

Council House Building Programme - Progress Update December 2022

Report by Kevin Anderson, Executive Director, Place

Report for Information

1 Recommendations

Council is recommended to:

- a) Note the content of this report and the progress made on Phases 2 to 4.
- b) Note the sites now underway to complete Phase 3 and Phase 4, projected handover programme and progress related to Open Market Purchases .
- c) Note the potential Phase 5 sites currently under consideration should funding for those sites be made available.
- d) Note the projected costs/budget expenditure appended to this report
- e) Note the inability to Progress Phase 5 projects without further funding approved

2 Purpose of Report

To update the Council on the status of the overall housing programme on approved sites and proposed new sites for the Council building programme and other initiatives for the target delivery.

Date 28th November 2022

Report Contact:

Name: Greg Vettrano

Contact: greg.vettrano@midlothian.gov.uk

3 Housing Building Programme and Planned Works

3.1 Council Housing Programme – Phase 1 & 2 Sites

Phase 1 provided 864 additional houses within Midlothian over a period of 7 years with a total budget of £108,700,000 and is now complete.

Phase 2 targeted providing a further 412 additional homes within Midlothian.

With a budget of £77,121,000 funded from the Housing Revenue Capital Account enhanced with Scottish Government grant funding, an actual 489 homes were delivered under the Phase 2 budget.

Table 1: Phase 1 & 2 Sites

Ref	Location	Number of Units	Cumulative
2	Woodburn Ct, Dalkeith	14	14
37	Pentland Way, Penicuik	63	77
9	Craigiebiel, Penicuik	17	94
18	Eastfield Drive, Penicuik	17	111
42	Jackson St, Penicuik	14	125
60	Edgefield Road, Loanhead	41	166
51a	Stobhill Road, Gorebridge	37	203
51b	Stobhill Road, Gorebridge	32	235
108	Polton St, Bonnyrigg	18	253
41	Complex Care, Penicuik	12	265
119	Millers, Shawfair	23	288
23	Woodburn Terrace, Dalkeith	10	298
47	Kirkhill Rd, Penicuik	21	319
110	Clerk St, Loanhead	28	347
134	Paradykes /Barratts, Loanhead	21	368
115	Castlelaw Terrace, Bilston	8	376
144	Barratts, Roslyn	13	389
39	Crichton Ave, Pithead	10	399
118	Bellway - Danderhall, Shawfair	47	446
117	Cockpen Terrace (Hopefield Yard), Bonnyrigg	16	462
146	Bellway - Wester Cowden, Dalkeith	27	489
	All (Phase 2 Sites)	TOTAL	489

Site 117 Hopefield Yard, Bonnyrigg is the only remaining Phase 2 site still under construction, due to complete April 2023.

3.2 Council Housing Programme - Phase 3 & 4 combined

Phase 3 & 4 funding combined comprises £166,258,000 (£42,208,000 for Phase 3 and £94,050,000 for Phase 4 plus further allocated funding of £20,000,000 plus a further £10,000,000 recently approved November 2022 Council). Current projections are targeting a potential further 729 additional homes within Midlothian.

It should be noted that the exact number of sites and homes will be subject to some variation as the project evolves, sites get confirmed or rejected, procurement initiatives progress, costs get purified and designs develop but the current sites statistics are as set out below.

Table 2: Phase 3 & 4 Sites

Ref	Location	Number of Homes	Cumulative
C450	Buccleuch St (excludes Retail units), Dalkeith	10	10
140	Dalhousie Mains - Springfield, Bonnyrigg	70	80
151	Dandara, Shawfair	18	98
122	Former Co-op site, Bonnyrigg	20	118
116	Newmills Road (former Dalkeith HS), Dalkeith	92	210
131	Burnbrae Rd Hopefield – Co-op, Hopefield	20	230
53	Morris Road, Newtongrange	79	309
149	Barratt, Millerhill/Shawfair	33	342
150	Barratt, Roslin Expansion	53	395
130 (1)	Newbattle HS (Phase 1), Newtongrange	90	485
C398/114	Dundas Highbank (Extra Care) St Marys, Bonnyrigg	46	531
32/34	Newbyres, Gorebridge	75	606
109	Conifer Road, Mayfield	72	678
148	Newton Church Road, Danderhall	23	701
142	Stewart Milne, Shawfair	28	729
	All (Phase 3 & 4) Sites	TOTAL	729

The total of Phase 2, 3 & 4 homes is currently estimated at 1201, comprising 489 from Phase 2 budget and 712 from the Phase 3 & 4 budgets.

