Forward by Chair of the Audit & Governance Committee

July 2026

As Chair of BCP Council's Audit & Governance Committee, I have undertaken to write a forward statement to bring together and conclude the Committee's investigation into BCP Future Places Ltd.

I have therefore written the following with the aim of providing context to the investigation, a summary of relevant further information received, and an overview of some of the key issues we identified. The aim is also to support the recommendations that have been identified through the investigation, which the Audit & Governance Committee recommend to Full Council.

The political independence of the Audit & Governance Committee is taken seriously by its members. The Committee is comprised of representatives across political parties. As Chair, I would add further that I am not a member of the political party whose administration is currently in control of BCP Council, nor of the party of the predecessor administration mentioned in this report.

It is within the remit of the Audit & Governance Committee to commission work from the Council's Internal Audit function. In this case, we have done so to provide greater transparency and clarity over what happened during this contentious period and to identify where doing things differently would have improved outcomes. The External Auditor has already made clear that the recommendations arising from this investigation should be adopted.

I hope readers will find this informative. I hope it demonstrates the Committee's ongoing work to strengthen BCP Council's risk management and governance arrangements, and that it supports the building of public trust in BCP Council in the aftermath of these controversial events.

Eleanor Connolly

Chair, BCP Council Audit & Governance Committee

Background to the Audit & Governance Investigation

1. BCP Future Places Ltd (Future Places) was an Urban Regeneration Company (URC) created and owned by BCP Council between 2021-2023. It was not in existence for long but its establishment, operation and closure attracted criticism and controversy locally and nationally.

2. Less than a year after the first formal Board meeting of Future Places, in September 2022 the Minister of State wrote to the then Council Leader that he had significant concerns about the financial strategic direction of the Council, and asking that the Council agree to undergo an external assurance review of its finances and governance arrangements. The Council's relationship with Future Places was a specified component

of this review. This External Assurance Review was published in June 2023 and it included concerns about Future Places.

3. Following the local elections in May 2023, a new administration assumed control of BCP Council. The new administration's Cabinet agreed to close Future Places in September 2023.

4. In November 2023, the then-Leader of the Council, Vikki Slade MP, asked the Audit & Governance (A&G) Committee to consider lessons learnt from a governance perspective.

5. A paper was therefore prepared by BCP Council officers and brought to the A&G Committee on 11th January 2024, titled 'Council Owned Companies Shareholder Governance Review'. The report set out the action taken by BCP Council in light of the independent External Assurance Review by DLUHC. It also reflected a self-assessment review by the internal audit team, and the governance review which had been undertaken by the Chair and Non-Executive Director of BCP Future Places Ltd. A review of shareholder governance arrangements for all Council-owned companies was also undertaken by the Interim Corporate Director for Resources in November 2023.

6. This January 2024 paper set out several recommendations which have relevance for existing Council-owned bodies and any future Council-owned bodies. The A&G Committee are expecting a progress update on the implementation of these recommendations later in 2026.

7. Further to this January 2024 paper, some members of the A&G Committee and members of the public had unanswered questions around the detail of what happened at Future Places. It remained a contentious issue and there were very different narratives around events. Committee members agreed that there was benefit to understanding what had happened in more detail, particularly given the erosion of public trust in BCP Council. In November 2024 therefore the Committee decided to put an investigation into Future Places onto the Committee's Forward Plan.

8. To facilitate this, in March 2025 the Monitoring Officer presented the Committee with a Review of BCP Future Places Limited, setting out the chronology of events related to Future Places and published governance documents, including papers related to BCP Council decisions and the Future Places Board minutes.

9. There was divided opinion amongst A&G Committee members as to how best to proceed with the investigation. Some argued for paying an external company (e.g. a consultant, audit or legal firm) to undertake an investigation. Others argued that commissioning such work from the private sector would need a precise question/scope to ensure it is cost-efficient and that our areas of interest were, at that stage, still very wide. Others felt that the key issues with Future Places had already been addressed. It was noted that the Committee has the Internal Audit function within the Council at our disposal to commission work.

10. The A&G Committee therefore came to a decision that an investigation would be carried out by the Council's Internal Audit, which would report back to the Committee with answers to questions set out in a detailed scoping document agreed by the Committee. It was acknowledged that Internal Audit and the Head of Audit & Management Assurance

work to strict professional standards and code of ethics ensuring independence and objectivity. The independence of the Internal Audit function has not been called into doubt by any member of the Committee. Subsequent, further investigation based on specific lines of inquiry identified from this process was not ruled out.

Committee's investigation process

11. On 29 May 2025 the Audit & Governance Committee agreed the detailed scope of this investigation. Details of this approach taken by the lead investigator is set out in the covering paper and in Section A of the report. As Chair, I also made clear in public that anyone who wished to share information relevant to the investigation was able to do so with the lead investigator.

12. The lead investigator produced the report and the Committee met to discuss it in detail (referred to as the 'draft report' to date until the investigation is considered closed). This internal audit report is provided in Appendix 2 of this final report. I thank the Head of Audit & Management Assurance for the hard work put into producing this report, his meticulous and balanced approach and his readiness to explain in further detail to Committee members.

