

# Cabinet

21 June 2022

## Future Development of Dorset Innovation Park

### For Decision

**Portfolio Holder:** Cllr T Ferrari, Economic Growth, Assets & Property

**Local Councillor(s):** Cllr L Miller & Cllr P Wharf

**Executive Director:** J Sellgren, Executive Director of Place

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**Report Status:** Part Exempt

### Brief Summary:

The key decision of the report is for Cabinet to approve funds for the delivery of ten new light industrial units (Quadrant 2). The report then outlines a future 4-year capital investment plan for Dorset Innovation Park (DIP). This includes the construction of an amenity centre, redevelopment of the existing gatehouse, development of a further two medium sized light industrial/office buildings (c600sqm each) and the purchase of adjoining land in order to expand the size of the Park. The 4-year plan will be further developed and incorporated into the 2023/24 – 27/28 capital budget proposals which will be considered by Cabinet and Full Council in January and February 2023.

### Recommendation:

1. That Cabinet approve funds (£3.1m plus 20% contingencies) for the delivery of ten new light industrial units (Quadrant 2) at DIP.

2. That Cabinet delegate the authority to implement the Quadrant 2 proposals, as set out in this paper, to the Executive Director for Place in consultation with the Portfolio Holder for Economic Growth, Assets & Property and the Section 151 Officer.
3. That Cabinet notes the outline four-year capital investment plan for DIP estimated at £11.5M plus 20% contingencies. (Formal funding approval will be sought through the 2023/24 budget setting process)

**Reason for Recommendation:**

1. To enable the construction of new light industrial units at DIP, which are now in demand. This will enable DIP to capitalise upon the investment of the Defence BattleLab, which will create both new jobs and a financial return to the Council.
2. To ensure that Cabinet are sighted on the future plans and aspirations for DIP. This will also enable the financial and logistical planning to take place in order to develop a 4-year investment programme as recommended by external consultants, which will create new jobs as well as a financial return to the Council.
3. To allow the Council to promote confidence in the market place the delegation requested will enable agile decision making and speed of progress so as not to lose time on commercial ventures when dealing with prime organisations.

**1. Background**

- 1.1. DIP is a 56ha former nuclear reactor test site to the west of the village of Wool as shown in Appendix 1. The site was purchased by the former Purbeck District and Dorset County Councils in 2017 and has since been used to provide employment land in a science park environment. DIP was awarded Enterprise Zone (EZ) status in 2017 which will last for 25 years.
- 1.2. The key EZ benefits include business rate relief to occupiers (up to £275,000 over a 5-year period for occupation pre-April 2022), the adoption of a Local Development Order to support a simplified planning process and the ability for the Dorset Local Enterprise Partnership (DLEP) to retain 100% of business rate growth from 1<sup>st</sup> April 2017 for a 25-year period.
- 1.3. The use of the retained business rate is required to be reported annually to government to highlight the investment in the site. It is the only EZ site in

Dorset which makes DIP an employment site of both regional and national significance.

- 1.4. Currently there are 34 businesses located at DIP, providing 794 Full Time Equivalent (FTE) jobs. These businesses operate within the defence/security and advanced engineering and associated sectors. DIP is home to two world leaders in defence technology – Atlas Elektronik and QinetiQ.
- 1.5. The first Quadrant buildings (see Appendix 2) built by Dorset County and Purbeck District Councils (with a grant from the DLEP) in 2017 provide 20 industrial units of between 75sqm to 120sqm sized units. These units are rented to occupiers by the Council. Larger plots are available to purchase for businesses to develop their own facilities. In addition to this office accommodation is also available to rent on site.

## **2. The BattleLab**

- 2.1. In 2019, the Ministry of Defence (MoD) approached the Council and DLEP with a proposal for their vision to be able to work more closely with Small and Medium Enterprises (SME's) for future development and procurement of products. This would be a nationally unique collaborative Research and Development (R&D) environment for the MoD to work with industry, corporates and SME's.
- 2.2. Construction of a new Innovation Centre (2,500sqm including a 100-seat conference suite) and Workshop facilities (engineering lab) (450sqm) branded as BattleLab, was completed in April 2022 ([defencebattlelab.com](http://defencebattlelab.com)).
- 2.3. Although this will be the hub of this collaboration, the overall concept is looking at the whole of the South-West and what this offer could be, whether MoD sites, test areas at Portland Port, etc. New national defence strategy refers to the BattleLab as national co-creation space which is of strategic national importance within the defence sector.
- 2.3 The BattleLab investment is now being viewed as DIP's unique selling point, with further investment required by the Council if this opportunity is to be used to its fullest potential.