Progress during 2022 continues with 661 homes currently being constructed on site either through commencement of enabling works or main contract works as of November 2022.

A total of 51 homes at 2 sites are planned to have works commence on site in 2023 funded from the remaining Phase 3 and 4 budget.

The procurement solution varies between a missives style (purchase) or entering into a design & build contract with the developer.

Housing developments currently on site ("on site" being deemed to include enabling works in advance of main contract works) or commencing in 2023 are set out in the table below:

Table 3: Sites currently under development

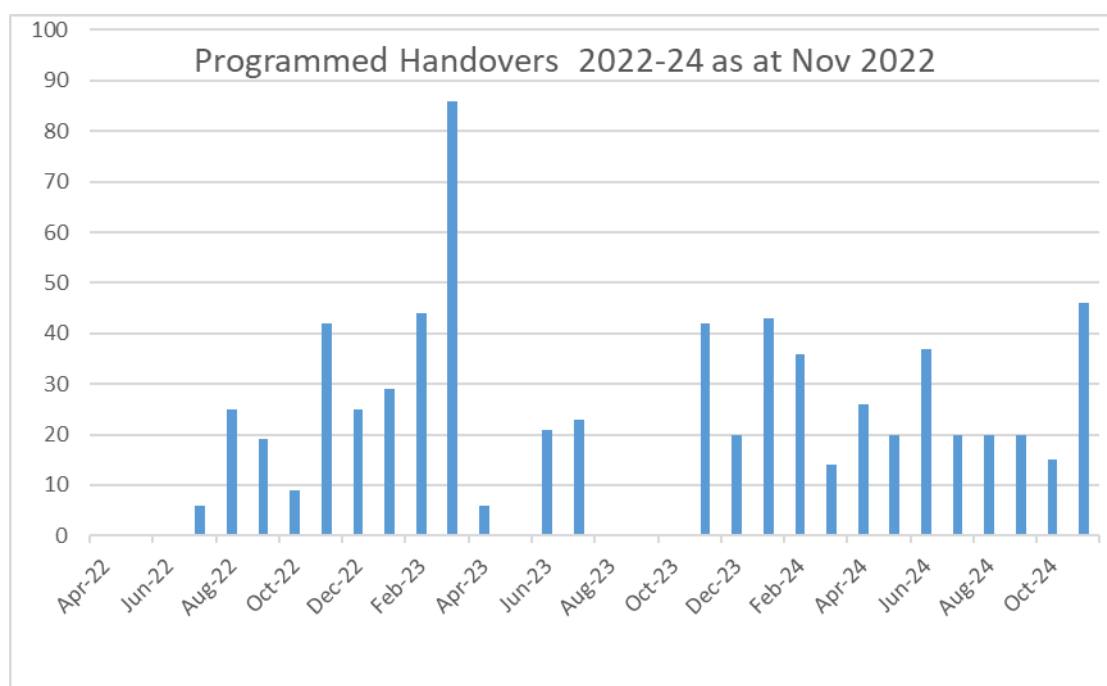
Ref	Location	Number of Homes	Cumulative	On site	Starting 2023
C450	Buccleuch St (excludes Retail units), Dalkeith	10	10	10	
140	Dalhousie Mains - Springfield, Bonnyrigg	70	80	70	
151	Dandara, Shawfair	18	98	18	
122	High street, Former Co-op site, Bonnyrigg	20	118	20	
116	Newmills Road (former Dalkeith HS), Dalkeith	92	210	92	
131	Burnbrae Rd Hopefield – Co-op, Hopefield	20	230	20	
53	Morris Road, Newtongrange	79	309	79	
150	Barratt, Roslin Expansion	53	362	53	
130 (1)	Newbattle HS (Phase 1), Newtongrange	90	452	90	
C398/114	Dundas Highbank (Extra Care) St Marys, Bonnyrigg	46	498	46	
32/34	Newbyres, Gorebridge	75	573	75	
109	Conifer Road, Mayfield	72	645	72	
148	Newton Church Road, Danderhall	23	668		23
117	Cockpen Terrace, Hopefield Yard	16	684	16	
142	Stewart Milne, Shawfair	28	712		28
Totals				661	51

For specific site progress updates please refer to the Housing Dashboard Report Summary October 2022 accompanying this report (Appendix 1).