13. The Committee initially intended to hold the first meeting to discuss the findings in August 2025. This would have allowed the meeting to take place in the presence of the outgoing Chief Executive before his retirement. However, the unexpected resignation of then-councillor Philip Broadhead and subsequent by-election meant the August meeting had to be cancelled due to the pre-election period, so this could not go ahead.

14. Our discussion instead took place over three meetings on 24th September, 6th November and 3rd December 2025. In these meetings, we discussed the draft report section by section, asking for clarification, sharing our observations and identifying concerns. This took place over 11 hours of meetings, which was held in addition to the usual schedule of Committee meetings. For this I thank members of the Committee and the officers who made these meetings possible and for their generosity with their time for this.

15. Readers wishing to explore this matter in more detail may find it informative to watch those discussions, which follow the order of the report and are all available to view on the BCP website.

16. In the course of these discussions, we identified a number of areas where it was felt that more information from the individuals involved might support the investigation. I therefore wrote to a several stakeholders with questions in case they wished to supplement the draft report with additional information. I thank those individuals who responded and I have incorporated information from their responses into this Chair's forward.

17. It is also important to highlight the significant role played in this investigation by certain members of the public who have been following this issue since its inception and have been persistent in seeking information, such as through FOIs. On a number of occasions their questioning has found useful information to support the work of the Committee. The lead investigator incorporated their suggested areas of inquiry into his investigation (see appendix D of the draft report). Furthermore, some individuals who were employed by Future Places have written to Committee members sharing their perspectives.

18. To bring this investigation to a conclusion, the Committee agreed that we would take a final paper to Full Council, including the draft report produced by Internal Audit and our agreed list of recommendations. The Committee agreed that, as Chair, I would write an opening statement to the final report. The purpose of this is to explain the work undertaken, reflect any additional information received and bring out key themes.

19. In this forward, I do not speak on behalf of the whole Committee. The A&G Committee is a cross-party committee and contains different perspectives on the key issues and problems discussed. There are contrasting views within the Committee of the crux of problems related to Future Places. I hope to bring these different views out in this statement in the hopes that this is illustrative to readers.

Key themes explored by the Committee

20. In this section, I have tried to identify and summarise key themes and issues that arose through the course of the investigation. It is not exhaustive. Throughout, I bring in the different perspectives that have been presented by various people throughout the investigation.

a) Loss to the taxpayer

21. Put simply, from June 2022, the set-up for financing Future Places was as follows: BCP Council agreed to lend Future Places up to £8m – the 'working capital loan'. Future Places would spend up to this amount, backed by this loan, to produce work which would then be sold to BCP Council. With income received from selling the work done, the capital loan would then be reduced.

22. Future Places ultimately drew down £4.8m of the loan. There was no specific commitment made as to when this would be paid back. Income received by Future Places from BCP Council amounted to £4.7m. (This includes £1.3m paid before the working capital loan was put in place as the earlier funding model was funded from revenue). The total expenditure of Future Places was £7.1m.

23. Upon deciding to close Future Places, a process was undertaken by BCP Council to determine how much of Future Places' work could be of potential value to BCP Council and should be purchased. Details of this process are set out in section 4.1.15 of the report. After this process had completed, Future Places had an accumulated deficit of £2.4m. This was effectively how much Future Places was due to pay back to BCP Council but could not because it had not received enough income prior to closure. This amount, therefore, was written off.

24. Expenditure by Future Places is set out in its published accounts and is explained in some detail in the draft report - see section 4.1.5. It is not the case that money loaned to or paid by BCP Council to Future Places is unaccounted for.

25. However, the A&G Committee noted that this £2.4m loss does not reflect the full cost of the work undertaken by BCP Council to establish and then close Future Places, which came from operational budgets. Neither does it include the cost of the external consultancy work provided by Inner Circle advising on the set-up of the URC.

26. Importantly, it was noted that it also does not indicate whether the money spent by Future Places actually represented good value for money i.e. whether it was well-spent or not. This is a separate, and more subjective question.

b) Elected administration

27. An important context is that Future Places was a key part of the vision and plan of the elected administration that was in control of BCP Council from October 2020 to May 2023[1]. In January 2021, this administration launched 'The Big Plan', setting out an ambitious vision for regeneration of the region.

28. The creation of Future Places was declared as being motivated primarily by the desire to undertake ambitious regeneration projects at a much greater scale than had been delivered by the Council. The then-leader Drew Mellor and deputy Philip Broadhead were personally closely involved in its establishment, governance and, at times, its operations.

29. A&G Committee members reflected that this administration had a risk appetite for projects, ventures and levels of borrowing that may not be shared by other administrations or councillors. Different administrations will have different levels of risk they are willing to take. If an administration has a majority in Council, the level of risk that BCP taxpayers are exposed to will likely vary accordingly.

30. The approach taken by this 2020-2023 administration, led by Drew Mellor – such as the "unorthodox approach to budgeting" described in the External Assurance Review – is well-documented, including by the External Auditor. The 'Futures Fund' set out in The Big Plan, for example, involved the Council borrowing £50m to be paid back over a 50-year period. Irrespective of views on the merits or otherwise of the administration's approach, ultimately it is the case that this period culminated in the Government issuing a Best Value Notice in August 2023 (a formal notification from the Department for Levelling Up, Housing & Communities that the Department has concerns regarding an authority and requiring the authority to engage to provide assurance of improvement).

