



Havering
LONDON BOROUGH

CABINET

Subject Heading:

East Havering Datacentre Campus Update

Cabinet Member:

Councillor Graham Williamson, Cabinet Lead for Regeneration

SLT Lead:

Neil Stubbings

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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 proposals discussed in the report could deliver a development premium of £9m, together with a community fund of a further £1.386m per annum, which would be used to resource the realisation of the economic, fiscal, employment and other expected benefits offered by the implementation of the project. There is also the potential for additional business rates to be generated to the council's collection fund from the proposed development.

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? November 2023

Reviewing OSC: Places Sub Committee

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

People - Things that matter for residents	<input type="checkbox"/>
Place - A great place to live, work and enjoy	<input checked="" type="checkbox"/>
Resources - A well run Council that delivers for People and Place	<input type="checkbox"/>

SUMMARY

In November 2022, Cabinet considered a report on the East Havering Data Centre Campus opportunity, instructing the Director of Regeneration to progress the initiative. The report seeks to update Cabinet on the progress made in the matter of the proposed inward investment project for the creation of Europe's largest datacentre on a site at East Havering. For the avoidance of doubt, and as stated with the previous report, this update does not seek the predetermination of matters that lie properly within the purview of the Council as Local Planning Authority.

Since November 2022, significant progress has been made in further developing the proposal against the backdrop of emerging national, regional and subregional activity.

Government abandoned its plans to create Investment Zones so the proposal to designate the subject site as such were not successful.

The Council's support for project has given confidence to the developer to progress and enhance the delivery of a low carbon data facility, a centre of research and development concerned with low carbon industry, food production and green energy solutions. In addition, Council support for the initiative has also encouraged potential tenants of the data facility such that the majority of the campus is now reported to have been conditionally pre-let. Consequently, the developer has been able to agree that the proposed development premium of £9m would become payable irrespective of the planning route by which development is permitted. This could be used to resource the realisation of the economic, fiscal, employment and other expected benefits offered by the project.

RECOMMENDATIONS

To note the update

REPORT DETAIL

Background

1. In November of 2022, Cabinet was briefed on the 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 £13.548m

over the then MTFS period to 2025 in Business Rate uplift to the Council. Further, Cabinet resolved to endorse the inclusion of the development as an Investment Zone potentially as part of the Thames Freeport. The report seeks to update Cabinet on the progress made since that time. For the avoidance of doubt, as stated in the previous report, the update does not seek the predetermination of matters which lie properly within the purview of the Council as Local Planning Authority.

2. The Council has been in discussion with a private sector developer, Digital Reef, in the matter of a £5.3bn inward investment project proposed to be located on green belt land in East Havering. This project is a significant national investment opportunity. To give a sense of financial scale, this would be of similar order of magnitude to the original 2008 budget for the London 2012 Olympics (<https://publications.parliament.uk/pa/cm200708/cmselect/cmpubacc/85/85.pdf> - £4.138bn) and would represent 77% of the economic impact of all inbound FDI to the UK in 2021 (<https://www.gov.uk/government/statistics/departments-for-international-trade-inward-investment-results-2021-to-2022/departments-for-international-trade-inward-investment-results-2021-to-2022-html-version> - £7.034bn). Havering can be duly proud to have sustained investment interest through to this stage.
3. 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 and research facility in order to deliver the aspiration for the datacentre to be carbon neutral.
4. Cabinet will recall that the proposals' main components would (subject to design refinement) comprise:
 - A maximum 330,000 sq m of Data Centre use – a scale which has a far-reaching potential to underpin Havering, London and UK data capacity and data security
 - 40,000 sq m of intensive, technology-led horticulture use including R&D capacity;
 - 50,000 sq m of battery storage or grid balancing infrastructure;
 - A very substantial green open space, Havering Earth Park, biodiversity area and Discovery/Learning centre open to the public, in excess of 105 ha in area.
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.

