



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Council

8 February 2024

Councillor Richard Cleaver, Deputy
Leader of the Council

St Martin's Park Redevelopment Project, Stamford

Report Author

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Purpose of Report

To provide an update regarding the St Martin's Park, Stamford redevelopment project, and the preferred option recommended by the members of the Finance and Economic Overview and Scrutiny Committee on 15 January 2024 for the next steps with the project.

Recommendations

That Council:

1. Notes the progress made regarding the delivery of the St Martins Park, Stamford redevelopment.
2. Notes that there were a range of options that were available for the next phase of the project discussed at Finance and Economic Overview and Scrutiny Committee on 15 January 2024, attached at Exempt Appendix 1.
3. Approves the preferred option which has been recommended by the Finance and Economic Overview and Scrutiny Committee, attached as exempt Appendix 2.
4. Delegates to the Chief Executive in consultation with the Leader of the Council to enact the recommendations and provide a further update to the

Finance and Economic Scrutiny Committee regarding progress at its next meeting.

Decision Information

Does the report contain any exempt or confidential information not for publication?	Yes, appendices 1 and 2 contain exempt information under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972 (commercially sensitive information).
What are the relevant corporate priorities?	Growth and our economy High performing Council
Which wards are impacted?	Stamford St. Marys

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

- 1.1 This project has significant financial implications in terms of the costs incurred to date, the projected receipts from future sales and the potential financial outcome as set out in the various options. There are currently holding costs with this development which includes £14k per month for the electricity standing costs and an annual MRP (Minimum Revenue Provision) of £160k and therefore there is a compelling financial need to progress this project to a conclusion at the earliest opportunity. All the specific financial information regarding the project were considered by the Finance and Economic Scrutiny Committee on the 15th January 2024 with a preferred option before Council. The recommendation includes a range of actions that, if supported, will seek to mitigate any detrimental financial impact.

Completed by: Richard Wyles, Deputy Chief Executive and s151 officer.

Legal and Governance

- 1.2 The report includes links to previous Committees back to 2018 where decision making has taken place on the site at St. Martin's Park, Stamford.
- 1.3 From purchasing the site Pinsent Mason LLP were appointed to undertake all of the legal activities related to this project.

- 1.4 All of the exempt appendices from the Finance and Economic Scrutiny meeting held on the 15 January 2024, including financial and legal information are available for members to review within the documents for that meeting within their modern.gov app, as well as using the following (moderngov password protected) link below:

<https://moderngovextranet.southkesteven.gov.uk/>

- 1.5 The Committee held on 15 January 2024 scrutinised the report and supporting papers and recommended to Council a preferred option for approval.

Completed by: James Welbourn, Democratic Services Manager and Deputy Monitoring Officer

2. Background to the Report

2.1 Background – Site Purchase

- 2.2 South Kesteven District Council (SKDC) acquired in March 2019 land and buildings of the former ‘Cummins’ factory site which has previously provided employment for up to 500 people on Barnack Rd, Stamford.

- 2.3 The site is positioned on the edge of Stamford, to the southeast of the town centre. To the west of the site, Barnack Road is largely dominated by housing, interspersed with commercial buildings. To the east is open countryside and to the south Burghley House. The site immediately adjoining the property to the east has existing planning consent for employment uses and is owned by Burghley Estate.



Map 1 Location of the Site

- 2.4 The Council secured a 3-month period of exclusivity with the vendor to discuss the detail of a proposed purchase of the land with heads of terms being agreed on the 31st July 2018. As part of the negotiations the vendor insisted on very tight timelines for purchaser governance to be obtained, with exchange of unconditional contracts due by the end of September 2018. The vendor made it very clear that if

the Council did not adhere to the Heads of Terms that they would take the site to the open market.

