



Dorset Innovation Park – governance arrangements

Outline business case

Dorset Council

Activist Group

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WORKING DRAFT

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1. Introduction

Purpose

- 1.1 This outline business case document has been completed to assist Dorset Council in their formal decision making in relation to the establishment, membership, staffing and governance arrangements of a dedicated company to oversee the management and development of the Dorset Innovation Park.

Context

- 1.2 Dorset Council own and manage the Dorset Innovation Park which has Enterprise Zone status but is currently struggling to fulfil its potential. Dorset Council have recognised that there is the need for strengthened management, and governance and resourcing arrangements which, when linked with the right vision, business plan and investment, can deliver further growth in the Park; improve the economic wellbeing of the county and wider region; and achieve financial benefits to the Council.
- 1.3 At its meeting in November 2024 the Council's Cabinet agreed in principle to the formation of an arm's length company for the management of the Dorset Innovation Park and agreed that the final membership and governance arrangements should be developed for consideration in a future Cabinet report, which this OBC is aimed to inform and is scheduled for March 2025.
- 1.4 The Cabinet meeting in November also agreed the allocation of a £270,000 budget funded from retained Business Rates to establish the arm's length company and the budget thereafter to be determined as part of the annual approval of the company's Business Plan.

Approach

- 1.5 The document draws on the structure of the Treasury's five case business case model, and includes strategic, economic, commercial, financial and management cases as set out in Government guidance but tries to avoid too much detail and jargon given the limited nature and scale of the proposals. The document is also informed by previous work undertaken by Council Officers and Activist for Dorset Council during 2024 and by Cushman Wakefield in 2021.

2. Strategic Case

Purpose

- 2.1 The strategic case outlines the context, policy framework and goals of the project, key stakeholders and makes the case for change. It also defines the contribution expected of the company to improving the performance of the Park and its contribution to the Council's growth agenda.

Overview

- 2.2 The Dorset Innovation Park near Wool is Dorset's second largest strategic employment site. Nationally and locally, it is being marketed as an advanced engineering and manufacturing cluster of excellence for the South West, building on strengths in aerospace, marine, defence and energy technology. It is also recognised as a major focus for the economic regeneration of South Dorset and a vital stimulus for employment and housing growth and includes the BattleLab. This facility, which was referenced in the previous Government's Defence and Security Industrial Strategy, enables the MOD to work with SMEs and academia to develop new products and technologies with commercial potential.
- 2.3 The Dorset Innovation Park is a strategically important site in the local economy and has an important role to play in supporting the security and defence sectors. It is a unique asset and provides the opportunity to be a significant economic generator in the Dorset and wider regional economy as well as playing a wider national role in the defence and security sectors. The Park is, however, struggling to fulfil its significant potential.

Policy framework

- 2.4 The Dorset Innovation Park has the benefit of Enterprise Zone status. The site was designated as an Enterprise Zone on 1st April 2017 and was intended to be in place for up to twenty-five years and to drive the delivery of a mix of advanced engineering, defence, marine, energy, cyber security and other related uses, the outcome of which would be to create a vibrant, successful, and sustainable Innovation Park.
- 2.5 The Enterprise Zone status provides a simplified planning process guided by a Local Development Order (adopted in 2018). The Dorset Innovation Park Local Development Order was adopted by Purbeck District Council on the 19th of December 2018. From the 1st of April 2019, Dorset Council subsumed the planning and other functions previously undertaken by Purbeck District Council. The Enterprise Zone status also provided the benefit of up to five years of business rate relief for new businesses on the site up to the end of March 2022. Dorset Council has adopted an Economic Growth Strategy for the County for 2020 to 2024 which sets out the Council's ambitions to enable clean, inclusive, sustainable and good quality economic growth across the whole council area. The Council aims to bring improved standards of living, quality of life, health, and wellbeing for all of Dorset's residents. It wants to ensure that Dorset is great place to live, work and visit. It is understood that a refresh of the Growth Strategy is underway.

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2.6 The Dorset Investment Prospectus (2021-2030) was launched in March 2021. This Dorset “Living Better” Investment Prospectus presents an ambitious 10-year portfolio of investment opportunities across all that is best and unique about Dorset. This identifies Dorset Innovation Park at Winfrith as:

“Developing an advanced engineering cluster of excellence for the South West, building on its strengths in marine, defence, energy and cyber-security. The Park offers office space, workshop facilities and fully serviced commercial employment land with Enterprise Zone status benefits such as business rate relief and simplified planning. There is space and support to expand, access to local finance, full fibre connectivity and pilot 5G networks. It offers a secure facility and the presence of two world leaders in defence technology – Atlas Elektronik and QinetiQ”.

2.7 In October 2024 Dorset Council Cabinet approved a new Strategic Asset Management Plan to cover the period 2024 to 2030. This plan sets out the council's commitment to provide a council estate that works for everyone; not only to deliver value for money, but also to contribute to a fairer, more sustainable local economy. It is a key enabler of the Dorset Council Plan.

2.8 This new strategic asset management plan is intended to transform how the Council uses its land and property - moving the Council away from being traditional property owners in seeking opportunistic savings and one-off sales, to a more proactive approach as ‘place-makers’ that consider property as a platform for the delivery of the Council’s wider corporate priorities. This approach will be used to guide the proposals for the Innovation Park.

2.9 In December 2024 the Council approved a new Corporate Plan, the ‘Dorset Council Plan 2024-29’, which sets out the strategic priorities that will guide the Council’s work over the next four years. They are to:

- Provide affordable and high-quality housing;
- Grow our economy;
- Communities for all;
- Respond to the climate and nature crisis.

2.10 The Park has a key role to play in supporting the delivery of the Plan in particular in relation to the priority to grow the economy.

Case for change

2.11 The current governance arrangements are through the Dorset Enterprise Zone Committee which is a sub-committee of the Dorset Local Enterprise Partnership (LEP) and accountable to the Dorset LEP Board. In practice these arrangements have not been fully implemented or embedded to guide the management and development of the park. The Dorset LEP’s role in the governance of the park will end by March 2025.

