

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Carters Quay
Meeting date	24 July 2025
Status	Public Report
Executive summary	<p>The Audit and Governance Committee requested an update on the issues at Carter's Quay as part of the Corporate Risk Register.</p> <p>This report outlines the due diligence undertaken prior to acquisition, the decision-making process and subsequent activity post-contract.</p>
Recommendations	<p>It is RECOMMENDED that Audit and Governance Committee:</p> <p>1 Notes the process under which the contract was entered and the context in which it was agreed</p> <p>2 Accepts that ongoing work is necessary to reach a resolution and</p> <p>3 Notes that a report will be taken to Cabinet in due course.</p>
Reason for recommendations	To ensure any decision taken by Council on any significant capital project financed by borrowing has strengthened governance.
Portfolio Holder(s):	Cllr Mike Cox, Cabinet Member for Finance
Corporate Director	Glynn Barton, Chief Operating Officer
Report Authors	Amena Matin Director, Investment and Development
Wards	Hamworthy
Classification	For noting

Background

1. Further to the Audit and Governance Committee in May, this report provides an update on the process and governance related to the acquisition of 161 homes at Carter's Quay
2. The Council has instructed legal advisors to consider the routes to bringing this matter to conclusion given there is little response from the Administrator. As advised previously to the Committee, there is a legal charge over the land which runs with the Sale Agreement and prevents the Administrator from selling the site without the explicit consent of the Council. It should be noted that Cabinet will be updated later this year on the status of the negotiations with the Administrator and the options available to the Council.

3. Assessment of process and governance

4. The process taken at the time engaged members and officers acted in accordance with Council procedures. Matters were escalated and discussed with Senior Cabinet members to ensure the risk was fully understood and to ensure transparency around the significant investment being made.
5. All decisions were taken in line with the Council's Constitution and the Standing Orders at the time and all major decisions were taken through the Cabinet and Council as appropriate. The Council decision of 14 September 2021 was not unanimous, and some councillors spoke against the decision but passed it on a majority vote.
6. To support the legal and financial due diligence, external advisors were appointed to advise on the valuation (Gerald Eve) as well as the legal structure and draft the form of agreement (Bevan Brittain). This additional expertise was to ensure that the investment was structured in a way which represented best consideration for the Council.
7. Based on the evidence available, the following are relevant considerations for how the Carter's Quay acquisition came about:
 - Was sufficient time allowed to fully consider the proposed acquisition terms and build programme post Cabinet, due to the consented scheme expiring at a fixed time?
 - Was there undue external influence and pressure from Inland Homes related to planning approvals and the acquisition terms?
 - Was there too much Senior Councillor engagement with officers and strong direction to complete the acquisition?
 - Was there adequate consideration of the contractual structure and the financial and legal implications?
 - Was there too much reliance on limited Intelligence and restricted knowledge of the developer and market?
 - Was there sufficient risk assessment for all eventualities in the market, including insolvency, including for the parent company which provided the Parent Company Guarantee?

8. The following table sets out the steps prior to contract and the role of members and officers in the decision-making process.

<u>Activity</u>	<u>Date</u>
Approach made by Inland Homes to senior councillors. In November 2020, the Council commenced discussions with Inland Homes to acquire Phases 4,5 and 6 of the residential scheme at Carter's Quay, Poole. Inland Homes were seeking a forward funder for the build out of the consented scheme which was due to lapse in Nov 2021.	November 2020
<p>Asset Investment Panel : members included the then Leader and Deputy Leader of the Council (Cllr Drew Mellor and Cllr Philip Broadhead) Chief Executive, CFO and Director of Finance, Development Director, Strategic Projects and Investment Manager, Estate Operations Manager and Finance Manager.</p> <p>Discussions about potential acquisition of Carters Quay Private Rental Scheme (PRS), development appraisal and price, financial model and valuation. Inland Homes had a price expectation which could not be met based on the initial investment appraisal.</p>	8 March 2021
<p>Asset Investment Panel - via email from officers to the IP members requesting approval for a budget of £7500 for an independent valuation.</p> <p>That scheme is not a viable investment for BCP at the proposed price by Inland Homes, recommends an independent valuation to agree a negotiated price and proposal to progress to offer a fixed price.</p> <p>Deputy Leader wrote to the officer confirming agreement to proceed with the independent valuation.</p>	7 April 2021

<p>Asset Investment Panel</p> <p>Panel considered a structure whereby the Council would buy the freehold of the land (at the valuation agreeable by both parties) and then enter into a development agreement with Inland Partnerships Limited for the construction of the scheme in compliance with the planning consent and the terms of S106 agreement.</p>	<p>August 2021</p>
<p>External legal advisors were commissioned to advise on the structure of the transaction and drafting the contracts. Their advice covered the contractual structure and relevant matters such as Stamp Duty Land Tax and limiting procurement risk.</p>	<p>10 August 2021</p>
<p>Overview and Scrutiny Committee – the then Leader presented the report proposing the acquisition via a sales agreement and transfer of title on completion of works.</p> <p>O&S agreed and also requested that the gas boilers are replaced in line with the Climate agenda</p>	<p>23 August 2021</p>
<p>Cabinet approved the scheme and fixed price, via a confidential report:</p> <p>Agreement for Sale for the purchase of the land and completed buildings. The agreement will detail the contractual obligations and a deferred payment schedule setting out how the funds will be drawn down during the build period.</p> <p>Parent Company Guarantee, with an initial value equal to the build value which will decline over the term of the build to a minimum of 20% of the build price.</p>	<p>1 September 2021</p>
<p>Full Council approval for authority to acquire Phases, 4,5 and 6 at Carter's Quay passed by a majority</p>	<p>14 September 2021</p>
<p>Email from lead officer to the then Leader of the</p>	<p>4 November 2021</p>

<p>Council requesting a call to discuss the acquisition in response from pressure by Inland Homes to exchange contracts. The Leader's response to the request was "just go ahead and sign" [the ODR]</p> <p>ODR for 'Sale Agreement' dated 4 November 2021 with Inland Partnerships limited (IPL), for the Phases 4, 5 and 6 scheme with the benefit of a planning permission. The contract terms agreed an Advance Payment, payments throughout build and a Charge entered into over the land to the benefit of the Council. In addition, Inland Partnerships Limited provided a Parent Company Guarantee as set out above.</p>	
<p>Contract completion:</p> <p>BCP and IPL entered contract for a 24 month build programme to November 2025, target and longstop dates and a legal mortgage which prevents the disposal of the site without consent of the Council.</p>	4 November 2021
Works commenced on site (site clearance, and below ground works such as piling)	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 in return for payment of additional sums.	15 January 2024
BCP Council reject Administrators offer, with counteroffer	29 April 2024
BCP Council instructs external legal advisors (insolvency specialists) to provide advice and assistance.	November 2023 to date

Background papers

Carters Quay Housing and Regeneration scheme 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#A17989>