most of their innate talent and flair, so that they make London's economy even more productive and successful.* And to give *Londoners the opportunity to find fulfilling jobs* while *ensuring the conditions are right for the businesses that employ them to flourish*.[i] He pledged to create 200,000 jobs over the course of his second term, including 20,000 part-time jobs.[ii]

London's economy has shown good signs of recovery following the 2008 financial crisis, and job creation has been strong. However productivity, between 2008 and 2013 grew at a slower rate than the rest of the UK.[iii] And the headline figures appear to mask a reality which, for many Londoners, is far from that reflected in the Mayor's vision. Using publicly available data this investigation will establish how the London economy, particularly as it relates to employment and labour market productivity, has performed since 2008.

n.b. We have focused this investigation on 2008-2015 to reflect the Mayoral term, and to ensure availability of sufficient, regional data. However it is recognised that specific labour market trends, such as increasing use of zero hours contracts, precede 2008.

Background

Studying the changing labour market since 2008, reveals a picture of intricate relationships, between overall employment figures, average hours worked, progression, real pay, inclusion, poverty, and productivity.

Employment Levels

Headline employment figures since 2008 are positive, indicating a 12.4 per cent increase in the number of jobs in London since 2008, compared with a UK average increase of just 4.2 per cent.[iv] And workforce jobs, located in London, reached 5.62 million in early 2015 – a new high since the measure began in 1996.[v]

However the overall employment rate remains lower than the rest of the UK – a gap largely driven by lower female employment in London.[vi] Additionally, an increase in part-time and self-employed workers since 2008, suggests the headline employment figures may mask an underlying reduction in working hours per person.

Increasing Flexibility?

There has been a clear growth of more flexible means of working in London. Indeed the growth rate of part-time jobs in London has exceeded that of full-time jobs since 1996, with the gap widening in recent years.

The impact of flexibility is widely debated. Reducing hours worked per person, during the recession, is thought to have enabled employee retention during lean times, reducing unemployment, as well as making efficiency savings for employers. However, part-time roles have tended to be weighted towards low-skilled, low-pay professions, in which workers have little control over their hours, pay or conditions. It is unclear how close London is to reaching a mutuality of benefit, for both employees and employers, from flexible working arrangements.

Zero hours contracts (contracts in which there are no guaranteed minimum hours) have drawn much of the flexibility debate spotlight, predominantly due to concerns around exclusivity clauses and alleged abuse of worker rights. And, despite the banning of exclusivity causes earlier this year, concerns remain that the ban will be difficult to enforce, resulting in 'effective' exclusivity, whereby hours are reduced – or simply not offered – if a worker accepts work with additional employers. Of equal concern is the issue of power imbalance, in contracts where workers feel they have no alternative means of employment, yet are dissatisfied with either a lack, or surplus, of hours.

On the flip-side, recent GLA research[vii] shows that, despite an upward trend since before the economic downturn, in the number of people claiming to be employed on a ZHC, they are likely to account for a relatively small proportion of all employment in London (less than 2.5 per cent). And the average weekly hours worked by individuals on zero-hours contracts (25 hours), is actually greater than the average for part-time employment (16 hours). It is possible that the flexibility ZHCs offer, can, in some cases, suit both employers and employees, creating a best-fit between organisational needs and work-life balance.[viii]

Zero hours contracts are only a part of the flexibility picture, which includes self-employed, freelance, agency, and part-time workers, on both permanent and temporary contracts, at a range of skill levels and salary ranges. Part-time jobs are thought to bring opportunities for a greater number of individuals to access the workplace. They allow those with parental, caring responsibilities, or other commitments, to participate in the labour market. And, information suggests, they offer chances for those who might otherwise remain unemployed, for example people with illness or disability. In addition, the exit rate from part-time employment into permanent work is higher than from unemployment into permanent work, and the wages higher when they get there.[ix]

However, flexibility has also been linked to poor working conditions, and to workers lacking clear understanding, both of their rights, and of the responsibilities of their employer towards them. Additionally, part-time workers may be offered fewer opportunities for skills and career development and risk being trapped in roles which are below their skill and earning potential. And where contracts are temporary or unguaranteed, workers may face insecurity of wages, and may be more vulnerable to in-work poverty.

Finally, while average hours worked in the UK have risen since 2008, on balance there remain signs of underemployment and evidence that a proportion of part-time staff would prefer a full-time job.

To evaluate the real impact, positive or negative, of increasing flexibility on Londoners, we would like to consider:

- Are there sufficient 'quality,' flexible employment opportunities in London (i.e. those which offer work of an appropriate level of skill and remuneration, on a permanent or guaranteed-hours contract, and with opportunities for skills and career development)?

- Are the majority of those working on a part-time basis content to be doing so.

Parental Employment

Research suggests that much of the UK's labour market growth in the past two decades has been driven by improvements in female participation and employment, with maternity policies, public childcare services and tax incentives playing an instrumental role.[x] However, the employment rate amongst women in London remains lower than in the rest of the UK and even lower for those working part-time or with dependent children.

Reasons suggested for the lower London rates include higher costs of living, including childcare; commuting costs and time spent travelling to work; and a lack of demand, from employers, for part-time workers.

Clearly the latter point does not marry with evidence suggesting an increase in the availability of part time jobs. However, as discussed above, it is important to distinguish between part-time jobs per-se, and quality part time jobs, particularly as there is evidence to suggest that part-time job opportunities decline as salary increases.

