## **Public Document Pack**



<u>To</u>: Councillor Lumsden, <u>Convener</u>; Councillor Graham, <u>Vice Convener</u>; and Councillors Boulton, Councillor Donnelly, the Depute Provost, Jackie Dunbar, Flynn, Laing, Nicoll and Yuill.

Town House, ABERDEEN 11 June 2018

## CITY GROWTH AND RESOURCES COMMITTEE

The Members of the CITY GROWTH AND RESOURCES COMMITTEE are requested to meet in Committee Room 2 - Town House on <u>TUESDAY</u>, 19 JUNE 2018 at 2.00 pm.

FRASER BELL CHIEF OFFICER - GOVERNANCE

### BUSINESS

#### **DETERMINATION OF URGENT BUSINESS**

1.1 Determination of Urgent Business

## **DETERMINATION OF EXEMPT BUSINESS**

2.1 Determination of Exempt Business

## **DECLARATIONS OF INTEREST**

3.1 Declarations of Interest (Pages 5 - 6)

#### REQUESTS FOR DEPUTATION

4.1 Requests for Deputation

## MINUTE OF PREVIOUS MEETING

5.1 Minute of Previous Meeting of 24 April 2018 - For Approval (Pages 7 - 24)

## **COMMITTEE PLANNER**

6.1 Committee Planner (Pages 25 - 46)

#### **NOTICES OF MOTION**

7.1 There are no Notices of Motion at this time

## REFERRALS FROM COUNCIL, COMMITTEES AND SUB COMMITTEES

8.1 There are no reports under this heading

## **GENERAL BUSINESS**

- 9.1 <u>Regional Economic Strategy Action Plan Refresh PLA/18/025</u> (Pages 47 74)
- 9.2 Schoolhill Public Realm Enhancement RES/18/029 (Pages 75 100)
- 9.3 <u>Torry Heatnet Pilot Project (Torry Phase 1A) RES/18/022</u> (Pages 101 108)
- 9.4 Middlefield/Northfield Place Making RES/18/021 (Pages 109 118)
- 9.5 World Energy Cities Partnership PLA/18/031 (Pages 119 150)
- 9.6 Regional Quality Partnership for Public Transport PLA/18/009 (Pages 151 172)
- 9.7 <u>Loans of Works of Art to Overseas Venues RES/18/039</u> (Pages 173 178)
- 9.8 <u>Aberdeen City Region Deal Strategic Transport Appraisal Objectives PLA/18/035</u> (Pages 179 218)
- 9.9 Neighbour Audits of Regeneration Areas PLA/18/034 (Pages 219 342)

#### **EXEMPT/CONFIDENTIAL BUSINESS**

- 10.1 Pension Fund Guarantee Request RES/18/036 (Pages 605 612)
- 10.2 <u>Aberdeen in Colour Project Langstane Place RES/18/035</u> (Pages 613 618)
- 10.3 <u>Creative Funding Grants Programme PLA.18.027</u> (Pages 619 660)
- 10.4 <u>Aberdeen Science Centre Bank Guarantee CUS/18/014</u> (Pages 661 676)
- 10.5 <u>Blackhills of Cairnrobin RES/18/046</u> (Pages 677 684)
- 10.6 Acquisition of 532 King Street RES/18/045 (Pages 685 696)
- 10.7 <u>Council House Building Programme RES/18/034</u> (Pages 697 704)
- 10.8 Hazlehead Pool Feasibility Inspection to follow

EHRIA's related to reports on this agenda can be viewed at Equality and Human Rights Impact Assessments

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## Agenda Item 3.1

You must consider at the earliest stage possible whether you have an interest to declare in relation to any matter which is to be considered. You should consider whether reports for meetings raise any issue of declaration of interest. Your declaration of interest must be made under the standing item on the agenda, however if you do identify the need for a declaration of interest only when a particular matter is being discussed then you must declare the interest as soon as you realise it is necessary. The following wording may be helpful for you in making your declaration.

#### OR

I have considered whether I require to declare an interest in item (x) for the following reasons ...... however, having applied the objective test, I consider that my interest is so remote / insignificant that it does not require me to remove myself from consideration of the item.

