

Inclusive Local Economy and Employment Guidance Note

February 2024

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1 Guidance Note

1.1 Purpose of the guidance note

This guidance note updates and clarifies the council's position in respect of the implementation of Policy 18 Education and Skills of the adopted [City Plan 2019-2040 \(2021\)](#). It has been used as interim guidance in advance of the formal adoption of the [Planning Obligations and Affordable Housing Supplementary Planning Document \(SPD\)\(February 2024\)](#). It includes updates made since the November 2021 version of the Inclusive Local Economy and Employment guidance was published, taking on board lessons learnt through its implementation, and feedback from the stakeholders on the contents of the Draft Planning Obligations and Affordable Housing SPD when that was consulted on in March 2022 and September 2023. Whilst the adopted Planning Obligations and Affordable Housing SPD includes guidance on matters covered by this guidance note), this guidance note includes some useful further information regarding Employment and Skills Plans and support available from the council.

Guidance was first introduced in 2019 and has resulted in more residents directly accessing employment through the commitments made by developers than before the Guidance was introduced. The council has negotiated over £7.8m of S106 contributions to be paid on commencement of the approved schemes. The Guidance and our requirements have been implemented by developers and through the support offered by the team, the percentage of schemes which are now on track to deliver commitments is higher than before the guidance was introduced.

1.2 Summary of this guidance and requirements

This guidance sets out an effective way to deliver local benefit aligning to Policy 18 through:

- A single, simple guidance note which replaces past requirements and formula set out in the Westminster Code of Construction Practice and successive versions of the Inclusive Local Economy and Employment guidance note.
- Broadening the ways in which a development can contribute to local benefit.
- Reducing the number of specific target measures, which had limited correlation to local need.
- Clearly setting out how financial contributions as part of a scheme's overall s106 and employment and skills commitments will be calculated, having regard to changes to the Use Classes Order.
- Including a formula for financial contributions if a developer does not meet their employment and skills commitments.

Requirements set out in this note will depend on the size of the development and in summary the requirements are:

- Developments including between 1,000 – 9,999 Sq m net additional commercial floorspace or 50 or more residential units will make a financial commitment as set out below. There is no requirement to produce an Employment and Skills Plan.
- Developments of 10,000 Sq m or more (net additional commercial floorspace and/ or changes of use to a new commercial use) will make a financial contribution as set out below and will also submit an Employment and Skills Plan.

1.3 Policy Context

The [Westminster City Plan \(adopted April 2021\)](#) sets the policy framework for ensuring new developments help facilitate improved employment prospects for local residents. Policy 18 Education and Skills sets out at clause D that:

- Major developments will contribute to improved employment prospects for local residents. In accordance with the council's Planning Obligations and Affordable Housing SPD, this will include:
 - financial contributions towards employment, education and skills initiatives; and
 - for larger schemes, the submission and implementation of an Employment and Skills Plan.

Alongside the adopted [Planning Obligations and Affordable Housing SPD \(February 2024\)](#), this guidance note provides clarity to developers of the council's expectations regarding employment and skills. It provides guidance in line with the new policy context, takes into account the impacts of changes to the Use Classes Order, and other lessons learnt from previous version's implementation.

Given the direct references in Policy 18 of the City Plan to the Planning Obligations and Affordable Housing SPD, this note should be read alongside the adopted SPD, which carries more weight in decision-making.

The approach set out in this document seeks to increase local interest in construction careers and jobs and to ensure local residents benefit throughout the lifetime of a development and not just the construction phases.

1.4 Implementation of Policy 18

The mechanism for delivering Policy 18 is set out below. It includes simplifying the requirements for **Employment & Skills Plans** and a clear mechanism for **financial contributions** to support the delivery of a developer's commitments.

Financial Contributions- ensuring local people and communities benefit from development

Policy 18 contains scope for financial contributions collected through Section 106 (s106) agreements to be used to secure the aims of the policy. Financial contributions will be used to support the Westminster Employment Service and will address the limitations highlighted above by:

- Helping residents access a wide range of career development opportunities in a range of employment sectors connected to a development and its use.
- Supporting developers to deliver their agreed targets through a service – the Westminster Employment Services – which has a proven track record. In the past 5 years the Westminster Employment Service has delivered over 2000 jobs for Westminster residents.