The Green Economy

7. The datacentre development is proposed to be developed as 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, industrial 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. Since November, this has developed through the evolution of an Earth Park partnership with the University of Leicester. Earth Monitoring, using satellite and ground sensors, of intensively farmed land conversion to ecology park to understand the improved carbon sequestration over time and create a template for adoption globally. Earth Park will provide an incubation environment to establish and grow new enterprises in this sector at scale.
9. It is proposed that the datacentre campus will enable the opening up of green belt land currently without public access to a 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.
10. Earth Monitoring, using satellite and ground sensors, of intensively farmed land conversion to ecology park to understand the improved carbon sequestration over time and create a template for adoption globally.
11. To achieve its required green credentials the developers would provide on-site renewable 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 and re-wetting of land to create wetland habitat will create an on-site carbon sink.
12. The ecology park and campus would include:
 - Visitors and education centre for local, national and international visitors of all ages.
 - Agritech space using waste heat from the data centre to farm Zero Carbon food at scale, supporting UK food security.
 - Methane monitoring and study of land fill across Havering as a test bed for air quality, green-house gas release and remediation impact and benefits.

- A Living Lab for the Research & development for the Zero Carbon Initiative for both the Zero Carbon Data, Energy and Farm sectors and Earth Monitoring and impact of different land uses.

Energy

13. Digital Reef's £113m 6 year investment in Warley Sub Station and additional grid infrastructure on site will enable the connection of 560MW of Green energy production for other existing grid customers delivering Solar, Wind, Battery and green hydrogen projects within the Borough. The investment at Warley will also create an additional 300-500MW of capacity for future green energy connections all of which will significantly impact the Borough's ambitions to become a leading Green Energy first authority.
14. The facilitation of up to 1,060 MW of green energy production via the site will offset almost double the required energy to run the data centre campus making the campus truly Zero Carbon in Operation delivering the projects Zero Carbon Data ambitions.
15. On site 50,000 sqm of battery storage, green hydrogen production and micro reactors will provide back up for the grid, allowing the storage of green energy at peak supply times to power the data centres and power the production of green hydrogen on site.
16. The cumulative impact of the approach outlined above is a unique approach to data centre campus delivery and will make Havering a global lead in the delivery of a Zero Carbon Digital Future for the UK and the world.
17. The investment from the project into Warley Sub Station also helps to upgrade and green national power infrastructure at a time when electricity infrastructure in other parts of London are well documented to be limited and lacking the capacity to support further economic or housing development (for example in west London, UKPN are not accepting any new applications for power connection until the mid 2030s due to lack of infrastructure)

Abandonment of Investment Zones

18. The site is close to the designated route of the Lower Thames Crossing and lies within the boundary of the Thames Freeport (TFP) although is not currently designated as a Tax Site. With the announcement in 2022 of the Government's plans to establish Investment Zones and having offered to Freeports the scope to convert into investment zones and to add further tax sites, it had been hoped that the Thames Freeport could express interest to convert in this way and to add the East Havering site as an additional Tax Site. Officers of the Council worked with the TFP team to amend the business case which was duly submitted as required by the timetable.
19. With the ministerial changes in November the policy for the creation of Investment Zones was abandoned. An announcement of a replacement

policy is expected imminently. It cannot be known at this time whether any replacement policy will be open the East Havering site, whether it will offer scope for increased business rate retention or if so, the extent to which this might be the case.

Jobs and Skills

20. This initiative has the potential to create up to 9,900 jobs - 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 be located within Havering either directly, indirectly or induced.
21. To optimise the extent to which local people can take advantage of emerging employment opportunities offer by the datacentre – directly, and indirectly – it is proposed to establish a Skills Development Board that 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.

Planning

22. This report is presented in the context of the pursuit of an inward investment enquiry. As such, it does not address and does not purport to address the planning considerations which the proposed Data Centre gives rise. 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 planning permission 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. Which option is to be pursued is a matter for consideration by the local planning authority, exercising its statutory functions and duties, in discussion with the promoter of the scheme.
23. This report does not address or pre-judge the outcome of the proper planning process. In particular, unless determined otherwise through the planning process, the Development Premium should be considered to have no relevance or bearing to that process. The Premium has not been confirmed as a material consideration by the Local Planning Authority (nor, for the avoidance of doubt, has the planning route by which the proposals will be considered). If the monies are alternatively offered as part of the planning process through a planning obligation (noting that at paragraph 25 below, there is no current legally binding agreement to secure them), the Local Planning Authority has confirmed that compliance with Regulation 122 of The Community Infrastructure Regulations 2010 (as amended) would be required to be demonstrated before these could be taken into account as a reason for granting planning permission.

