



Item 10

# Report to the Partnership for Urban South Hampshire Joint Committee

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Subject: **Use of Developers' Contributions to Provide Workforce Training**

## SUMMARY

This report outlines the work undertaken on the use of developers contributions to provide workforce training. It seeks to secure Joint Committee approval for the adoption of "The Use of Developers' Contributions to Provide Workforce Training" to become part of the PUSH LDF Policy Framework series.

## RECOMMENDATION

It is RECOMMENDED that the Joint Committee:

1. AGREES the adoption of the Policy Framework; and
2. SUPPORTS the proposed launch and promotion of the Good Practice Guide.

## INTRODUCTION

1. This report has been prepared by a small group comprising Economic Development Officers, a Learning and Skills Development Co-ordinator and Planning Officers from Eastleigh BC, Test Valley BC, Southampton CC and Portsmouth CC.
2. The report requests that the PUSH Joint Committee approve the adoption of “The Use of Developers’ Contributions to Provide Workforce Training” to become part of the PUSH LDF Policy Framework series. The proposed Framework is attached as Appendix A. The Policy Framework has been discussed and agreed by the PUSH Planning Officers’ Group; the PUSH Multi Agency Taskforce for Employment and Skills; the PUSH Economic Delivery Panel; and the PUSH Housing and Planning Delivery Panel.
3. As part of their planning development management function, local authorities can request contributions, either financial or in kind, through ‘Section 106’ planning obligations, for measures directly related to a development. The purpose of the Policy Framework is to encourage PUSH authorities to require developers, through section 106 legal agreements, to provide workforce training specifically related to the development. There are a variety of ways this could be done: examples include the developer agreeing a Training and Employment Plan or making a financial contribution to a training provider. The Government has introduced a new Community Infrastructure Levy to fund more general strategic infrastructure, and the implications of this will need to be kept under review.
4. This Policy Framework seeks to achieve a common understanding of the opportunities. It sets out the general rationale and justification for seeking contributions for training measures, in the light of the PUSH Economic Development Strategy, local economic circumstances, and Government requirements for the use of section 106 planning obligations. Working with developers from an early stage can realise mutual benefits for both businesses and local communities.
5. The case for contributions towards training measures is additional to other contributions that Councils may seek. The Policy Framework makes it clear that each Council determines its own approach and priorities in the use of section 106 agreements. Therefore it is for each Council to determine when and how to seek training measures. To be lawful section 106 training measures should be directly related to the development from which they are sought, and should not contribute to a general fund. Government policy advises Councils to set out in their development plans the matters for which they will seek planning obligations. A number of planning inspectors have provided recent support for policies which seek training measures.
6. The Policy Framework will be supported by a Good Practice Guide which sets out case studies, exemplar Training and Employment Plans, benchmarks for training and other documentation which can be used by local authorities negotiating Section 106 agreements. It is expected that the Good Practice Guide will be produced by early 2011. The Economic Development panel have agreed to support a PUSH branded business event, bringing together private

sector developers, regeneration specialists, Planning and Economic Development officers and key members from the PUSH area to launch and promote the Good Practice Guide and Policy Framework.

## **CONCLUSION**

7. It is RECOMMENDED that the Joint Committee:
  1. AGREES the adoption of the Policy Framework; and
  2. SUPPORTS the proposed launch and promotion of the Good Practice Guide.

## **DRAFT: PUSH LDF POLICY FRAMEWORK: THE USE OF DEVELOPER CONTRIBUTIONS TO PROVIDE WORKFORCE TRAINING**

### **Summary**

As part of their planning development management function, local authorities can request contributions, either financial or in kind, through 'section 106' planning obligations, for measures directly related to a development.

These agreements can include contributions to ensure that developments complement and benefit the local labour market and economy, by raising skills and enabling local people to compete for the jobs generated. Specific measures can include training, (pre-employment and vocational) apprenticeships, employment advice, interview guarantees, work placements, transport arrangements and childcare.

