

Dalkeith Regeneration Development Framework & Midlothian House Rationalisation

Report by Kevin Anderson – Executive Director, Place

Report for Decision

1 Recommendations

It is recommended that the Council:

- a) Note the integration of the retrofit and refurbishment of Midlothian House into the earliest phase of the proposed phasing of works for the Dalkeith Regeneration Development Framework, as set out in this report and the Outline Business Case. This development is to be housing led.
- b) Approve the retrofit and refurbishment of Midlothian House as a capital project, in order to extend the building's lifespan and facilitate the utilisation of the building as a services hub in line with the Transformation Blueprint for Midlothian Council as part of the wider regeneration of the town centre. This will move forward as part of Phase 1 of the wider town centre regeneration strategy.
- c) Approve the allocation of £0.030m from the Blueprint Transformation fund within the General Services Capital Plan to deliver RIBA Stage 0-1 in order to generate capital cost of refurbishment strategy, which will be subject to a future report to Council for approval.
- d) Remit to BTSG, as part of the wider Capital Plan Prioritisation work, the following before bringing a further report back to Council:
 - o Discuss the findings of the appended Dalkeith Regeneration Development Framework and its adoption as non-statutory supplementary planning guidance
 - o Discuss the opportunity to explore external funding to be utilised if the delivery of Phase 1 of the framework comprising the active travel proposals is approved.
 - o Discuss whether, within the Capital Plan Prioritisation work, the aspiration to progress Phases 2-3 of the development framework is still feasible, subject to a delivery plan which allows this to be taken forward without recourse to the use of the General Services Capital Plan and explores the potential for an external partner. The town centre regeneration budget within the Housing Revenue

Account (HRA) and other sources of external funding will also be utilised.

- Discuss whether members wish to progress the next stage of work on a delivery plan, which will focus on options for a joint venture, with the outcome of this work to reported back to Council prior to any procurement and approve the allocation of £0.020m from the Blueprint Transformation fund within the General Services Capital Plan to obtain legal and commercial advice to support this.