Financial Contributions – Implementation

All development proposals over 50 residential units and/ or development including a net uplift of 1,000 Sqm or more of commercial floorspace (i.e. floorspace falling within Class E (commercial business and service uses) or Class C1 (hotels, boarding houses and guest houses) will now be expected to make a financial contribution towards initiatives that provide employment, training and skills development for local residents in order to comply with Policy 18 of the City Plan. The approach to calculating the financial contribution from such schemes, including worked examples, is set out in Appendix 1.

Contributions received will support the **Westminster Employment Service**, which helps developers and end use occupiers meet their recruitment needs, and also works with job seekers to prepare them for work through work coaches based in the community.

Employment & Skills Plans

Developers of Level 1 schemes, namely developments including over 100 new residential units or development including a net uplift of 10,000 Sq m or more of commercial floorspace and/ or a change of use of 10,000 Sq m of floorspace to a new commercial use (i.e. Class E or Class C1 floorspace), are required to submit an Employment and Skills Plan (ESP).

The Plan sets out a method for agreeing targets with developers and summarises the approach agreed between the developer and the council for delivering targets, including during the demolition and development phases, as well as the end use.

Where appropriate, the plan will connect into existing, successful employment and skills initiatives operated by the developer / supply chain. Targets set in the plan will incorporate the expected impact of financial contributions, as set out above.

Further information regarding Employment and Skills Plans is set out at Appendix 2.

Wider investment in the Local Economy

Alongside the requirements for financial contributions and Employment and Skills Plans as referred to above, developers are also encouraged to work with the council to help further support investment in the local economy by:

- Buying goods and services from organisations based in Westminster wherever possible – supporting our Fairer Economy Plan;
- Building the capacity of local suppliers to access procurement opportunities, such as through mentoring and meet the buyer events; and
- 'Buying social' where possible, by sub-contracting with organisations that share our values and have a social purpose, such as those from the voluntary, community and social enterprise sectors; and
- Monitoring such investment in the local economy and sharing findings with the council on a regular basis.

2 Appendix

2.1 Calculating Financial Contributions

The approach to calculating financial contributions set out below has been updated from previous guidance in response to changes to the Use Classes Order, increases in the cost of securing work placements, ONS data on job seekers allowance claimants being discontinued and the introduction of new modelling data on unemployment levels at borough level. It also now only seeks contributions towards construction jobs from the residential element of development, which is considered more proportionate given the likely occupants of new dwellings. It is intended that this approach to calculating financial contributions will be incorporated into the forthcoming Affordable Housing and Planning Obligations SPD.

Commercial Development

For major commercial development (i.e. those providing more than 1,000 Sq m of new Class E or Class C1 floorspace, or a change of use of more than 10,000 Sq m of such floorspace), financial contributions towards employment and worklessness programmes will be sought.

The amount of the contributions sought will be on the basis of a formula establishing a reasonable relationship between the level of contribution and the scale and type of the development proposed.

The formula is based on occupancy levels of these developments, measures of economically inactive people in Westminster seeking employment, and the cost of providing sustained work placements.

The formula will be used to agree financial contributions in combination with other planning obligations secured under Section 106 agreement.

Class E

For Class E development, the following formula will be used to calculate financial contributions:

$$\text{Occupancy Level} \times \text{Worklessness Rate} \times \text{Cost of Placement} \times \text{Floorspace}$$

Occupancy Level is the average occupancy for the development type, measured in persons per Sq m.

Worklessness Rate is the percentage of Westminster’s economically active resident population that are unemployed, based on ONS modelling.

Cost of Placement is the average cost to the Westminster Employment Service to place an individual into sustained employment. The figure below is based on the average cost in the period 2019-2021.

Floorspace is the amount of new Class E floorspace proposed.

Occupancy levels will vary depending on what type of E Class floorspace is proposed. The following average jobs densities will therefore be used to calculate the occupancy level of different types of E Class floorspace. These are based on the ranges contained with HCA Employment density guide, 3rd edition, 2015 and the London Office Policy Review, 2017.

| Proposed use | Job density |
|--|--------------------|
| Class E (a/ b) – shop / café/ restaurant | 1 job per 17.5sqm |
| Class E (c) – financial and professional | 1 job per 16sqm |

| | |
|---|-------------------|
| Class E (d) – gymnasiums/ fitness centres | 1 job per 65sqm |
| Class E (g) - offices | 1 job per 11.3sqm |

