

Council House Building Programme - Progress Update 2023

Report by Kevin Anderson, Executive Director, Place

Report for Information

1 Recommendations

Audit Committee is recommended to:

- a) Note the content of this report and the progress made on Phases 2 to 5;
- b) Note the sites now underway to complete Phase 4 and Phase 5, projected handover programme and progress related to Open Market Purchases;
- c) Note the potential Phase 5 sites currently under consideration to progress; and
- d) Note the projected costs/budget expenditure in this report.

2 Purpose of Report

Following presentation to Council on 10 October 2023, this report updates the Audit Committee on the status of the overall housing programme, on approved sites and proposed new sites for the Council new build affordable housing programme and other initiatives.

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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 within a budget of £77,121,000 funded from the Housing Revenue Capital Account enhanced with Scottish Government grant funding. 489 homes were delivered under the Phase 2 budget by that Phase's conclusion.

3.2 Council Housing Programme - Phases 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 approved at November 2022 Council).

Due to actual costs being greater than initial estimates, driven by a combination of war in Ukraine, EU exit and Covid-19 impacting on building costs over recent years, the expected number of units to be delivered for the Phase 3 & 4 budgets combined has reduced from 729 to 645 units as detailed in Table 1 below.

Table 1: Phase 3 & 4 Sites reported to Council in 2022/2023

Ref	Location	2022 Position Number of Homes	2023 Position
C450	Buccleuch St (excludes Retail units), Dalkeith	10	10
140	Dalhousie Mains - Springfield, Bonnyrigg	70	70
151	Dandara, Shawfair	18	18
122	Former Co-op site, 83 High St, Bonnyrigg	20	20
116	Newmills Road (former Dalkeith HS), Dalkeith	92	92
131	Burnbrae Rd Hopefield – Co-op, Hopefield	20	20
53	Morris Road, Newtongrange	79	79
149	Barratt, Millerhill/Shawfair (Barratt withdrawal)	33	0
150	Barratt, Roslin Expansion	53	53
130 (1)	Newbattle HS (Phase 1), Newtongrange	90	90
C398/114	Dundas Highbank (Extra Care) St Marys, Bonnyrigg	46	46
32/34	Newbyres, Gorebridge	75	75
109	Conifer Road, Mayfield	72	72
148	Newton Church Road, Danderhall (moved to Phase 5)	23	0
142	Stewart Milne, Shawfair (moved to Phase 5)	28	0
	All (Phase 3 & 4) Sites	729	645

To date, phases 1-4 of Midlothian's affordable housing programme has delivered the following:

Table 2: Delivery to date

Phase	Homes
Phase 1	864
Phase 2	489
Phases 3&4	645
Total	1998

3.3 Council Housing Programme - Phase 5

Current approved budget for Phase 5 is £77.640 million however projected budget variations on previous phases and an increase in the Scottish Government Affordable Housing Supply Programme (AHSP) Grant allocation means that there is potential for a further £5.791 million to be utilised for New Social Housing.

Table 3: Phase 5 Sites

Ref	Location	Number of Homes	Cumulative
155	Crichton Rd Pathhead – SHIP Ref Muir Group, South Tynewater: P41837	11	11
148	Danderhall, Newton Church Road (former leisure centre): P43833	23	34
142	Edmonstone Road, Danderhall (Stewart Milne): P43720	28	62
153	Newtongrange, former Church Hall Site: P43742	6	68
159	Edinburgh Housing Demonstrator Cluster: P43740	9	77
157	Rullion Road, Penicuik: P46386	48	125
158	Auchendinny, Bellway: P43835	71	196
156	Plot AA2/AA3, Newton Church Road, Millerhill, Bellway	34	230
153	Newtongrange, Main Street, former swimming pool	20	250
149	Plot R, Shawfair: was Barratt now Mac and Mic: P42532	33	283
tbc	Plot P, Shawfair, Persimmon Homes: P43738	44	327
	All Phase 5 Sites	TOTAL	327

Town Centre Regeneration

Midlothian Council are also developing plans for affordable housing at the heart of town centre regeneration at Newtongrange village and Dalkeith Town Centre. These plans are currently under development, with design work underway for the former pool site at Newtongrange and a Regeneration Development Framework produced for Dalkeith.