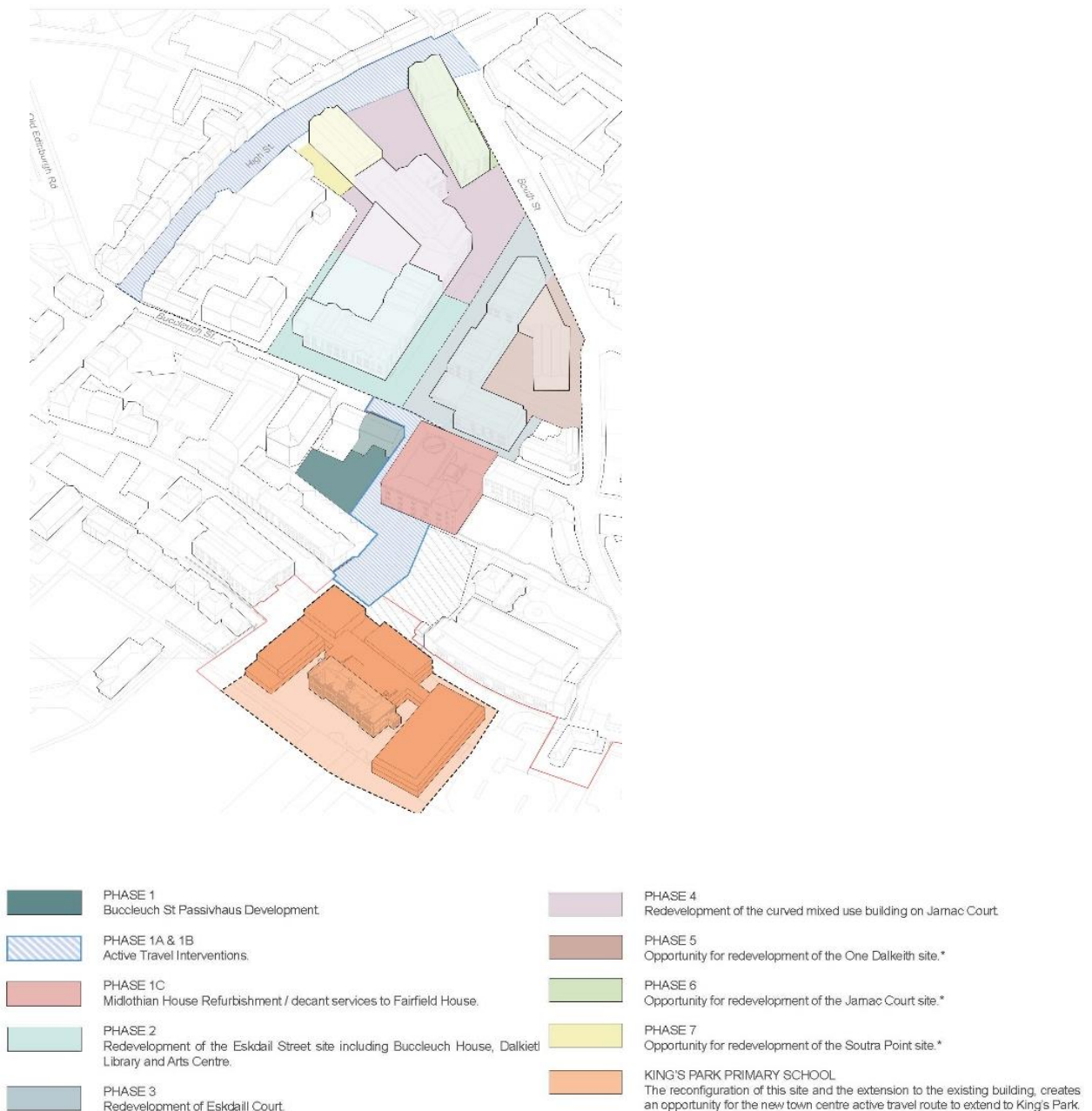
2 Purpose of Report/Executive Summary

- 2.1 In December 2021 Midlothian Council supported the commissioning of a new vision for Dalkeith that would reflect Midlothian Council's commitment to be Net Zero by 2030; incorporate revised strategies around Council assets and learning estate; and reflect different ways of working and living in a post-pandemic landscape.
- 2.2 In addition, following recent reports to Council the refurbishment of Midlothian House is now incorporated into this regeneration masterplan as urgent action is required to progress a fabric first retrofit of the building to address its deteriorated façade, thereby significantly extend the lifespan of the building and improve the building's energy performance.
- 2.3 By incorporating Midlothian House into the first phase of the town centre regeneration programme (see table 1), this creates the opportunity to create a one stop shop Hub within the town centre, expanding the building's role as an anchor for accessible public sector and third sector services, not limited solely to Midlothian Council use, enabling building rationalisation and implementing hub & spoke service delivery.
- 2.4 The building's refurbishment will also facilitate the decant of town centre public and third sector into Midlothian House as subsequent phases of the regeneration of the wider town centre proceeds. The other element of Phase 1 that relates to active travel and public realm works, will also progress as part of this initial phase on the basis of no additional recourse to the General Services Capital Plan funding to deliver these projects outwith existing funding allocations, such as developer contributions or existing external funding streams.
- 2.5 The utilisation of the General Fund to deliver this development is ruled out, due to the need to prioritise the funding of development that is fully committed in order to deliver Midlothian Council's statutory obligations in relation to community infrastructure at this time.

Table 1: Proposed Phasing – Dalkeith Regeneration

Phase	Year	Project Name	Lead
Phase 0 (achieved)	2023/24 (Y1)	Buccleuch St Passivhaus Development	Midlothian Council
Phase 1 (Mid House)	Y2	Midlothian House refurbishment / decant services to Fairfield House	Midlothian Council
Phase 1 (Public Realm)	Y2	Active Travel interventions	Midlothian Council
Phase 2-3	Y2	Pre-development period: Delivery Plan to be agreed (funding/JV)	Midlothian Council
Phase 2-3 (Dependent on Delivery Plan)	Y3-4	Decant Council services from town centre to Midlothian House	Midlothian Council
Phase 2-3 (Dependent on Delivery Plan)	Y4-6	Delivery of phases with JV partner	Potential JV
Phase 4-5 (Dependent on Delivery Plan)	Y6-10	Delivery of phases with JV partner	Potential JV