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- 2.12 Consequently, all governance matters will be the responsibility of the council with no external, private sector input into park management.
- 2.13 Dorset Council have commissioned two external reports to inform the future development and management of the Park. The Cushman Wakefield report of April 2021 provided a well-informed assessment of the investments required across a range of matters to make the Park fit-for-purpose. Much of the Action Plan is still relevant and has yet to be implemented. It is understood that this work is being supplemented by an assessment by the Managing Director of another Enterprise Zone who is making recommendations on what utility and groundwork investments are needed to make the sites available on the Park 'shovel-ready' to meet enquirers' needs. The slow progress in delivering the Action Plan is a key indicator that the current governance and management arrangements are not as effective as they should be.
- 2.14 There are several other drivers for change including the continued financial losses at the Park estimated to be circa £300,000 per annum, the failure to attract many new businesses(not taking advantage of the NNDR relief period),the failure to maximise the financial advantage to the Council of the NNDR retention and the poor experience of key stakeholders and tenants/occupiers of the management of the Park.
- 2.15 This was recognised by Dorset Council who commissioned Activist in 2024 to consider the most appropriate governance and management arrangements needed to help the Park fulfil its potential. The Activist report of November 2024 concluded that:
- A new vision and associated strategic objectives are needed that reflects the potential of the site and the ambitions of current and potential occupiers.
 - The financial governance and the current financial deficit need to be tackled with a clear, consolidated budget established for both revenue and capital to ensure proper oversight and as the basis for improving financial returns.
 - To overcome weaknesses in operational management and sales, a dedicated staff team is needed under new governance arrangements, to oversee all aspects of managing and developing the Park.

Stakeholders

- 2.16 Whilst the Council owns and manages most of the land on the site, there are several stakeholders who have important roles to play in the future management and development of the Park. They include tenants and property owners on both the Park itself and those neighbouring the site: the Ministry of Defence, Homes England, Ministry of Housing Communities and Local Government, Nuclear Decommissioning Authority, the Parish Council, business support organisations and networks. These stakeholders will need to be involved in the management and development of the Park. The 2024 Activist report was informed by engagement with tenants and other informed stakeholders which indicated poor management of the Park itself and of investment opportunities and potential business relocations onto the Park.

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- 2.17 Several of the key stakeholders have been further engaged in the development of this business case and there is a clear consensus that the park is not currently fulfilling its potential and that new, commercial governance arrangements are required.

Conclusion

- 2.18 The Dorset Innovation Park Enterprise Zone is a strategically important site that needs ongoing investment to meet its full potential. Whilst there is a comprehensive policy framework in place which supports the development of the Park at a strategic level, the Park requires an updated vision and Business Plan to succeed. The current LEP led governance arrangements are coming to an end in March 2025 meaning that new effective governance and management arrangements with the private sector/commercial experience are required to ensure this important strategic site maximises its potential as a local and regional economic driver.
- 2.19 It is clear **that things cannot continue as they are** and that there is a strong strategic case for change given:
- **The strategic importance of the site in the local economy;**
 - **The current LEP led governance arrangements are coming to an end;**
 - **The financial drivers for change because of the significant annual revenue deficit the Park is accruing;**
 - **Commercial skills are required to ensure this important strategic site maximises its potential in economic and financial terms.**

3. Economic Case

Purpose

- 3.1 The Economic case details the ‘critical success factors’ or ‘outcomes’ and reviews the options for achieving the strategic goals of the project. It also determines the historic and planned investments; the returns delivered to date; and the future return on investment that the company would be expected to deliver.

Critical success factors/strategic outcomes

- 3.2 The strategic outcomes (which act as critical success factors) for this project are set out below, they have been developed by Activist with the Council after gathering input from a selection of stakeholders and tenants and leaseholders at the site and are used to inform the option appraisal in the next section of this report. **Success will mean that as a result of this project, in three years' time the Council will be able to say:**

Table 3.1: Primary and secondary outcomes

Primary outcomes	Secondary outcomes
<p>1. We are delivering our new strategy for the Park</p>	<ul style="list-style-type: none"> • We have refreshed our vision for the Park in collaboration with our partners. • We have a clear strategy and business plan for the Park. • We have built a strong partnership to deliver that strategy and plan. • We have strong relationships and communication with our Park tenants.
<p>2. More businesses are locating to and growing on the Park</p>	<ul style="list-style-type: none"> • We are actively attracting new businesses and helping existing ones to grow. • We have generated growth, new jobs and income into the local economy. • We are improving the experience of using the Park for both businesses and their staff. • We have improved the operational management and security of the Park.
<p>3. We are delivering an increasing financial return from the Park</p>	<ul style="list-style-type: none"> • We have a healthy income from the Park's operations and the extra business rates. • We are generating good returns from our targeted investments in the Park. • We have secured additional funding and new public and private sector investment.

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- 3.3 The future management and governance model needs to enable the outcomes the Council wants to achieve with the Park. The strategic outcomes above have been refined into a set of criteria which will be used to evaluate the options. The options will not in themselves create a new vision and strategy and deliver the plans for the Park; instead they will create the conditions for success.
- 3.4 The focus of the criteria for each of the strategic outcomes can be summarised as:
- **Delivering our new strategy:** creating a formal, trusted framework that enables the Council to work with its partners to deliver a new vision and direction.
 - **More businesses in the Park:** providing the business development and management practices to grow the Park and make it a great site to operate from.
 - **Delivering a financial return:** rapidly putting in place the commercial financial focus to improve income and deliver good returns on new investment.
- 3.5 The Council and company will need to formalise a set of indicators to judge the success of the company in delivering the strategic outcomes and these would, in turn, need to be incorporated into the company’s performance management framework.

Dorset Innovation Park - strategic options appraisal

- 3.6 There are a number of high-level options to guide the future management and development of the Park. The table below sets out the opportunities and strategic options for the future governance and focus of the Park:

Table 3.2: Opportunities and strategic options for the future

Opportunity	Options that could be explored
1. Establish new governance arrangements for Dorset Innovation Park	a. Do nothing. Council continue running as they are as LEP arrangements to close down. b. Council to procure joint venture partner to secure investment and commercial expertise. c. Establishing an arm’s length company with dedicated focus on the Park.
2. Maximising economic impact / sector focus	a. Generic industrial estate. b. Defence and security focus. c. Innovation focus. d. Other sector focus.

- 3.7 The opportunities to establish new governance arrangements have been considered and examples elsewhere have shown that a dedicated arm’s length organisation that operates in a more businesslike way - and which can harness commercial expertise - can transform the prospects of a business park.

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- 3.8 This option was recommended to the Council’s Cabinet in November 2024 as the current arrangements were failing and other options would take too long to deliver and/or introduced too much risk.
- 3.9 The focus of the Park has also been considered and given its location, unique assets and facilities it is advised that economic impact of the Park is likely to be maximised by a focus on the defence and security sector whilst not excluding other opportunities in innovation, etc.

Long-listed options

- 3.10 Based on the findings of the work undertaken last year and the ambitions for the Park set out in the strategic outcomes in section 3.1 above, the following longlist of sourcing options were identified.