Applying the above job densities to the formula, contributions required for different elements of Class E would be as follows:

| Development | Occupancy level | Worklessness rate ¹ | Cost of placement | Indicative s106 contribution per sqm (GIA) |
|---|-----------------|--------------------------------|-------------------|--|
| Class E (a/b) – shop/ café/ restaurant | 0.057 | 0.057 | £6000 | £ 19.49 |
| Class E (c) – financial and professional | 0.0625 | | | £ 21.38 |
| Class E (d) – gymnasiums/ fitness centres | 0.015 | | | £ 5.13 |
| Class E (g) - offices | 0.088 | | | £ 30.10 |

Where the precise mix of different types of commercial floorspace is known, and the occupancy of such space is restricted to such use by condition, contributions will be calculated on the basis of each component part. For example, a scheme that provides 1500sqm of commercial floorspace, whereby 350sqm will be for use as a shop, 150sqm for use as a café, 250sqm for financial and professional uses, and 750sqm for use as offices, the calculation will be as follows:

$$\text{Shop} = £19.49 \times 350\text{sqm} = £ 6,821.5$$

$$\text{Café} = £19.49 \times 150\text{sqm} = £ 2,923.5$$

$$\text{Financial and professional} = £21.38 \times 250\text{sqm} = £ 5,345$$

$$\text{Offices} = £30.10 \times 750\text{sqm} = £ 22,575$$

$$\text{Total} = £ 37,665$$

Where permission is sought for an open Class E use, and no conditions are applied as to which sub-categories of Class E the space can be used for, contributions will be calculated on the basis of all such space being occupied as office space, as it could ultimately end up being used for this purpose without any

¹ The Modelled ONS unemployment rate for Westminster (April 2020 – March 2021) is 5.7% of the population that is economically active. This will be kept under review as new data becomes available.

subsequent need for planning permission. Using the example above, the calculation in such circumstances would therefore be:

$$\text{Class E unspecified} = \text{£ } 30.10 \times 1500\text{sqm} = \text{£ } 45,150$$

Where an application is specifically for a use with Class E (e/ f) i.e. clinics, health centres, creches, day nurseries, day centres, and they are restricted to such parts of Class E by condition, no contribution will be sought – as such uses provide vital social infrastructure.

Class C1 (Hotels)

Guidance on average job densities in hotels relates to the number of rooms rather than amount of floorspace, as set out in the HCA Employment density guide, 3rd edition, 2015. This provides a range of average job densities, from 1 job per 5 bedrooms for a budget hotel, to 1 per 1 room for a luxury hotel. As the majority of new hotel development in Westminster is anticipated to be at the upper end of the market, a density of 1 job per 2 bedrooms is considered reasonable.

For developments involving an uplift of over 1,000 sqm of Class C1 floorspace, to calculate financial contributions from hotel developments in a manner proportionate to the number of jobs likely to be created the following formula will be used:

Total number of jobs anticipated (i.e. number of hotel rooms ÷ 2) x Worklessness Rate x Cost of Placement

As an example, for a 50-room hotel, the calculation would be:

$$50 \div 2 \times 0.1017 \times \text{£}6,000 = \text{£}15,255$$

In some instances, hotel developments may result in significant levels of new floorspace to facilitate a growth in ancillary uses such as bars and restaurants or leisure facilities instead of, or alongside, a growth in hotel rooms. As such growth in commercial floorspace will also generate job opportunities, and often be available for use by members of the public as well as those with overnight stays at the premises, additional contributions based on the amount of ancillary floorspace will also be sought in these instances – at a level consistent with that charged to corresponding Class E uses set out on page 8 above. Ancillary space for use as bars and restaurants will therefore be treated as new Class E (a/b) space, and leisure uses such as gymnasiums, swimming pools and spas, will be treated as new Class E (d) floorspace.

For the avoidance of doubt, floorspace that supports the commercial operation of such uses, such as kitchens and storage space for bars and restaurants, and changing facilities for leisure uses, will be included in these calculations.