The case for contributions towards training measures is additional to other contributions that Councils may seek. It is for each Council to decide their overall approach to section 106 agreements. They will consider the economic viability of the total contributions sought, and how to prioritise their use. Therefore it is for each Council within PUSH to consider when and how to seek training measures, and to ensure the legality of their section 106 requirements. Each section 106 agreement is the subject of negotiation with individual developers. The approach is likely to be most effective when local authorities raise the opportunities with developers or employers at an early stage, and work with them to promote the joint benefits of an agreement. Training measures can benefit developers and businesses as well as the local community, and may unlock alternative funding proposals from developers.

This Policy Framework seeks to achieve a common understanding of the opportunities. It sets out the general rationale and justification for seeking contributions, in the light of the PUSH Economic Strategy, local economic circumstances, and Government requirements for the use of section 106 planning obligations.

Government guidance states that to be lawful section 106 contributions must be directly related to the development from which they are sought. Therefore section 106 training measures should relate directly to the jobs created by that development, and should not contribute to a general 'Council wide' training fund.

Government policy advises Councils to set out in their development plan the matters for which section 106 planning obligations will be sought. Therefore it is considered that the inclusion of a policy to seek section 106 training measures should help to justify this approach in individual cases. There are a number of recent examples of planning inspectors supporting core strategy policies which seek training measures.

A Good Practice Guide will be produced which sets out some local examples of how such agreements have operated. These illustrate a range of approaches, from agreeing a Training and Employment Plan with a developer to seeking financial contributions. It is not intended to create a single, uniform approach towards the

seeking of contributions and the use to which they are put, as this is essentially a local responsibility.

## **1. THE CASE FOR AND JUSTIFICATION OF SEEKING DEVELOPER CONTRIBUTIONS FOR TRAINING AND EMPLOYMENT IN RELATION TO THE PUSH ECONOMIC STRATEGY**

1.1 Extensive research supports the view that the economy of South Hampshire is falling behind the rest of the south east region. South Hampshire is a diverse economic area ranging from the main industrial and urban areas in the south to the predominantly rural areas in the north of the sub-region. Since the mid 1980s, South Hampshire's economic growth rate has been consistently below that achieved by the South East region as a whole (although above the national growth rate).

1.2 This poor performance results from a combination of factors:

- a lower employment rate in South Hampshire (77%), than the region (78%) and the rest of Hampshire (80%)
- lower levels of enterprise with fewer new firms being formed in South Hampshire (36 per 10,000 population in South Hampshire compared to the region's total of 48.6 per 10,000)
- lower skills levels (at NVQ level 4 and trade apprenticeship levels)
- lower Gross Value Added per capita (a comparative measure of economic output) – the gap between South Hampshire and the rest of the South East is 11%.
- lower labour productivity is evident in lower earnings for South Hampshire workers. The median gross weekly earnings in South Hampshire (£363) are 89% of the South East level (£408).

1.3 The challenge is to increase both the employment rate, levels of enterprise and innovation and labour productivity to boost the economic prosperity for all South Hampshire residents.

1.4 The PUSH strategy is therefore to raise the sub-region's economic performance at least to match the South East average, particularly by growing knowledge-based and high value-added sectors of the economy and equipping the workforce with the skills needed to succeed in those areas. The underpinning evidence demonstrating the under-performance of South Hampshire can be found on the PUSH website in the following documentation:

PUSH Economic Development Strategy

<http://www.push.gov.uk/work/economic-development/economic-development-strategy.htm>

(This strategy has been reviewed and an update will be finalised early in 2011).

PUSH Skills and Employability Strategy:

<http://www.push.gov.uk/pdf/pjc-090729-r03-appendix.pdf>

1.5 The PUSH strategy and action plan 'Skills for Employability and Growth' sets out a vision that by 2026 the PUSH area will be a highly productive and dynamic economy encouraging a cohesive and prosperous society driven by a talented and growing workforce. Learning and skills development will play a driving role in increasing productivity and reducing economic inactivity by raising workforce skills.