Table 3.3: Longlist of sourcing options for Dorset Innovation Park

Make	<ul style="list-style-type: none"> a. As is, with internal transformation. b. As-is (with transformation) with external advisory board and tenants' board. c. Create arm's length company (with or without assets).
Buy	<ul style="list-style-type: none"> d. Procure external management of DIP in full. e. Procure external management of DIP in part (eg networking and event services). f. Create joint venture with private developer/investor.
Share	<ul style="list-style-type: none"> g. Create public sector joint venture (eg with MoD, HE).
Divest	<ul style="list-style-type: none"> h. Full sale of site. i. Partial sale of site.

Short-listed options

- 3.11 The longlist was reviewed and a shortlist was identified for formal evaluation. The review of the longlist was based in part on experience and in part on our findings on the Council's (and others') history of managing the Park. The full assessment is set out in Activist's November 24 report. The assessment led to the following short list being identified:

Table 3.4: Shortlist of management and governance options

- | |
|--|
| <ul style="list-style-type: none">b. As-is (with transformation) with external advisory board and tenants' boardc. Create arm's length company (with or without assets)e. Procure external management of DIP in partf. Create joint venture with private developer/investorg. Create public sector joint venturei. Partial sale of the site |
|--|

Preferred option

- 3.12 The appraisal of the short-list has confirmed that the creation of an arms-length company is rated highest as it:
- Creates a new entity singularly focused on the Park which would draw in the expertise of the Park's key partners, inspire confidence that there will be change and protect the Council's strategic objectives.
 - Would enable the recruitment of dedicated management with commercial and business development expertise to bring to bear on improving operational management, customer satisfaction and sales.
 - Would establish the commercial financial management disciplines and the focus needed on short term financial improvement and long-term financial returns.

Investment and returns

- 3.13 The Enterprise Zone status was intended to secure £22 million of additional business rate income, and a range of other benefits. The LDO adopted by Purbeck District Council in December 2018 confirmed that the Park would when fully developed deliver: c1,165 net additional FTE jobs across the LDO site over and above estimated levels in April 2017; approximately 52,355m² of net new employment floor area, suitable for a range of activities; annual salaries of £53.8m per annum; and indirect spending of £4.8m per annum. In addition, it was estimated in the LDO that the EZ status would generate additional business rate income of £22m and a land value uplift of £9.25m.
- 3.14 These returns on investment were to be secured by the end of the Zone designation in 2042. To date there has been limited progress towards the delivery of these targets.

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- 3.15 The new company will present the council with a distinctly different service delivery model. This change, predicated on the ability to move more quickly and behave more commercially, will have a positive impact on the council's ability to deliver against its medium-term financial strategy position but, most importantly, will ensure that there is faster progress in delivering the original EZ targets by the end of its 25 year life.
- 3.16 At the point of the Enterprise Zone application in 2015 it was noted that site had massive potential for growth with, circa £100m of embedded infrastructural investment in the site. Following the site's purchase from the Homes and Communities Agency, Purbeck District Council, Dorset County Council and the newly formed Dorset Council have made several investments in building new business units and improving the infrastructure on the site. This included the completion of 20 new employment units in 2018.
- 3.17 The Dorset Innovation Park is also the site of the Defence BattleLab, a multi-million-pound investment by the Ministry of Defence, Dorset LEP and Dorset Council as a "Collaboration Nerve Centre" to bring UK Armed Forces and their challenges to an ecosystem that will bring traditional defence suppliers, academia, subject matter experts, and small to medium sized businesses who may or may not already be suppliers to this sector. The Defence BattleLab was officially opened in May 2022. It provides office space and meeting rooms, as well as access to experimentation assets such as an enclosed hangar, 5G enabled Lulworth Ranges, the roads and space of the Innovation Park, cleared airspace and sea area.
- 3.18 Dorset Council approved a further £14.6 million investment in the site in June 2022. It recently paid for 6 new light industrial units, costing £4.1m, and a four-year capital investment of £10.5m on other long-term projects which could include:
- The possible purchase of additional land to expand the site.
 - Improving the security gate building.
 - Adding more industrial or office buildings.
 - Creating a shared "amenity hub" to add to the sense of community onsite.
- 3.19 Whilst there has been no recent assessment of how many additional jobs have been created, how much additional floorspace has been provided or additional business rates have been secured since the Enterprise Zone status has been in place it is understood that limited progress has been made and that the Enterprise Zone is not currently on course to deliver its original targets. The establishment of Dorset Innovation Park Limited is intended to ensure that the Enterprise Zone delivery is improved to the point that the original targets are met by the end of the Enterprise Zone designation in 2042. The Council will need to assess the current performance so that there is a baseline position against which to measure the progress being made by the new company.

Conclusion

- 3.20 The appraisal of the long-listed and short-listed options has confirmed that the creation of an arms-length company is rated highest as the preferred option for a new entity singularly focused on the Park which could draw in the expertise of the Park's key partners, inspire confidence that there will be change, protect the Council's strategic objectives and ensure the Council achieves the returns on its investment originally agreed in its Enterprise Zone designation.
- 3.21 There is a **strong economic case for change** given the need to:
- **Deliver the business rate, job growth and floorspace targets set out for the Enterprise Zone.**
 - **Attract more businesses to the Park.**
 - **Delivering financial balance and return.**
 - **Secure a return on the Councils significant investments in the Park.**

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4. Commercial Case

Purpose

- 4.1 The Commercial case presents the approach to commissioning the new company, governance arrangements, investment requirements, risk ownership and payment mechanisms and sets the sourcing option appraisal conducted in this report in the wider context of the business case.

Commercial implications of preferred option

- 4.2 Dorset Innovation Park is currently struggling to fulfil its strategic and financial potential. Dorset Council have recognised that there is the need for strengthened management, and governance and resourcing arrangements which, when linked with the right vision, business plan and investment, can deliver further growth in the Park; improve the economic wellbeing of the county and wider region, and achieve financial benefits to the Council.
- 4.3 Examples elsewhere have shown that a dedicated organisation that operates in a more businesslike way - and which can harness commercial expertise - can transform the prospects of a business park. This option was recommended to the Council's Cabinet in November 2024 as the current arrangements were failing and other options would take too long to deliver and/or introduced too much risk.
- 4.4 The company will be dedicated to the success of the Park and given delegated authority to make most decisions (some reserved to the Council), subject to agreement of an Annual Business Plan. The Park has suffered from several management issues that have got in the way of growth and disappointed tenants:
- A poor experience for tenants and leaseholders, particularly with security.
 - A reactive approach to enquiries from new prospects.
 - Perceptions that the process for dealing with enquiries and potential sales is fragmented and that leads are not followed up.
 - Problems with realising the potential of the BattleLab and with covering its costs.
- 4.5 These longstanding issues have got in the way delivering the vision for the Park. Transforming the Park will involve two principal changes: a new commercial focus and carefully targeted investment. The new company will take on responsibility for the strategic operational and financial success of the Park and replaces what is currently perceived as a fragmented approach to the Park. The company will benefit from staff and board members with broad experience, commercial nous and a commitment to fast-track delivery.

