



CABINET

Subject Heading:

East Havering Datacentre Campus

Cabinet Member:

Councillor Graham Williamson, Cabinet Lead for Regeneration

SLT Lead:

Neil Stubbings

Report Author and contact details:

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Policy context:

The decision supports delivery of the Council's Inclusive Economic Growth Strategy, its Employment and Skills Plan and its Social Value Strategy.

Financial summary:

The decision seeks to expedite delivery of workstreams that could have substantial positive fiscal impact for the Council providing retained Business Rate uplift during the current MTFS period to 2025 of up to £13.556m.

Is this a Key Decision?

***(a) Expenditure or saving (including anticipated income) of £500,000 or more
(b) In excess of 10% of the gross controllable composite budget at Head of Service/ Assistant Chief Executive level (subject to a minimum value of £250,000)
(c) Significant effect on two or more Wards***

When should this matter be reviewed?

June 2023

Reviewing OSC:

30 November 2022

The subject matter of this report deals with the following Council Objectives

Communities making Havering
Places making Havering
Opportunities making Havering

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[X]

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Connections making Havering

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SUMMARY

This report together with its attachments describes an inward investment project proposed to be delivered in East Havering for the creation of a carbon-neutral datacentre and associated works on a site of 202 hectares (499 acres) to create new public open space in the form of an ecology park all resulting in the creation of up to 9,900 jobs and an expected income of up to £13.556m over the current MTFS period to 2025 in Business Rate uplift to the Council. The report seeks to confirm the welcome of the investment in principle. For the avoidance of doubt, the report does not seek the predetermination of matters which lie properly within the purview of the Council as Local Planning Authority

RECOMMENDATIONS

- 1. To note and to endorse the decision of the Director of Regeneration to include the development at East Havering in a proposed Investment Zone whether or not as part of or in concert with the Thames Freeport.**
- 2. To authorise the Director of Regeneration to bring forward proposals for the development at East Havering and to do all things necessary and appropriate to expedite delivery.**

REPORT DETAIL

Background

1. The Council has been in discussion with a private sector developer, Digital Reef, in the matter of a proposed £5.3bn inward investment project proposed to be located on Green Belt land in East Havering. This project is one of the largest mobile investments globally. . To give a sense of financial scale, this would represent 25% of all UK inward investment in 2021 and about 75% of the value of the London 2012 Olympics. Havering can be duly proud to have sustained investment interest through to this crucial stage at which the investment decision will be confirmed.
2. The project envisages the creation of Europe's largest datacentre on a site of 202 hectares (499 acres) but with the majority of the site to be opened up as a public access ecology park in order to deliver the aspiration for the datacentre to be carbon neutral.

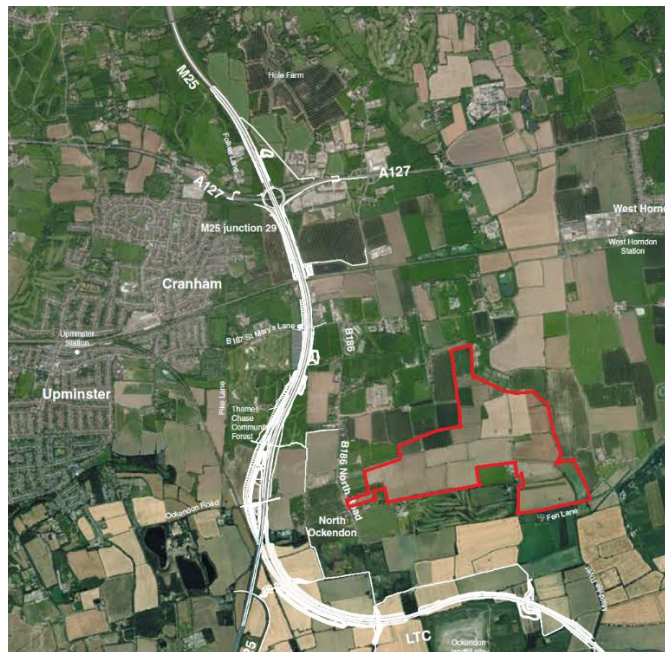
The Site

3. Located one mile from the M25 and two miles from Uxminster Underground and mainline rail stations, the Site offers exceptional transport links providing easy access to and from central London. It sits within the outer boundary of the current Thames Freeport.