Handover Programme

Figure 1 below illustrates the programme of handovers to tenants based on current projected completions. The current high levels of activity on site results in a consistent range of 20-50 new homes per month being brought into Council housing stock from mid-2022, with a particular peak in Spring 2023 as several sites (Newmills Road, Dandara at Shawfair, Buccleuch Street and Hopefield Yard in Bonnyrigg), are all programmed to start handovers.

Figure 1: Handover Programme



3.3 Council Housing Programme - Phase 5

The projects listed above will expend the Phase 3 and 4 budget.

Until such time as the Council is in a position to commit to Phase 5 and funding is made available, no further Council social housing projects can be committed to. There are currently a range of sites that are known to be coming through the planning process or for which proposals are currently being developed, which will give rise to an affordable housing requirement to be met by either Midlothian Council or one of our affordable housing partners.

Table 5: Potential Phase 5 sites

Ref	Location	Homes
153	Newtongrange former Library Site	5
tbc	Auchendinny – Bellway Homes	70
tbc	Shawfair (AA2/AA3) – Bellway Homes	35
tbc	Penicuik – Rullion Road - CALA	68
tbc	Shawfair, Persimmon (Plot P)	49
tbc	South Tynewater, Pathhead – Muir Group	12
tbc	Penicuik EHD – various small sites combined	50
tbc	Old Craighall Road, Shawfair - Mactaggart & Mickel	48
tbc	Plot R Shawfair - Barratt Homes	33
tbc	Wellington School, Penicuik	12
tbc	Wellington Farm, Millerhill	90
bc	Lingerwood, Mayfield (Springfield)	157

There are also 2 sites with potential for social housing development should the Council decide to close these facilities however these are not in the Social Housing Investment Plan at this stage.

- Site 121 Stobhill Depot affordable provision (circa 50 homes) - any plans for this site are currently on hold until review of Stobhill Masterplan is completed. It is envisaged that the masterplan will be completed by the end of 2022/early 2023.
- Site 112 High Street (Garage), Bonnyrigg (circa 40 homes) – would require a new depot/garage to be completed to allow the site to be vacated before becoming available. Potential for development is clearly a few years away.

Midlothian Council are also developing plans for affordable housing delivery in Dalkeith Town Centre and Newtongrange village as part of housing-led regeneration strategies.

3.4 Routes to Development

With regard to these potential sites, subject to securing further funding, there are currently 4 known routes to potential development

1. Direct build on land already owned by Midlothian

Available Midlothian land suitable for social housing is now limited. Land that remains is often more difficult to develop in terms of site abnormalities.

2. Housing Developer S75 affordable element

There are a number of housing developers active in the Midlothian area. Potential remains to negotiate with these developers regarding the S75 affordable element to secure Phase 5 projects.

3. Land acquisition and direct build

Whilst this is an option, finding land available that is suitable for social housing and affordable to the Council has become a rarity. There are currently no known sites currently under consideration Council officers however opportunities in the market place will be actively explored if and when they arise

4. EHD (Edinburgh Home Demonstrator)

The Council housing development team have expressed willingness to be a South East (SE) Partner within the EHD Programme (Pilot 3 element).

EHD advises

- Pilot 1 - (Granton Phase D1, Edinburgh) is currently on site,
- Pilot 2 - (Greendykes, Edinburgh) is in the early stages of detailed design.
- Pilot 3 - The aim to formally commence projects in the coming months.
- Key elements to be demonstrated through Pilot 3 are:
- Collaborative procurement of c.800 homes across multiple clients, local authority areas and sites
- Deployment of an Interim Delivery Partner to support procurement and delivery
- Adoption of the EHD Design & Performance Standard
- Adoption of the EHD housing typologies
- Agreement and Adoption of an Alliance Agreement or equivalent

It is proposed that a collaborative procurement incorporating several local authorities/RSLs be delivered across multiple sites for a feasibility commission initially. This will be carried out by a common design team to provide due diligence around initial sites, support adoption of the EHD typologies and enable bundling of Pilot 3 projects.

The Collaborative Feasibility commission will provide a clear set of deliverables for each site that will create the conditions for successful delivery and bundling.

Procurement is likely to be through the CEC Professional Services Framework, which is open to all of the SE Partners and RSLs, with an option to directly award the appointment of a

single design team and execute individual services orders with each of the participants.

In support of the proposal the EHD programme is offering a one-off contribution of £30k towards the cost of the commission with any further funding contributions payable by each of the participating local authorities and RSLs, on a cost per site basis.

