

Cabinet

Dorset County Council



Date of Meeting	25 May 2016
	<p><u>Cabinet Member</u> Colin Jamieson, Cabinet Member for Economy and Growth</p> <p><u>Local Member</u> Peter Wharf – County Councillor for Egdon Heath</p> <p><u>Lead Director</u> Mike Harries, Director for Environment and the Economy</p>
Subject of Report	Dorset Green Enterprise Zone
Executive Summary	<p>The County Council is committed to a partnership scheme to purchase land and construct workspace at Dorset Green Purbeck. Since this decision, following an application by the County Council, Purbeck District Council and the LEP, Dorset Green has been declared an Enterprise Zone by the Government, with effect from April 2017.</p> <p>Potential barriers to the completion of this scheme have been overcome, and completion is planned for 2017.</p> <p>Governance arrangements need to be established to manage and oversee the Dorset Green Enterprise Zone. The Dorset Local Enterprise Partnership is ultimately responsible for the performance of the Zone and reporting to Government. It is proposed to establish a Management Board including elected member representation from the two local authorities.</p> <p>The announcement of Growth Deal 3 by the Government, presents an opportunity to secure further capital investment in the Enterprise Zone to make it a competitive business location and improve the likelihood of success. Local partners are developing two schemes for submission (see paras 4.3 and 4.4), and support in principle is sought from the Cabinet.</p>

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Impact Assessment:	<p>Equalities Impact Assessment: This intervention is included within the Council's Enabling Economic Growth strategy which was subject to an EQIA.</p>
	<p>Use of Evidence: The case presented to Government for the designation of the Enterprise Zone was based upon local economic evidence, as are the economic strategies of the County Council and Dorset Local Enterprise Partnership.</p>
	<p>Budget: At its meeting of 25 February 2015 Cabinet approved expenditure of £927,000 to jointly acquire 6.2 hectares of land at Dorset Green, together with Purbeck District Council, and progress the development of 1800 square metres of workspace units.</p> <p>Agreement in principle only is sought at this point in time for the two schemes to be submitted under Growth Deal 3. Any specific request for financial input from the Council will be subject to due diligence and further recommendations to Cabinet in due course.</p>
	<p>Risk Assessment:</p> <p>Having considered the risks associated with this decision using the County Council's approved risk management methodology, the level of risk has been identified as:</p> <p>Current Risk: LOW Residual Risk LOW</p>
	<p>Other Implications: None</p>
Recommendation	<p>It is recommended that Cabinet:-</p> <ol style="list-style-type: none"> 1) note progress with respect to the purchase of land and construction of workspace at Dorset Green 2) appoint an Elected Member to represent the Council's interests on the Dorset Enterprise Zone Management Board 3) support in principle the proposals for the construction of a Digital Hub and Innovation Centre and Development Company for the Enterprise Zone
Reason for Recommendation	<p>Successful delivery of the Dorset Green Enterprise Zone will make a significant contribution to the economic growth of Dorset, providing high quality and skilled jobs.</p>
Appendices	<p>None</p>
Background Papers	<p>Cabinet, 25 February 2015, Exempt report on proposed acquisition and development of workspace at Dorset Green, Purbeck</p>