## **3. 4 Year Investment Plan**

- 3.1 In 2021 the Council commissioned consultants Cushman & Wakefield to prepare a Strategy and Implementation Plan for DIP. This Plan (Appendix 3) set out a series of desirable/critical investments/interventions required for the Park. Of these the most significant in terms of capital investment are:

- Direct development of further flexible leasehold hybrid industrial/office/R&D floorspace (Quadrant 2).
- New site amenity hub to provide a food and beverage offer, shared meeting/collaboration space (Amenity Hub).
- Demolition of life-expired gatehouse and replacement with new build facility to enhance the arrival experience (Gatehouse/accommodation).

#### **4. Quadrant 2**

- 4.1 The Cushman & Wakefield report predicts that the future demand for space at DIP will come from SMEs, which would be looking to rent units as opposed to buying plots and building their own facilities.
- 4.2 All of the existing Quadrant business units are fully let, and there is a significant demand for new units demonstrated by direct approaches from businesses seeking to locate to this type of space on DIP.
- 4.3 To service the growing demand for industrial units at DIP, it is proposed to develop c2,000 sqm of light industrial space divided up into 10 individual units. It is anticipated that with the launch of the BattleLab and increases to defence budgets the demand for businesses to be located at DIP will further increase.
- 4.4 The estimated cost of this project is £3.1m (plus 20% contingencies) with an ambitious 16-24 months delivery programme from procurement to handover, subject to existing market forces.

#### **5. Amenity Hub**

- 5.1 From studies of successful innovation and science parks across the country, it is clear that the focal point of all of these facilities is an amenity hub. At its most basic, this is a food and beverage offer, to cater for on-site workers, together with some form of meeting space. This is something which DIP lacks and, from engagement with occupiers, is in clear demand in this semi-rural environment.
- 5.2 The development of an amenity hub will add to the attractiveness of the site, whilst also providing a financial return to the Council.

5.3 The estimated cost of this project £3m (plus 20% contingencies) with an ambitious delivery programme of 16-to-24-month delivery programme from procurement to handover, subject to existing market forces.

## **6. Gatehouse**

6.1 To maintain the presence of prime defence operators at DIP there is a requirement to provide and maintain a secure perimeter to the site, including a gatehouse facility.

6.2 The existing gatehouse has come to end of its practical life. The current building is suffering from significant structural issues. As the gatehouse is occupied 24 hours per day, 7 day per week there is a requirement to provide proper facilities for those staff using it.

6.3 The redevelopment of the gatehouse provides an opportunity to improve the existing entrance experience to DIP as well as an innovative opportunity to provide some much-needed overnight accommodation on site for visitors.

6.4 There is a lack of overnight accommodation in the immediate area of DIP. This is now becoming an emerging issue, resulting in DIP now being overlooked in hosting events and could in the future detract business from relocating to the DIP.

6.5 It is proposed to redevelop the current gatehouse, to provide a modern and fit for purpose operational facility whilst also providing c10 overnight, self-contained, accommodation units, which would be made available to be hired by visitors to DIP.

6.6 The estimated cost of this project is £2.5m (plus 20% contingencies) with an ambitious delivery programme of 16-24 months delivery programme from procurement to handover.

## **7. Additional 6ha of land**

7.1 In addition to the above projects identified by Cushman & Wakefield, there is an opportunity to explore the purchase of an additional 6ha of land, within the secure site from Homes England (see Appendix 4). This would allow the further expansion of DIP.

- 7.2 Whilst, at the date of this report, it has not been possible to obtain a purchase price from Homes England, they have confirmed that they would, potentially be minded to sell the area of land to the Council, see Appendix 5.
- 7.3 It is proposed that the Council will enter into formal discussions with Homes England to agree terms to purchase the plot.
- 7.4 There was originally a proposal to acquire the Northern edge of the Magnox site when it is fully decommissioned. Continuing discussions are being held with Magnox but with an end state date has not been made available from Magnox, the acquisition of this land has therefore not been included within this investment plan.

## **8. Medium size light industrial and office accommodation (c600 sqm)**

- 8.1 In addition to the recommendations set out in the Cushman & Wakefield report, the Council has been approached by two companies operating within the defence sector who require medium size units from which they can expand their operations.
- 8.2 As with many other SME's they are seeking to rent accommodation, as opposed to developing it themselves.
- 8.3 It is proposed to enter into commercial negotiations with the two companies and if terms can be agreed to proceed with the development of two medium sized industrial/office units. It is anticipated that would bring 145 jobs to DIP
- 8.4 The estimated cost of this project is £3m (plus 20% contingencies) with an ambitious delivery programme of 16-24 months delivery programme from procurement to handover.