31. While this context is helpful for our understanding, it is important to recognise that the administration was entitled to create such an urban regeneration company, and that it had the votes to do so at Cabinet and Full Council.

c) Model

32. There are widely varying perspectives regarding the URC model that was chosen to undertake regeneration for BCP Council, leading to the set-up of Future Places.
33. Some viewed the model to be fundamentally flawed and that neither this, nor any similar model, should have been pursued in the first place. Some councillors and members of the public have expressed their views that the high salaries and bonuses being paid to external staff, with taxpayer money, for what is effectively Council work that could be done in-house, does not make sense and is not right. Others believe that this type of model was a pragmatic way to deliver regeneration at the desired scale and pace given the capacity and capabilities BCP Council had at the time. It has been noted that many Councils appear to have successful Council-owned bodies.

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[1] The Conservative group became the largest party in September 2020 following a vote of no confidence in the administration and the death of two councillors. Drew Mellor became leader following a leadership election in October 2020.

34. The A&G Committee discussion reflected on the tension in bringing together the private sector with the public sector. For example, Future Places paid salaries, benefits and bonuses significantly higher than BCP Council could offer staff. The rationale for such remuneration was that it would attract the talent who would otherwise work in the private sector. Unlike the private sector, however, these salaries were backed by local government funding. This was an entity envisaged as operating like a privately-owned consultancy firm, advising on projects such as boutique hotels, but backed almost exclusively by taxpayer money in a challenging financial and economic environment.

35. It is not clear how widely this fundamental tension was understood at the inception of Future Places and how much it was considered in decision-making.

d) Pace of establishment of Future Places

36. There was a clear desire from the administration to set Future Places up as quickly as possible. For example, the decision was made that the BCP Council Leader, Deputy Leader and Chief Executive would be on the Board of Future Places as an interim measure to get Future Places up and running while searching for appropriate Non-Executive Directors. This interim period lasted for over a year.

37. Concerns about this governance set up were raised during Future Places' existence. The Government's External Assurance Review in June 2023 set out that although the appointment of the Leader and Deputy Leader onto the Board of Future Places was just an interim measure while NEDs were headhunted, "it is poor practice for the Chair and Vice Chair of a council company to be the Vice Chair and Chair respectively of the Cabinet to whom the company is accountable."

38. The A&G Committee reflected that while this suboptimal governance arrangement might have been made for expediency, it is indicative of the haste to get the company up and running. As above, this perhaps reflects the vision of the administration to make progress on regeneration at pace. It is likely that a longer-term, slower approach to setting up a venture of this scale (and potential risk) would have been prudent, with the intended governance model in place from the start. This could have avoided some of the problems identified in the investigation.

e) Lack of political consensus

39. Former Future Places senior leadership have expressed the importance of buy-in from across the political spectrum for urban regeneration projects. It has been commented that unless a council is confident that expensive, long-term projects related to urban regeneration have the cross-party support to enable them to survive a change of administration, they are unlikely to be successful. The slow nature of major regeneration projects means they will inevitably overlap with political cycles and a plan to manage this transition is clearly important from the outset.

40. With Future Places, there appears to have been very limited interest on the part of the elected BCP Council administration at the time in trying to achieve cross-party consensus or collaboration. Nor does this appear to have been considered in, for example, the 'Business Case for the Creation of the URC' developed by Inner Circle.

41. Future Places was closely linked with the administration's ambitions and vision and the Council Leader and Deputy Leader were closely involved. Multiple votes at Full Council show divided opinion on Future Places at all stages.

42. When the proposal to set up Future Places came to the Overview & Scrutiny Board in September 2021, a motion by an opposition member to delay resourcing it was defeated. At the Overview & Scrutiny Board in October 2021, an opposition member proposed that the URC Board should have cross-party representation and this was also narrowly defeated.

43. It would appear that cross-party consensus was even less likely once the administration abolished the Overview & Scrutiny Board in May 2022. By the time of the proposal to change the funding model and approve the £8m working capital loan, scrutiny was now taking place via the new 'Place Overview & Scrutiny Committee'. The Chair and Vice-Chair of this Committee were members of the same political party as the administration. No recommendations were put to Cabinet from this Committee on the proposal.

44. Lord Kerslake, upon becoming Chair but before his unfortunate death, set up a 'Member-Future Places Working Group', after identifying the need to find common ground on a cross-party basis to support the URC. Future Places leadership have indicated that setting up such a Working Group had been anticipated from early on but had been paused until the recruitment of the Chair. To my mind, this also speaks to the problems associated with the pace of establishment of Future Places – with the right governance, and an experienced, genuinely independent Chair in place from the start, managing this cross-party consensus might have been achievable. It is also worth noting that other Council-owned companies have managed to survive multiple administration changes.

45. The opinion of some councillors and members of the public about Future Places seems to have surprised some of its advocates. Former Future Places senior leadership have indicated they did not have the access to opposition councillors that they believe would have helped, and that more engagement and interactions with councillors would have resulted in a different outcome, such as in understanding of the 'stewardship' proposition. However, I would note that there seems to be a lack of recognition that some councillors have strong objections to many fundamental aspects of the company set-up and the stewardship model. It is not obviously the case that more engagement with councillors would have changed this.

f) Recruitment process for Future Places Managing Director

46. This is one of the areas of greatest concern to the A&G Committee and to members of the public.

47. Emails from the time indicate that the then-Leader of the Council, Drew Mellor, made an offer of the role of Managing Director (MD) to an individual who had been providing consultancy work to the Council. The draft report states that this individual was initially engaged by the Council as a consultant in June 2021 through her own consultancy business. An FOI by a member of the public has since found an earlier reference to the individual attending a meeting with BCP Council in January 2021 in another consulting capacity.