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- 4.6 The company will dedicate more focused resources to the management of the Park. The Council has also earmarked £14.6m of capital for physical investments such as: New industrial units for rent; A pipeline of 'shovel-ready' sites for buyers to develop; Improvements to the Gatehouse and security experience. These investments will be co-ordinated by the company working closely with partners on the site.
- 4.7 The Council will need to determine the payment mechanisms and frequency to the Company to support its operations these could be on an annual or quarterly basis.

Collaborative commitment

- 4.8 A key element of Dorset Council's commitment to the new company will be a shareholder agreement between the Council and Dorset Innovation Company which will act as a binding contract which outlining what the shareholders of the company can and cannot do. It defines each of the shareholders' rights and obligations and their roles in running the company and explains how the company will be run and define how important decisions are to be made. The shareholder agreement will govern the relationship between Dorset Council (the shareholder) and the company directors and can be used to prevent and resolve any disputes.

Scope of services to be provided

- 4.9 The draft Articles of Association for the proposed company propose the following objects for the company. ***The Object of the Company is to oversee the successful management and development of the Dorset Innovation Park Enterprise Zone (The Park), to drive business growth and support economic prosperity in the local economy with a focus on the defence and security sector. The Object is to be achieved through:***
- ***Helping businesses to start up, innovate and grow;***
 - ***Agreeing a Vision for the Park to set the strategic direction and investment priorities;***
 - ***Drafting plans and strategies that secure economic investment and job growth;***
 - ***Making recommendations to Dorset Council and other such landowners as appropriate to promote the economic success of the Park;***
 - ***Any such other Objects as the Company are ancillary to or in support of any of the above.***

Commissioning / Governance

- 4.10 The new company will be focused on the success of the Park and of its partners. It will be proactive in securing new occupiers on the site and will run the Park with professionalism. It will be capable of acting and responding quickly. At the same time, it will be wholly owned by the Council and responsible for delivering value-for-money and economic and employment objectives. It will be a small company with an outsized impact. There are six governance principles that are designed to deliver those objectives:

Table 4.1: company governance principles

<ol style="list-style-type: none">1. Streamlined: the decision-making processes for securing new investors will be accelerated.2. Delegated: decisions will be delegated to the company and its board as far as possible.3. Expert: we make the most of the knowledge of our board members and external advisers.4. Involving: we will maximise the involvement of our partners and tenants in the success of the Park.5. Proportionate: roles, terms of reference and reports will be fit-for-purpose and succinct.6. Accountable: we value our public ownership and demonstrating our delivery to our shareholders.
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- 4.11 The Company's Articles of Association will be established on the Company's formation. The Articles are a statutory legal document that forms the basis of a company's constitution. They will define the new company's share structure, and any rights attached to different share classes, detail how the company will be governed, rules and protocols for the appointment and removal of company directors. They will also set out procedures and provisions concerning the sale or transfer of company shares.
- 4.12 As a wholly owned company, Dorset Innovation Park Ltd will be subject to a set of governance arrangements that are configured to enable Cabinet to delegate certain decision-making functions to a Shareholder Committee. This Shareholder Committee will provide the means for the council to retain effective control over the strategic direction of the company by monitoring its performance, business affairs, finances and accounts and Council investment and making decisions which are reserved to the Council.
- 4.13 As the executive decision-making body for Dorset Council, Cabinet will consider this outline business case and be asked to grant explicit consent to set up a shareholder committee, performing the same function in relation to annual business plans in subsequent years.

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- 4.14 The Shareholder Committee will comprise Members of Cabinet and will meet at least four times per year. It will have delegated authority from Cabinet to exercise the Council's shareholder function. This includes: strategic direction; monitoring performance ; making decisions on reserved matters; commenting on and approving annual business plans; Receiving/requesting updates and information from the Company's Directors.
- 4.15 A Shareholder Representative will act as a communication channel between Company and the Shareholder Committee. The Shareholder Representative will attend Board meetings. Attendance at these meetings will allow the Shareholder Representative both to convey any input/requests from the Shareholder Committee and to communicate any updates and issues that require Shareholder approval back to that Committee. Where agility is required to facilitate commercial actions, the Shareholder Representative will be able to canvas a view from the members of the Shareholder Committee without convening a meeting.
- 4.16 The proposed staffing arrangements for the proposed new company are set out in detail in the Target Operating Model.
- 4.17 The Council's current contract for R&M, security and sales delivered by CBRE will need to be novated by the Council to the company and then reviewed by the interim team and final decisions on the sourcing of these services will be made by the company once it is operational.
- 4.18 The company will be responsible for confirming the sourcing model for its own support services and procuring any specialist advisers, all in line with The Procurement Act 2023. This will ideally be with the support of the Council's in-house procurement team (via an SLA). The detailed sourcing and split of support service functions will be kept under review by the company.

Risk ownership

- 4.19 The Company will be wholly owned by Dorset Council who will also retain the ownership of the land and a range of business premises. In these circumstances the majority of the risk associated with running the Company will still be owned by the Council. Robust governance arrangements, as set out above, that ensure the Council can manage the risks associated with the Company's operation will therefore be essential. As will an appropriate risk management strategy as set out in the Management Case below. Whilst the council retains the risk it is worth noting that the do-nothing option where the council continues to operate the current arrangements poses much greater financial, reputational and performance risks than the establishment of the proposed new company.

Conclusion

4.20 The scope of service to be provided and approach to establishing and governance arrangements and risk ownership for the new company have been fully considered and there is a **strong commercial case for change** given:

- **The sound governance arrangements which protect the Council's interests;**
- **The clear objectives of the services to be provided;**
- **The risks of doing nothing significantly outweigh the risks associated with establishing the company.**

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5. Financial Case

Purpose

- 5.1 The Financial case presents financial data and affordability of the project (validating the budgetary requirements; the new financial model; and the scope of the new profit and loss account and funding and cashflow arrangements. Most importantly, the affordability of the new arrangements will need to be confirmed.