Map showing approximate location of opportunity:



Plan showing current location of the new M25/Lower Thames Crossing junction:



4. The Site is designated as green belt land and this designation is a significant consideration in the planning process. If planning is secured (see section below), the datacentre could be a cornerstone of the UK Government's new

focus on sovereign data. In addition, this type of data infrastructure and presence could be used to attract data and digital operators to the Borough. The datacentre has the potential to deliver significant commercial and economic opportunities and benefits locally, for London and for the UK as a whole.

5. As the country moves forward post Covid-19 and post-Brexit data infrastructure will be of national significance. The datacentre will support new creative, research and manufacturing opportunities in the UK, supporting a resurgent UK economy. This initiative would support the UK Government's aspirations to kickstart a data revolution across the UK as set out in the Government's National Data Strategy.
6. The digital infrastructure facilities on the site would enable the Borough to support the UK Government's initiative to build on the UK's existing strength as a leading "digital nation" with aspirations to build the necessary secure infrastructure for the secure provision of "sovereign data" for the UK as set out in the Government's Digital Strategy.
7. The datacentre development is propose to be developed a carbon-neutral facility and through a partnership with the University of Leicester will establish the Earth and Space Sustainability Institute which has as its core purpose the monitoring of agricultural and other land use activity to improve the sustainability of the planet. It is expected that this can become a nexus for the development of green technology with resultant positive economic impact.
8. The site is close to the designated route of the Lower Thames Crossing as shown above and lies within the outer boundary of the Thames Freeport although is not currently designated as a Tax Site. With the announcement of the Government's plans to establish Investment Zones, and having offered to Freeports to scope to convert into investment zones and to add further tax sites, the Freeport has expressed interest to convert in this way and to add the East Havering site as an additional Tax Site. This is referenced further below.
9. More extensive details of the project can be found in the appendices to this report:
 - Project Summary
 - Detailed Project Proposal
 - Economic Impact Assessment

The attachments reflect the views of their respective authors and are presented without implied endorsement by the Council

Jobs and Skills

10. 9,900 jobs have the potential to be created - 2,800 local jobs during the time-limited construction phase of up to 5 years which would bring a substantial skills legacy for subsequent economic benefit, and 7,100 jobs without limit of time going forward. Of the latter, 2,370 jobs are potentially expected to be located within Havering either directly, indirectly or induced.
11. To optimise the extent to which local people can take advantage of emerging employment opportunities offered by the datacentre – directly, and indirectly – it is proposed to establish a Skills Development Board which would have as its aim the identification of future skills needs and the resourcing of appropriate and sufficient skills development provision. This would see the bringing together of parties with an interest in both skills supply and demand.

Open Space and Ecology

12. It is expected that the datacentre campus will enable the opening up of green belt land currently without public access to create up to 120 Hectares (300 acres) of new green bio diverse nature reserve fully accessible to the public. The campus is planned to provide environmentally friendly heat recovery systems for low carbon agritech farming. Educational interpretation facilities on site will engage with schools locally.
13. To achieve its required green credentials the developers will provide on-site renewables power generation and Battery Grid balancing to minimise power demand from the National Grid. Links will be effected as appropriate to local solar parks to reduce demand further and tree planting using native species will create an on site carbon sink
14. Earth Monitoring, supported by Leicester University's Earth & Space Sustainability Institute to be established on site will monitor the environmental impact of the facility, to demonstrate and set a standard for improved biodiversity yield and carbon sequestration.