- 2.5 The Council originally sought to purchase the site for growth and regeneration benefits for the District having identified it as a key employment site in Stamford. At the time the Council was concerned that should the site be purchased by a company in the private sector that it would solely have residential housing proposals brought forward for the site.
- 2.6 Lambert Smith Hampton (LSH) undertook development appraisals to identify the sites potential and value. A Red Book Valuation (professional valuation standards setting out mandatory requirements that all valuers must adhere to) was prepared by LSH to give the Council formal Best Value valuation advice to support the agreed purchase price. This gave a formal current use value, based on the existing land and buildings being used for office, industrial and car parking, and essentially provided the sites value in the market, excluding any element of potential hope value in the site for residential development. The assessed Best Value calculation was **£6.2M**. The social and economic benefits in terms of employment and business that the Council's aspirational mixed-use development would bring to the town was valued at an addition to the Best Value at a rate of 20% (£1,300,000) to bring the purchase price up to **£7.5m**.
- 2.7 The Cabinet considered this acquisition on the 6th September 2018 (link to papers below)
[Agenda for Cabinet on Thursday, 6th September, 2018, 2.00 pm | South Kesteven District Council](#)
- 2.8 Council approved the purchase of the site on the 27th September 2018 and a budget allocated of £8m.
[Agenda for Council on Thursday, 27th September, 2018, 2.00 pm | South Kesteven District Council](#)
- 2.9 The legal contracts to acquire the site were exchanged following the Council approval with an update being provided to Cabinet on the 7th February 2019.
[Agenda for Cabinet on Thursday, 7th February, 2019, 2.00 pm | South Kesteven District Council](#)
- 2.10 The site acquisition was completed in March 2019 and an update was provided to Council on the 23rd May 2019.
[Agenda for Council on Thursday, 23rd May, 2019, 2.00 pm | South Kesteven District Council](#)
- 2.11 This report sets out the various components of the original business case and the approach taken in respect of each of areas. Members are also given references to all the reports that have been provided throughout the duration of this project for them to be able to review the various stages.

This report will cover the following areas: -

- Combined Land Ownership (2.13)
- Collaboration Agreement (2.16)
- Masterplan Outline Planning Consent (2.29)
- Marketing Strategy 2019/2020 (2.34)
- Demolition (2.42)
- 1904 Building (2.50)
- Remediation and Earthworks (2.52)
- Joint Infrastructure Works (2.58)
- Financial Overview (2.62)
- Next Steps – Options Appraisal (2.67)

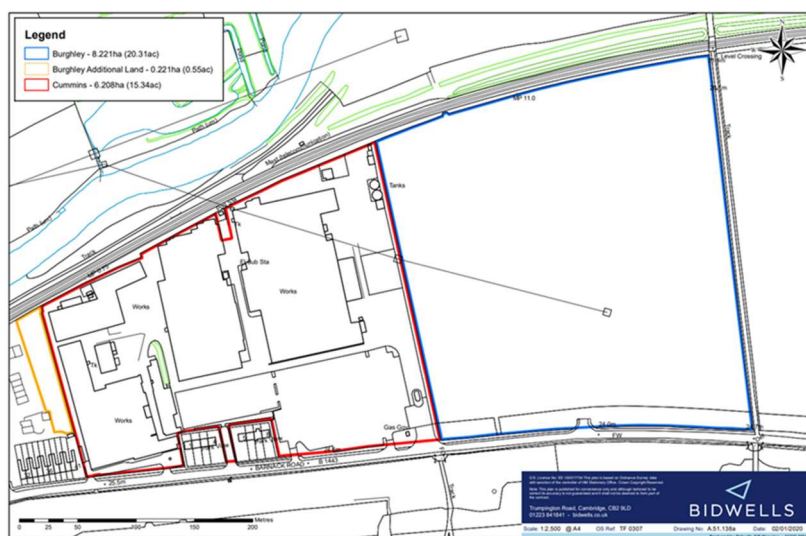
2.12 At the time of acquisition, the Council were considering using a delivery vehicle 'DeliverSK Ltd' to bring forward the site, a report regarding this was considered by Companies Committee on the 19th November 2019 but this was later discounted as an option.

[Agenda for Companies Committee on Tuesday, 19th November, 2019, 2.00 pm | South Kesteven District Council](#)

2.13 Combined Land Ownership

2.14 Burghley House Preservation Trust (BHPT) own land adjacent to the former Cummins site which has an existing consent for employment uses. BHPT as a charity have transferred the land to Burghley Land Limited (BLL) a wholly owned subsidiary of BHPT for the development to proceed.