Impact on income and expenditure

- 5.2 An income and expenditure account has been prepared combining the existing Council costs of operating the park and establishing the company. The Target Operating Model (TOM) assumes the following:
- Company revenue will be retained for the funding and development of the Innovation Park.
 - The legal ownership (leasehold) of the park, and any net sale proceeds from future land plot sales (leases) will be retained by Dorset County Council.
 - The company will be limited by shares.
- 5.3 Set out in Appendix (these need to be included in final version) is the forecast income and expenditure account for the 5 year period 2025/26 to 2029/30. Also set out in Appendix (need to be included in final version) are the key assumptions underpinning the forecast income and expenditure forecast.

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5.4 The Income forecast is shown below:

Figure 5.1: DIP – indicative income forecast

	2025/26	2026/27	2027/28	2028/29	2029/30
Revenue	£s	£s	£s	£s	£s
Income					
Rental Income	471,858	512,758	598,558	661,908	725,258
Service Charge Income	581,505	581,505	581,505	581,505	581,505
Retained Business Rates	300,000	320,000	400,000	450,000	550,000
Other Income - Conferences & Events	-	10,000	15,000	20,000	25,000
Total Income	1,353,363	1,424,263	1,595,063	1,713,413	1,881,763

- 5.5 The income project assumes a gradual increase in the lettings of BattleLab and Chesil House over a four-year period, alongside increasing business rates for the BattleLab letting which will be retained for use by the company. These projections are reasonable, but do not factor in any rent-free periods that may be required to attract tenants, as these vary depending on supply and demand, locally which in turn may depend on the strength of the regional and national economy.
- 5.6 Retained business rates are based on Dorset Council current budgets and forecasts.
- 5.7 A small level of conference and event income is forecast, increasing annually, but this is not optimistic and could potentially be exceeded. Events and conference also have the added benefit of raising the awareness and profile of the park, especially if the activities are defence related.
- 5.8 Overall, the income growth is 8.59% per annum annually in the four years from the base position in 2025/26. This growth is supported by associated expenditure to market and promote the Innovations Park.

DIP governance arrangements – outline business case

5.9 The forecast expenditure is shown below:

Figure 5.2: DIP – indicative expenditure forecast

Expenditure	2025/26	2026/27	2027/28	2028/29	2029/30
	£s	£s	£s	£s	£s
Staffing	197,272	326,522	326,522	326,522	326,522
Board Expenses	22,500	17,500	17,500	17,500	17,500
Staff on Costs	32,444	68,199	68,199	68,199	68,199
Management & Audit Fee	89,696	44,848	44,848	44,848	44,848
Business Support Costs	123,442	123,442	123,442	123,442	123,442
Premises Costs & Estates (Revenue)	599,398	599,398	599,398	599,398	599,398
Premises Costs & Estates (Improvements)	-	25,000	25,000	25,000	25,000
Unrecoverable Business Rates	127,000	127,000	127,000	127,000	127,000
Insurance	3,051	3,051	3,051	3,051	3,051
Sales & Marketing	10,000	10,000	10,000	10,000	10,000
Conference & Events	-	5,000	7,500	10,000	12,500
Security	243,416	243,416	243,416	243,416	243,416
Professional Fees	74,000	59,000	59,000	59,000	59,000
Loan Repayments	66,000	66,000	66,000	66,000	66,000
Total Expenditure	1,588,219	1,718,376	1,720,876	1,723,376	1,725,876

5.10 The expenditure reflects the costs of delivering the company's plans, combining the DCC historical data with costing associated with the new company, including Board costs to ensure robust governance and oversight.

5.11 The key aspects are on staffing two new posts, including the company Managing Director starting from July 2025 and a further two company posts being recruited to from April 2025. Only one additional post is assumed, and this is a secondee from DCC, from April 2025.

5.12 Staff on-costs assume company staff (but not the secondee) are in a company private pension scheme with employers matched contribution of up to 6% plus 15% employers National Insurance for total employer's oncosts of 21%.

5.13 It is assumed the management and audit fee will reduce in 2026/27 as company staff take on some of the Managing Agent role, currently outsourced to CBRE. This is a prudent assumption, and it is feasible the fee could be further reduced in subsequent years.

5.14 Sales and marketing costs are included to market and attract new tenants and leaseholders with staff costs associated with this included within staffing, as this will be an in-house led and coordinated activity.

DIP governance arrangements – outline business case

- 5.15 Professional fees are higher in year one, 2025/26, to reflect the cost of establishing the Community Interest Company, establishing the legal safeguards (asset lock) and registering with the regulator.
- 5.16 The loan costs are shown based on DCC costs with both the interest and capital repayment shown as expenditure. The split between capital and interest is not currently known. The interest element would be a cost, and capital repayments would reduce company liabilities, once established.
- 5.17 The overall increase is 2.1% per annum over the four years from the base year. This is reasonable as the base year contains additional legal costs (£15K) and from years 2 savings of £44k are achieved from the reduction in the management fee.
- 5.18 The overall position of the company is shown below:

Figure 5.3: DIP – indicative reserves and surplus

Reserves and Surplus (Deficits)	2025/26 £s	2026/27 £s	2027/28 £s	2028/29 £s	2029/30 £s
Reserves Brought Forward 1st April	282,000	47,144	-246,968	-372,781	-382,744
Surplus (Deficit)	-234,856	-294,113	-125,813	-9,963	155,887
Reserves Carried Forward 31st March	47,144	-246,968	-372,781	-382,744	-226,856

- 5.19 This shows that the company's deficits decline after year 2 as more rental and business rates are received, and the company becomes more established. The deficit rises in year two as additional staff cost apply for the whole year, two additional posts and 2025/26 has only nine months cost of the initial two staff recruited.
- 5.20 From year 5 the company will generate an operating surplus and given the small deficit of £9k in 2028/29, that can be eliminated by small cost savings in that year. Deficits in company early years are expected until a steady state is achieved.

Impact on balance sheet

- 5.21 As shown above the company will have deficits in the first three or four years and they will require funding. The Company will start with reserves of £282k of retained Business Rates, but these are insufficient to maintain a positive reserve position beyond year two.

DIP governance arrangements – outline business case

- 5.22 The maximum accumulated reserve deficit as shown as 5.19 above is £383k, which will require funding. However, the above is revenue income only and DCC will also generate plot sales capital receipts across the 5-year period as shown below.