Planning

15. This report is presented in the context of the pursuit of an inward investment enquiry. As such it cannot be relied upon for a full consideration of the related planning matters. The planning routes for delivery include three main options: the making of a Local Development Order (LDO) by the Council, application by the developer for consent in the usual way, and finally, using the Local Plan refresh to designate the subject site for development in the manner proposed followed by the submission of a planning application.
16. This report does not seek to recommend any one route to achieve a particular planning outcome but rather requires the Director of Regeneration to give support to any and all routes to achieve the most expeditious outcome thus

giving certainty to and bringing forward to earliest realisation of the benefits of the project.

Fiscal Impact

17. Each planning route will result in a projected profile of fiscal outcomes. These are detailed in the Financial Implications section below but it should be remembered that the fiscal implications are not a material consideration in the planning process, whichever route the proposal progresses via..

Recommendation

18. Cabinet is recommend to support and endorse the continued pursuit of all options to expedite delivery of the project.

REASONS AND OPTIONS

Reasons for the decision:

19. Acceptance of the recommendation would not in itself secure successful delivery of the project. It would however hold open the possibility of future delivery which could secure the benefits described above.

Other options considered:

20. An alternative option for the Council would be to decline to engage further in the matter and to require the investor to navigate the planning process independently. This is not recommended given the scale of the inward investment opportunity.

IMPLICATIONS AND RISKS

Financial implications and risks:

21. There are no published timelines for the processing of the Enterprise Zone application. Whilst there may be an indication when the new Chancellor sets out the Government's fiscal plan on 31st October, feasibly it may not be until the release of the local government finance settlement usually released just before Christmas.
22. Establishing an Investment Zone within Havering could be extremely attractive for companies wishing to invest in the borough and also conveys significant financial benefits for the Council as well. The following is a list of the time-limited tax incentives that are under consideration for varying periods of time.
 1. Business Rates – 100% relief from business rates on newly occupied business premises, and certain existing businesses where they expand in English Investment Zone tax sites. Councils hosting Investment Zones will receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years.
 2. Enhanced Capital Allowance – 100% first year allowance for companies' qualifying expenditure on plant and machinery assets for use in tax sites.
 3. Enhanced Structures and Buildings Allowance – accelerated relief to allow businesses to reduce their taxable profits by 20% of the cost of

qualifying non-residential investment per year, relieving 100% of their cost of investment over 5 years.

4. Employer National Insurance contributions relief – zero-rate Employer NICs on salaries of any new employee working in the tax site for at least 60% of their time, on earnings up to £50,270 per year, with Employer NICs being charged at the usual rate above this level.

5. Stamp Duty Land Tax– a full SDLT relief for land and buildings bought for use or development for commercial purposes, and for purchases of land or buildings for residential developers.

23. These are simply areas being considered at this moment, but the most attractive for the Council is where Councils hosting Investment Zones will receive 100% of the business rates growth in designated sites above an agreed baseline for 25 years. Obviously it would be in the council's interest to have a baseline for growth as low as possible. It is also possible that there may be some conditions attached that restrict how retained NNDRs can be used; again we would want to lobby for as few conditions as possible so that any funds can be used as a funding source for our MTFS.

24. Aligned to the application is the current interest shown in land designated within the Expression of Interest. The council's positioning to support this area as an Investment Zone could also be hugely beneficial from the private sector company involved, subject to the appropriate timing of events. However there are significant issues to be considered before these events can become a reality, and it is only at that point of certainty that the Council will be able to include the financial benefits in its Medium Term Financial Strategy. Whilst there are exemplifications set out in the report ranging from an annual contribution of £5.778m and £41.706 p.a by 2029/30 there is a considerable amount of work still to be done to achieve this and requires the Council's interests and the business interests of the private sector company to remain aligned. The range of possible fiscal outcomes are explored more fully in the tables below:

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LDO Option

Income element	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Development Premium	9.000						
Business Rate Uplift 30% Retained		1.200	2.880	5.184	7.488	9.792	12.096
Community Fund Receipt		.138	.330	.594	.858	1.122	1.386
TOTAL	9.000	1.338	3.218	5.778	8.346	10.914	13.482

Standard Planning Application

Income element	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Business Rate Uplift 30% Retained				1.200	2.880	5.184	7.488
Community Fund Receipt				.138	.330	.594	.858
TOTAL				1.338	3.218	5.778	8.346

Local Plan Refresh

Income element	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Business Rate Uplift 30% Retained					1.200	2.880	5.184
Community Fund Receipt					.138	.330	.594
TOTAL					1.338	3.218	5.778

LDO Option with Investment Zone Awarded

Income element	2023/24 £m	2024/25 £m	2025/26 £m	2026/27 £m	2027/28 £m	2028/29 £m	2029/30 £m
Development Premium	9.000						
Business Rate Uplift 100% Retained		4.000	9.600	17.280	24.960	32.640	40.320
Community Fund Receipt		.138	.330	.594	.858	1.122	1.386
TOTAL	9.000	4.138	9.930	17.874	25.818	33.762	41.706

Note that the development premium is subject to a start on site in 2024.

The Investment Zone allows billing authorities to retain 100% of business rate uplift

Legal implications and risks:

25. There are no legal risks of accepting the recommendation. This decision will enable the Director of Regeneration to promote the project. The decision and the promotion it enables, is sought is entirely separate from and without prejudice to the Council's role and responsibility as Local Planning Authority.

26. The Assistant Director of Planning and the Local Planning Authority will determine the appropriate planning route for this proposal.

Human Resources implications and risks:

27. Acceptance of the recommendation will result in the allocation of substantial people resource in supporting the advancement of the subject project. It is expected that the cost of this additional or displaced resource will be met by the developer. As such the impact of the recommendation on the Council's directly employed workforce can be taken to be neutral.

Equalities implications and risks:

28. It is considered that an Equalities Assessment is not necessary at this stage as any impact of the recommendation – positive or negative – will be equally felt by those with protected characteristics as by those without. In general, impacts are expected to be positive and expected to be experienced no less beneficially by those with protected characteristics.

Health and Wellbeing implications and Risks

29. The project, if it were to proceed, the opportunity for which the recommendation only holds open rather than guarantees, would have a positive impact as follows:

- An individual's behaviour and lifestyle such as diet, and exercise – through the availability locally grown produce and access to public open space.
- Mental health and wellbeing - through the availability access to public open space.
- Access to, and quality of, education or other training opportunities – available to employees on site, in the supply chain and in the entrepreneurial ecosystem around the datacentre and the ecology park
- Employment, income, opportunities for economic development
- Access to green space, and opportunities to be active
- Ability to access health and social care services – potentially through access to emerging remote health monitoring technologies

30. At this stage, it can be confirmed that were the subject investment to proceed, protocols would be established to optimise these positive outcomes for the whole Havering community. A Health Impact Assessment would be required as part of the planning process, through which a full consideration of the issues would be undertaken.

Environmental and Climate Change Implications and Risks

31. The recommendations contained in the report seek to secure the option of future investment. As such there are no direct environmental or climate change impact. Should the project proceed, a full environmental impact assessment would be required. Collateral benefits could also include investment in monitoring technology that would itself allow for broader positive change to be effected.

BACKGROUND PAPERS

Project Summary – Reef group



Foundry Project
Summary_221025_v3.ç

Project Detail – Reef Group



220623_The Foundry
Thames Freeport.pdf

Economic Impact Report – Oxford Economics Revised 12/08/22



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Economics_Reef Grou

The attachments reflect the views of their respective authors and are presented without implied endorsement by the Council. Where details might be inconsistent with details contained in the body of this report, this report shall prevail.