48. When and how they first made contact is less relevant than the fact that the Leader appears to have made an offer of employment before any recruitment process had taken place. It is extremely rare for anyone to be offered a job in this setting without a formal process, particularly given the anticipated remuneration and responsibilities involved in the MD role. Council officers appear to have considered how best to proceed in these circumstances.

49. The grey area seems to have arisen as a result of Future Places being a separate commercial company and, as such, its requirements around recruitment were not clear-cut. There does not seem to have been a clear policy or agreed approach in place in BCP Council for the setting up of such a Council-owned company that could be referred to.

50. While the MO and the Head of HR agreed that an open recruitment process was preferable, the Head of HR indicated she believed it was not necessary and that holding an interview to justify the appointment would be sufficient.

51. Committee members have challenged this decision and expressed views that this recruitment should have been an open one. Indeed, it has been queried whether the decision not to have an open recruitment process was unlawful or not.

52. On the responsibilities of a Teckal company, such as Future Places, to the Public Sector Equality Duty, it may be that a legal opinion could be sought, but legal opinions can differ.

53. Such an opinion would not necessarily outweigh the opinion given at the time. It is clear that the MO and Head of HR were fully appraised of the situation. If the MO was giving formal legal advice – i.e. that not having an open recruitment process would put the Council at legal risk or that such a step was itself unlawful – it would be expected that they may have considered whether or not there was a requirement to formally intervene. The MO does not appear to have taken formal steps and it may be concluded that such a decision was founded on there being no unlawful act.

54. Regardless of different legal opinions there may be on the approach, A&G Committee members recognised that in their opinion it should have been open recruitment process and that this is what is recommended to take place should such a body be set up in future.

g) Appointment of Future Places senior leadership

55. The URC Business Case developed by Inner Circle described how “the URC’s primary role will be to employ expert staff who are versed in working with the private and public sectors to deliver first class development at scale and with pace and to provide expert advice to the Council on the preferred way of achieving strong outcomes through regeneration and investment on the key sites, and across the wider environment.” Clearly the skillset and experience of the Future Places senior leadership team would be vital to its success.

56. Regarding the choice of Managing Director, the interview panel consisted of three councillors, two of which were the Leader of the Council, Drew Mellor, and Deputy Leader, Phil Broadhead. Both recommended the appointment of the individual to the role. Concerns about lack of experience in an MD role, financial management, planning

and operational delivery were identified by the third panel member, who did not recommend her.

57. The individual has clearly worked in the field of regeneration, primarily as a consultant and also with pro bono work. It is reasonable to consider that her experience in this area was valuable. Nevertheless, it is clear that there were areas where she did not have relevant experience, such as those noted by the third member of the panel. It can reasonably be argued that this was a risk given the demands of the role of MD for a Council-owned company of the ambition and scale envisaged.

58. The MD has since stated that she had not previously worked in a local authority environment nor was she familiar with the structure of the organisation. She states that around the time of her appointment she expressed concern about her lack of experience in local government and that she was reassured that the Council Commissioning Team would manage the interface within the Council and provide support. She also indicates that she requested mentoring regarding local authority procedures and BCP Council ways of working. To put this in context, the Future Places MD was not in charge of this recruitment process.

59. The choice of MD of this company was clearly going to be key to its success, and the importance of attracting appropriate highly-qualified talent was the reason for the high salary, bonuses and other remuneration associated with the role. At this level of seniority and salary (£150,000 pa plus bonuses and benefits), it may be questioned how much support from BCP Council officers should reasonably have been needed or expected. Ensuring the right skillset for such a senior and integral role also speaks to the importance of a rigorous open recruitment process.

60. It appears to have been well understood that the skillset of the Future Places leadership team as a whole was important.

61. Only four days after being appointed, the MD confirmed she had identified two individuals to take on the roles of Chief Operating Officer and Strategic Engagement Director and wanted them hired “asap”. After this, at the request of the Chief Executive, these positions were openly recruited and the COO role was advertised on the BCP Council website for one week only. The person previously identified by the MD was then appointed to the role. One of the recommendations from the investigation is that senior executive positions should be advertised openly for at least 3 weeks (15 working days).

62. The Committee queried how these two individuals came to be recommended for the role.

63. The Future Places MD has stated that she had met the prospective Strategic Engagement Director previously in his role as Chair of the Poole BID (in which he was an interviewee in relation to a consultancy she had undertaken for BCP Council). She believed his local knowledge experience in stakeholder engagement and communications, and operational management ability, was helpful in the start-up phase of the company.

64. Regarding the Chief Operating Officer role, the Future Places MD had previously worked with him on regeneration as consultants and then more extensively and recently on research work. For example, in November 2019, they met with the Chair of the Local Government Association and both are described as being from Smart Growth

Associates. She describes him as highly experienced in company set-up, management and property/infrastructure investment and he describes his experience of off-balance sheet finance e.g. business securitisations and financing of motorway service areas, loan portfolios and residential developments using these techniques.

