Summary

Following the 2009 demolition and rebuilding of Cuiken Primary School in Penicuik the opportunity arose for Midlothian Council and Melville Housing Association, the two main developers of affordable housing in Midlothian, to work together to make inroads into the considerable shortage of affordable housing in the town, a problem shared across the local authority area.

The Cuiken Terrace project built on a close working relationship established through a previous collaboration in 2008. This earlier project, in the Midlothian town of Gorebridge, saw the two organisations share the same architects and main contractor to develop two adjacent sites, delivering cost and time savings and a greater return on the combined housing investment.

Building on this successful project it was agreed that by developing the working relationship further the two organisations could more effectively tackle local housing need which currently stands at almost 4,500 in a local authority area of just 35,000 households. The result was an innovative partnership to build desperately needed new homes in the town of Penicuik.

What did you set out to achieve?

Midlothian Council has undertaken the most significant council house building
programme in Scotland for a generation, with an initial target of 1,000 new homes aimed at replacing some of those lost since the introduction of the right to buy.

Cuiken Terrace was seen as an excellent opportunity to deliver some of these by developing the partnership between the Council and Melville. The town of Penicuik has an acute shortage of affordable housing with almost 2,900 names on the waiting list despite only having a population of 18,000. Turnover rates are also extremely low. Both the Council and Melville were actively pursuing opportunities to meet this demand and needed to take full advantage of the opportunity to redevelop part of the old school site.

The goals set were to:

1. Meet the massive demand for affordable housing in Penicuik, by delivering the maximum number of homes on the site without compromising quality
2. Deliver the types of housing in greatest demand (two-bedroom properties followed by one-beds)
3. Deliver two separate schemes, that shared infrastructure but that were attractive and distinct in nature. Following the earlier joint venture in Gorebridge both organisations were aware of the possibility that the Cuiken Terrace homes might be seen as ‘identikit’, a criticism often levelled at new housing
4. In addition there was a desire to deliver housing that was, as far as possible, protected from rapidly rising energy costs which have been putting severe pressure on tenants in the social rental sector.

Finally, for the project to happen at all, the Scottish Government’s value for money benchmark had to be met.

How were these aims and objectives met?

In order to meet the first two goals and the value for money benchmark, Melville and the Council agreed a joint-working framework before appointing contractors. Areas were identified where savings could be made and imaginative ways explored of making the best use of the available space.

Making best use of space included building on some of the land previously used as part of the school playing fields and also required Melville to demolish a number of garages on its land.

Following detailed discussions it was agreed that the Council would carry out all infrastructure work for both partners, with Melville contributing to the final cost. It was also agreed that the Council would sell a small plot of land to Melville, allowing it to have a viable development of ten flats where its own land would only have accommodated six.
When design and building work got underway the two organisations shared a number of professional services in order to reduce costs. These were:

- Lovell Partnerships Ltd as the main contractor for all properties
- All mechanical and electrical engineering services provided by the Keenan Consultancy
- Wren and Bell providing all structural engineering services
- The appointment of Aecom as construction design management coordinator on both projects.

To protect tenants from rapidly rising energy prices, both the Council and Melville designed the new Cuiken Terrace homes to be as energy-efficient as possible, including using solar water heating for the first time.

To ensure variety in the type, style and look of the housing both agreed to employ separate design teams. The Council used Kirsty Henderson of Hackland and Dore Architects with Ian Brown as landscape architect and Hardies as quantity surveyors and project managers. Melville used Susan Stephen Architects, Macdonald Alexander as quantity surveyors and PPCA as landscape architects.

What challenges did the project face, and what lessons were learned?

Firstly, in challenging economic times but with increasing construction costs, the partnership faced the challenge of meeting the Scottish Government’s value for money benchmark. Meeting this was vital in order for Melville to access Housing Association Grant (HAG) funding without which its element of the project would not have been possible.

By conducting a thorough value for money analysis before contractors were even appointed, significant savings were identified by using the same developer operating out of a shared compound, jointly appointing some consultants, and by sharing major infrastructure costs.