1.6 Key to the growth model is a commitment to the principle of Smart Growth (one of the three objectives in the Regional Economic Strategy) which will be achieved by:-

- bringing more people into the workforce
- enhanced business productivity
- securing higher levels of prosperity per head without increasing the ecological footprint.

Improved skills – across the existing and potential workforce – are intrinsically important to the three points above. There is therefore, a very strong emphasis on the need to integrate employment and skills training to help people prepare for and face challenges in the labour market.

1.7 The Strategy is underpinned by four inter-related strategic aims, underneath which are a series of recommended transformational actions:

- **Higher employment rates and economic activity** – provide the skills for sustainable employment in growth sectors
- **Increasing the workforce productivity** – tackling the skills shortages and gaps in growth sectors
- **Growing activity in high value added sectors** – releasing high value added potential
- **Improving the skills infrastructure** – deliver world-class skills in a demand-led system

1.8 By raising the skills and employability of local people, particularly those not currently in employment, PUSH is seeking to ensure that the majority of new jobs created in the PUSH area over the next 20 years are secured by local residents. This should reduce the impact of growth on local infrastructure, enabling more sustainable growth for the sub-region and raising the quality of life in the area.

1.9 Raising the skills and employability of the local workforce is key to achieving the PUSH economic strategy. It will require the combined resources of agencies such as The Skills Funding Agency, Young People's Learning Agency, Jobcentre Plus, as well as co-ordination by PUSH and input from employers to make the step-change necessary. Section 106 contributions can help to provide the level of resources that will be necessary to implement an ambitious programme of training and employment development.

- 1.10 The primary statutory agencies responsible for the provision of employability and skills training, Jobcentre Plus and the Skills Funding Agency have both endorsed the approach taken in this paper confirming that it would add value by making flexible and productive use of existing programmes to enable local people to compete for new jobs.

## **2. GOVERNMENT GUIDANCE ON PLANNING OBLIGATIONS**

- 2.1 The Government has introduced a Community Infrastructure Levy (CIL) for district wide infrastructure. “Section 106” planning obligations remain in place for development specific measures. This will include training and employment agreements, as these are specifically related to individual developments. Obligations are carefully controlled to ensure they do not overlap with the CIL. They must meet the following three tests:

### ***1. Is the obligation necessary to make the development acceptable in planning terms?***

- 2.2 An obligation would contribute to a number of national, regional and South Hampshire planning policy objectives\*:

-Promoting sustainable economic / smart growth. By raising skills, an obligation will support economic competitiveness, address business requirements and skill gaps, and promote the ability of the workforce to adapt to the needs of emerging growth sectors.

-Promoting economic growth and social inclusion. By providing training and promoting access to jobs in a wider sense, an obligation will help to ensure the economic potential of the whole of the workforce is utilised; and ensure that all sections of society enjoy the benefits of economic growth.

-Reducing the need to travel. By encouraging local people to get jobs, an obligation will help to avoid longer distance in-commuting. (Equally it will help to avoid inward migration and so reduce pressures on the local housing market).

(\*References to these policies are set out in more detail in Annex Two).

It is important to note that the Government’s planning obligation circulars consider that a reasonable interpretation of “necessary” will take into account the relevant local, regional and national planning policies. They also advise that the development plan should set out the matters for which developer obligations will be sought.

### ***2. Is the obligation directly related to the development?***

- 2.3 To ensure an obligation is related to a development, it should only be applied to employment generating uses. This could include offices, industrial, warehousing, retail, leisure, health facilities, etc. It could also apply to the construction jobs generated from such development, and from major housing development. The obligation should relate directly to the jobs created from the

development, and should not contribute to a more general 'Council wide' training programme.

***3. Is the obligation fairly and reasonably related in scale and kind to the development?***

- 2.4.1 The scale of the obligation would be negotiated on a case by case basis in relation to individual developments. This could relate to the number of jobs which would be generated by the development (based on average job densities).