Figure 5.4: DIP – indicative capital receipts

Capital					
	2025/26	2026/27	2027/28	2028/29	2029/30
	£s	£s	£s	£s	£s
Land Sales	1,050,000	-	1,050,000	1,400,000	1,750,000
Total Capital Receipts	1,050,000	-	1,050,000	1,400,000	1,750,000
Land Remediation Costs			150,000	200,000	250,000
Professional Fees (legal etc.)	30,000	-	30,000	48,000	54,000
Cost of Land Sales	30,000	-	180,000	248,000	304,000
Net Capital Receipts	1,020,000	-	870,000	1,152,000	1,446,000

- 5.23 As a potential funding option, the Council could potentially use the initial capital receipt, in 2025/26 of £1 million (shown in the table above) to loan the company funding of potentially £450k to cover the period until the reserves are positive. £450k is suggested to give a buffer slightly in excess of the requirements as the timing of income and expenditure could vary, to give a higher cashflow requirement.
- 5.24 Further work will be required at the Full Business Case stage to determine the balance sheet implications and solutions to the short-term funding requirements.

VAT and tax treatments

- 5.25 The company would exceed the VAT threshold and would therefore be legally required to register with HMRC for VAT. It would both charge and reclaim VAT in accordance with HMRC guidance as any public or private company would.
- 5.26 An arm's length company would be liable for Corporation Tax, but this can be mitigated through allowable costs in year and through the provision of any Council revenue funding being made in the form of a Shareholders, or Directors, loan. The Company can offset income against repayment of the Shareholders loan. Deficits carried forward, would be allowable on future surpluses as the potential loan funding is repaid. After the overall reserves are positive, the funding of community benefit activity in year, with forecast surpluses is a way to reduce reported surpluses and hence any corporation tax liability.
- 5.27 This is a complex area and Activist provide this as a general outline approach for the business case and not as specific tax advice.

Affordability

- 5.28 Overall, the Target Operating Model and forecast income and expenditure show the proposals are affordable, with a funding cap to cover the initial period. The £282k of initial retained business rates funding does cover the year one deficit but further funding of £382k will be required.
- 5.29 The establishment and operation of Dorset Innovation Park Limited is affordable and can be fully funded through a combination of existing budgets and the utilisation of £282k of additional business rates income being accrued from the site. It is however important to note that in addition to the costs of running the company the Council will need to continue to fund the management and maintenance of the estate and to invest capital in new developments on the site.
- 5.30 The funding of the Company from the additional business rate income should be seen as the opportunity to improve the budget performance of the Estate which is currently operating at an annual loss and should also be seen as an invest to save initiative which over time should bring further returns in both increased rental income and much greater additional business rate income as new businesses are attracted to the site. There will over time be the opportunity to attract additional private and public sector investment to the site which will further enhance the sites viability and attractiveness.

Conclusion

- 5.31 There is a **strong financial case for change** which should deliver:
- **Financial balance in operating budgets for the park, from year 5 onwards;**
 - **The Council can fund the short-term deficits, with loan funding to eliminate the Council's historical deficits in operating the park;**
 - **Increased receipts of Non-Domestic Rates for investment in the local economy from the park;**
 - **Increased rental returns and capital receipts from the Council's land and property holdings on the park;**
 - **A clear Target Operating Model that leads to financial sustainability is the medium term and reinvestment into the local economy in the longer term (once the loan is repaid).**

6. Management Case

Purpose

- 6.1 The Management case reviews the arrangements for managing the project including achievability, programme and project management arrangements, benefits realisation, and post project evaluation methods. The management case also includes, the new operating model, risk management arrangements; board recruitment; staffing arrangements; outline Council and company governance and implementation plan.

Achievability

- 6.2 The overall objective is to get the new Dorset Innovation Park company established and operational by August 2025. The Budget is available to do that and there are some strong candidates interested in joining the Board. The Council has demonstrated the commitment to investing the necessary financial, management and other resources to make the delivery of the new company achievable. The interim arrangements being established by the Council along with the engagement of key stakeholders all give the proposed new company every chance of success.

Programme management arrangements

- 6.3 Dorset Council wish to move at pace to establish new governance arrangements as soon as practically possible. The Council have recognised that to enable them to move with pace they need additional support to deliver the the wide range of requirements associated with the establishment of a new company.
- 6.4 The Council have commissioned Activist, a specialist team of consultants, to support them to establish the new company. The Council have also established an internal project team with representatives of all the Council disciplines required to set up a new company.
- 6.5 To guide and inform the work of Activist and council officers the Council have established an interim advisory board led by a Cabinet Member and including a corporate director and several key stakeholders including tenant representatives from the Park.
- 6.6 The Council is also putting in place interim management and tenant engagement arrangements to progress improvements on the Park and its management immediately whilst the new arm's length company is being established.
- 6.7 The following programme management timetable has been agreed and a project manager appointed.

DIP governance arrangements – outline business case

Phase 1: designing the company

- Designing operating model, governance and staffing.
- Finalising business case and financial model.
- Council Cabinet approval.
- **Timescale:** December 2024 to March 2025

Phase 2: creating the company

- Establishing the company.
- Launching interim management arrangements.
- Launching recruitment of chair, board and MD.
- **Timescale:** March to June 2025

Phase 3: launching the company's operations

- Recruiting MD and launching recruitment of staff.
- Finalising initial business plan for company.
- Moving to BAU operations for company.
- **Timescale:** June to August 2025

Project management arrangements

- 6.8 A member of staff from the Council's economic development service has been allocated to work with a project management specialist on the Activist team to jointly undertake the project management role to ensure the new company is established and operational in a timely fashion. A Gantt chart has been agreed identifying all the tasks that need to be completed and when they need to be completed by and by who will complete them to keep the project to timetable.

Benefits realisation

- 6.9 The establishment of the new Dorset Innovation Park company is intended to assist the Council to achieve the original benefits identified in the site's designation as an Enterprise Zone and in the adoption of the Local Development Order, as well as the need to deliver financial balance and returns and to improve satisfaction levels amongst the occupiers of the Park.
- 6.10 The new company will be required to demonstrate the progress it is making against the following targets/measures on an annual basis:

DIP governance arrangements – outline business case

- 1,165 net additional FTE jobs across the LDO site over and above estimated levels in April 2017;
- Approximately 52,355m² of net new employment floor area, suitable for a range of activities; annual salaries of £53.8m per annum;
- And indirect spending of £4.8m per annum.

6.11 In addition, it was estimated in the LDO that the EZ status would generate additional business rate income of £22m and a land value uplift of £9.25m. The financial targets to be inflated as appropriate to reflect actual/real values at the time they were set.

6.12 These returns on investment are to be secured by the end of the Zone designation in 2042. In addition, the Company will be required to deliver financial balance to the Park and to demonstrate improved levels of occupier/tenant satisfaction.