65. It is not necessarily improper to recommend and encourage individuals you have worked with previously to apply for roles. However, the process used to identify the skillset needed by the Future Places leadership team as a whole does not appear to have been rigorously designed to ensure that the above objectives for Future Places was met. It would appear that there were significant gaps in experience and skills needed for a successful leadership team of this description, which a more thorough process could have identified.

h) Contracts to third parties

66. The Committee paid particular attention to the finances of Future Places, including having an additional briefing to be shown the invoices underlying the figures presented in the Internal Audit report. It was acknowledged that it was clear where Future Places spent the money, but various concerns arose from examination of this detailed expenditure.

67. A key observation was the total amount spent on consultancy fees outsourced to third parties (totalling £3,146,410, or 44% of Future Places expenditure). It prompted discussion of whether the proportion spent on salaries, rent and other fees compared to what is commissioned by third parties was a sustainable and good value business model for BCP Council. In short, if this amount of work was going to be directly outsourced to third parties, it raised the question of why this should not be commissioned directly by BCP Council to avoid paying the high overheads for Future Places.

68. Former Future Places senior leadership indicate the reason for buying in this resource was not for lack of experience within the Future Places team but reflected that a larger headcount was needed to deliver the number of projects they had been asked to. It was noted that recruitment was underway at the time of closure and that it was widely understood that there would be a higher reliance on external work in the early years of Future Places.

i) Declarations of business relationships

69. A further concern identified by the Committee was how many of the contracts to third parties were to companies linked to the MD. The MD had co-founded The Stewardship Initiative and the MD has indicated this was well-known at the time of her appointment. However, it appears that no declaration of this interest was made of this at Future Places Board meetings. More than one third of Future Places' expenditure on commissioned work by third parties went to companies listed as supporters of The Stewardship Initiative on its website. The MD has since noted that some of these parties became supporters of The Stewardship Initiative subsequent to working with Future Places. I am not sure that this allays our concerns.

70. The Committee reflected that in business it is not unusual to work with previous business associates and this may simply be a result of the desire to work with people

with an established relationship. Nevertheless, some Committee members felt that these relationships should have been declared, given they were effectively receiving lucrative contracts backed by loans borne by the public. The MD has since explained that The Stewardship Initiative is not a formalised entity able to receive funds and that these relationships only indicate a "common interest in better placemaking". These relationships were not declared to the Future Places Board.

71. The Committee noted that the Future Places Business Plan taken to Cabinet in October 2021 included a confidential annex. Within that confidential annex, it was proposed that properties built and sold via Future Places would seek a 'Stewardship Kitemark' at the cost of 1% of the sale value. As no building project came close to being realised, this never materialised. This had the potential to have been extremely lucrative to the Stewardship Kitemark scheme if that had been developed. This Stewardship Kitemark was a concept created by the Stewardship Initiative co-founded by the MD. The MD has stated the relevant Future Places Business Plan presented to Cabinet should have been marked "indicative/draft – for development and review by BCP Council" and that there was no intention for the Stewardship Kitemark to have been adopted as a development standard without full discussion, development and explicit sign-off by BCP Council.

72. The issue remains that this proposal was not part of any documentation presented to the Council about the URC at its inception. The proposal was referred to but not clearly drawn out in the subsequent Future Places material presented to Council.

j) Work produced by Future Places

73. In considering the output produced by Future Places, the Committee commented on samples of work provided by Future Places, such as the Outline Business Cases for the Poole Civic Centre site for £250k and the Christchurch Civic Centre site for £169k. These were approved by Cabinet in February 2023 but Full Council decided not to move either to Full Business Case.

74. The proposal for Poole Civic Centre appears to be that BCP Council would borrow £43m using prudential borrowing, over a 50-year term. With this, the proposal was to convert the Poole Civic Centre into a boutique hotel, along with some residential housing. Regardless of views about this proposal, the Committee noted the substantial borrowing that would be required for it to go ahead and questioned whether this was ever realistic in the financial and economic climate. Similarly, Christchurch Civic Centre proposal would have needed financing of c.£26.7m. The subsequent decision to sell the Christchurch Civic Centre in October 2023 noted there was an £0.7m per annum viability gap in the Outline Business Case prepared by Future Places.

75. The Committee did not dispute that the work provided by Future Places should have been paid for as agreed, but it raised the question over how well the vision of Future Places or the stewardship approach was aligned with the state of local government finances at the time. This is linked to the theme that ultimately the projects requested were linked to the risk appetite and vision of a particular administration which was not necessarily shared by others. Future Places senior leadership have noted that the projects given to Future Places at the start were not easy, 'spade-ready' projects.

76. It has been argued by Future Places senior leadership that BCP Council undervalued the amount they agreed to purchase from Future Places upon its closure (see the process

described in section 4.1.15). It is unclear why BCP Council would have an incentive to do this, as they bore the cost regardless of whether any of the work was bought or not.

77. The Committee reflected on the scale of work BCP Council considered useful at the point of closure and it was suggested that this may reflect the work of Future Places being spread too thinly across too many projects. It was noted that a more advisable approach may have been to focus on delivery of fewer, more modest, tangible deliverables, at least in the first years. This reflects the findings of the Non-Executive Director Karima Fahmy's governance review of June 2023.