2.15 These adjacent land holdings as shown edged red and blue on the attached plan extends to approximately 14.65 hectares (36.2 acres) in total. SKDC own the land edged red which is 15.3 acres, BLL own the land edged blue and yellow which is total is approximately 20.8 acres.



Map 2 - Land Ownership

2.16 Collaboration Agreement

- 2.17 Bidwells and Lambert Smith Hampton (LSH) were jointly appointed by BHPT and SKDC to advise on the sale and marketing of the overall site including the marketing procedure and negotiations with interested parties.
- 2.18 Bidwells and LSH were individually instructed to advise their respective clients (BHPT and SKDC) on a potential joint approach for the delivery of a comprehensive redevelopment of the two sites.
- 2.19 The purpose of the Collaboration Agreement was to bring forward the redevelopment of each landowner's respective site on a joint and equal basis. In agreeing the detailed terms for the Collaboration Agreement, the parties agreed that there were a number of key principles that would be fundamental to both parties in preparing and submitting a joint planning application and in selecting the eventual developers that would be responsible for building out the scheme in accordance with the outline planning permission that the collaborative partners would apply for. These included:
- Creation of jobs (both during the construction period and after)
 - Design, character and placemaking
 - Sustainability and Environmental criteria
 - Deliverability
 - Legacy and long-term stewardship of the completed development
- 2.20 SKDC and Burghley agreed to enter into a Collaboration Agreement in order to set the parameters for how the development would be promoted through the planning process and how the site would be marketed and eventually sold to developers.

Key points of the Collaboration Agreement are as follows:

- The Landowners agree to fund the master planning costs 50/50
- The Landowners agree that the proceeds of disposal will be settled 50/50
- Any clean-up costs associated with any contamination on respective landownerships will be **borne solely by that owner**.
- Burghley to contribute (to a maximum) £250,000 towards the demolition works required on the Council land (50% of the estimated costs at that time)

2.21 Distribution of Net Sales Proceeds

- 2.22 The Landowners shall jointly appoint a solicitor (the 'Lead Solicitor') to act on behalf of the Landowners in connection with the disposal of the Property benefitting from a Satisfactory Planning Permission and the Landowners shall authorise the solicitor on receipt of Gross Sales Proceeds following a sale to:
- 2.23 Pay the Landowners' Agents and sales solicitor their respective fees in connection with the sale.
- 2.24 Pay the balance of the Net Sales Proceeds to the Landowners on a 50/50 basis.**

- 2.25 The decision to enter into the Collaboration Agreement with Burghley was a key decision of Cabinet on the 21st January 2020.

[Agenda for Cabinet on Tuesday, 21st January, 2020, 2.00 pm | South Kesteven District Council](#)

- 2.26 Companies Committee were asked to scrutinise the decision of Cabinet at their meeting on the 4th February 2020

[Agenda for Companies Committee on Tuesday, 4th February, 2020, 2.00 pm | South Kesteven District Council](#)

- 2.27 Companies Committee received a further update on the project on the 30th June 2020.

[Agenda for Companies Committee on Tuesday, 30th June, 2020, 2.00 pm | South Kesteven District Council](#)

- 2.28 The Collaboration Agreement was formally entered into on the 4th December 2020.

2.29 Masterplan Outline Planning Consent

- 2.30 As part of this Collaboration Agreement SKDC and Burghley appointed a planning consultant (Insight Town Planning Ltd) and a master planner (Adam Architecture) along with a team of other professional consultants to prepare a planning application for the proposed redevelopment of the St Martin's Park site. The masterplan for the site is as follows: -



Masterplan of the Development

- 2.31 Following a lengthy period Outline Planning Permission was granted on 28th February 2022 (**Planning reference on the SKDC planning portal S20/2056**) for:-

Demolition of existing factory premises (excluding original factory building at south western edge of site). Erection of a high-quality mixed-use development comprising; Class E development of offices and workshops (10,000m² (GIA)), local food store and café; c190 dwellings including 30% affordable housing (Class C3); a retirement village including ancillary facilities (Class C2); public open space including strategic landscaping at the eastern end of the site; and all associated infrastructure. Means of access provided off Barnack Road through adaptation of existing vehicular access points as necessary. Secondary pedestrian and cycle access via Edgar Gardens.