New operating model

6.13 A new operating model has been developed to assist Dorset Council in planning the establishment, membership, staffing and governance arrangements of a dedicated company to oversee the management and development of the Dorset Innovation Park. The operating model and the financial and staffing models contained within it help to inform the Business Case for the company and the Cabinet report for March 2025. That report provides more detail on the proposed company and recommends that it is established in April 2025. This provides an initial draft of the company's operating model, to be finalised following the appointment of the board and the first Managing Director (MD).

DIP governance arrangements – outline business case

- 6.14 The three preliminary phases of the company's development are shown below. While permanent appointments are made and to ensure progress, change will be initiated by an interim team.

Figure 6.1: DIP – overview of three preliminary phases



Risk management strategy

- 6.15 The approach to risk management will focus on two phases of the development of the new company:
- **Implementing:** the project to create the company and begin to make changes pending the recruitment of the company board and staff.
 - **Operating:** the strategic and operational management of the company once established.
- 6.16 While these two phases are closely linked, the risk profile will change in nature and impact and so individual risk registers have been developed for each phase. At this stage of preparation, the focus is on ensuring that the principal risks have been identified along with mitigating action.

DIP governance arrangements – outline business case

- 6.17 Once the project to create the company is mobilised, the preliminary risk registers will be converted into 'live' registers for active management, accompanied by detailed assessments of the likelihood and severity of each risk and the impact of each mitigation in reducing the risk. The project manager will:
- Take on active management of the risk registers.
 - Ensure all mitigating actions form part of the project plan and their progress is checked.
 - Identify and assess any new risks and ensure they are addressed.
 - Identify action needed to address risks that have materialised into issues.
 - Identify risks that have been successfully addressed and that can be closed.
 - Report on the risk register to the project sponsor and board and enlist support in issue resolution.
- 6.18 Progress on risk management will form part of management reports on the implementation of the company so that the political and managerial leadership of the Council is aware of how its company is performing. This will also be reported to the Council's regular shareholder committee for the company.
- 6.19 Extracts from both preliminary risk registers are shown below and more detailed versions can be found in Appendix 1.
- 6.20 Extracts from preliminary risk register for implementing the company are shown below. The risks are largely ones associated with the planning and set-up of the company. The mitigating actions have all been included in the detailed project plan for the company's set-up.

DIP governance arrangements – outline business case

Table 6.1: extracts from preliminary risk register for implementing the company

No	Risk (principal risk in bold)	Examples of mitigations
1	Inadequate resources: not enough to deliver change quickly.	<ul style="list-style-type: none"> • Source additional capacity and expertise. • Supply and resource the interim staffing.
2	Loss of strategic focus: scale of the project distracts from priorities.	<ul style="list-style-type: none"> • Use and resource project disciplines. • Defer non-urgent decisions to company.
3	Insufficient planning: leaving the company with key weaknesses.	<ul style="list-style-type: none"> • Sound governance principles and roles. • Company has sufficient autonomy. • Design operating model and staffing.
4	Poor recruitment: leading to poor appointments.	<ul style="list-style-type: none"> • Design right jobs and governance roles. • Jobs attractive and suitably remunerated. • Open, professional recruitment.
5	Unrealistic finances: resulting in poor performance.	<ul style="list-style-type: none"> • Profile growth and potential returns. • Develop five-year ROI forecast.
6	Weak engagement: with current and potential Park partners.	<ul style="list-style-type: none"> • Develop engagement and communication plan. • Start new advisory boards.
7	Expectations not met: slow pace results in loss of confidence.	<ul style="list-style-type: none"> • Manage expectations with realistic milestones. • Prioritise short-term impacts.

6.21 The extracts from the preliminary risk register for operating the company are shown below. The risks shift from 'start-up' risks to strategic and operational risks. These include changes in the economy and governance risks. They also include risks associated with poor management of the company's operations. A principal area of risk is the nature and maturity of the relationship between the Council and the company. The company is the Council's and is controlled ultimately by the Council. Leadership behaviours will determine whether that control is exercised appropriately.

DIP governance arrangements – outline business case

Table 6.2: extracts from preliminary risk register for operating the company

No	Risk (principal risk in bold)	Examples of mitigations
1	Sales process weaknesses: leading to poor performance.	<ul style="list-style-type: none"> • Implement formal business development. • Keep target types under review. • Keep pricing under review.
2	Tenant dissatisfaction: tenants not satisfied with experience.	<ul style="list-style-type: none"> • Start 'partner relationship management'. • Create new park facilities and security.
3	Changes in economy: lead to departures or poor sales.	<ul style="list-style-type: none"> • Monitor trends in economy. • Track partners' financial performance. • Keep target sectors under review.
4	Governance weaknesses: undermine effectiveness.	<ul style="list-style-type: none"> • New performance management. • Implement new operating procedures.
5	Council relationship weaknesses: weakening trust.	<ul style="list-style-type: none"> • Keep delegations under review. • Review contract management.
6	Operational weaknesses: the company not functioning smoothly.	<ul style="list-style-type: none"> • Adjust staff capacity and skills. • Adjust sourcing plan, contracts/SLAs.
7	Poor financial performance: insufficient resources or poor financial management.	<ul style="list-style-type: none"> • New financial management framework. • Update the financial model. • Prioritise losses and high. • Clear financial case and ROI for capital. • Ensure financially literate staff.

Conclusion

6.22 There are strong and effective programme and project management arrangements in place to ensure the effective delivery of the proposed new arm's length company and a comprehensive operating model and approach to risk management are also in place. In summary there is a **strong management case for change** which is supported by:

- **A phased and managed programme of delivery;**
- **Dedicated project management arrangements;**
- **A clear operating model;**
- **A clear approach to risk management.**

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7. Conclusions

- 7.1 In **conclusion** there is a **strong business case** to support the establishment of Dorset Innovation Park Limited as an arms-length company to oversee the management and development of the Dorset Innovation Park.
- 7.2 Doing nothing will put the Council at significant financial and reputational risk. Financial losses would be likely to continue and tenant dissatisfaction will become more acute and the delivery of the Councils economic strategy will be hampered.
- 7.3 It is therefore essential that the Council recognises **things cannot continue as they are** and that there is a strong case for change given:
- **The strategic importance of the site in the local economy;**
 - **The current LEP led governance arrangements are coming to an end;**
 - **The financial drivers for change because of the significant annual revenue deficit the Park is accruing;**
- 7.4 **Commercial skills are required to ensure this important strategic site maximises its economic and financial potential.**

8. Next steps

- 8.1 The **next steps** are to:
- Establish external strategic advisory and tenants' boards.
 - Launch new Park interim management arrangements.
 - Create initial business plan, including the business development and financial plans.
 - Decision point: decide whether to proceed with company.
- 8.2 Subject to the final decision on the creation of the company:
- Mobilise company operations and financial management.
 - Establish company governance and Council oversight.
 - Recruit company board and managing director.
 - Launch the operations of the new company.
 - Company board to finalise and launch initial business plans.
 - Launch performance monitoring.

