

## **SUPPLY CHAIN PROCUREMENT CODE, HAMMERSMITH & FULHAM COUNCIL**

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### **1. Purpose of this code: to add further detail to the policies in the Local Plan relating to supply chain procurement conditions to be included in S106 agreements for planning and social value conditions for procurement.**

- 1.1 The Supply Chain Procurement Code is designed to outline the roles and responsibilities of the council, planning applicants and contractors in relation to the requirements set out in planning and procurement policy. These codes will determine conditions applied to Section 106 (S106) legal agreements and procurement contracts with regards to local business support.
- 1.2 This code will help planning applicants and bidders to deliver goods and services to the council and understand the obligations that may be asked by the council.
- 1.3 This code is relevant to all major developments. For housing, a major development is one where 10 or more homes will be provided, or the site has an area of 0.5 hectares or more. For non-residential development it means additional floorspace of 1,000 sqm or more, or a site of 1 hectare or more, or as otherwise provided in the Town and Country Planning (Development Management Procedure) (England) Order 2015.<sup>1</sup>
- 1.4 This code is relevant to contracts for the supply of goods and services over a value of £100,000.
- 1.5 This process is facilitated by the council and funded through the developer's financial contributions as outlined in section 7 of this code.
- 1.6 The requirements of this code apply to the developer/landowner, main contractor and all sub-contractors who they appoint. By clarifying what is required from the outset, the council is able to support developers and contractors fulfil their commitments set out in the S106 legal agreement and procurement contracts. It is the role of the council's Economic Development Team to work with developers and contractors to meet these specifications.

- 1.7 Planning obligations, also known as S106 agreements (based on that section of the 1990 Town and Country Planning Act) are private agreements made between the council and developers/landowners and can be attached to a planning permission to make development acceptable which would otherwise be unacceptable in planning terms. The land itself, rather than the organisation that develops the land, is bound by a S106 agreement, something any future owners will need to take into account.
- 1.8 S106 also ensures that major developments are sustainable within the borough, enabling the council to fulfil the priorities within its industrial strategy.<sup>vii</sup>
- 1.9 The council's procurement process complies with the Social Value Act<sup>ii</sup> to consider added economic, social and environmental value in addition to the price and quality of the goods and services being tendered in bids.
- 1.10 A priority of the council is to address skills shortages and that jobs generated from major developments should go to local residents. Where job-generating developments come forward that do not promote local employers, they will aggravate the current situation of socioeconomic difficulties in some neighbourhoods.<sup>iii</sup>

## 2. Policy Context

### 2.1 National

- 2.1.1 The National Planning Policy Framework states that, to “achieve sustainable development, economic, social and environmental gains should be sought jointly and simultaneously”. Imposing S106 conditions on major development in the borough enables economic growth to take place in a sustainable way.
- 2.1.2 The Social Value Act states that an “authority [spending public money] must consider: (a) how what is proposed to be procured might improve the economic, social and environmental wellbeing of the relevant area and, (b) how, in conducting the process of procurement, it might act with a view to securing the improvement.” It is therefore evident that it is necessary to focus on supporting local businesses.

## **2.2 Regional**

2.2.1 The London Plan is legally part of each of London's Local Planning Authorities' Development Plan and must be taken into account when planning decisions are taken in any part of Greater London.

2.2.2 The London Plan<sup>iv</sup> makes the point that London has a strong economy with unique strengths in specialist fields "but the benefits of economic success are not shared evenly within London itself." Promoting local businesses will help people find work more easily and, in turn, with a healthier local labour market, further enable businesses to thrive.

2.2.3 Policy E11 seeks to ensure opportunities for all. Developers are expected to include local businesses in economic development and, include more residents in growing prosperity.

## **2.3 Sub-regional**

2.3.1 The West London Alliance's vision for inclusive and sustainable growth seeks more than increasing economic productivity but ensuring that "every community and... all our neighbourhoods can benefit and contribute...". It recommends "working with anchor institutions and using our combined supply chains" to support investment in the local economy.<sup>v</sup>

## **2.4 Local**

2.4.1 The council's Local Plan states that, "The borough... faces real socio-economic difficulties... and high levels of deprivation. Continued economic growth in the borough will require a growing work force... Where major developments come forward that do not employ and/or train local people in their construction/operation, they will aggravate this situation."<sup>vi</sup> It is therefore important to include local businesses in economic development, in both construction and end use operations, to promote local businesses which are more likely to employ local residents.

2.4.2 Its industrial strategy commits the council to using procurement to support local businesses and jobs. The policy "aims to create new opportunities for local firms... through the council's... procurement of goods and services. It involves actively reaching out to the local supplier market, simplifying tender requirements, splitting contracts into lots and setting targets for spend with local firms and people. The council is also applying the same approach to agreements with developers."<sup>vii</sup>

2.4.3 Research by The New Economics Foundation has shown that a greater proportion of the expenditure of local businesses is retained in the local economy with subsequent multiplier effects than a business from outside of the area.<sup>viii</sup> Since local businesses are more likely to employ local people, local procurement can directly impact on local employment.