#### OR

I declare an interest in item (x) for the following reasons ...... however I consider that a specific exclusion applies as my interest is as a member of xxxx, which is

- (a) a devolved public body as defined in Schedule 3 to the Act;
- (b) a public body established by enactment or in pursuance of statutory powers or by the authority of statute or a statutory scheme;
- (c) a body with whom there is in force an agreement which has been made in pursuance of Section 19 of the Enterprise and New Towns (Scotland) Act 1990 by Scottish Enterprise or Highlands and Islands Enterprise for the discharge by that body of any of the functions of Scottish Enterprise or, as the case may be, Highlands and Islands Enterprise; or
- (d) a body being a company:
  - i. established wholly or mainly for the purpose of providing services to the Councillor's local authority; and
  - ii. which has entered into a contractual arrangement with that local authority for the supply of goods and/or services to that local authority.

#### OR

I declare an interest in item (x) for the following reasons.....and although the body is covered by a specific exclusion, the matter before the Committee is one that is quasi-judicial / regulatory in nature where the body I am a member of:

- is applying for a licence, a consent or an approval
- is making an objection or representation
- has a material interest concerning a licence consent or approval
- is the subject of a statutory order of a regulatory nature made or proposed to be made by the local authority.... and I will therefore withdraw from the meeting room during any discussion and voting on that item.

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ABERDEEN, 24 April 2018. Minute of Meeting of the CITY GROWTH AND RESOURCES COMMITTEE. <u>Present</u>:- Councillor Lumsden, <u>Convener</u>; Councillor Graham, <u>Vice-Convener</u>; and Councillors Boulton, Councillor Donnelly, the Depute Provost, Jackie Dunbar, Flynn, Houghton (as substitute for Councillor Boulton for articles 4, 13 and 16), Laing, Catriona Mackenzie (as substitute for Councillor Jackie Dunbar for article 13 onwards), Nicoll, Townson (as substitute for Councillor Flynn for articles 4 and 16) and Yuill.

The agenda and reports associated with this minute can be found at:https://committees.aberdeencity.gov.uk/ieListMeetings.aspx?CommitteeId=6 18

Please note that if any changes are made to this minute at the point of approval, these will be outlined in the subsequent minute and this document will not be retrospectively altered.

#### DETERMINATION OF EXEMPT BUSINESS.

1. The Convener proposed that the Committee consider items 10.1 (Pinewood Hazledene Sale Update), 10.2 (Shaping Aberdeen Housing LLP) and 10.3 (Disposal of Site at Harris Drive, Aberdeen) with the press and public excluded.

#### The Committee resolved:-

in terms of Section 50(A)(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting from item 10.1 of the agenda so as to avoid disclosure of information of the classes described in the following paragraphs of Schedule 7(A) to the Act:- articles 15, 16 and 17 (paragraphs 6 and 9).

#### **DECLARATIONS OF INTEREST**

- 2. Members were requested to intimate any declarations of interest in respect of the items on today's agenda, thereafter, the following declarations of interest were intimated:-
- (1) Councillors Boulton and Flynn declared an interest in items 6.1 (Notice of Motion by Councillor Nicoll – Former Craighill Primary School Site) and 10.2 (Shaping Aberdeen Housing LLP) by virtue of them being Council appointed Board members of Shaping Aberdeen Housing LLP. They considered that the nature of their interest required them to leave the meeting and they took no part in the consideration of these items;
- (2) Councillors Nicoll declared an interest in item 9.4 (External Funding for Transport Projects) by virtue of him being a Council appointed Board member of Nestrans.

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- He considered that the nature of his interest did not require him to leave the meeting during consideration of the item;
- (3) Councillor Yuill declared an interest in item 9.4 (External Funding for Transport Projects) by virtue of him being a Council appointed Substitute Board member of Nestrans. He considered that the nature of his interest did not require him to leave the meeting during consideration of the item; and
- (4) Councillor Yuill also declared an interest in item 10.1 (Pinewood Hazeldene Sale Update) by virtue of him being a Council appointed member of Robert Gordon's College Board of Governors.