3.5 Proposed Affordable Housing Provision from External Developers

As noted above, the Council has the opportunity to secure affordable housing via a planning obligations secured through Section 75 agreements with developers, securing 25% of the total number of homes built as affordable. As a means to procurement, the Council has the opportunity to either:

1. enter into land purchase/design & build contracts with these developers or
2. purchase completed houses from these developers

Utilising support from legal and estates colleagues either way has been proven to work. The choice largely depends on what the developer prefers.

House type and specification varies however between developers and each requires significant detailed review and discussion in order to ensure these are acceptable to the Council.

Developers are requested to adopt where possible design and specification requirements aligning to those of the Council. There will be instances where housing development team officers will have to make concessions. For example no developer to date has come forward with the capability to build to Passivhaus standard. Council officers have worked hard however to secure the best result possible in terms of energy consumption and generally obtain energy performance well in excess of the developer's own private housing stock.

Sites with Developers for completed home purchases (turn-key) or Land Purchase/Building D&B Contracts are located at:

Table 6: Homes deliver via Planning Obligations

Phase 2/3/4 sites - Developer affordable			
Completed			
Ref	Location	Number of Homes	Completed

119	Miller Homes, Shawfair	23	2020
134	Paradykes /Barratts, Loanhead	21	Jan-21
144	Barratts, Roslyn	13	May-21
118	Bellway - Danderhall, Shawfair	47	Jan-22
146	Bellway - Wester Cowden, Dalkeith	27	Jul-22
On site			
Ref	Location	Number of Homes	Handover
140	Dalhousie Mains - Springfield, Bonnyrigg	70	Nov-22
150	Barratt, Roslin Expansion	53	Jun-23
151	Dandara, Shawfair	18	Jan-23

3.6 Zero Carbon

In compliance with the Council's Climate Emergency Declaration, officers have developed a new Net Zero Housing Design Guide which incorporates within its design brief the need to target a Zero Carbon approach with an ambitious implementation plan and a requirement to meet Passivhaus standards. Passivhaus is an internationally known standard with exceptionally high energy efficiency working to achieve buildings close to Zero Carbon and in turn address fuel poverty issue (as heating demand is minimised) in a time of ever increasing fuel bills.

Housing Development Team Officers have worked hard to embody Passivhaus into the social housing procurement programme wherever possible. This has resulted in Midlothian becoming one of the leading providers of new Passivhaus social housing in Scotland. There are arguments to utilise alternative design solutions which may also achieve Passivhaus energy performance targets but historical research available suggests that this invariably leads to a "Performance Gap" where the delivered solution does not live up to expectations in terms of energy performance. Passivhaus is a fully tried and tested solution with guaranteed performance outcomes (which negates the need for many years of follow on testing to monitor and prove performance as with some alternatives).

The following Council projects currently under construction or which will deliver Passivhaus homes are:

Table 7: Midlothian Council Passivhaus Sites

Ref	Location	Number of Homes	Status
C450	Buccleuch St (excludes Retail Homes), Dalkeith	10	on site
122	High Street, Bonnyrigg	20	tender
131	Burnbrae Rd Hopefield – Co-op, Hopefield	20	on site
130 (1)	Newbattle HS (Phase 1), Newtongrange	90	on site
C398/114	Dundas Highbank (Extra Care) St Marys, Bonnyrigg	46	tender
148	Newton Church Road, Danderhall	23	design
Total		189	

The construction and the use of buildings are responsible for around 40% of all energy used in the UK. Considerate building design is therefore critical to fight the climate emergency. The following aspects of sustainability needs to be at the heart of the design of each housing project:

- Social sustainability - which includes health and wellbeing - this incorporates place making, biodiversity, the economy, walking communities, 20-Minute Neighbourhoods, sustainable transport, internal air quality, day lighting, play, heritage, inclusivity, accessibility, services, ageing population and local economy etc. Proposed designs to be inclusive and sensitive to social and physical challenges e.g. ageing population, learning difficulties, autism, physical disabilities etc.
- Energy efficiency - this includes minimising the operational energy demand (through Passive Housing, EnerPhit, PAS 2035 etc.),
- Post Occupancy Evaluation, recording and sharing data, and addressing fuel poverty.
 - Minimising embodied carbon – this includes avoiding demolition where possible, energy efficient retrofits, retention of buildings for place making and heritage purposes, mass use of environmentally friendly materials with low embodied energy, designing for easy maintenance and conversion, designing for durability and long-life spans, and designs incorporating circular economy principles.