Figure 1: Illustration of Proposed Phasing



- 2.6 The Dalkeith Regeneration Development Framework sets out a vision shaped around local people's aspirations for their town centre; a course for the creation of a series of 20 minute neighbourhoods throughout the area; a strategy for the delivery of a redeveloped town centre; and a design guide to support this. This report seeks approval for the adoption of this framework and the approval of an outline business case to future phased delivery.
- 2.7 This report seeks approval of the development framework and the resource required to develop the proposed integration of the retrofit and refurbishment of Midlothian House into regeneration of the town centre. It also highlights the opportunity to utilise the Housing Revenue Account to partially address the funding gap for this project. However, additional funding sources, to be identified through further work on a delivery plan, will be required to ensure the affordability of Phases 2-3 of the development framework and the capital investment review.

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3 Background/Main Body of Report

Estate Rationalisation

- 3.1 On 29th June 2021, Midlothian Council approved a report on Council Building rationalisation and housing redevelopment, agreeing to reduce the number of Council office buildings and maximise the value of surplus properties through the options outlined in the disposal of assets where the buildings are no longer occupied, or suitable or required; and agreed to housing led redevelopment opportunities being progressed as detailed in this paper, with a design concept and funding being reported back to Council. The report stated that in rationalising our existing and traditional office estate, these town centre assets can support housing led regeneration, with social and affordable housing replacing mostly empty office space to address housing needs as well as primary and secondary employment opportunities.
- 3.2 The report highlighted the following opportunities within Dalkeith town centre:

Table 2: Asset Rationalisation Opportunities

Property	Outputs
Midlothian House & Fairfield House	Rationalise, or repurpose or dispose
Eskdail Court; Library / Arts Centre; Existing residential (23 Council owned homes); Jarnac Court; Buccleuch House	Demolition for redevelopment of residential, retail, one stop shop, community space

- 3.3 An additional report to Council on 4th October 2022 resulted in Council approval for building rationalisation to proceed as our building assets make a significant contribution to Council revenue but also carry holding and maintenance costs along with compliance and insurance risks, while backlog maintenance costs increase.
- 3.4 In line with the Strategic Infrastructure Investment Framework, the Council aims to utilise assets base to efficiently deliver services to support our wider transformation aims and better use our places & spaces from an evidence base developed to dispose or divest of assets not fit for use. Midlothian Council is located within multiple buildings on the Dalkeith site however new patterns of working mean that some buildings are only partially occupied or vacant.

Midlothian House

- 3.5 While the Development Framework for Dalkeith's regeneration was being finalised, a report was brought to Council on 9th May 2023 due to sections of external cladding falling from the rear elevation of Midlothian House. Engineers were engaged to advise and investigate the cause of the issue. Their report highlighted multiple failure points on the building's exterior cladding and concluded that the only effective repair involves the complete replacement of the external cladding to ensure an outcome which will give significant longevity to the building and ensure all issues identified are addressed in full with no ongoing detriment to the building.
- 3.6 The report also highlighted the ongoing revenue costs of maintaining scaffolding to address the stability of the cladding, circa £11,167 per month.
- 3.7 In terms of options available to Midlothian Council, these are:
- Do nothing / Do Minimum: repair/replace cladding only with temporary decant to Fairfield House for duration of the works.
 - Relocate / Demolish / Sell the site: dispose or demolish Midlothian House with assumed decant to Fairfield House.
 - Adopt a Fabric First approach: repair cladding and upgrade fabric of the building Midlothian House in retrofit project to address issues with thermal insulation and building's services extend lifespan of building with potential for improved floorplate layout and capacity. This would result in wider benefits such as running and lifecycle costs as well as reduced operational carbon emissions.
- 3.8 Midlothian Council approved taking a fabric first approach with the level of fabric enhancement to be determined, with the project to be integrated into the regeneration of Dalkeith.
- 3.9 It is proposed to extend the appointment of Reiach & Hall Architects (RHA) to allow them to progress the first stage of design development for this option (RIBA 0-1). RHA undertook the development framework for the town centre and developed a 3D model of the area which can be utilised for this project. In addition, the firm has extensive experience in retrofitting buildings to extend their lifespan and fit for (future) purpose.
- 3.10 This work is required in order to establish the value of the capital works required to take this element of the project forward. The following key elements will be incorporated into the RHA work:
- Replacing the external envelope of the building resulting in enhanced thermal performance and elevation study generating proposals for improved daylighting within building.
 - Options for opening up ground floor to create more public and active frontage.