The housing-led regeneration of Dalkeith is not able to call on the General Fund for its delivery. Therefore, plans for housing in the town centre cannot progress until a fully funded delivery plan for initial phases of housing in the town centre is in place.

Current Programme

The current social housing programme for 2023 is tabled below:

Table 4: 2023 Site Progress Update

Ref	Site Name	Enabling works	Main Wks On site	Hand over stage	Handed over
32/34	Newbyres Crescent	75			
116	Newmills Road, Dalkeith			92	
140	Dalhousie Mains, Bonnyrigg				70
53	Morris Road, Newtongrange				79
109	Conifer Road, Mayfield		72		
117	Hopefield Yard, Bonnyrigg				16
122	High Street, Bonnyrigg		21		
130	Newbattle Phase 1		90		
131	Burnbrae, Hopefield			13	10
150	Barratt Homes, Moat View, Roslin		32		21
151	Dandara, Shawfair, Millerhill				18
C450	Buccleuch Street, Dalkeith			10	
142	Stewart Milne, Shawfair, Danderhall		28		
155	Muir Group, Pathhead		11		
C398	Polton Street (St Mary's)		46		
	Totals	75	300	115	214
	Cumulative	75	375	490	704

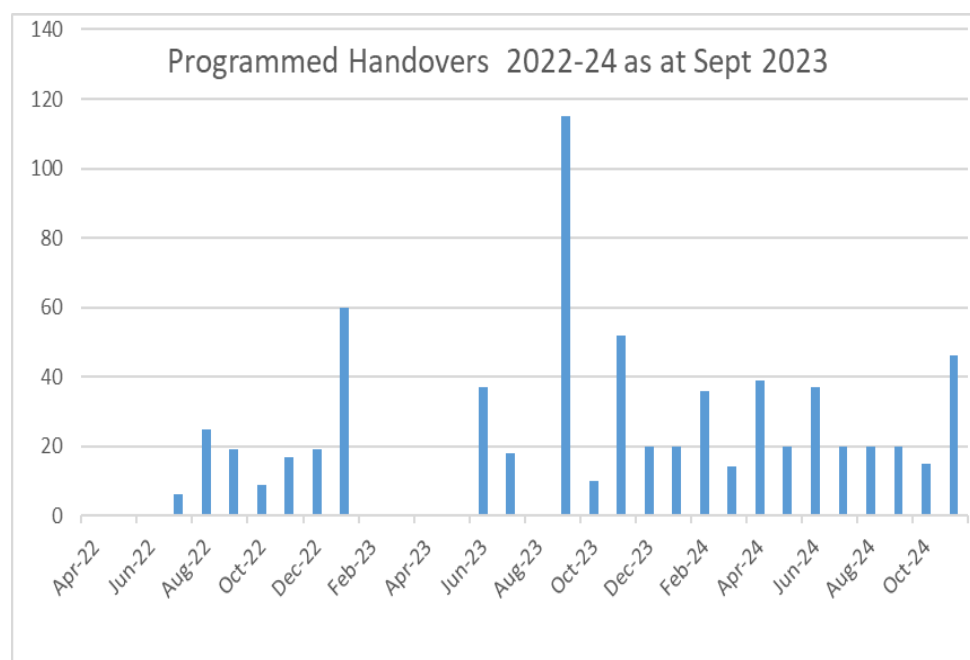
In summary:

- 214 homes have already been handed over in 2023;
- 75 homes at Newbyres are at the enabling works stage with grouting works and retaining wall works completed and market prices being reviewed in October to progress to contract award;
- 300 homes are on site at various stages of construction; and
- A further 115 homes are on site but undergoing final snagging and in the process of final handovers.

Handover Programme

Figure 1 below illustrates the programme of 272 handovers to tenants based on current projected completions within the 2023 calendar year.

Figure 1: Handover Programme



At the Burnbrae site, the first phase of Passivhaus homes (10) have been handed over on 13 Sep 2023 with the remainder expected to be handed over in October. These are in the process of being allocated to tenants.

Buccleuch Street Passivhaus homes (10 or which 6 are built to Passivhaus standard) are to be handed over in October.