## **9. Delivery timeline**

- 9.1 An initial indicative delivery timeline for the investment plan is set out in the Gantt chart below:

DIP - Simple GANTT showing projected delivery																		
Phase/Desc.	2022				2023				2024				2025				2026	
	Q1	Q2	Q3	Q4	Q1	Q2												
Quadrant 2																		
Amenity Hub																		
Gatehouse																		
Med. Ind/Offices																		
Purchase of land																		

## 10. Financial Implications

- 10.1 Quadrant 2 is estimated to cost £3.1m (plus 20% contingencies) for the delivery of ten new light industrial units. The additional cost of the proposed 4-year investment programme into DIP is an estimated £11.5m (plus 20% contingencies).
- 10.2 Estimated income to the Council from the investment in Quadrant 2, Amenity hub and the two medium size units is in the region of £453,000 per annum
- 10.3 To date two development plots have been sold at DIP. The total proceeds of these sales are £1.202m. In addition to this, terms have been agreed for a further two plot sales which will amount to £1.615m. The total of the two existing and two sales which have currently been agreed amount to £2.817m.
- 10.4 Works to common areas of DIP (such as estate roads, greenspace) and the provision of shared services (such as Park security) are recovered from all tenants by way of a service charge. Due to the large area of the site, which is not yet fully built out, these costs are at present disproportionately high. This, in effect suppresses the rental values of the Council's units at DIP. Furthermore, there is a service charge cost to the Council as DIP is not fully developed out/occupied.
- 10.5 The development of the infrastructure recommended within this report will bring more tenants on to the site and therefore dilute and reduce level of the service charge, allowing for a rental growth of the units let by the Council. It will also help to remove the service charge cost to the Council
- 10.6 The EZ status of the Park enables the growth in business rates (from the development of DIP) to be retained by the DLEP. The rationale behind this is to enable the LEP/Dorset Council to borrow against the retained business

rates in order to forward fund investment into DIP. As the EZ status was granted in 2017 for 25 years the clock is ticking on this facility as no borrowing has taken place through this mechanism for the first five years.

- 10.7 A 20% contingency figure has been used for projects throughout this report. This is a higher-than-normal figure, which represents the uncertainty in global economic markets and the uncertainties around localised hyperinflation.

## **11. Climate Implications**

- 11.1 The development of the site will clearly have environmental impact. Wherever possible sustainable products, features and working practices will be incorporated within the programme.
- 11.2 DIP through the LDO has a Landscape and Ecological Management Plan. This includes the sensitive management and relocation of a swath of acid grassland parkland, which runs through the Park as well as 7ha of heathland incorporated within the site. With the proposed projects, there will be an increased opportunity to reinforce the landscaping of the Park with additional tree planting.
- 11.3 Dorset Council officers are working with Wool Parish Council to install a bike scheme at DIP, which will help to better connect the Park with Wool Railway Station in order to help promote the uptake of public transport to the site.
- 11.4 Each stage of the development proposals will include the provision of Electric Vehicle (EV) charging points. This will increase the number of EV charge points across the site and help to promote, encourage and support the uptake in EVs.

## **12. Well-being and Health Implications**

- 12.1 The aim of DIP is to create 2,000 new jobs by 2042. It is the intention that the majority of these will be skilled/high skilled jobs. The ability to access employment of a good quality is a fundamental of well-being. The prosperity that these jobs create will also have a positive impact on health implications.

### **Other Implications**

Dorset Council's Plan 2020 to 2024 states *"We will deliver sustainable economic growth, increasing productivity and the number of high-quality jobs in Dorset,*

*creating great places to live, work and visit". "How will we do it? Enable growth of good quality jobs at Dorset Innovation Park, our designated Enterprise Zone"* The delivery of this proposed 4-year investment programme will be fundamental to the successful delivery of this corporate aim.

### **13. Risk Assessment**

13.1 Having considered: the risks associated with this decision; the level of risk has been identified as:

Current risk- medium

Residual risk- low

Several risks to the delivery of the programme have been identified. These largely relate to scale of delivery to give confidence for other to invest into the park to meet its overall objectives and vision. Deliverability could potentially be affected by the speed with which enough resources can be mobilised, capacity within the contractors and their supply chains to deliver on these projects over the next four years. Successful programme delivery will require close engagement and liaison with stakeholders.

13.2 Mitigating these risks will require active early engagement with the contractors. Some initial discussions have been held with contractors to gauge capacity and potential supply chain issues.

### **14. Equalities Impact Assessment**

There are no equalities implications arising from this report

### **15. Next Steps**

15.1 Commission of consultants to work up feasibility and design options, in order to confirm programme, construction costs and contract procurement.

15.2 Appoint external agent to provide value and strategy for acquisition of playing field land from Homes England.

15.3 Seek formal approval for the 4-year investment plan through the 2022/23 budget setting process.

**16. Appendices**

Appendix 1 – DIP Location Plan

Appendix 2 – DIP Site Plan

Appendix 3 - Cushman & Wakefield Dorset Innovation Park Strategy & Implementation Plan April 2021

Appendix 4 – Additional Land Location Plan

Appendix 5 – Additional Land Further Details (EXEMPT)

**17. Background Papers**

None