

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Carters Quay
Meeting date	20 March 2025
Status	Public Report
Executive summary	The Audit and Governance Committee meeting on 27 February 2025, requested an update on the ongoing work on the Carters Quay development as part of the Corporate Risk Register. This report provides an update in response to that request.
Recommendations	It is RECOMMENDED that Audit and Governance Committee consider assurances provided in this report and accepts the commercial sensitivities of the negotiations underway and the need to reach a resolution, noting that a report will be taken to Cabinet.
Reason for recommendations	This is in accordance with the recommendations of the Audit and Governance committee meeting held on 27 th February 2025.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance
Corporate Director	Glynn Barton, Chief Operating Officer
Report Authors	Amena Matin Director, Investment and Development
Wards	Hamworthy
Classification	For Recommendation

Background

1. The Overview and Scrutiny Board (February 2025) has requested Audit and Governance Committee initiate an investigation into the Carter's Quay development.

2. In addition, Audit & Governance Committee has included on its work plan for 2025/26 an investigation into the Council's governance and processes around regeneration projects with focus on the Carter's Quay development.
3. This report provides information to support the Audit and Governance Committee's consideration of the acquisition and development of Carter's Quay to satisfy the request made by Overview and Scrutiny Board. It should be noted that Cabinet will be updated later this year with the status of the negotiations and the options available to the Council.
4. Should the Committee feel further assurance is required, it is proposed the Committee reviews the information provided within the report to identify key lines of enquiry, should it wish to proceed to undertake its own investigation. The following methods are provided for consideration:
 - a. Propose an independent investigation. This would involve identifying and appointing an independent person and potential budget to lead the work and report to the Committee at a date to be identified.
 - b. Propose a review. Appoint an independent person or organisation, for example External Audit, to undertake a review of the work undertaken to date by BCP Council and provide an evaluated assessment for the Committee to consider.
 - c. Refer the matter to Overview and Scrutiny Board with a request to add this as a priority work area.

Pre-Contract due diligence

5. In 2021, the Council commenced discussions with Inland Homes to acquire Phases 4,5 and 6 of the residential scheme in Carter's Quay, Poole. The phases were the Build to Rent (BTR) residential element of a scheme which had been predominantly built out. The proposal was to acquire 161 new homes and ancillary ground floor residential amenity and commercial space.
6. The scheme was considered by the Council's Asset Investment Panel in August 2021 against the criteria of the Capital Investment Strategy (Non-Treasury) 2020-25 (CIS) and in the context of the Council's existing investment portfolio asset base and sector exposure. The panel had representatives from the Cabinet at the time (Leader and Deputy Leader) and it was collectively determined that it was appropriate for the Council to focus its interests on this residential scheme as it provides 161 new homes and is strategically fundamental to the delivery of the regeneration of the Holes Bay area.
7. The Leader of the Council presented the proposed Cabinet report on 23 August 2021 to Overview and Scrutiny Board.
8. The decision to acquire was considered and recommended by Cabinet to Council on 1 September 2021 and subsequently approved by Council on 14th September. This included a delegated authority to the Corporate Property Officer in liaison with the Leader, Section 151 Officer and Monitoring Officer to finalise the detailed terms of the legal documents.
9. Council approved a total budget which is set out in the Confidential Appendix A of the 1 September 2021 Cabinet report (and for ease provided with this report as Appendix 2). The authority was to enter into an Agreement for Sale for the purchase

of the land and completed buildings with the transfer of land taking place on completion.

10. On 22 October 2021 an Officer's Decision Record (ODR) was agreed following consultation with the Leader of the Council at the time, who confirmed instructions via email for officers to proceed. BCP Council executed the 'Sale Agreement' dated 4 November 2021 with Inland Partnerships limited (IPL), for Phases 4, 5 and 6 Carters Quay Development.
11. Due diligence was undertaken prior to any formal decision taken by Cabinet. This included technical input from Future Places (design review), Gerald Eve (valuation surveyor) and Bevan Brittain (legal advisors) to support the council's investment decision. A financial check was also undertaken on the associated companies, the parent company Inland Homes PLC, Inland Partnerships Limited and Inland Homes 2013. For the duration of the build, an Employer's Agent (Frazer Garner Associates) was retained to monitor the delivery and contract performance.
12. Appendix One to this report provides a chronological order of events post contract.

Status of development scheme

13. The Council became aware in October 2023 that FRP Advisory Trading Limited were appointed as the Administrators by Inland Homes PLC which included the land at Carter's Quay. The Council was aware prior to that in July 2023 that Inland had appointed FRP to undertake an independent review of separate issues following the departure of members of the senior leadership team and their Board.
14. The pace of the Administrator is outside of the Council's control despite regular engagement by officers to progress the matter and reach a negotiated settlement.
15. External legal support from an experienced insolvency firm was obtained to guide the Council throughout the process. With their support the Council also sought Counsel advice in 2024. To protect the Council's position this advice is currently legally privileged as it has been obtained in contemplation of litigation but provides options to the Council in the event a negotiated settlement cannot be reached to secure the land.
16. The Council has retained the services of external insolvency legal advisor to support the negotiations and conclude this matter in a timely manner and to the benefit of the Council.

Summary of financial implications

17. The original financial implications of the development can be found in the paper presented to Cabinet on 1 September 2021 as well as the confidential appendix which has also been provided with this report.
18. To date the Council has paid £15.4m towards the Carters Quay development site. This expenditure was treated as a long-term debtor funded via borrowing, as the asset behind the original development only came into ownership of the council on completion. The estimated revenue implications of the debt are set out in the table below:

	22/23	23/24	24/25
	£'000	£'000	£'000

Minimum Revenue Provision	190	304	307
Interest	315	845	845
Total	505	1,149	1,152

19. Any settlement with the administrator to secure the land will be treated as capital expenditure funded via borrowing. Depending on the agreed amount will determine whether further ratification from Cabinet and or Full Council is required.

Summary of legal implications

20. In respect of the role and functions of the Audit and Governance Committee, the Committee must operate within its terms of reference as outlined within BCP Council Constitution.
21. The legal implications of the steps to be taken to resolve the current contractual situation will be dealt with within the report to Cabinet or Council at the appropriate time.

Summary of risk assessment

22. There are commercial risks associated with this matter and the mitigations, which are contained within the legally privileged advice.

Background papers

Carters Quay Housing and Regeneration scheme 21 September 2021 Cabinet report
[Welcome to BCP Council | BCP](#)

Overview and Scrutiny report (23 August 2021)

<https://democracy.bcpCouncil.gov.uk/ieListDocuments.aspx?CId=292&MID=4869#AI7989>

Appendices

Appendix One – Chronological order of events

Appendix Two – Original Confidential Financial Report

Appendix One - Chronological order of events

<u>Timeline</u>	<u>Date</u>
Cabinet approval	1 September 2021
Council approval	14 September 2021
ODR signed	4 November 2021
BCP and IPL entered contract	4 November 2021
Works commenced on site	January 2022
Works ceased on site	February 2023
Official notices for Inland Homes & Inland Partnerships published in the London Gazette.	9 October 2023
Update on Carters Quay scheme to Overview and Scrutiny Committee	9 October 2023
Administrators verbal offer to release land	29 November 2023
Administrators confirm offer to release land	15 January 2024
BCP Council reject Administrators offer, with counteroffer	29 April 2024
BCP Council instructs external legal advisors for insolvency	November 2023 to date

Appendix 2 Confidential report to Cabinet report September 2021

[Carters Quay Build to Rent Opportunity Poole - Public Report.pdf](#)