2.4.4 The Local Plan makes the point that the sourcing of goods and services locally will also help to achieve a more sustainable pattern of land use and reduce the need to travel.

### **3. Justification**

3.1 Hammersmith & Fulham is a relatively affluent borough which, pre-COVID, had the fifth most competitive economy in the country. Office for National Statistics (ONS) data indicates that 6.2% of businesses in the borough are high growth. This is the highest rate of all the West London boroughs.

3.2 The borough has almost 69 businesses per thousand population, relatively higher than the rate for London (57.5) and England as a whole (42). The council aims to improve on this strength.<sup>ix</sup>

### **4. Council Supply Side Procurement Contacts**

4.1 David McAlpine, MTW Consultants, [david@mtwconsultants.co.uk](mailto:david@mtwconsultants.co.uk)

4.2 Paul Clarke, S106 conditions in planning, Economic Development, Hammersmith & Fulham Council, [paul.clarke@lbhf.gov.uk](mailto:paul.clarke@lbhf.gov.uk)

4.3 Ilaria Agueci, Social Value conditions in procurement, Economic Development, Hammersmith & Fulham Council, [Ilaria.agueci@lbhf.gov.uk](mailto:Ilaria.agueci@lbhf.gov.uk)

4.4 Oliur Rahman, Head of Employment and Skills, Hammersmith & Fulham Council, [oliur.rahman@lbhf.gov.uk](mailto:oliur.rahman@lbhf.gov.uk)

### **5. Definitions**

- 5.1 *Local Business*: a business which has a registered company address or an address of business operations in the London Borough of Hammersmith & Fulham, or such wider area as shall be agreed, on the date that that business was procured in the supply chain.

## **6. Responsibilities of landowners, construction developers and sub-contractors during the construction phase**

- 6.1 The main contractor will work with **MTW Consultants** to include Local Businesses on their tender lists wherever possible and to aim to achieve the procurement of construction contracts and goods and services from Local Businesses towards a target of **a minimum 10% of the total value of construction**, excluding professional fees, incurred prior to the development receiving planning consent.
- 6.2 This code is designed to support developers and contractors to fulfil their commitments to the planning agreements by clarifying what is required from the outset. The council's Economic Development Team, **through MTW**, seeks to work in partnership with contractors to assist them in meeting this code's specifications and in finding suitable local companies. MTW has a **database of Local Businesses** across a range of construction trades which it will share with the developer and main contractor. They can also help developers and contractors **arrange events** with local suppliers and support potential suppliers to increase their capacity to make successful bids for contracts.
- 6.3 The main contractor will provide MTW with a schedule of works packages to be let ("the **Procurement Schedule**") and information on the estimated timing of their procurement programme and provide updates of the Procurement Schedule as and when it is updated or revised.
- 6.4 The main contractor will **notify MTW just prior to sending out tender enquiries or invitations to a Local Business** so that MTW can, in turn, make that business aware of a forthcoming opportunity and help ensure it responds.
- 6.5 The main contractor should include a written statement in the tender documentation sent out to sub-contractors informing them of their S106

obligations to ensure co-operation is agreed as a prerequisite to accepting sub-contract tenders.

- 6.6 The main contractor should participate in at least one **Meet-the-Buyer event** to be held in the borough. This event will consist of a series of pre-scheduled meetings with local suppliers in trades chosen by the contractor. In the case of a very large development, the event may focus on the local construction project alone or, for smaller developments, it could be part of a larger event which includes other main contractors working in the area which also have local procurement commitments.
- 6.7 The main contractor should attend at least one **workshop for construction-related Small to Medium Enterprises** and do a presentation on its development, its timeline, the opportunities available and what are the qualifications they look for when taking on new suppliers.
- 6.8 A local supply chain procurement **delivery plan** should be created to deliver the above responsibilities which should include the details required above. A template for the delivery plan can be provided by the council's Economic Development team.
- 6.9 The main contractor is required to submit **monitoring information** to MTW and the council's Economic Development team once a quarter by the end of the first week after the end of the calendar quarter. A report template will be provided and the report should include information on:
- 6.9.1 Start date of construction,
  - 6.9.2 Updated forecast end date of construction,
  - 6.9.3 Total estimated construction spend,
  - 6.9.4 A list of Local Businesses procured in the supply chain of the construction of the development,
  - 6.9.5 The contract package title procured,
  - 6.9.6 Date of invite to tender,
  - 6.9.7 Name of the Local Business engaged to bid for the contract,
  - 6.9.8 Whether or not the pre-qualifying questionnaire (or a health and safety questionnaire if this is the pre-qualifying requirement) has been sent to the Local Business or generally publicised,
  - 6.9.9 Whether or not the Local Business has enquired about the tender,
  - 6.9.10 Whether or not the Local Business has been invited to bid,

- 6.9.11 Whether or not the Local Business has been supported in its bid by the procurer, including via MTW,
- 6.9.12 Whether or not the Local Business's bid was successful,
- 6.9.13 The contract value being tendered, and
- 6.9.14 Events and workshops attended and to which the main contractor or sub-contractors contributed.