- 2.32 As part of the Planning Permission, it is a requirement that the former Cummins factory which is located on land owned by SKDC was demolished and the land remediated in order to bring forward the proposed development. It is also a requirement of the Planning Permission that the overhead power cables affecting parts of the site are relocated (not at Landowners cost) and the Landowners are jointly working with professional advisors to secure this relocation (forms part of the Vendors Works).
- 2.33 The Council is currently paying a standing charge of £14,000 per month to retain the power supply to the Cummins side of the site (11kv) as this would generate enough electricity for any future development on the Council side of the site thus securing our position. If the Council terminated this power this capacity goes back to National Grid who would allocate it to the next scheme that applies for it. Any future development scheme on our site would then need to apply to National Grid for a new connection. There is limited electrical capacity at the Cherryholt station in Stamford and any new developments would likely incur huge charges for connecting a new supply as a new substation would be required. This is why it is key that the site remains 'serviced' by utilities as this would impact on the price for the land as any reconnection would be deducted from the Councils receipt.

2.34 Marketing Strategy 2019/20

- 2.35 In agreeing a marketing strategy for the St Martin's Park site, it was decided that a full marketing campaign should be adopted in order to ensure fairness and participation from a wide audience of potentially interested parties across the proposed mix of uses. It was, therefore, agreed this process would consist of the following stages: -
- Initial Expression of Interest
 - Formal interviews based on Expressions of Interest Submissions
 - Agree shortlist of interested parties for each element of the site to go through to Informal Tender stage
 - Informal Tender
 - Clarification of Informal Tender bid submissions
 - Best and Final bids submissions
 - Bid evaluation, analysis and reporting

An Expressions of Interest brochure was prepared, and the marketing campaign was officially launched on 24th February 2020 and concluded on 20th March 2020.

2.36 Marketing Campaign

A comprehensive approach was undertaken with regards marketing of the opportunity:

- (i) A national advertising and local press campaign
- (ii) Mailshots & Direct Marketing
- (iii) Website: The website - <https://www.stmartinspark-stamford.co.uk/>
- (iv) Direct Developer Contact:
- (v) Site Viewings

2.37 In summary, a total of eight Expressions of Interest submissions were received for the residential element of the site (six expressing interest in the whole residential element and two for part); a total of four submissions were received with regards the retirement part of the site; two submissions were received for both the employment and mixed-use parts of the site and one submission was received for the employment land only. In addition, one submission was received for the 1904 building only and one submission was received expressing an interest in acquiring the whole site with this party taking on the role of master developer.

2.38 The Bidding Guidelines were sent to all shortlisted parties on 28th May 2020 and an Informal Tender date of 8th July 2020 was set.

2.39 After submissions were received and detailed evaluation took place, the outcomes were reported to the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on the 22nd September 2020.

[Agenda for Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on Tuesday, 22nd September, 2020, 10.30 am | South Kesteven District Council](#)

2.40 It was noted in the minutes of that scrutiny committee that:-

- The Committee received a report on St Martin's Park, Stamford Project Update, on the financial submissions.
- The report detailed work that had been undertaken since a report was received by the Companies Committee on 30 June 2020. Members noted the robust processes that were in place and provided detailed feedback to Cabinet on the report.

2.41 Cabinet received an update on the financial outcomes of the bidding process and also supported the recommendations to progress to Heads of Terms with the 3 proposed developer parties and dispose of the site to the three preferred bidders. That was considered and approved on the 13th October 2020.

[Agenda for Cabinet on Tuesday, 13th October, 2020, 2.00 pm | South Kesteven District Council](#)

2.42 Demolition

2.43 As part of the planning consent and the vendors works, the Council was responsible for the factory buildings be demolished, the site cleared with certain materials being retained in stockpiles on site and any contamination identified on the site being fully remediated. Part of the premises, identified as the 1904 Building, was to be originally retained and was excluded from the outline planning permission as it was proposed to be converted to provide employment space.

2.44 The Council procured G F Tomlinson via the Scape Framework to undertake the work at a cost of £1.3m. Council approved the budget on 27th January 2022.