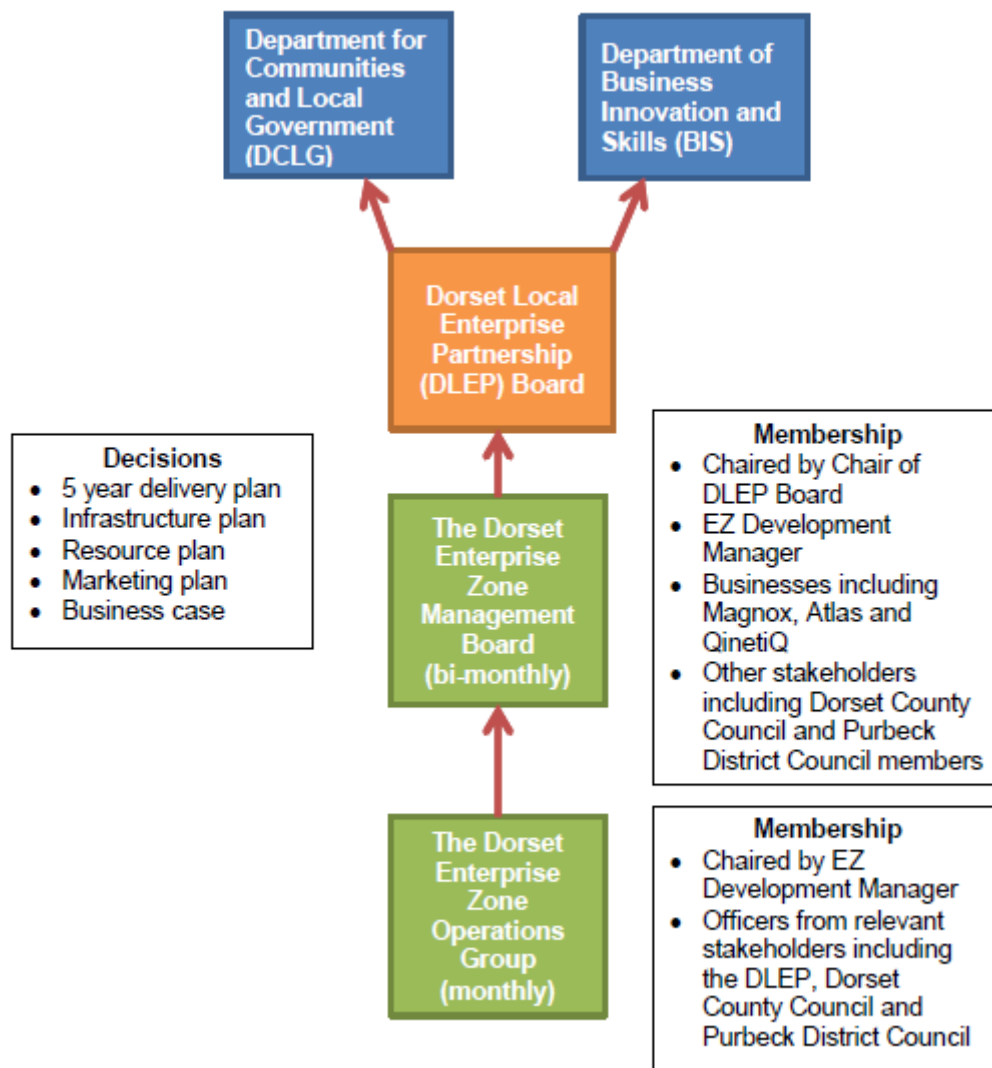
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1. Background

- 1.1 At its meeting of 25 February 2015 Cabinet approved expenditure of £927,000 to jointly acquire 6.2 hectares of land at Dorset Green, together with Purbeck District Council, and progress the development of 1800 square metres of workspace units. Additional funding (£600,000) was secured through Growth Deal 2 with support from the Dorset Local Enterprise Partnership (LEP).
- 1.2 Later in 2015 the two local authorities, in conjunction with the Dorset LEP and the Homes and Communities Agency (HCA) submitted an application to Government for Dorset Green to be designated as an Enterprise Zone (EZ). In the Autumn Statement 2015, the Chancellor of the Exchequer formally announced the EZ status for Dorset Green, with effect from April 2017.
- 1.3 EZs are geographically defined areas, hosted by LEPs, in which commercial and industrial businesses can receive incentives to set up or expand. Businesses locating in an EZ are entitled to business rate discount of up to 100% over a five year period (worth up to £275,000 per business, reimbursed to the local area by Government) as well as enhanced capital allowances for the purchase of machinery and equipment. EZs are also subject to radically simplified planning approaches, primarily through the establishment of Local Development Orders.
- 1.4 All business rate growth within the EZ for a twenty-five year period will be retained by the LEP, and the expectation from Government is that this will be reinvested in the area.
- 1.5 The Dorset EZ proposition is based on creating an advanced engineering and technology cluster of excellence on the 50 hectare site. It will enable existing businesses, such as Atlas Elektronik and QinetiQ, to expand and encourage others to join them. It is envisaged that the EZ will facilitate 2,000 new jobs, 55 new businesses, 58,000 sq. metres of workspace and some £30 million of business rate retention.

2. Governance

- 2.1 The proposed governance structure for the Dorset Green EZ is illustrated below and the Cabinet is requested to nominate a County Councillor to join the Management Board:-



2.2 Officers from Purbeck District and Dorset County Councils, the Dorset LEP and HCA have already undertaken a significant amount of work in progressing the Dorset Green EZ concept, and specific proposals for land purchase and workspace development. This commitment and effort will continue through the work of the Operations Group to prepare the site for launch in April 2017, and operation thereafter. The capacity of the Operations Group will be increased through the appointment of an EZ Development Manager, with funding committed by the Dorset LEP.