- Options for relocation of existing library and arts centre, which would allow Phase 2 of the development framework to be taken forward, with implications for internal configuration of services and teams within Midlothian House.
- 3.11 RHA will assess the cost versus benefits of deeper retrofit of the building in relation to lifecycle and carbon benefits.
- 3.12 A budget of £30,000 (ex VAT) is sought to deliver this design work and additional cost plans to support this project in moving forward. Due to this project's close alignment with the Council's 5 year Transformation Blueprint (see Outline Business Case Section 2), it is proposed the Blueprint Transformation budget is utilised to fund this cost.

Dalkeith Regeneration Development Framework

- 3.13 Alongside a reconsideration of how we best use our assets, on 14th December 2021, Midlothian Council endorsed the preparation of a Stage 2 masterplan for Dalkeith Town Centre to update and expand on the previous masterplan and progress an outline business case (OBC) for the development as a necessary step for delivery.
- 3.14 The masterplan and OBC were to articulate a broader vision for the future of Dalkeith and how the town centre masterplan can help deliver this; reflect changes since the 2016 masterplan's preparation, particularly in relation to town centre role post-pandemic; Midlothian Council's commitment to be Net Zero by 2030; integrate revised strategies on Council assets and the learning estate; and reflect different ways of working and living in a post-pandemic landscape. It was also to incorporate a robust economic, financial and commercial case as part of an overall outline business case to highlight the benefits of the project, with detailed financial appraisals and specify commercial options for the delivery of the masterplan. This was to allow a route to delivery of the development proposals to be identified.
- 3.15 Both of these strands of work have come together to allow a consideration of the future of the key asset of Midlothian House and the wider Council campus of properties in the context of the town centre's regeneration.
- 3.16 The overarching vision for the regeneration of Dalkeith town centre and a strategy for delivery is set out within the Dalkeith Regeneration Development Framework. This is submitted to members alongside this Outline Business Case for approval as non-statutory supplementary planning guidance.
- 3.17 The Dalkeith Regeneration Development Framework sets out a vision for Dalkeith town centre that will create a greener, more attractive, more welcoming and more prosperous place for our communities to thrive in, with a specific focus on the redevelopment of the key site in the town centre that encompasses Jarnac and Eskdail Court.

- 3.18 The Framework incorporates a set of key principles that will apply to all development in the town centre. These are below.