Appendices

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DIP governance arrangements – outline business case

Appendix i – preliminary risk registers

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Preliminary risk registers

- 8.3 **In section 6 (the Management Case), the approach to risk management has been summarised along with the two initial risk registers. These two risk registers are expanded on in this appendix. Once the project to create the company is mobilised, the preliminary risk registers will be converted into 'live' registers, accompanied by detailed assessments of the likelihood and severity of each risk and the impact of each mitigation in reducing the risks.**
- 8.4 The risk register for **implementing** the company is summarised below. The principal areas of risk are the quality of the recruitment process; establishing a clear budgetary management framework; the capacity needed to transform the management of the Park and deliver interim changes; and maintain the confidence of the Park's tenants and leaseholders.

Preliminary risk register for implementing the new company

Potential implementation risk	Potential mitigations
Inadequate resources: the Council does not have the capacity and capability required to deliver quickly the transformational change intended.	<ul style="list-style-type: none"> • Use temporary staffing adjustments and secondments to support the project. • Source additional capacity and expertise as needed. • Resource the interim staffing within the financial model.
Loss of strategic focus: the range and scale of the project distracts from the imperative of improving the performance of the Park.	<ul style="list-style-type: none"> • Apply project management disciplines and ensure clear separation of workstreams to create company and improve Park performance. • Ensure workstreams are project managed and resourced appropriately. • Ensure each project is appropriately resourced and prioritised. • Defer to the new company any decisions that are not critical to short-term performance improvement (eg reviewing branding).
Operational problems: insufficient effort put into design of new company, resulting in operational weaknesses and reputational damage.	<ul style="list-style-type: none"> • Design and implement the operating model carefully to maximise efficiency.

DIP governance arrangements – outline business case

Potential implementation risk	Potential mitigations
Weak engagement: prospective partners and Park tenants do not engage with or participate in the new partnership arrangements.	<ul style="list-style-type: none"> • Develop and resource an engagement plan with clear key messages and narrative flow. • Define the new partnership roles and ensure extent of commitment is reasonable. • Put interim advisory boards in place pending the creation of permanent advisory boards. • Refine communications plan and partnership roles in dialogue with partners.
Weak governance: the creation of the company is rushed resulting in poor governance and lack of transparency	<ul style="list-style-type: none"> • Ensure transparency of process and senior political and managerial oversight. • Define carefully the governance roles, ensuring conflicts of interest are avoided. • Consult with staff and trade unions over the proposals and any changes to staffing. • Recruit carefully to newly designed roles in company board and staff team.
Expectations not managed: the pace of change is slower than expected.	<ul style="list-style-type: none"> • Define narrative to describe project milestones so that expectations are managed. • Prioritise improvements that deliver a short-term impact to build confidence. • Develop targets for improvement that show ambition but are realistic.
Financial exposure: weaknesses in financial modelling resulting in financial exposure.	<ul style="list-style-type: none"> • Utilise external financial modelling expertise informed by service inputs • Ensure the financial modelling is quality assured by Councils finance service

8.5 The initial risk register for **operating** the company is summarised below. Once established, the company's management will take over the management of risk for the Park, including progress in achieving the Park's growth; delivering the projects at the Park; realising the expected returns for the Council as shareholder; and ensuring the success and viability of the company. Risk management will be built into the company's transformation programme and routine performance management framework and will be overseen by the Board, including through the company's audit and risk committee which will conduct an annual review on behalf of the Board.

DIP governance arrangements – outline business case

Initial risk register for operating the new company

Potential operating risk	Potential mitigations
<p>Sales process weaknesses: weak sales management leads to poor financial performance.</p>	<ul style="list-style-type: none"> • Implement formal business development and sales processes, manage performance and analyse feedback. • Maintain a wider 'sales team' with staff, board members, the Council and other partners to promote Park. • Keep target sectors and company types under review. • Keep pricing under review to reflect market conditions and progress in improving the Park.
<p>Tenant dissatisfaction: tenants not satisfied with operational performance, costs, transparency and engagement leading to departures and/or lack of advocacy.</p>	<ul style="list-style-type: none"> • Introduce 'partner relationship management' framework, brief board and train staff. • Review service charge framework and transparency of changes and communicate changes effectively. • Work with partners to finalise plans for new park facilities and security. • Develop regular programme of communications and events on Park. • Launch Tenants' Liaison Board and engage with tenants on all operational plans and progress.
<p>Changes in economic conditions: changes in the economy or partners' business strategies lead to departures or poorer sales performance.</p>	<ul style="list-style-type: none"> • Monitor trends in performance of economy, industrial strategies and Park's target sectors. • Track financial performance and growth plans of main partners on the Park to ensure early warning of issues. • Keep target sectors under review in event of changes in occupancy levels and financial losses.

DIP governance arrangements – outline business case

Potential operating risk	Potential mitigations
<p>Governance weaknesses: weaknesses in company governance, operational processes, contract management and performance management undermine company effectiveness.</p>	<ul style="list-style-type: none"> • Finalise and introduce new governance and performance management frameworks. • Ensure programme management framework established and maintained. • Finalise and implement new operating procedure 'manual' and ensure staff are trained. • Ensure staff have easy-to-use and effective technology and are well-trained.
<p>Council relationship weaknesses: disinterested or distant relationships and inappropriate approach to contract management weakens trust.</p>	<ul style="list-style-type: none"> • Ensure balance of delegations and reserved matters kept under review, observed and updated formally. • Keep contract management arrangements under review to ensure that they are proportionate and followed.
<p>Operational weaknesses: challenges of a start-up including sourcing support services undermine the ability of the company to function smoothly.</p>	<ul style="list-style-type: none"> • Ensure staff have the experience needed for a new organisation. • Source additional staff capacity and expertise as needed. • Put in place clear sourcing plan, contracts/SLAs and call-offs for support services. • Retain (but improve) CBRE contract until the new company is ready to take on their work.
<p>Poor financial performance: a lack of revenue or capital resources or poor financial management undermine the company's financial viability.</p>	<ul style="list-style-type: none"> • Finalise, implement and maintain financial management framework, accounting and reporting. • Ensure the financial model and underlying assumptions are regularly updated. • Prioritise tackling areas of losses and high costs, eg BattleLab and security costs. • Develop clear financial cases for capital investment by the Council and ensure its expectations are reasonable. • Ensure key posts filled by numerate and financially literate staff.