

**Penicuik Townscape Heritage and Conservation Area Regeneration Scheme (Penicuik TH/CARS) project – Public Realm Developer Contributions and 2-4 West Street (increase in project budget and details of funding package)**

**Report by Kevin Anderson, Executive Director - Place**

**Report for Decision**

**1 Recommendations**

Council is recommended to:

- i. authorise the allocation of £171,192 received and uncommitted developer contributions, secured through the section 75 legal agreements of planning applications for housing development at north west Penicuik, to the Penicuik TH/CARS project for public realm works in Penicuik town centre;
- ii. delegate to Council officers how these developer contributions are used for public realm works within the Penicuik town centre, and note that the section 75 agreements for these developer contributions restrict their use to only public realm works in Penicuik town centre
- iii. note that the report identifies potential projects for which these public realm developer contributions can be used;
- iv. retrospectively endorse the increase in financial spend on the restoration building project at 2-4 West Street project (Belgian Consulate building), due to increased construction costs of approximately £106,000 to £207,177;
- v. note and endorse the increased funding package arrangements secured to deliver the 2-4 West Street project and the increased use of developer contributions already allocated to the Penicuik TH/CARS project; and
- vi. note that no additional Council money is being used to fund the increased cost of the 2-4 West Street project.

## 2 Purpose of Report

- 2.1 The purpose of this paper is to report to council on the allocation of developer contributions secured from planning applications for housing development at north west Penicuik to the Penicuik TH/CARS project for public realm works in Penicuik town centre (paragraphs 3.4-3.6) and to request that £171,192 of received and uncommitted developer contributions planning applications from housing development at north west Penicuik are allocated to the Penicuik TH/CARS\* project for public realm works in Penicuik town centre; with the use of these developer contributions delegated to Council officers.
- 2.2 The report highlights that the developer contributions received from the housing development at north west Penicuik can only be used for public realm works in Penicuik town centre and identifies potential projects in Penicuik town centre to which these public realm developer contributions could be used.
- 2.3 In relation to 2 - 4 West Street, Penicuik, it reports an increase in project budget and details of funding package (paragraphs 3.7-3.13). The report requests that Council retrospectively endorses the increase in financial spend on the restoration building project at 2-4 West Street project (Belgian Consulate building), due to increased construction costs and the funding and delivery package used for the project. The increase in spend is from approximately £106,000 to £207,177.
- 2.4 The report informs Council the increased project costs are to be met through additional external funding and from Penicuik Town Centre Improvements developer contributions already allocated to the Penicuik TH/CARS project; that no additional Council money is being used to fund the increased cost of the 2-4 West Street project; details the funding package for the restoration of 2-4 West Street; and highlights an error in the funding package which created a funding gap of £10,079. This gap to be met by the Penicuik Town Centre Improvements developer contributions already allocated to the Penicuik TH/CARS project.

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\* TH stands for Townscape Heritage, a grant funded National Lottery Heritage Fund grant funded programme, and CARS stands for Conservation Area Regeneration Scheme, a Historic Environment Scotland grant funded programme.

### 3 Background

- 3.1 The Penicuik TH/CARS (Townscape Heritage/ Conservation Area Regeneration Scheme) commenced in 2018 and will run until 31 July 2024. It is being extended by 15 months to 31 July 2024 to deliver its outcomes.
- 3.2 As previously reported to Council, the project is a collaboration between Midlothian Council, Penicuik Community Development Trust, Penicuik Community Alliance Storehouse Ltd, Penicuik and District Community Council, and Penicuik First Business Improvement District (BID), when they were operational. These bodies form the Project Team which assesses and decides on grant applications for individual projects. The priority projects and parameters for approving grant applications were agreed with the National Lottery Heritage Fund and Historic Environment Scotland.
- 3.3 The Penicuik TH/CARS project has been providing grant funding to support the restoration of key buildings in Penicuik's historic town centre. It has also been providing training and skills development for traditional building skills, and for initiatives to promote the understanding of the heritage and history of Penicuik.