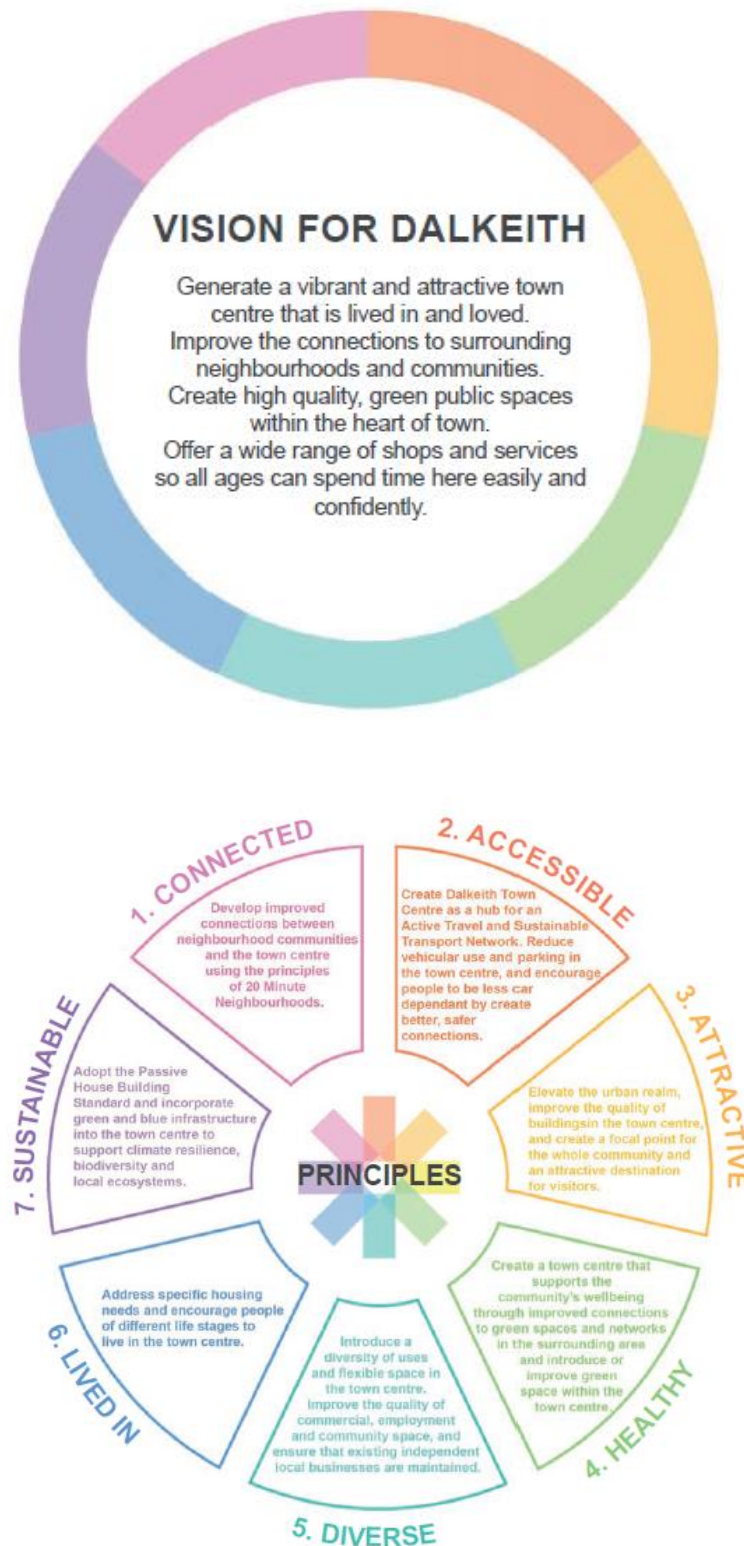


Figure 2: Dalkeith Regeneration Development Framework - Vision and Key Principles

3.19 Finally, the document contains a set of strategies that set out how these principles will be achieved in the town centre. These set out to achieve the following:

- Connect neighbourhood communities and town centre
- Transforming connections to create a 20 minute neighbourhood
- Improve public transport
- Improved opportunities for active travel
- Optimise existing town centre parking sites
- Pedestrianisation of High Street
- Improve town centre square and enhance civic space
- Provide a mix of housing tenure & Types
- Create flexible space for commercial, employment and community use
- Introduction of green space into the town centre
- Housing with access to gardens, balconies and roof terrace
- Sustainable development and buildings



Figure 3: Dalkeith Town Centre Masterplan

3.20 The vision, principles, masterplan and strategies that comprise the Dalkeith Regeneration Development Framework have all been informed by the priorities that were expressed by the community and town centre stakeholders, via the community consultation process that underpins this document. These are captured in the Insights Report by People Powered Results (appended).

Shaping Places for Wellbeing

- 3.21 A Place and Wellbeing Assessment of the Dalkeith Regeneration Development Framework was undertaken as part of the Shaping Places for Wellbeing programme, overseen by Public Health Scotland and the Improvement Service. A wider range of participants were asked to use their knowledge and expertise to consider how the framework was likely to impact on creating a place that enables wellbeing.
- 3.22 The assessment concluded that the delivery of the framework would contribute to delivering and supporting many of the aspects of a place that enable the wellbeing of those who live, work and relax in Dalkeith and the wider Midlothian. It also concluded that the implementation of the Development Framework provides an opportunity to broaden the contribution of place to both overall wellbeing and to reducing inequality in some communities. The assessment makes specific recommendations regarding embedding a whole Council approach in its delivery, prioritising clarity and communication through the process and highlights scope to further develop the 20 minute neighbourhood model to ensure equal access to the town centre, particularly those in the most deprived areas.