As an example, for a hotel scheme where additional floorspace is proposed that is for use as ancillary space comprising of a bar and restaurant of 300sqm (including kitchen and storage space), and leisure facilities of 500sqm (including changing facilities), the calculations for these elements of the scheme would be as follows:

- bar and restaurant = $\text{£}19.49 \times 300 = \text{£}5,847$
- leisure facilities = $\text{£}5.13 \times 500 = \text{£}2,565$

Where new floorspace provides conference facilities for use by guests staying overnight, or additional circulation space within a foyer/ reception area, these will not be expected to contribute to employment and skills programmes as such uses are unlikely to provide any significant uplift in permanent job opportunities on site. Their exemption from any calculation should however be documented in a planning statement supporting the planning application, and clearly marked on floor plans.

Residential Development

For residential development of 50 units or more, financial contributions will only be sought towards supporting jobs in the construction phase of development. For mixed use developments, this is in addition to the requirements arising from commercial floorspace as set out above.

Contributions will be calculated on the basis of supporting 1 construction phase job per 20 residential units proposed, to ensure such development makes a reasonable contribution to improved employment opportunities in this sector and based on benchmarking of other London boroughs. Costs will be calculated on the basis of the average cost of a construction job placement in Westminster i.e. £6000.

As a worked example, for a 50-unit residential scheme, the contribution would be:

$$50 \text{ (number of resi units)} \div 20 \times \text{£}6000 = \text{£}15,000$$

2.2 Employment and Skills Plans

Westminster City Council seeks to promote the provision of employment, training and skills development for local residents through construction projects. It sees this as an important part of supporting priority groups into sustainable employment while also helping the construction sector secure the workforce it needs. Additional potential benefits of employing local people on construction sites include reduced traffic movements and ensuring that regeneration benefits are felt locally.

The developer will employ staff with appropriate skills, qualifications and experience appropriate to the needs of the works to be carried out during construction. Where appropriate, they will identify training needs for the local workforce and will ensure that appropriate training requirements are fulfilled. Site briefings and toolbox talks will be carried out on a regular basis to ensure the construction workforce have a level of knowledge on environmental topics and community relations and can effectively follow environmental control procedures.

EMPLOYMENT AND SKILLS PLAN (LEVEL 1 SCHEMES ONLY)

Developers of Level 1 schemes (i.e. developments of over 100 new residential units or creation/change of use of 10,000 Sq m) are required to submit an Employment and Skills Plan (ESP) setting out how outcomes will be achieved.

Further information to guide Employment and Skills Plans is set out below.

Template for the Employment and Skills Plan – An [Employment and Skills Plan](#) will need to be completed for all Level 1 schemes. The template includes further information on terms and definitions reference in this guidance note.

Please submit your completed Plan to localjobs@westminster.gov.uk which will be picked up by the Construction Specialist Employer Relationship Manager.

All Reasonable Endeavours - The developer must ensure that all reasonable endeavours are made to achieve employment targets. This should include early engagement with principal contractors and sub-contractors and evidence that all parties have tried throughout the duration of the Employment and Skills Plan to source local candidates from Westminster.

Opportunities within scope of the Employment and Skills Plan – It can include opportunities during demolition, construction and end use. Opportunities can be wide ranging and there is no requirement for roles / vacancies to be restricted to site roles. For example, administration and back office roles as well as end use roles are within scope of the Employment and Skills Plan.

Jobs and Apprenticeships- The total local employment target to be split by offering a combination of on-site jobs and apprenticeship opportunities. As apprenticeship opportunities can help provide greater long term career prospects than entry level end-use jobs would, ideally a minimum of 30% apprenticeship opportunities should be provided. This will encourage developers to offer training in a variety of technical trades. It will also support the industry to encourage new entrants to alleviate some of the challenges around skills shortages and an ageing work force in the sector.

A Fair Wage- All s106 opportunities shared with the service to be paying London Living Wage the focus of the Employment Service is to support good jobs and career progression; this commitment aligns with the

Council's wider commitment as a London Living Wage employer and advocate of this through our suppliers and relationships with businesses.

Local Residents - "Local" in the context of the ESP may include residents of neighbouring boroughs, if suitable candidates that are Westminster residents cannot be identified.

Targets - A minimum of one apprenticeship/job/graduate start must be provided for every £3 million of project spend. Targets for curriculum support activities and work experience are set out at Appendix 3 and follow the CITB guidelines.

Target penalties – Developers are liable to pay a financial penalty for missed jobs and apprenticeship commitments. The payment will be used to deliver the equivalent benefit offsite. This will ensure the community benefits from the commitment made by developers irrespective of whether they can deliver on site. The cost is £6,000 per job/apprenticeship

Referral and Support agencies - To facilitate local engagement for live vacancies, the developer should engage in the first instance with the Council's Economy team localjobs@westminster.gov.uk. Following this introduction, the developer will be expected to arrange and maintain working relationships with local organisations that are involved in local employment schemes.