78. The report noted the Future Places COO appears to have attended a meeting between KPMG and the Council and it was queried whether this was outside the scope of Future Places' work. The Future Places COO has since indicated that he was invited to attend two of a series of such meetings that took place, ostensibly given his experience in e.g. business securitisation. His attendance was apparently agreed with the MD on the basis that the Inner Circle Business Plan suggested the URC should be able to provide ad hoc support to the Council.

k) Interface between Future Places and BCP Council

79. A clear theme throughout the investigation was challenges in the interface between BCP Council and Future Places, and the relationships between individuals and teams.

80. In February 2023, the Future Places Annual Review presented to Cabinet noted that "BCP Future Places has developed effective interfaces with BCP Council" and "developed effective interfaces and outsourcing relationships with BCP Council departments".

81. However, despite this positive view from Future Places of the interface, the draft report sets out that concerns began to be raised by the BCP Commissioning Team from at least January 2023 (3.2.20), e.g. lack of KPIs and scope creep. That there were issues in the interface between BCP Council and Future Places was supported by the subsequent findings of the Independent External Assurance Review carried out for DLUCH (June 2023) and the review carried out by the Non-Executive Director Karima Fahmy (June 2023). Future Places senior leadership has disputed that there was 'mission creep' and stated that this view resulted from a lack of understanding of their re-prioritisation.

82. Some attribute issues arising in part to lack of clarity around commissioning of work, roles and responsibilities and procedures. The report sets out that neither the Commissioning Agreement nor Resource Agreement were signed. The Commissioning Team stated that both were with the Future Places COO for review. The report notes that the Future Places Board were informed the drafts were with the Council for review, whereas the Council had the opposite view. The Future Places MD and COO have since stated that they believe the Commissioning Agreement was eventually signed but the investigation has not found evidence of this. They have stated that the Resource Agreement remained unsigned because the COO did not believe the terms offered by BCP Council were appropriate, despite numerous re-writes. This speaks again to the consequences of rushing to get started without the relevant agreements and documentation in place.

83. Some indicated that the involvement of the Leader and Deputy Leader and senior BCP officers on Future Places Board may have led to direct steers and commissioning discussions taking place in addition to – and potentially overlapping with – the formal commissioning channels via the service-level team. Concerns around how the Council managed this were outlined in the lessons learned section of the 2024 'Council Owned Companies Shareholder Governance Review,' which recommended not having councillors on the boards of such companies.

84. One of the key challenges identified by Future Places senior leadership team regards the size of the BCP Council Commissioning Team. The BCP Commissioning Plan that went to Cabinet in October 2021 envisaged that there should be a Commissioning Team of 6FTE to service Future Places, Bournemouth Development Company and Boscombe Towns Fund. In practice, Future Places senior leadership recall there being at most three on the team and there were vacant positions such that the client-side team had insufficient capacity. From the perspective of Future Places, clearly more staff on the BCP Council Commissioning Team dedicated to giving support to Future Places projects would have made this interface easier.

85. From the perspective of BCP Council, the proportionality of having a Commissioning Team of 6 people relative to the size of Future Places in these early days of the start-up would have been out of line with the size of other commissioning teams relative to their Council departments and budgets (e.g. Children's Services with a staff of 1,145 and a net budget of £117m has a Commissioning Team of c33 people). Bearing in mind the financial and other constraints that the Council was under, it could be argued that it was not proportionate to have a Commissioning Team of 6 to service Future Places in the first years when this was similar to the number of Future Places staff and the commissioning value was less than £10m.

86. It seems reasonable to comment that a larger Commissioning Team devoted to Future Places could have provided greater support to Future Places, but whether this was proportionate or feasible is a separate question. Experience of local government might have helped give insight into the challenges that BCP Council were facing and so improved relationships.

87. Aside from the Commissioning Team, the main interface between BCP Council and Future Places was the role of Shareholder Representative, filled by the BCP Chief Executive. The interactions have been explored in section 6.2 of the report. It appears that the Shareholder Representative was expected to provide a high level of support and attention to Future Places. It may be that the level of involvement required of him was not proportionate given the responsibilities of his role as Chief Executive of a local authority with a £1 billion budget. For example, it appears he was asked to provide mentoring to the Future Places MD, and it appears he was advising Future Places senior leadership on matters of local government and committee cycle preparation.

88. One of the recommendations of the investigation is that the role of Shareholder Representative should be formally defined in any future Shareholder Agreement. This may help manage expectations of the role in any future company.

I) Stewardship Proposition

89. A key part of Future Places' vision is linked to the concept of the 'stewardship proposition'. As made clear in the report, the Future Places MD had co-founded 'The Stewardship Initiative', prior to her employment with Future Places. The Stewardship Initiative website lists as its first 'ask', as "the removal of tax barriers for land providers wishing to adopt a patient capital position equalising through vesting land as equity, also inhibiting land assembly and pooling potentially through the creation of a Stewardship 'wrapper'."

90. The concept of this stewardship development model was not referred to in the first cabinet paper in March 2021, setting out the idea of setting up a URC and commissioning Inner Circle. It is not in the May 2021 Cabinet papers looking at various regeneration vehicle options and proposing the URC. It is not featured in the 'URC Business Case' provide by Inner Circle set out with the Officer Decision Record in June 2021 other than a few mentions of 'stewardship' at a very high level only.