Secondly, as part of the planning process, the partnership had to address objections to their planning applications from sportscotland, the lead agency for the development of sport in Scotland. Sportscotland was concerned about a perceived reduction in sports facilities at the new school – although in fact it met all relevant educational regulations in this respect – and its objections meant that the applications had to be referred to the Scottish Ministers.

In the event the Ministers allowed the applications to be determined by the local authority, and the partnership was able to argue successfully that there was no loss of sports facilities.

Thirdly, the planning authority had not carried out the county-wide open space audit which would allow it to determine the partners’ planning applications. To overcome this obstacle the partnership did this work itself and was able to
demonstrate to the planners’ satisfaction that there was no unacceptable loss of public open space.

Additionally there were health and safety challenges presented by building next to a primary school. Working closely with Aecom this challenge was safely negotiated.

How was the success of the project measured?

We met all of the objectives set for the project which came in under budget and with no overall delay despite a winter severe enough to close nearby Edinburgh Airport.

If the Council had developed its own site in isolation it would have delivered a maximum of 22 new homes in an area of desperate need. Co-operation over the distribution of land meant that the Council instead built 18, with Melville building four on land bought from the Council along with six on its own land, and by working together the Council and Melville therefore delivered 28 homes, an increase of 27%. These are homes for six individuals and families, some of whom were previously living in homeless or temporary accommodation facing very uncertain futures. All properties were occupied immediately and tenant satisfaction levels are extremely good.

The sharing of infrastructure costs alone saved the partnership £125,000, almost equal to the cost of building the housing association two one-bedroom flats. These aren’t a type of property that Melville would normally build however for this project they made an exception due to the high demand and to make maximum use of the available space. 20 of the 28 were two bedroom flats due to huge demand from the large number of small families in the Penicuik area.

All homes were built to meet the highest energy-efficiency standards, not just through increased levels of insulation but most are also fitted with solar thermal panels which provide much of the energy for domestic hot water, delivering an estimated average annual saving of £65 on already low energy bills.

While savings were made through shared infrastructure and construction costs, there was no compromise on quality. Separate architects ensured that although the overall look of the development is consistent, the two parts of the project have their own distinctive identities.

What were the key positive outcomes?

The most valuable lesson that others could take from the success of this project is that RSLs and councils are not in competition with each other, and can achieve far more by working together than they can by operating in isolation.
The closeness of the working relationship for this particular project might not be something that can always be replicated, however sharing the site compound and infrastructure costs in particular generated huge savings (almost 3% of the total project spend) and where plots of land exist ‘cheek by jowl’ it makes sense for housing associations and local authorities to work together to maximise development opportunities.

Melville Housing Association and Midlothian Council remain two distinct and separate organisations but there are plenty of opportunities to work together for the greater good, and the same must apply in many other areas.

**How can you demonstrate that you have optimised the funding opportunities available?**

Both the Council and Melville secured funding for this project from a variety of areas, including from several publicly-funded sources; the Scottish Government’s Council House Building Fund (£180,000); Housing Association Grant (£498,000); and the Communities and Renewable Energy Scheme.

<table>
<thead>
<tr>
<th>Source Description</th>
<th>Local Authority</th>
<th>Melville</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kick-Starting Council House Building Grant (Scottish Government)</td>
<td>£180,000</td>
<td>N/A</td>
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<tr>
<td>CARES [Communities and Renewable Energy Scheme] grant (Community Energy Scotland)</td>
<td>£15,120</td>
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<tr>
<td>Own funds (loan from the Public Works Loan Board – “Prudential Borrowing” and private finance (Melville))</td>
<td>£1,874,081.15</td>
<td>£467,000</td>
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<tr>
<td>Scottish Government HAG</td>
<td>N/A</td>
<td>£498,000</td>
</tr>
<tr>
<td>Other ‘recycled’ Scottish Government Grant Funding</td>
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<td>£217,000</td>
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<tr>
<td><strong>Total costs</strong></td>
<td><strong>£2,069,201.15</strong></td>
<td><strong>£1,182,000</strong></td>
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<tr>
<td><strong>Total project cost</strong></td>
<td></td>
<td><strong>£3,251,201.15</strong></td>
</tr>
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Melville was particularly pleased to have been able to ‘recycle’ previous Scottish Government grant funding from earlier projects, using it for its intended purpose of delivering affordable housing in Midlothian rather than returning it to the Scottish Government to be spent elsewhere in the country.