### 4 Allocation of developer contributions secured from planning applications for housing development at north west Penicuik to the Penicuik TH/CARS project for public realm works in Penicuik town centre.

- 4.1 The Council is in receipt of £171,192 uncommitted developer contributions from housing development at north west Penicuik, secured through section 75 legal agreements. The conditions of the developer contributions can only be used for public realm works in Penicuik town centre. No further developer contributions are due or expected from the housing sites allocated at north- west Penicuik, identified in the Midlothian Local Development Plan (2017).
- 4.2 This report requests the £171,192 of developer contributions are allocated to the Penicuik TH/CARS initiative to assist with delivery of public realm works through this project. The report also requests that Council officers are given delegated authority to use of the developer contributions for public realm works to avoid the need for Council authority each time they are used.
- 4.3 Table 1 of this report identifies a range of public realm projects to which the £171,192 of public realm developer contributions can be used for delivery outcomes. Table 1 identifies projects in excess of £171,192, but sets out options for using the money. If these developer contributions are not used within a set timeframe, the Council will be obliged to return them to the developers that promoted the housing development at north- west Penicuik.

Table 1: Potential Penicuik TH/CARS Public Realm Projects

<b>Project</b>	<b>Indicative Cost Estimates £</b>
Restoration of the stone boundary wall at St Mungo's churchyard adjacent to Kirkhill Road, Penicuik. Note: At the time of writing this report some repairs works are currently being undertaken on this wall.	£60,000
Repair road surface of shopping parade diagonally opposite from Penicuik Town Hall, using black tarmac with red chip. Note: as used on Penicuik High Street outside Penicuik Town Hall.	£300,000
Resurface tarmac in front of 2-4 The Square, Bridge Street, Penicuik. Note: Will follow after building works at 2-4 The Square are complete.	£60,000
<b>Total</b>	<b>£420,000</b>
<b>Other Potential Project plans</b>	
Bollards at new parking bays outside Penicuik Town Hall, to prevent parking on the new pavement.	Costs Awaited
New lamp posts outside Penicuik Town Hall.	Costs Awaited
New heritage style replacement street lantern lighting to 2-4 West Street, above the main door entrance.	Costs Awaited

## **5 No.2-4 West Street, Penicuik – increase in project budget and details of funding package**

- 5.1 This report seeks retrospective governance support for the increase in budget of the restoration project at 2-4 West Street, from the original estimate of approximately £106,000 to £207,177. Neither Council or Capital Plan and Asset Management Board (CPAMB) have previously been informed of this increase. The report also seeks support for, and to inform of, the funding package arrangements for the restoration of 2-4 West Street (set out in paragraph 3.13 of this report). Again neither Council or Capital Plan and Asset Management Board have been informed of revised funding package.
- 5.2 At its 8 June 2021 meeting, CPAMB approved £17,500 of the then available £104,850 of Penicuik Town Centre Improvements Developer Contributions (funded from the Council's own housing programme sites built in Penicuik) be used for the Penicuik TH/CARS restoration project at 2-4 West Street. This £17,500 enabled the project to access £83,000 of grant funding from the National Lottery Heritage Fund and Historic Environment Scotland for a project of approximately £106,000 in size.
- 5.3 During 2022, while the scope/scale of works has not altered, but due to increased building costs and extra grant being made available from the National Lottery Heritage Fund and Historic Environment Scotland the grant value increased from £83,000 to £161,598, the corresponding project budget for 2-4 West Street increased from approximately £106,000 to £207,177. The initial project costs of £106,000 were estimated at the inception of the Penicuik TH/CARS, before its start in 2018. The revised project budget and funding sources are set out below in Table 2:
- 5.4 The 2-4 West Street project is expected to complete in June 2023. The final cost has not yet been calculated but is expected to be within the £207,177 budget. There was an error in the budget calculation which created a shortfall of £10,079. Neither Council or Capital Plan and Asset Management Board have previously been informed of this, but on 8 June 2021 Capital Plan and Asset Management Board did approve use of unused Penicuik Town Centre Improvements Developer Contributions for the 2-4 West Street project. This report requests the project shortfall, and any project overspend if that were to occur, is met from the available Penicuik Town Centre Improvements Developer Contributions already allocated to the Penicuik TH/CARS project.
- 5.5 There are currently anticipated to be approximately £69,000 of available uncommitted Penicuik Town Centre Improvements Developer Contributions (from the Council's own housing programme sites built in Penicuik) that can be used to meet this shortfall of £10,079. As stated these developer contributions have already been allocated to the Penicuik TH/CARS project. The £17,500 and proposed £10,079, both funded by the Penicuik Town Centre Improvements Developer Contributions are the only funding from the Council for the 2-4 West Street project. That is £27,579, or 13%, of the £207,177 total project cost. The £17,500 are already committed to 2-4 West Street and are therefore not part of the uncommitted £69,000 of developer contributions.