[Agenda for Council on Thursday, 27th January, 2022, 1.00 pm | South Kesteven District Council](#)

2.45 Demolition works started in April 2022 and were completed in December 2022 except for the demolition of the 1904 Building (and adjoining supporting structures) together with various underground utility structures that remain in situ.

2.46 An update during the demolition contract was received by the Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on the 27th September 2022 including every monthly site report on progress during the works.

[Agenda for Finance, Economic Development and Corporate Services Overview and Scrutiny Committee on Tuesday, 27th September, 2022, 2.00 pm | South Kesteven District Council](#)

2.47 At that time there was an overspend expected on the contract due to additional asbestos being found on site and there was no contingency in the contract sum therefore a report to Cabinet on the 18th October 2022 was required to seek approval for an additional £192k to pay the final account with G F Tomlinson. This was approved and Cabinet received the update regarding the next stage of the project which would be to investigate the remediation works required to clear the contamination on site.

[Agenda for Cabinet on Tuesday, 18th October, 2022, 2.00 pm | South Kesteven District Council](#)

2.48 This budget amendment was included in the report to Council on the 24th November 2022.

[Agenda for Council on Thursday, 24th November, 2022, 1.00 pm | South Kesteven District Council](#)

2.49 Currently the site has been left with three large stockpiles of crushed material that is intended for future use in the development.



One of the Three Stockpiles left on site

2.50 The 1904 Building

2.51 Due to the extremely fragile condition of the 1904 building (post the demolition works) a Demolition Consent has been obtained by SKDC to allow for the demolition of the 1904 Building. This cost was not included in the contract with G F Tomlinson therefore the cost of demolishing the 1904 building and the associated structures that remain around it will now form part of the works that developers will undertake in order to prepare this part of the site for commencement of development.

2.52 Remediation and Earthworks

- 2.53 When the former Cummins site was acquired by SKDC in 2019 it was agreed, as part of the purchasing obligations, that the seller would not be liable for any contamination that may or may not be present on the site. Initial high-level checks were carried out by SKDC prior to purchase of the Cummins site, as there had been a diesel spillage on the site which had required works to clean up the site however, in order to identify the full nature and extent of contamination on the site, further investigations were required following demolition of the buildings.
- 2.54 The Remediation Strategy has been completed by Delta Simons on behalf of the Council, submitted and approved by the Local Authority in October 2023 (including review and acceptance by the Environment Agency). This was a pre-commencement condition of the outline planning application.
- 2.55 The works have been approached in two main phases, the first being demolition and removal of obstructions (allowing further investigation to be completed), the second being remediation and earthworks. It is proposed that SKDC will not undertake the remaining demolition and remediation works (due to the substantial costs) and instead the Developers will complete these works. These costs will need to be deducted from the Council's receipt for the site as these works are wholly on the Cummins factory site and as per the Collaboration Agreement, it is for each landowner to cover clean-up costs associated with each parcel of land.
- 2.56 Initially, the Developers expectation was that these additional costs could amount to a figure in the region of £4.6m but to obtain more accurate costs more surveys

and testing was required on the site. Therefore, the Developers proposed to enter into an Exclusivity Agreement with the Landowners to allow them to undertake further site inspections and investigations (at their cost and risk) to understand the actual position of how much additional clearance work is required as well as fully ascertaining the extent of the contamination across the Cummins site. This was agreed by both Landowners and was from April 2023 to November 2023.

- 2.57 This period has meant that developers have provided more accurate costs of completing the remaining demolition and remediation works. It is important to note again that the costs for the Developers completing the outstanding Vendors Works (i.e. the remaining demolition and the remediation and ground engineering works) will need to be deducted from the SKDC share of the combined net land value for the whole site once this has been apportioned between the Landowners.

2.58 Joint Infrastructure Works (JIW)

- 2.59 As part of the terms negotiated and the Planning Permission agreed, the Developers have agreed to enter into a formal Developer's Collaboration Agreement to provide for the Joint Infrastructure Works (JIW) which are required to deliver the primary infrastructure and services for each developers proposed development parcel.