Are there sufficient, quality roles (annual salary of £20,000(FTE) or greater) available, for parents wishing to return to the workplace on a part-time basis? And what has been done to ensure the inclusion of parents, particularly women, in London's labour market?

Pay and Career Progression

Figures for the UK reveal an outwardly positive trend of increased tenure in jobs since 2008. Of particular note, there has been a continual decline in the numbers of workers exiting employment to worklessness.[xi] There has also been a marked increase in the average tenure in one job, particularly amongst younger workers.

However job mobility, particularly early in one's career, is a key enabler of pay progression and career development. Is this trend therefore a worrying indicator of low rates of both types of progression?

Additionally, it has been suggested that pay and career progression in flexible jobs is even less likely, as employers are less inclined to invest in career development and training for temporary or part-time workers.[xii] We would like to establish whether there is any evidence that supports that supposition.

In-work Poverty

According to the LEP, London has 28 per cent of people living in a low income household, compared with 21 per cent nationally. And 57 per cent of Londoners in poverty are now in working families.[xiii]

There are indications that this situation has worsened since 2008. A recent Economy Committee report[xiv] found evidence to suggest that inequalities in earnings and incomes increased between 2006/08 and 2010. Those living on the lowest incomes were hit hardest, seeing their incomes, after housing costs, fall by twenty-four per cent in real terms compared with three and a half per cent nationally.[xv]

Indeed UK overall wage growth has been largely suppressed since the recession due to slack in the labour market, with more employees than jobs, or hours, to fully employ them; and a concentration of employment growth in lower-skilled jobs, which tend to be less well paid.[xvi]

Is work no longer a guaranteed route out of poverty? To what extent have low income workers, (particularly those employed on a part-time, freelance or self-employed basis, and who have fewer hours of work than they would like), found it increasingly difficult, since 2008, to meet minimum income standards in their current job, or to progress to a role in which they might?

The Welfare System and Low-Paid Workers

Current labour market trends present a challenge for the welfare system. As flexibility increases within the labour market, it raises questions as to whether the social security system sufficiently supports people who find themselves working highly variables hours each week, out of work at short notice, or moving frequently between different jobs.

Increasing awareness of this challenge prompted growing calls for a 'dynamic' welfare system, which would take account of households' real-time earnings. The coalition government introduced Universal Credit, which is designed to offer varying levels of financial support as a household's income fluctuates. The intention is that unlike previous systems, payment levels are tied to earnings not hours, in order that claimants will always earn more whilst in work and there are no incentives to only work a certain number of hours.

There are a number of issues emerging during the roll out of Universal Credit, which may limit the Government's ambition to meet the needs of the current labour market. For example, claimants are asked to commit to increasing their earnings (whether through increasing their pay or hours worked). Yet low paid workers can struggle to progress and employers may not recognise this demand.

Also, self-employed people also need to be deemed to be taking all reasonable steps to build their business and increase their profit to maintain their Universal Credit claim. If not, they may be required to seek a salaried job. Does this risk the self-employed, for whom work levels are perhaps less guaranteed than any other working group, suffering considerable levels of in-work poverty?

Labour Market Productivity

Productivity, as a measure of output per worker (whether overall or per hour worked) is intrinsically linked to the changing nature of the labour market.

For example, the Economy Committee has found previously, that increasing wage levels for the low-paid is intrinsically linked to boosting productivity. And that attention to skills and progression should play a role in tackling persistent low pay.[xvii] Some commentators argue that increasing wages will help to shape a more productive workforce, or lead employers to adopt a more productive business model. Others argue, on the contrary, that productivity should be increased first so that employers can raise pay levels.

Figures suggest UK productivity is up to eighteen per cent lower in 2015, than it would have been based on a simple extrapolation of the pre-recession growth trend.[xviii] And recent data indicates that London's productivity has fared worse than the rest of the country, growing at a rate of 1.7 per cent compared with 1.9 per cent in the UK as a whole[xix], and lagging well behind where it would have been had pre-recession growth trends continued.

And there are fears that, with rising employment, productivity may fall further still if the productivity of those still to enter employment is lower, on average, than the productivity of the existing workforce. While, conversely, driving productivity may result in a reduction in employment, as wages rise, and companies are forced to seek efficiencies to reduce labour costs.

We would like to better understand, how changes in the labour market since 2008, such as an increase in flexible working, have impacted upon London's productivity. What can be done to boost productivity whilst improving the nature of the labour market for both employees and employers?

Terms of reference

- To establish how the London economy has changed since 2008, focussing on key trends in the labour market, particularly employment, earnings and labour market productivity;
- To explore how far the changes have been in the interests of London's employees and employers;
- To examine the extent to which the Mayor has met his economic priorities, as they relate to the labour market. And to suggest what the next Mayor ought to include, on the labour market, in their economic development agenda.

Key questions

What are the most significant changes in the London economy since 2008?

Has London's economy become more or less beneficial for employers and employees?

- Are jobs more, or less, fulfilling for London workers?
- Are London's workers facing more, or less, in-work poverty?
- Is London's labour market more, or less inclusive?
- Is London's economy more productive or less, and why?

What should the Mayor of London do to support more Londoners to get well paid, rewarding jobs in the capital?

What should the Mayor of London do to sustain London's economic dynamism?

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