6.10 These obligations are imposed on the development as a whole and, therefore, should be passed on by the planning applicant and developer to sub-contractors. The council will seek to ensure that the developer inserts the above clauses in the tender documentation issued to contractors.

## 7. Financial contribution

7.1 In S106 agreements, a financial contribution will be required towards the costs of facilitating the responsibilities of landowners, construction developers and sub-contractors during the construction phase. Developers will be asked to cover the costs of facilitating implementation of this code for each construction site which will vary according to the size of the development. The table below shows the scale of fees for different size bands:

| Size band:    | 1,000 – 4,000 sqm | > 4,000 – 10,000 sqm | > 10,000 – 40,000 sqm | > 40,000 sqm |
|---------------|-------------------|----------------------|-----------------------|--------------|
| No. of days:  | 4.5               | 8.5                  | 11                    | 17           |
| Cost per day: | £750              |                      |                       |              |
| Total fees:   | £3,375            | £6,375               | £8,250                | £12,750      |

7.2 In the case of major long-term regeneration projects with multiple building phases, a fee will be charged for each separate building project in accordance with the above fee scale.

7.3 Payments will be indexed to when the contributions were due in accordance with the Local Plan.

## 8. Responsibilities of planning applicants, lessees and new owners of the development in the post-construction phase

- 8.1 The owner, lessee and operator of the new building should include Local Businesses on their tender lists wherever possible and to aim to achieve the procurement of facilities maintenance and ad hoc maintenance contracts and contracts for goods and services towards the operations of the development towards a target of **a minimum 10% of the total value of construction in the first 24 months of operation.**
- 8.2 The delivery plan for local procurement post-construction should be added to the delivery plan.
- 8.3 Where the building and land is sold to a third party post-construction, then the obligation to engage with local suppliers should be contained in the contract of sale together with contact details for MTW. The following is an example of the wording of the clauses within a S106 agreement which the council would ask developers to sign to ensure a reasonable degree of local procurement of goods and services:

*“The Owner/Developer hereby covenants with the council as follows:-*

*During the construction phase of the development and occupation of the property:*

*To provide opportunities for local businesses to bid/tender for the provision of goods and services to the property.*

*Prior to starting work on site, to prepare a local procurement strategy as part of the Joint Employment and Business Strategy, as outlined in the Local Procurement Code attached. This strategy must be approved by the council’s Economic Development Team prior to starting work on site at least one month in advance of tendering the main building contract for the property.*

*To ensure that throughout the Construction Phase the development shall not be carried out otherwise than in strict accordance with the requirements of the Local Procurement Code, in the event of non-compliance with this*



*sub-clause, the Owner shall, upon notice from the council, forthwith take any steps required by the council to remedy such non-compliance.*

*To work with the council's Economic Development Team and any contractor appointed to deliver the Local Procurement Initiative to aim to achieve the procurement of construction contracts and goods and services from businesses based in Hammersmith & Fulham towards a target of 10% of the total value of the construction contract, excluding professional fees incurred or committed to prior to the development receiving planning consent.*

*To provide opportunities for local businesses to bid/tender for the provision of facilities management services and other post-construction supply of goods and services."*

## **9. Target-setting Principles**

- 9.1 Procurement of construction contracts and goods and services procured from Local Businesses sought is 10% of the total value of construction, excluding professional fees incurred prior to the development receiving planning consent.

*Example: Build cost = £35,550,000 x 10% = £3,555,000 worth of contracts procured from Local Businesses*

- 9.2 Procurement of facilities maintenance and ad hoc maintenance contracts and contracts for goods and services towards the operations of the development for the 24 months sought is 10% of the total.

*Example: Contracts in the first 24 months = £27,896,388 x 10% = £2,789,638.80 worth of contracts procured from Local Businesses*

## **10. Conclusions**

- 10.1 This Supply Chain Procurement code outlines the reasonable endeavours expected of developers when developing in Hammersmith & Fulham to mitigate the economic impact of the development.

- 10.2 It also sets out the social value contributions contracted suppliers to the council must commit to to do business with the council.
- 10.3 It has been created to provide a structure for Local Businesses to benefit from the administration and economic regeneration of the borough and, in turn, to create job opportunities for local residents.

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<sup>i</sup> National Planning Policy Framework, Ministry of Housing, Communities & Local Government, February 2019

<sup>ii</sup> Public Services (Social Value) Act 2012

<sup>iii</sup> Local Plan, London Borough of Hammersmith & Fulham, February 2018, paragraphs 7.21 and 7.22

<sup>iv</sup> Publication London Plan, *The London Plan*, December 2020

<sup>v</sup> *Winning in the New Economy*, West London Alliance, February 2020

<sup>vi</sup> Local Plan, Hammersmith & Fulham Council, February 2018

<sup>vii</sup> *Economic Growth for Everyone*, Hammersmith & Fulham Council, July 2017

<sup>viii</sup> *Public spending for public benefit*, The New Economics Foundation, August 2005,

<sup>ix</sup> Hammersmith & Fulham Council, February 2021