This also helped Melville turn a negative into a positive as part of this ‘recycled’ funding was for a project to build housing in the Easthouses area of Dalkeith, which had its planning application and subsequent appeal rejected. When this project had to be reluctantly aborted there was a danger that the HAG funding awarded for it would be lost to Midlothian but instead it was transferred to the Cuiken Terrace project.
How has your initiative helped to maximise the supply of new housing in your area?

Once the funding was in place, strict cost control and the sharing of costs and contractors (as outlined previously) wherever possible made sure that the project delivered the maximum number of properties.

If Midlothian Council and Melville had worked separately then both organisations would have been able to deliver some new affordable housing but would have missed out on significantly more. Without the additional land the Council sold to Melville, the association would only have been able to build six new homes rather than the ten that were ultimately possible and joint working delivered six additional properties, increasing the size of the development by more than a quarter.

How does your project help address either a current challenge, faced by many providers, or meet a current priority in your part of the UK?

All affordable housing providers in the UK face diminishing levels of subsidy to enable them to continue developing new affordable housing. If these providers do not find more efficient ways of financing development, they will fail to address the rising levels of housing need across the country. In Midlothian it was recognised that the Council and housing associations needed to work in partnership to find ways of meeting the massive demand for affordable housing, which has resulted in high levels of homelessness and growing waiting lists for social rented housing.

In Midlothian there is also the recognition that, when it comes to social housing, it is less important who a person’s landlord is and far more important that they have an affordable home, which, in many cases, will only be possible if the maximum number of affordable homes can be developed. Consequently the Council and local housing associations such as Melville are looking at ways to share resources such as land, infrastructure requirements and finance and the benefits of this approach are demonstrated in the successful Cuiken Terrace development.

In addition, through the development of Midlothian’s annual Strategic Housing Investment Plan, affordable housing priorities such as areas, sites, house types and the requirements for particular needs can be agreed jointly with all local housing partners. This is important as it allows Midlothian’s social housing providers to demonstrate the priorities for development to the Scottish Government and work with them to ensure that the investment in affordable housing meets the needs of the community.
Is your project influencing the way other providers work, will it help deliver improvements beyond those immediately involved?

At both a strategic and a practical level we strongly believe that the way Midlothian Council and Melville worked together on the Cuiken Terrace development could and indeed should be a model for delivering affordable housing across the UK.

It is our experience that in many areas of the UK, housing associations feel threatened by councils developing affordable housing. In Midlothian, RSLs and the Council are not in competition with each other, as it serves no benefit to employ a 'them and us' approach to affordable housing development. We feel that the strong partnership approach used in Midlothian, not just with Melville but also with other associations, should be considered a model of good practice in areas where this way of working does not yet exist. Whether or not a council is building new homes it can still work closely with RSLs to ensure that government subsidies are used most efficiently. As a first step all local authorities should prioritise areas and land for affordable housing.

Following this, it is important to consider the most efficient use of resources (including HAG or funding for council housing). On sites available through an affordable housing agreement, the best option may be a mix of social landlords in order to deliver a greater tenure variety; the council might develop social rented housing with an RSL developing mid-market rented housing, and low cost home ownership options. Working in partnership will enable increased affordable housing options and enable organisations to devise solutions together to make the best possible use of resources.

What the project has done is show how effective joint-working of this type can be. Not only are we confident that it will act as a model for others, Midlothian Council and Melville Housing Association are also actively exploring further development opportunities.