- 5.6 The 2-4 West Street project is unique to others in the Penicuik TH/CARS project in that the building is jointly owned by the Council and another party. The building is owned 2/3rds by Midlothian Council and 1/3 by the other party. The Penicuik Arts Association lease premises in the building from the Council.
- 5.7 The Council is paying the project costs up front as they are incurred and then claimed back from the project partners. Grant claims are made on a quarterly basis to the National Lottery Heritage Fund and Historic Environment Scotland to reclaim grant awarded to the project. Contracts have been signed between the Council and the other part building owner of 2-4 West Street, and also the Council tenant (Penicuik Arts Society) setting out their contribution levels to the project as identified in Table 2. Their contributions will be paid to the Council when they are invoiced.

Table 2: 2-4 West Street Project Budget and Funding Package

<b>Project Budget: 2-4 West Street</b>	<b>£207,177</b>
<b>Funding Sources</b>	<b>Funding Amounts £</b>
National Lottery Heritage Fund and Historic Environment Scotland	£161,598
Building Owner: Midlothian Council (Penicuik Town Centre Improvements Developer Contributions)	£17,500
Other Building Owner	£10,500
Penicuik Arts Society	£7,500
<b>Total Funding Sources</b>	£197,098
<b>Funding Shortfall</b>	<b>£10,079</b> (£197,098 + £10,079 = project budget of £207,177)
<b>Proposed Source for Meeting Funding Shortfall</b>	Available Penicuik Town Centre Improvements Developer Contributions already been allocated to the Penicuik TH/CARS project (£10,079)

## 6 Report Implications (Resource, Digital and Risk)

### 6.1 Resource

The following public realm developer contributions have been received by the Council from section 75 legal agreements for residential development at north- west Penicuik. This report requests they are allocated to the Penicuik TH/CARS project:

<b>Developer Contribution Allocations</b>	<b>Amount Available</b>
Public realm developer contributions received from residential development at north west Penicuik	£171,192
<b>Total</b>	<b>£171,192</b>

The following available uncommitted developer contributions are already allocated to the Penicuik TH/CARS project:

<b>Developer Contribution – Already allocated to Penicuik TH/CARS project</b>	<b>Amount Available</b>
Penicuik Town Centre Improvements Developer Contributions – funded from the Council's own housing programme sites built in Penicuik	£69,000 approximately
<b>Total</b>	<b>£69,000 approximately (uncommitted)</b>

### 6.2 Digital

There are no IT implications from this report.

### 6.3 Risk

#### Public Realm Developer Contributions

The public realm developer contributions secured through the section 75 legal agreements from planning applications for housing development at north- west Penicuik will require to be used within a set time frame. If they are not used the Council is obliged to return them to the housing developers. The condition require that these can only be used for public realm works in Penicuik town centre. They cannot be used for other uses or in other locations. This reports has set out public realm projects for which the contributions are eligible and can be used.