91. It is only in September 2021, after the appointment of the MD, that the Cabinet paper introduces the concept of stewardship, describing it as a proposition that has emerged from the Government's 'Building Better, Building Beautiful Commission's' recommendations, which the MD had worked on.

92. By October 2021 and the Future Places Business Plan, the Stewardship Approach and its principles were a central feature of Future Places' whole ethos and vision. The Business Plan quotes the following Principles of the Stewardship Approach from the BBBBC work: "*3. Adopt a longer time horizon than the reporting cycle led developer model, so "value of place" can be realised objectively 4. Move to methods of valuation that align with the longer timeframe of a patient capital investor, considering area improvement, long term cost of use and social value [Stewardship Kitemark]".* The Cabinet voted to approve this Business Plan produced by Future Places.

93. As the Internal Audit report highlights, this Stewardship Proposition, focussing on patient capital and wider value for money criteria than traditional models, does not obviously align well with the expectations others may have had had around delivering at pace and demonstrating value for money to the Council. The Business Plan specifically proposes that the company will adopt a wider definition of "best value", that includes the "economic, social and environmental costs and benefits over the full expected life of the asset or project." The Council-Owned Bodies Governance Review in January 2024 identified that this company's focus on this Stewardship Approach appears to have caused diversion from the original intentions.

94. From the perspective of Future Places, this proposition was set out in the Business Plan of October 2021 approved by Cabinet and in subsequent material presented to the Council. Nevertheless, it is not clear that the possible impact of this stewardship philosophy was well-understood, particularly with respect to what this means practically for the expectations of Councillors and BCP Council officers.

95. The Internal Audit report identified that a "Commercial review of Stewardship Model for the URC" was commissioned by Knight Frank, another co-founder of the Stewardship Initiative. Committee members queried what this was for. The Future Places MD has since stated that this was commissioned to consider the impact of bringing the

‘stewardship proposition’ into the URC plans, and that this was separate to ‘The Stewardship Initiative’.

m) Bonuses not approved by Full Council

96. The paying of bonuses to Future Places staff was envisaged from the start as part of the attempt to attract talent from within the private sector. A remuneration committee was established within Future Places to agree salaries and bonuses. See section 5.1 of the report as to how the governance of approving bonuses was handled. It provides reassurance that someone as experienced and respected as Lord Kerslake had authority over the bonus process from his appointment as Chair of the Board in October 2022.

97. A&G Committee members expressed views that they would have expected bonuses to Future Places staff to have come before Full Council for approval.

98. The relevant wording of the Shareholder Agreement specified certain matters, such as bonuses, were ‘reserved matters’ and as such required approval by “the Council”. There were 42 such reserved matters. It was not specified, however, whether reserved matters had to go to Full Council for approval or whether they could have been approved by the Cabinet, Commissioning Team or delegated person e.g. shareholder representative.

99. Having said this, common sense might dictate that councillors would want to have a say on the paying of bonuses with public money. It is not clear whether this was discussed and actively decided against, or just whether it was not considered because Full Council approval was not specifically required by the Shareholder Agreement.

100. One of the recommendations of this report is to ensure that future wording of similar shareholder agreements do not require interpretation and that ‘approved by the Council’ should be enhanced by being explicit about what this means.

n) Rent for Premises

101. The choice of premises of Future Places was a specific area of inquiry for the investigation. See Section 5.5 of the report.

102. Initially Future Places staff worked from Poole Civic Centre Annexe. Future Places were given notice that this was to be decommissioned and so were asked to find new premises. For a period in 2022 staff worked from BCP Council Civic Centre buildings in Bournemouth, during which time it appears other options were being explored.

103. The Committee explored the reasons why continuing to work at the Civic Centre was discounted. In short, it appears Future Places believed they needed designated space for confidentiality reasons. The BCP Property Team, supported by the Chief Executive, were unable to offer Future Places designated space, as shared hotdesking was the standard operating model and they were unable to offer dedicated space to other Council teams with needs around confidentiality. The Future Places Board decided in May 2022 that working in BCP Council offices, without designated space, would not be appropriate for them, with the paper stating the option was “discounted as incompatible with the working model of the company”.

104. The minutes of the Board meeting in May 2022 show the Future Places Board gave an action for the Leader of the Council, Drew Mellor, to look into potential new premises for

the Company headquarters. It may be considered surprising that the Leader of the Council would have taken on this task.

105. Only a month later, in June 2022, the Future Places Board was told "after extensive search, space has been found at Bourne House, Bournemouth". The minutes for the meeting in July 2022 show this proposal was agreed. The COO has indicated it was the cheapest option available. The Future Places COO signed a license/rent agreement in August 2022 with Hinton Road Investments Ltd, who were the rent collecting entity within the Bourne group of companies.

106. On 5th May 2023, Drew Mellor became the sole Director of Hinton Road Investment Ltd. This is the day after the Council elections in which he did not stand for re-election.

107. Members of the public have been particularly exercised by these events and their concern is understandable. The key question is at what point, if any, this should have become a declarable pecuniary interest. Whether or not there was a breach of the Code of Conduct is not for the A&G Committee to determine – in any case, the BCP Council Constitution sets out that a complaint to the Standards Committee may be dismissed at the initial assessment stage where the person complained about is no longer a councillor.