3.4 Routes to Development

The sites confirmed as comprising Phase 5 (Table 3) can all be funded through the HRA, following the approval of the Rent Review Strategy. However their delivery is subject to availability of grant through the Scottish Government's Affordable Housing Supply Programme.

There may be potential to bring more sites into Phase 5, however this would only be if there is slippage in the programme from sites already included.

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

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 and is often smaller in overall site size and number of units with resultant loss of economies of scale.

Available sites have recently been evaluated for potential inclusion in the Edinburgh Home Demonstrator project procurement initiative (see below). Whilst some sites have been eliminated as being unsuitable others are being looked at for possible inclusion/ feasibility assessment.

To date 3 sites have been confirmed for development, all of which will progress subject to planning and other statutory consents as well as provision of grant funding from the Scottish Government.

- i. Newtongrange Church Hall site - Current proposal is 6 homes (currently 5 approved in principle). This site is being considered for offsite modular construction.
- ii. Eastfield Drive, Penicuik - Current proposal is 4 homes
- iii. Lyne Terrace, Penicuik - Current proposal is 7 homes (however there remains some planning risk against this progressing)

Housing Developer S75 affordable element

The Council has the opportunity to secure affordable housing via a planning obligation 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:

- i. enter into land purchase/design & build contracts with these developers or
- ii. purchase completed houses from these developers.

Utilising support from legal and estates colleagues in either scenario with developers has proven to work.

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 (turnkey) or Land Purchase/Building Design & Build Contracts are located in Table 5.

Table 5: Homes deliver via Planning Obligations

Midlothian Social Housing - Developer affordable sites update			
Completed			
Ref	Location	Number of Homes	Completed
119	Millers, Shawfair	23	2020
134	Barratts, Paradykes 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
140	Springfield, Dalhousie Mains - Bonnyrigg	70	Nov-22
151	Dandara, Shawfair	18	Jul-23
On site			
Ref	Location	Number of Homes	Handover
150	Barratt, Roslin Expansion	53	Jun - Nov 23
155	Muir Homes, Crichton Road, Pathhead	12	Dec-24
142	Stewart Milne - Shawfair	28	Feb-25
Potential future sites			
Ref	Location	Number of Homes	Handover
156	Bellway AA2/AA3	tbc	tbc
157	Cala - Rullion Road - (Acquisition only)	tbc	tbc
	Bellway Auchendinny	tbc	tbc
	Shawfair Plot R	tbc	tbc
	Springfield (ex Mac & Mic site)	tbc	tbc
	Persimmon Plot P	tbc	tbc

Land acquisition and direct build

Whilst this is an option, finding land available suitable for social housing and affordable to the Council has become a rarity.

Where developers have a land acquisition opportunity to satisfy their Section 75 obligations in relation to affordable homes, this is actively being explored. Land acquisition recently at Rullion Road, Penicuik from CALA is an example of this scenario.

There are currently no other sites currently under consideration by Council officers however opportunities in the marketplace will be actively explored if and when they arise.

3.5 Edinburgh South East Scotland Home Demonstrator Programme

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

It involves a collaborative procurement incorporating several local authorities/RSLs across multiple sites for a feasibility commission initially. This will be carried out utilising a common design team with standardised house types developed to improve efficiencies in production.

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

The City of Edinburgh Council (CEC) have acted as Lead Authority to procure the initial feasibility work for all sites. For the Pilot 3 phase, actual project procurement and delivery of Midlothian EHD allocated sites will be handled by Midlothian Council directly. To become cost effective, off site construction benefits from sufficient volume to offset initial factory tooling and set up costs. It is anticipated that the use of standard design house types, developed through consultation with the various participating authorities, will result in better economies of scale.

The intention is that all partners procure in the same manner. Part of the model is to engage the offsite manufacturer early in the process and the procurement will need to reflect that.

3.6 Zero Carbon

In compliance with the Council's Climate Emergency Declaration, officers 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.

The Development Team has integrated 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. Passivhaus is a fully tried and tested solution with guaranteed performance outcomes.