The assessment of the specific impact of building to a passivhaus standard is difficult to ascertain because of the volatile market and high inflation on projects from factors such as Covid19, Brexit and the war in Ukraine, which have all impacted the construction sector. A direct comparison is not possible as elements such as site abnormalities, which will also impact on the overall development cost need to be extracted from the tenders and any site infrastructure costs.

Two sites recently tendered and won by the same contractor at Newbattle (passivhaus specification) and Conifer Road Mayfield

(Building Regulations silver active standard) are currently being analysed by external cost consultants to determine the difference in cost of construction between the two. The cost impact of building to Passivhaus Standards is still undergoing detailed review expected in coming weeks but unfortunately too late for this report.

A straightforward assessment of overall development costs for units built to a passivhaus and non-passivhaus standard does indicate that, without stripping out the factors above, there is a cost differential between homes built to a passivhaus standard and those not. However, as stated, not all of this differential will be attributable to passivhaus.

Table 8: Development Costs – Passiv & Non-Passiv

<i>Site</i>	<i>Projected Number of Units</i>	<i>Projected Development Cost</i>	<i>Average Cost Per Unit</i>
<i>Passivhaus Site</i>			
Site 26 Buccleuch St	10	3,302,760	330,276
Site 122 Bonnyrigg High Street	20	6,242,000	312,100
Site 130 Newbattle	90	30,731,000	341,456
<i>Non - Passivhaus Site</i>			
Site 109 – Conifer (MLC)	72	17,919,000	248,875
Site 116 - Newmills Road (MLC)	92	22,719,000	246,946
Site 117 - Cockpen Terrace (MLC)	16	4,840,000	302,500

3.7 Grant Funding

Officers continue to pursue available grant monies to assist in land purchases/construction of Council housing in Midlothian. More detail on grant funding is available in Midlothian's Strategic Housing Investment Plan. Regular meetings with the Scottish Government are undertaken to update programme and ensure spend is maximised.

The Scottish Government have advised (November 2022) that the 2022/2023 funding limit for Midlothian currently stands at £10.388m with the Council's projected funding from that at £7.741m.

Scottish Government have advised (November 2022) that the Midlothian 22/23 Affordable Housing Supply Programme (AHSP) has drawn down £3.384 million (44%) of the allocated funding to date.

3.9 Open Market Purchases

Midlothian Council has an Open Market Purchase Scheme whereby ex-council properties are purchased on the open market and returned to use as social rented housing stock. Midlothian Council receives funding towards each Open Market Purchase from the Scottish Government. Between 2017/18 and 2021/22, Midlothian Council bought 98 properties from the open market. There have been 11 successful purchases in the current financial year to date with a target of 26 by March 2023.

4 Report Implications

4.1 Resource

All the costs of employing the necessary members of Housing Development Team staff are included in the project budgets.

Due to the efforts and commitment of these Council officers a large number of projects are now on site or starting on site in 2022/23. Staff resourcing is being re-evaluated to ensure that sufficient resources are in place to effectively manage this. Particular emphasis has been placed on recruitment of additional site quality control personnel to ensure build quality remains at a high level.

4.2 Risk

The programme risks for the affordable housing programme are:

Funding

Without further Phase 5 funding from the Housing Revenue Account, the Midlothian new social housing project cannot progress.

Recession impacting on developer-led sites

It is forecast that the country is likely to be heading into a recession with interest rates being offered to new homeowners rising. These factors may cause developers to rethink the viability and programming of their sites, resulting in sites being put on hold. If so, this may slow the rate of development across Midlothian and the delivery of affordable housing.

Scottish Water Capacity issues

Council officers continue to liaise with Scottish Water re future potential Council housing developments and be considered for inclusion in infrastructure capacity upgrades. Nonetheless Scottish Water infrastructure capacity

Site availability

Midlothian has exhausted the majority of available land that it owns and which is suitable for housing development. Sites that remain are generally those that had low viability/significant site abnormalities, which results in increasing development costs.

The potential remains for further sites to become available via either Council building closures or acquisition of sites on the open market.

Covid-19

Currently no significant risk to project delivery is being associated with future Covid 19 outbreaks. This is being monitored however the situation appears to have stabilised.

Brexit

Mixed feedback continues to be received from contractors regarding the impact of Brexit. This is just a part of a number of factors (Covid/war in Ukraine/political and economic changes) that have led to increased costs/inflation and a forecast recession.