108. The report notes Drew Mellor in his capacity as Council Leader had a previous relationship with the individual who sold Hinton Road Investment Ltd as they had discussed an earlier property transaction project. It is worth being clear, however, as to the limits of this investigation. It has not explored any existing relationship or background between Drew Mellor, Bourne House and his business associates. It does not provide insight into details of relationships, the timing of negotiations about the purchase of Hinton Road Investment Ltd, and the genesis of the idea to propose Bourne House to Future Places Board.

o) Role of council officers

109. The role of Council officers in some of the issues identified in the investigation has been the subject of some criticism, particularly from the former Future Places senior leadership team. For example, they have referred to meetings being held without including certain individuals and have identified a lack of mentoring and support, as well as lack of protection from online abuse.

110. On the other hand, there is evidence of support and engagement being provided by Council officers to Future Places staff. The former BCP Council COO has indicated examples of positive work between Council and Future Places staff. The report refers to the perspective of officers' experience of dealing with Future Places staff more broadly.

111. It seems clear that relationship issues did develop at some stage between Future Places and Council officers and between Council officers and the political leadership of the Council. The latter tensions are well-documented, such as in the External Auditor's Annual Report 2021/22 and 2022/23 referring to the "strained and challenging" and "toxic" relationships between the administration and senior officers.

112. Some attribute the challenges faced by Future Places to a lack of understanding and 'buy-in' to Future Places by Council officers, which led to a lack of will at a working level

to make a success of the project. This is not always reflected by evidence at the time, where there are examples and references to a high level of collaboration. However, I think our investigation has shown clearly that there were wider and more deep-rooted issues behind the problems identified which, if addressed, could have improved outcomes and working relationships.

113. It is worth noting that some argue that the Council officers did not do enough to prevent or 'reign in' Future Places, while others believe they did not give it enough support.

p) Decision to close Future Places

114. There are conflicting views about the background to the decision to close Future Places. Some, including some Future Places senior staff, have expressed the view that Future Places was unfairly maligned and presented in a negative way to new councillors and the public in 2023 ahead of the proposal to close it

115. However, others have made clear that their reasons for supporting the closure of Future Places was not the result of any narrative presented by officers or others but lay far deeper. Some councillors were opposed to Future Places because of reasons such as: principled objections to this type of work not being done 'in-house' by Council staff; objection to the high salaries, bonuses and expenses ultimately paid for by the taxpayer; poor opinion of the work presented to Full Council. It is also the case that wider economic and political environment changed in these years, such as related to borrowing costs and construction costs, which influenced judgements around finances. These and other reasons were based on publicly available information and not presented via officers.

116. Former Non-Executive Directors of Future Places have confirmed that they have no evidence to suggest there was a negative campaign by BCP officers against Future Places influencing the decision to close it down.

Conclusion

There can be seen to be two conflicting narratives as to what lay behind the problems of Future Places.

At the highest level, one narrative is that Future Places was a successful 'thought-leader' in the field, making progress in regeneration across BCP, but was hampered and eventually closed down through a negative attitude, insufficient support and a poor working relationship with Council officers who did not understand or share their vision. In this view, it was closed down for political reasons after an unfair narrative around its performance.

The opposite narrative is that Future Places was the vision of an administration leadership who wanted the benefits of a private enterprise combined with high borrowing by the taxpayer to fund this. The rushed pace of set-up was at odds with the 'slow capital', patient approach of the stewardship model advocated so intensely by the Future Places stakeholders. The risk the Council was exposed to as a result of the funding model, and the lack of cross-party consensus, meant that the Company was always going to face serious challenges.

I think it can be concluded that when the public elect councillors who stand on a platform of doing things differently from the norm, particularly in the area of Council finance, there are likely to be risks to the taxpayer. That particular administration was characterised by wanting to be bold and innovative, which usually involves risk-taking. Such an approach might pay off, but should be launched upon with an appreciation of that higher risk profile, and take appropriate precautions as a result.

I would make the following observations that a future administration may wish to consider before launching on a similar project:

- Given the length of time of major regeneration projects, success is more likely where there is widespread, cross-party support such that it will survive a change in political leadership.
- When spending public money, even through a private company and regardless of the technical or legal obligations, there is an obligation to justify the use of taxpayer money, and the importance of doing so must be embedded in the culture of the project.
- To get started on major projects without having the intended arrangements in place from the start, is taking on a high degree of risk. A considered, methodical approach to having the arrangements in place will likely yield better results than a hurried one.
- When appointing staff to positions ultimately funded by the taxpayer, care needs to be given to ensure the approach is rigorous, fair and appropriately comparable to that of the wider public sector.
- The knowledge, talent and experience needed to fill the senior roles of such companies is critical and care needs to be taken to ensure the right skillset is in place.
- Council-owned bodies should consider themselves to be held to the same bar and standards as Council staff and any deviation from this must be carefully justified.
- Appropriate governance, documentation and agreed processes are in part intended to mean relationships between individuals do not play a major role. If the success of a project relies on personal feelings towards the vision, it is likely that agreed processes are not sufficiently robust.

In addition to providing greater transparency and clarity around the events of Future Places, this investigation has resulted in a number of additional recommendations to Council. If these are successfully adopted, it is my view that risk to BCP Council will be reduced.

END