The developer may also engage with other appropriate organisations to meet the ESP target.

Notification of Vacancies - The Council should be alerted of every vacancy on site, including those with sub-contractors. The Council will use its Westminster Employment Service and connections with local employment providers, charities, colleges and the Jobcentre to promote vacancies to local residents.

Recruitment Plan - This should be set out in the Employment and Skills Plan together with a Works Schedule. The Recruitment Plan should outline forecasted vacancies over the period of construction at least 2 months ahead of demolition works commencing with a breakdown by trade/occupation.

Monitoring of Employment and Skills Plans – The developer is responsible for submitting a quarterly monitoring return to the council's Economy team.

The **Employment and Skills monitoring form** includes all employment and skills related data requirements for the project and is received by the s106 monitoring lead. In this form you will be asked to submit both qualitative (in an excel spreadsheet format) and quantitative data. A quarterly report is accepted as complete when both qualitative and quantitative data is submitted as requested in the monitoring form.

Accurate Reporting – All information submitted to the Economy team must be true and accurate to the best of your knowledge and adheres to the terms and conditions agreed with Westminster City Council.

Managing Risk - If the project missed their employment and skills targets for two consecutive quarters the scheme will be reported to the s106 enforcement team who will initiate the council's escalation process.

SUPPORT FROM THE CITY COUNCIL

The Council can provide advice on creating an employment and skills plan and can assist the project to develop partnerships with local organisations and recruiting employees from the local area.

Please contact the Economy team at localjobs@westminster.gov.uk for more information on the support available.

The inclusion of employment and skills requirements does not comprise or imply any promise on the part of the Council or their agents to provide suitable candidates or labour. Any action taken by these bodies or

their agents to broker relationships with local individuals/ firms/ agencies does not imply that they or their agents consider the individual/ firm/ agency as suitable engagement by the contractor.

All recruitment, supervision and disciplining responsibilities rest with the developer and its contractors. Within this context the Council will work with local agencies to help facilitate the achievement of the employment and skills requirements.

2.3 Benchmarks

| Residential | Band 1 | Band 2 | Band 3 | Band 4 | Band 5 | Band 6 | Band 7 | Band 8 | Band 9 | Band 10 | Band 11 | Band 12 | Band 13 | Band 14 |
|--|---|---------|----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-------------|---|
| | £1-3.5m | £3.6-6m | £6.1-10m | £10.1-15m | £15.1-20m | £20.1-30m | £30.1-20m | £40.1-50m | £50.1-60m | £60.1-70m | £70.1-80m | £80.1-90m | £90.1m-100m | Above £100m |
| Work Placements 14-19 Persons | 3 | 6 | 8 | 11 | 14 | 16 | 20 | 22 | 23 | 25 | 25 | 26 | 26 | Every £50m in addition is equivalent to 5 targets. i.e. £100-150m = 31 persons £150-200m = 36 persons £200-250m = 41 persons |
| Work Placements 19+ Persons | 3 | 6 | 8 | 11 | 14 | 16 | 20 | 22 | 23 | 25 | 25 | 26 | 26 | Every £50m in addition is equivalent to 5 targets. i.e. £100-150m = 31 persons £150-200m = 36 persons £200-250m = 41 persons |
| Jobs and Apprenticeships created Persons | 1 | 4 | 7 | 12 | 14 | 16 | 18 | 19 | 22 | 23 | 25 | 26 | 28 | Every £50m in addition is equivalent to 5 targets. i.e. £100-150m = 31 persons £150-200m = 36 persons £200-250m = 41 persons |
| Curriculum Support Activities | 1 | 2 | 4 | 5 | 6 | 7 | 9 | 10 | 11 | 12 | 12 | 13 | 14 | Every £50m in addition is equivalent to 5 targets. i.e. £100-150m = 31 persons £150-200m = 36 persons £200-250m = 41 persons |
| Jobs Advertised | Every job and apprenticeship opportunity to be advertised via WES | | | | | | | | | | | | | |
| Case Studies | Project Specific - to be agreed pre-approval Minimum of 2 case studies per quarter | | | | | | | | | | | | | |

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