#### 2-4 West Street, Penicuik - increase in project budget and details of funding package

The restoration project at 2-4 West Street is nearing completion. The report sets out that the project costs rose due to increased construction costs and the availability of additional external funding, most notably

from the National Lottery Heritage Fund and Historic Environment Scotland.

The report highlights the error in budget funding for the project and there being a shortfall of £10,079. This shortfall can be met by approximately £69,000 of available uncommitted Penicuik Town Centre Improvements Developer Contributions already allocated to the Penicuik TH/CARS project. The £69,000 does not include the £17,500 of these developer contributions that are already committed to the 2-4 West Street project.

#### **6.4 Ensuring Equalities (if required a separate IIA must be completed)**

This report does not relate to a new / revised policy / service change / budget change. It is therefore considered that undertaking an Equalities Impact Assessment (EqIA) in relation to this report is unnecessary.

An EqIA for the Penicuik Heritage Regeneration project was undertaken to accompany the report to Cabinet on 30 August 2016 that sought approval for submission of the bid the application to the National Lottery Heritage Fund for a Townscape Heritage (TH) project and Historic Environment Scotland for a Conservation Area Regeneration Scheme (CARS) in Penicuik town centre.

#### **6.5 Additional Report Implications (See Appendix A)**

See Appendix A

### **Appendices**

**Appendix A – Additional Report Implications**

**Appendix B – Background information/Links**



## **APPENDIX A – Report Implications**

### **A.1 Key Priorities within the Single Midlothian Plan**

The Single Midlothian Plan promotes economic growth and support for town centres. Investment in town centre public realm helps increase their attractiveness which helps support their vitality and vibrancy.

### **A.2 Key Drivers for Change**

Key drivers addressed in this report:

- ☐ Holistic Working
- ☐ Hub and Spoke
- ☐ Modern
- ☒ Sustainable
- ☒ Transformational
- ☒ Preventative
- ☒ Asset-based
- ☒ Continuous Improvement
- ☐ One size fits one
- ☐ None of the above

### **A.3 Key Delivery Streams**

Key delivery streams addressed in this report:

- ☒ One Council Working with you, for you
- ☒ Preventative and Sustainable
- ☐ Efficient and Modern
- ☒ Innovative and Ambitious
- ☐ None of the above

### **A.4 Delivering Best Value**

The works at 2-4 West Street in Penicuik town centre have been procured following local government procurement rules and have sought to achieve best value. Local government procurement rules would be followed to procure any public realm works.

### **A.5 Involving Communities and Other Stakeholders**

The decision making of The Penicuik TH/CARS project is governed by a project team. The project team is made up of the Penicuik Alliance, Penicuik Community Development Trust, Penicuik and district Community Council, local elected Midlothian Council Councillors and Council officers. When it was operational Penicuik First (BID) were on the project team.

### **A.6 Impact on Performance and Outcomes**

Town centre improvements can assist in promoting economic development and in meeting specific objectives of the Single Midlothian Plan.

#### **A.7 Adopting a Preventative Approach**

Investment in town centres can arrest and reverse their decline. Investment in old buildings can reduce future maintenance costs.

#### **A.8 Supporting Sustainable Development**

Vibrant and vital town centres which are well connected by public transport are contributors to a more sustainable economic and physical environment. Improving the public realm in Penicuik town centre will help increase the attractiveness of the town centre and help encourage people to visit and spend time and money in the town centre. This will help improve the sustainability of Penicuik town centre. Restoration of 2-4 West Street will help increase the lifespan of the building and can be part of wider help and support to encourage more visits and spend in Penicuik town centre.

This report does not relate to the adoption by the Council of a strategic document and “Strategic Environmental Assessment” (“SEA”) legislation does not apply to this report.

**APPENDIX B****Background Papers/Resource Links**

None