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

Table 6: Midlothian Council Passivhaus Sites

Ref	Location	Number of Homes	Status
C450	Buccleuch St (excludes refurbished homes), Dalkeith	6	Handover Oct 23
122	High Street, Bonnyrigg	20	On site
131	Burnbrae Rd Hopefield – Co-op, Hopefield	20	part handed over – all by Oct 23
130 (1)	Newbattle HS (Phase 1), Newtongrange	90	Enabling wks complete – award imminent
C398/114	Dundas Highbank (Extra Care) St Marys, Bonnyrigg	46	Enabling wks complete – award imminent
148	Danderhall, Newton Church Road (former leisure centre): P43833	23	Awaiting Planning Consent
116	Newmills Road, Dalkeith	2	On site – handover expected Sep/Oct 23
Total		207	

While comparator costs are set out in Table 7 below, the assessment of the specific impact of building to a Passivhaus standard on cost is difficult to ascertain because of the volatile market and high inflation on projects from factors such as Covid-19, EU exit 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.

Table 7: Development Costs – Passive & Non-Passive

Site	Projected Number of Units	Contract Cost	Contract Cost per Unit	Projected Dev Cost	Cost Per Unit
<i>Passivhaus Site</i>					
Site 26 Buccleuch St	10	2,543,000	254,300	3,302,760	330,276
Site 122 Bonnyrigg High Street (all 1 bedroom)	20	5,223,000	261,150	6,480,000	324,000
Site 130 Newbattle	90	25,867,000	287,411	30,731,000	341,456
<i>Non - Passivhaus Site</i>					
Site 109 – Conifer Road*	72	15,236,000	211,611	18,419,000	255,819
Site 116 - Newmills Road	92	19,555,000	212,554	22,719,000	246,946
Site 117 - Cockpen Terrace**	16	3,967,000	247,938	4,840,000	302,500
Site 53 Morris Road, Newtongrange	79	11,685,000	147,911	14,448,000	182,886

**Additional £350k cost expected*

***Cockpen Terrace was built to enhanced energy standards, triple glazing, additional insulation, ASHP, a heat recovery system and multiple PV panels that heat the hot water when there is a surplus of electricity generated by the panels.*

To try and look at this in more detail two sites recently tendered by the same contractor at Newbattle (Passivhaus specification) and Conifer Road Mayfield (Building Regulations silver active standard) were analysed by external cost consultants to try and determine the difference in cost of construction between the two. Following this detailed analysis, it was determined that there very little difference in the tendered build costs between the Passivhaus and Non-Passivhaus. This was deemed inconclusive however as the tenderer subsequently withdrew from the Passivhaus tender process at Newbattle, therefore a final price was not concluded.

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 (August 2023) that the 2023/2024 funding requirement for the East of Scotland currently stands at £16.428m however the approved budget at present is £10.534m with the Council's projected funding from that totalling £10.044m.

3.8 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.

Staff resourcing is continually 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 the highest standards.

4.2 Risk

The key programme risks for the affordable housing programme are:

- Escalating costs due to inflation in the construction sector.
- Current unavailability of funding through the Housing Revenue Account to support the extension of the programme beyond Phase 5.
- Limited resources within the Development Team to support the delivery of the programme and difficulties in recruitment.
- Potential risk to future funding from the Scottish Government.

Funding

Without further funding the Midlothian new social housing project cannot progress beyond Phase 5.

Recession impacting on developer sites.

There has been a recent dip in house market sales in the private sector which may cause Developers to rethink the viability of their sites and may potentially put sites on hold. If so, potential Midlothian Developer sites for Phase 5 may be at risk of being put on hold.

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.

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.

The potential remains for further sites to become available via Council building closures.

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.

EU exit

Currently no significant risk to project delivery is being associated with EU exit. The situation appears to have stabilised however it may still be impacting on inflation.

4.3 Single Midlothian Plan

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 Housing Need and Demand Assessment 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 4,468 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 2024/25 – 2028/29 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 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 Council's understanding of the implications of these changes towards achieving Net Zero targets.

4.9 Digital

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 (with the exception of some Developer affordable sites where developer house types may have been adopted to allow for inclusivity, or EHD sites)

The adoption of 3d modelling will also have a key role in assessing the sustainability of house designs 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 in any changing work practice situation.

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