Phasing

- 3.23 The proposals in the development framework have been broken down into phases. This is to allow the development to be taken forward in a step-wise fashion, that limits disruption to the commercial operators in the town centre, allowing some decanting of occupiers and uses into newly created spaces before progressing on to the next phase.
- 3.24 This approach has been subject to a report by Alliance CDM report to ensure a phased approach to demolition and redevelopment can be achieved.
- 3.25 The phasing also now incorporates the delivery of Midlothian House alongside the public realm and active travel proposals already in the development framework as Phase 1.

Table 3: Proposed Phasing – Dalkeith Regeneration

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4 Report Implications (Resource, Digital and Risk)

4.1 Resource

The affordability of delivering this development at this time for Midlothian Council is challenging.

The utilisation of the General Services Capital Funding to deliver this development is ruled out, due to the need to prioritise the funding of development that is fully committed in order to deliver Midlothian Council's statutory obligations in relation to community infrastructure at this time.

However, this development is to be housing led. Therefore, the Housing Revenue Account can be utilised to lead its delivery. £10m has been set aside for the purpose of town centre regeneration within the HRA that can be applied to this project. In addition, grant funding from the Affordable Housing Supply Programme can also be utilised to meet the costs of the development, where it is delivering social housing and housing or Mid Market Rent. However, there are restrictions on the use of the HRA for any development that is not housing. Therefore, to deliver the commercial or non-housing elements of the proposal, alternative sources of funding are required.

- 4.1.1 In relation to Midlothian House retrofit and refurbishment, the cost incurred for undertaking the safety investigation works and scaffolding as at 6th May 2023 amounted to £167,713.63. In addition, there is a weekly ongoing cost for the hire of the scaffolding of £2,072 per week, or £107,744 per annum.

4.1.2 The resource ask of this report comprises:

- £0.030m to fund a RIBA Stage 0-1 report which will develop a proposal for the retrofit and refurbishment of Midlothian House. This is required to avoid the continued cost of scaffolding around the building and test the scope for a new One Stop Shop hub on the ground floor of Midlothian House and the building's transformation into a hub for multi-agency work in Midlothian.
- £0.020m to fund the continued development of the delivery strategy for the development framework, which will fund professional advice on joint venture structures for the delivery of Dalkeith Town Centre and property advice on site assembly.

4.2 It is proposed that this cost be met through the Blueprint Transformation fund due to the works' strategic alignment with the themes of 21st century workforce and workplaces for the future.

4.3 Digital

There are no digital resource implications.

4.4 Risk

Project Overview - Risks		Impact	Likelihood	Mitigation
Midlothian House Retrofit & Refurbishment				
Health & Safety	Risk of further falls of masonry from Midlothian House.	5	1	Scaffolding to remain in place until remediation work implemented.
Financial	Adopting more extensive retrofit beyond recladding will be unaffordable to the General Services Capital Plan.	5	3	Benefit to cost of retrofit to be assessed to understand revenue savings alongside carbon savings.
Financial	Adopting more extensive retrofit beyond recladding will be unaffordable to the Council's General Services Capital Plan.	5	3	Property upgrade to reduce carbon impacts allow access to alternative sources of funding such as Salix grant funds.

Financial	Adopting more extensive retrofit beyond recladding will be unaffordable to the Council's General Services Capital Plan.	5	3	Work is being undertaken to review the level of affordability of the General Services Capital Plan and prioritise projects accordingly
Dalkeith Town Centre Regeneration Framework				
Reputational	Failure to deliver development framework after additional community consultation	2	3	Develop Delivery Plan that allows phase by phase delivery in way that is affordable to MLC.
Reputational	Further deterioration of buildings in town centre including library and council housing	3	3	Develop Delivery Plan that allows phase by phase delivery in way that is affordable to MLC.
Financial	Delivering the development framework will be unaffordable to the General Services Capital Plan.	5	1	Close funding gap without recourse to GSCP. Utilise HRA and other sources of grant funding.
Financial	Development Framework is not deliverable due to negative residual valuation.	5	3	Take public sector led approach with development of delivery strategy with commercial partner to assist addressing funding gap.
Financial	Development Framework is not deliverable due to negative residual valuation.	5	3	Take development forward in phases to allow place premium to develop, making later phases more commercially attractive and initial phases more affordable to Midlothian Council.