Most express concern regarding increased costs and supply chain issues.

Whilst recession tends to reduce the impact of inflation, current inflation remains high. This will result in fewer homes being built for the budget made available.

4.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- Adult Health Care and Housing
- Sustainable Growth

4.4 Impact on Performance and Outcomes

The proposed works support the Council's Local Housing Strategy and accord with Midlothian Council's Corporate Priorities.

The Scottish Government requires all local authorities to prepare a Strategic Housing Investment Plan (SHIP) that identifies the main strategic investment priorities for affordable housing over a 5 year period. This is required on an annual basis as the Scottish Government requires detail on the Affordable Housing Supply Programme in each regional area towards meeting the national target of supporting new affordable homes. The SHIP sets out Midlothian Council's approach to promoting affordable housing investment and meeting housing supply targets identified in the Strategic Development Plan for Edinburgh and South East Scotland.

The delivery of more affordable housing remains a high priority for Midlothian Council. Despite significant investment in affordable housing there is still a shortage of affordable housing in Midlothian with 4,237 households placed on the Council's Housing List.

4.5 Adopting a Preventative Approach

Reviewing and utilising different procurement options in order to promote early delivery.

4.6 Involving Communities and Other Stakeholders

Consultations internally and externally continue to be carried out with all appropriate stakeholders ensuring input/comment on the proposed layouts / house types and mix. This will be undertaken for the additional sites.

4.7 Ensuring Equalities

An Integrated Impact Assessment (IIA) has been undertaken on the Local Housing Strategy 2021-26 to ensure that the needs of local communities have been fully considered. The Strategic Housing Investment Plan 2021-26 reflects identified needs and draws on findings from the IIA when considering the implications flowing from the translation of strategic aims into housing policies.

4.8 Supporting Sustainable Development

The new build housing programme will comply with all current building regulations and follows best practice in line with the Council's policies on the environment.

In compliance with the Council's Climate Emergency Declaration, the design brief has been amended to assist in the move to a Zero Carbon approach. We are currently pursuing a requirement to meet Passivhaus standard, an international proven standard which achieves low energy design through its fabric first approach. It also helps address fuel poverty issues as heating demand is minimised, an increasingly important factor with the move away from Natural Gas to electric based heating systems. All projected costs for future developments include a 6% cost allowance of to accommodate the enhanced specification.

The Council's Climate Change Emergency provides that the Council will aim to achieve Net Zero Carbon in all its activities by 2030. The RIBA have published target metrics for domestic buildings which to achieve a 2030 Net Zero Challenge require that new domestic dwellings achieve a target of between 0 and 35kWh/m²/yr. Passivhaus is a means of achieving this target however the construction process itself produces Carbon (so called 'embodied carbon').

Officers are currently considering the implications of reducing embodied carbon which if 2030 Net Zero Challenge is to be met will require a target of less than 300KgCO₂e/m² (embodied carbon per meter squared) to be achieved in construction. Initiatives such as the Edinburgh Homes Demonstrator (EHD) Project previously mentioned, and the adoption of Whole Life Carbon Analysis may provide the means of achieving these goals.

Fundamental to all new Passivhaus projects will be the need to undertake Post Occupancy Evaluation (POE) surveys to assess how effective projects are achieving these sustainability goals.

Future involvement of Building Maintenance and other stakeholders in all of these initiatives will be fundamental to their success and developing the Councils understanding of the implications of these changes towards achieving Net Zero targets.

4.9 IT Issues

Building Information Modelling (BIM) is being utilised to deliver the projects. “Revit” models exist for the Council’s generic house types and flat types which get updated to reflect new legislation and design criteria. It is proposed that these models will be used for the completion of all Phases.

The adoption of 3d modelling will also have a key role in assessing the sustainability of house design’s and key construction approaches particularly in respect avoiding ‘cold bridges’ which impact on thermal effectiveness and also can be used to assess the embodied carbon content of each element of the construction.

Council officers have been equipped with homeworking IT capability to enable them to continue to work through any lockdown situation.

Site Quality Inspection staff are being equipped with SurfacePro tablets instead of laptops to allow them to have the ability to operate these on site and view drawings and making comments on screen much faster and easier. This will in turn provide more effective and efficient delivery of the service.

29 November 2022

Report Contact: Greg Vettraino, Capital Contracts Manager

Background papers – Appendix 1 Housing Dashboard Summary Oct 22