2.3 Following a suggestion by Department for Communities and Local Government officials, the benefits of creating a Dorset Green EZ Development Company will be considered (see 4.4 below), that would take over from the Management Board in due course to drive the development of the EZ.

3. Progress and preparation for launch of EZ

3.1 The resolution of Cabinet in February 2015 was intended to facilitate land purchase from the HCA by 31 March 2015. However, matters did not progress as planned due to resolving the aftermath of the previous development company going into liquidation, and unsettled title issues arising from Crichel Down considerations. Crichel Down rules apply to the sale of sites previously acquired by Public Bodies usually through compulsory purchase powers. The rules require the Public Bodies,

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under certain circumstances, to offer back surplus land to the former owner at the current market value.

- 3.2 At the time of writing this report we have just received confirmation that the former landowner will not be making a claim under Crichel Down rules for the area of land being purchased by the two local authorities. This should remove the final hurdle to progressing the original scheme, and negate the need for progressing an alternative scheme which would have resulted in delays and additional costs.
- 3.3 Following designation of the EZ, the HCA also amended its approach in order to contribute to the work of preparing the site for the launch of the EZ in April 2017. This includes the demolition of dilapidated buildings, and rationalisation of infrastructure. The HCA does intend to withdraw its interest from the site over a two/three year period, thus requiring consideration of mid to long-term ownership and management of the site.
- 3.4 Superfast Dorset, the County's broadband partnership, has secured some £4 million of public funding to progress the installation of ultrafast broadband (100+mbs speeds) to strategic employment sites, including the EZ.

4. Growth Deal 3

- 4.1 The Government recently announced arrangements for the third round of Growth Deal funding, and invited LEPs to make submissions for additional funds by July 2016.
- 4.2 The local partners are proposing to submit two schemes under Growth Deal 3 in order to improve the competitiveness of the EZ and secure effective and efficient management arrangements for the term of the designation. The two schemes are:-
- 4.3 Digital Hub Innovation Centre:
 - this scheme will promote innovation and business growth, address the site's deficiencies in terms of high quality work/office space, and provide conference, training, meeting and catering facilities. The building concept includes a shared reception, meeting and conference facilities lettable and accessible to the wider site occupants
 - related to ultrafast broadband, it is also proposed to incorporate a Digital Hub and data centre, enabling greater connectivity capacity
 - the building will accommodate 160 jobs over the life of the EZ designation, enable 400 spin out jobs to be created on site, and accommodate some 25 businesses at any one time
 - there is significant support from the existing businesses on site for this scheme
 - consultants are currently working on draft designs and scheme budgets. Early indications suggest a cost in the order of £7 million
 - initial investment in the scheme would be sought from a number of sources including Growth Deal 3, Magnox Socio Economic Fund, the HCA and local authorities. The business plan for the Centre will be predicated on delivering a surplus towards the end of the twenty year period of the EZ
- 4.4 Dorset Green Development Company:
 - the HCA is in the process of derisking the EZ through demolition of obsolete buildings, prior to disposing of the remaining site within some two years to a development partner
 - there is a real risk that an appropriate development partner will not be found, or that a private sector developer will land bank the site and wait for an opportunity to promote higher value development such as residential or large scale retail (as

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- happened from 2006-2014)
- Purbeck District Council, the Dorset LEP and the County Council have expressed in principle interest to secure the remainder of the EZ, possibly through the establishment of a joint development company
- to secure the remainder of the EZ and enable proper management and release of sites for development, an initial budget in the order of £10 million has been estimated
- whilst the HCA is unable to gift the land to the local partners, it would be requested to provide a risk to mitigation of up to £4 million; the remainder of the income would be sought from Growth Deal 3 (£4 million), and loans from local partners set against retained business rates (further work on the business case is being progressed prior to seeking formal approval of partner involvement)

5. Resources

- 5.1 As mentioned above, these two proposals imply further financial commitment from both the County Council and Purbeck District Council, in addition to other partners. At this stage the Cabinet is asked for approval in principle to support these two schemes, without any commitment to financial contributions.
- 5.2 As the schemes are worked up, costings specified, business cases developed and match funding clarified, the schemes will be subject to due diligence prior to any specific request for support from the County Council.

Mike Harries
Director for Environment and Economy
May 2016