Delivery	The development framework site is not wholly in Midlothian Council control, limiting ability to deliver co-ordinated delivery of regeneration and any commercial interest in the proposal	3	3	Site assembly will be required as a pre-requisite to allow for coordinated delivery.
Delivery	Low carbon goals are not delivered	3	1	Midlothian Council to be lead developer, setting specification, supported by the development framework, for buildings within the town centre.
Delivery	Quality of development aspired to not be delivered, limiting the impact of the development on the regeneration of the town centre.	3	1	Midlothian Council to be lead developer, setting specification, supported by the development framework, for buildings within the town centre.

4.5 Ensuring Equalities (if required a separate IIA must be completed)

There are no equalities implications.

4.6 Additional Report Implications (See Appendix A)

NA

APPENDIX A – Report Implications

A.1 Key Priorities within the Single Midlothian Plan

The Single Midlothian Plan 2023-27 is the shared plan for the public, voluntary and private sector and local communities. Of its seven goals, the following have a strong strategic fit with the project:

- Midlothian will be healthier: A Shaping Places for Wellbeing appraisal of the Development Framework has been undertaken, highlighting the beneficial elements of the plans that relate to health and wellbeing, including active travel proposals.
- Midlothian will be safer: the Development Framework will help people feel safer in the town centre by increasing housing density and improving passive surveillance. It will also reduce the amount of temporary accommodation in the town centre, which can contribute to incidences of anti-social behaviour.
- Midlothian will be greener: the Development Framework will connect the town centre into existing parks better, while also bringing more and better green space into the town centre itself. In addition, the new buildings will be far more energy efficient than those they are replacing.
- Midlothian will have a wellbeing economy and be better connected: Central to the proposals are better active travel and public transport accessibility to the town centre, but also integration of 20 minute neighbourhood proposals to improve accessibility of local neighbourhoods.
- Midlothian will work towards reducing poverty: The proposals for the town centre will include a significant amount of affordable housing, the provision of which is critical to poverty reduction.

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

This report seeks additional funding to allow the progression of plans to refurbish and retrofit Midlothian House to extend the building's lifespan and ensure its ability to both support the implementation of hub and spoke service delivery and also support the wider regeneration of Dalkeith Town Centre in a way that represents best value for Midlothian Council. It also seeks funding for the development of the delivery strategy for the wider regeneration of the town centre to ensure it is also affordable and represents best value for Midlothian Council.

A.5 Involving Communities and Other Stakeholders

The nature of the extensive community consultation undertaken as part of the development framework is outlined in both the Outline Business Case and the Insights Report appended to this report.

Since the production of the draft Development Framework, Midlothian Council has also met with local Community Councils to update them on its findings.

A.6 Impact on Performance and Outcomes

As set out under section 3 of this report, there are a wider range of project benefits that will be delivered as part of the wider regeneration of the town centre that include performance and outcomes of Midlothian Council linked to the implementation of the hub and spoke model in the town centre.

A.7 Adopting a Preventative Approach

As set out under section 3 of this report, there are a wider range of project benefits that will be delivered as part of the wider regeneration of the town centre, linked to better health and wellbeing outcomes for the local community.

A.8 Supporting Sustainable Development

As set out under section 3 of this report, there are a wider range of project benefits that will be delivered as part of the wider regeneration of the town centre, including the replacement of dated properties with a development that is sustainable and energy efficiency, supporting the delivery of the Council's net zero climate strategy.

Appendices

APPENDIX B – Dalkeith Regeneration Development Framework with Ryden Development Framework Property Market Assessment and Arup Dalkeith Regeneration Transport Report

APPENDIX C – Nesta Consultation Report

APPENDIX D - Development Framework Place and Wellbeing Assessment