In principle these works include for the delivery of: -

- The main spine road and footpaths within the site.
 - Mains sewers and drainage outfalls (including swales and pond features).
 - A new pumping station on the eastern part of the site together with a rising main to allow foul water to be pumped back into the existing Anglian Water pumping station located on the Cummins site.
 - The access road to the parcel to the north of the 8 cottages on Barnack Road (Parkview) is included as the Developers have to divert and connect the drainage for these plots into the scheme's Foul Water drainage via this road.
 - Diversion of the Edgar Close foul sewers into the sites drainage system.
- 2.60 The costs of the JIW were not reflected in the original bids that were submitted by each Developer, only high-level assumptions made as part of the original bidding process during the summer of 2020. These have now largely been superseded as more detailed knowledge has been gained about the site following the granting of the outline planning permission and further due diligence investigations into the delivery and servicing of the site. This has resulted in a different approach being adopted by the Developers to how the site will be serviced and has led them to undertaking some of these works jointly (i.e. the JIW) as this is the most cost effective way to deliver these works. This has resulted in some of the costs relating to the above-mentioned works no longer forming part of the individual Developers site works and as such these costs have no longer been included within their development appraisals.
- 2.61 Instead, the Developers are seeking to ascertain an accurate cost for the JIW which will then be apportioned between the Developers (on a basis still to be agreed). However, the individual costs of the JIW will still need to be deducted

from the gross revised bids that the Developers have submitted which are outlined in appendix 1 (Costs) which includes abnormal costs.

2.62 Financial Overview

- 2.63 The Council has committed to date £10.5m into this development, £8m for the site acquisition, £1.5m demolition costs, £500,000 master planning costs and £500,000 on premises maintenance.
- 2.64 The Council has received the best and final bids from the potential developers in November 2023 and as such sought some independent advice on a number of areas. Appended to the report considered by the Finance and Economic Scrutiny Committee was the legal advice, delivery advice, agents report, costs and options (link in the legal and governance section above).
- 2.65 The options considered are in Appendix 1 to the Council report to inform members of those options discussed by the scrutiny committee.
- 2.66 Appendix 2 is the preferred option for Council to approve from the Finance and Economic Scrutiny Committee.

2.67 Next Steps – Options Appraisal

- 2.68 The senior management team involved in the original purchase of the Cummins site in March 2019 were Aidan Rave, Paul Thomas, Debbie Muddimer and Jane McDaid. All of these officers have since left the Council and as such a new senior management team established. It was agreed that due to the scope and costs having significantly changed from the original bids, an independent options appraisal be conducted by Cushman & Wakefield. The scope of their works was as follows: -
- An evaluation of a critical path of the project to the current point
 - Context analysis – market scoping and high-level development appraisals
 - Recommendations –
 - exit strategy/delivery mechanisms for SKDC.
 - Best value for SKDC and viability/market testing
 - Forward strategy for SKDC
- 2.69 Representatives from Cushman and Wakefield were present at the Finance and Economic Scrutiny meeting on the 15th January 2024 to present their report and to answer clarification questions.
- 2.70 The options in Appendix 1 outlined all the options considered by scrutiny and the implications of each of them and the preferred option in Appendix 2.

3. Key Considerations

- 3.1 Members of the Finance and Economic Scrutiny Committee considered the costs that the Council has sunk into the scheme to date (£10.5m) and agreed to recommend to Council for consideration an option.

4. Reasons for the Recommendations

- 4.1 To endorse the recommendation before Council today and provide a way forward for the site.

5. Consultation

- 5.1 An all member briefing session was held on the afternoon of 5 December 2023 and it was agreed that a full report should be considered by the scrutiny committee which took place on the 15th January 2024.

6. Background Papers

- 6.1 Links to all reports are included in the document. The agenda for the Finance and Economic Scrutiny Committee held on 15 January 2024 is included below, exempt papers are available for members through the Extranet and modern.gov app, as outlined in the legal and governance section.

[Agenda for Finance and Economic Overview and Scrutiny Committee on Monday, 15th January, 2024, 10.00 am | South Kesteven District Council](#)

7. Appendices (All Exempt)

- 7.1 Appendix 1 – Options considered at Finance and Economic Scrutiny Committee
Appendix 2 – Preferred recommendation by Finance and Economic Scrutiny Committee