**3. CONCLUSION**

- 3.1.1 Sections 1 and 2 above demonstrate that PUSH local authorities have a clear justification for using section 106 contributions for training and employment purposes. This Policy Framework should be used to ensure that opportunities to improve and develop training and employment programmes are maximised and integrated into the planning process where appropriate.

## **National, Regional and South Hampshire Planning Policy**

Government guidance on the use of planning obligations is contained in:

- The Community Infrastructure Levy Regulations 2010
- Circular 05 / 2005 – Planning Obligations
- New Policy Document for Planning Obligations – Consultation (March 2010)

The Planning Inspectorate has produced Good Practice Advice Note 16 / 2010 on Planning Obligations. This sets out the evidence likely to be required to justify a planning obligation at appeal.

Based on this general advice it is likely that a workforce development/planning obligation would include

- reference to the development plan / SPD
- evidence on demands arising from the development and the extent to which existing facilities can meet these (eg jobs generated, existing training programmes, local data on skill levels and gaps, economic activity rates, etc)
- the methodology for calculating the financial contribution and how it will be spent (eg the cost of providing training, etc).

National and regional policies promote sustainable economic growth and competitiveness. They address social inclusion and deprivation and seek to reduce the need to travel. (See PPS1 [paras. 14 – 16, 23, 27]; PPS4 [paras. 9, 10, policy EC2, EC10]; PPG13; and the SEEDA Regional Economic Strategy).

Other relevant Government reports include:-

- i) The Leitch Report (2006) which seeks a radical up skilling of the workforce to promote economic success; and
- ii) SEEDA's Regional Economic Strategy (2006 – 2016) recognises 'skills' as one of six drivers of prosperity.

The SEEDA Strategy promotes 'smart growth', which includes maximising skills at all levels and assisting people to join the labour force.

PUSH's South Hampshire Strategy promotes sustainable economic growth focussed on the cities and urban areas. The aim is to increase economic growth, address social deprivation, and raise economic skills. To maximise the opportunities presented by economic development it is critical that smart growth is promoted, including improving the skills base.

Finally, it is interesting to note that the British Property Federation, in their very recent "Planning for social infrastructure in development projects" (April 2010) include within a definition of social infrastructure:

"the provision of training and employment opportunities both in the construction phase and in the businesses and services created by the development."

<http://www.bpf.org.uk/topics/document/23912/bpf-guide-to-planning-for-social-infrastructure-in-development-projects>

### Local Policies

Local policies, including the community strategy, core strategy strategic objectives, economic development strategy, and local area agreement are likely to refer to similar themes; so can be used to help justify training measures.

### **Appendix 3: Examples**

The Planning Advisory Service web site provides a number of examples of Councils who seek section 106 training measures, and this was endorsed by the Government in March 2010.

<http://www.pas.gov.uk/pas/core/page.do?pageId=470448>

There is known to be one example where, whilst the applicant agreed to section 106 training measures, the Inspector did not fully support this when the application was 'called in'. (The main issues at the inquiry were not related to this). [PINS / CLG ref: APP/M3455/V/10/2122016]. However it is considered that where a Council has a policy specifically supporting section 106 training measures, this will be of significant help in justifying their position.

The following recently adopted core strategy policies are known to have 'training' or 'access to job' agreements: -Southampton, Reading, Slough, Havering and Southend.

For example, the Inspector for Southampton's core strategy stated that: "...based on the Council's evidence, I am satisfied that this policy is both appropriate in principle and necessary in the core strategy to help implement some of the strategic objectives...In the local context and taking account the benefits that have been achieved from the present measures used, for example in relation to the new IKEA store, I conclude that the policy is both useful and practical in helping to address some of the disadvantages currently affecting jobseekers in the city".

There are a number of examples within South Hampshire of Councils successfully seeking training measures, and this will be set out further in the Good Practice Guide.