Development Premium and Benefit Realisation

24. Support for the investment by Cabinet at its November meeting has given confidence to investors and occupiers of the campus and has resulted in the agreement of conditional pre-lets such that the developer is now able to extend the offer to pay a development premium of £9m upon consent being granted. Previously this premium was to become payable only were the LPA to consent development through an LDO. The confirmed pre-lets have allowed the developer to agree to pay the development premium under all other planning routes.
25. The commitment to pay a Development Premium has been received in good faith but at this time is not legally binding. It will become the subject of such an agreement in due course the terms of which will be within scope of the authority delegated to the Director of Regeneration last November in consultation with the s151 Officer, the Monitoring Officer and the Cabinet Lead for Regeneration. The application of the funds will lie entirely in the purview of the Council.
26. This development premium, together with the community fund of a further £1.386m pa, would be used to resource the realisation of the economic, fiscal, employment and other expected benefits offer by the implementation of the project. These would include, but not be limited to, the delivery of physical and economic regeneration within the borough, physical infrastructure, delivery of jobs and training, and establishing Havering at the centre of the delivery of food, agriculture and energy security for the UK, or other priorities identified through the MTFS process.
27. It is mentioned above that the datacentre project value is in scale of a similar order of magnitude to the London 2012 Olympics. That project brought very significant legacy benefits and it is appropriate therefore for the datacentre project to aspire to deliver a similar level of legacy ambition. This is a project that can bring a fundamental step change in the economy of the Borough, the surrounding districts, the sub-region and nationally. It would be intended that the development premium could be applied to secure this delivery legacy by unlocking opportunities such as a much-needed north-south road and public transport link, the beginnings of a district heating network to deliver sustainable zero carbon energy to local homes, and resources to bring to fruition the ambitions of the nascent Skills Development Board. Alongside this the premium could be used to build a local entrepreneurial ecosystem to leverage the development of low carbon products and services with the associated creation of high value employment opportunities.

Integration with Broader Regional Narrative

28. The investment has positioned itself at the heart of a wider green energy ecosystem for the Thames Freeport. This East Havering project will be supported by a number of additional initiatives across the region that Digital

Reef are currently developing with various partners. These initiatives will have a substantial and very real impact on national energy, data and food security:

- Waste to energy proposal on landfill South of Rainham at Launders Lane, Veolia site where landfill and waste is converted to green energy using gasifier technology.
- Opportunity to create green hydrogen, biofuels and products like builders aggregates whilst remediating land which can be used for community use, vertical farming/greenhouses, advanced manufacturing for the green economy. Vertical farming alone offers the scope for increasing agricultural productivity increases of 10-20%.
- CEME - to focus on being R&D, testing and innovation campus for green energy and the circular economy focusing on digital and zero carbon energy infrastructure.
- Opportunity to bring Digital Space Futures connected to ambitions for DSF at Space Park Leicester and DSF North in Cumbria. Ford Forecourt - plan to connect the hydrogen cluster to Ford Dagenham Forecourt of the future proposals and a hydrogen filling station by the Lower Thames Crossing (which runs to the South of the site)
- Land around CEME and Ford - advanced manufacturing cluster for the zero carbon economy
- Havering at the centre of the Thames Freeport and Thames Estuary decarbonisation plans and hydrogen ambitions linking in with Port of Tilbury, DP World and the wider estuary.
- Support ambitions for the region for the creative sector and film studios promoting a Zero Carbon Futures for the film industry.

Recommendation

29. Cabinet is recommend to note this update report.

IMPLICATIONS AND RISKS

Financial implications and risks:

The report outlines the potential opportunities for the borough from this development, including the realisation of the economic, fiscal, employment and other expected benefits.

The receipt of the development premium and the community fund would come to the council and the work to date has established that these sums will be paid under all the agreement options discussed in the report, with the difference being the profiles of the receipts to match the time lines of each.

The impact on the business rates that would be received and retained by the council is still very much an estimate based on the current 30% retention system and the estimated valuations to hand. There is also the risk that the business rates system itself could be overhauled with any review of the local government funding regime.

Any implications of the revised policy to replace the abandoned Investment Zones scheme will be established once the details have been fully assessed and scoped. 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.

Legal implications and risks:

There are no legal risks of accepting the recommendation to note the report.

The Assistant Director of Planning and the Local Planning Authority will determine the appropriate planning route for this proposal as part of a separate process.

Human Resources implications and risks:

Acceptance of the recommendation to note the report will not bring additional implications beyond those previously commented upon; that the project 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. It remains the case that the impact of the recommendation on the Council's directly employed workforce can be taken to be neutral.

Equalities implications and risks:

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

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

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

The recommendation to note the report does not consequentially bring additional 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