#### **COMMITTEE PLANNER**

**3.** The Committee had before it the Business Planner prepared by the Chief Officer - Governance.

Councillor Yuill moved as a procedural motion, seconded by Councillor Nicoll:-

that the item relating to the Local Transport Strategy Annual Monitoring and Progress Report be submitted to the Committee as a substantive report and not a Service Update.

On a division, there voted:- <u>for the procedural motion</u> (4) – Councillors Dunbar, Flynn, Nicoll and Yuill; <u>against the procedural motion</u> (5) – The Convener, the Vice-Convener and Councillors Boulton, Donnelly and Laing.

## The Committee resolved:-

- (i) to decline the procedural motion;
- (ii) to remove the following items from the Business Planner as they were to be reported as Service Updates:- Environmental Noise Action Plan Update; Local Transport Strategy Annual Monitoring and Progress Report; Towards a Fairer Aberdeen – Engagement with People and Groups Affected by Poverty; Europe Green Capital Awards; Community Benefit Management Process; World Energy Cities Partnership Annual Report; Civitas Portis; Sponsorship of Business Awards; Powering Aberdeen; and Air Quality Action Plan;
- (iii) to remove the following item from the Business Planner as it was to be considered as part of the Performance report at the next meeting:- Public Bodies Duties - Climate Change;
- (iv) to transfer the following items from the Business Planner due to their proposed Terms of Reference:- Best Way Forward for Sport in Aberdeen (transferred to Strategic Commissioning Committee Business Planner); Business Cases for the Delivery of 2,000 Council Houses (transferred to the Capital Programme Committee Business Planner); and
- (v) to note the update in relation to the Site at Beach Esplanade/King Street and that a report in this regard would be submitted to the next meeting of the Committee.

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## NOTICE OF MOTION BY COUNCILLOR NICOLL - FORMER CRAIGHILL PRIMARY SCHOOL SITE

**4.** The Committee had before it a Notice of Motion by Councillor Nicoll in the following terms:-

that the Committee:-

- (1) notes that the former Craighill Primary School site in Heatherwick Road, Aberdeen, has been a vacant brownfield site for over 5 years. The site has been identified by the Council as suitable for development for housing since 2014 and that to date there is no timescale for the work commencing;
- (2) note that the former school site had buildings to the north side of the site, which is a now a hard-core type surface and a grass playing field to the south side bordering Gardner Drive. The site is now overgrown, attracts fly tipping and wind-blown litter and is at present unsightly. The site is surrounded by a circa1.5m metal railing fence with gates which are padlocked to prevent pedestrian access;
- (3) notes that the site sits within a residential area of the Kincorth housing scheme and that there are limited facilities in the area for children to play safely; and
- (4) instructs the Director of Resources to investigate the financial costs and details of the work which would be required to bring the site back into use as a children's play area until such time as detailed development plans are brought forward and implemented to bring the site back into use for residential housing, and that a report in this regard be brought back to the next meeting of the Committee in June.

Councillor Nicoll moved his Notice of Motion and explained the rationale behind his request. Councillor Nicoll was seconded by Councillor Dunbar.

The Convener, seconded by the Vice Convener, moved as an amendment:to take no action.

On a division, there voted:- <u>for the motion</u> (4) – Councillors Flynn, Nicoll, Townson and Yuill; <u>for the amendment</u> (5) – the Convener, the Vice Convener and Councillors Donnelly, Houghton and Laing.

#### The Committee resolved:-

to adopt the amendment.

## COUNCIL FINANCIAL PERFORMANCE - QUARTER 4, 2017/18 - RES/18/001

**5.** The Committee had before it a report by the Director of Resources which provided the full year actual position for the financial year 2017/18, as at 31 March 2018,

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for the Council including General Fund and Housing Revenue Account, revenue and capital accounts and the Common Good Revenue Account and Balance Sheet.

## The report recommended:-

that the Committee -

- (a) note the current final outturn position for the financial year 2017/18;
- (b) approve the various transfers for 2017/18, between Council accounts and earmarked sums for the General Fund, Housing Revenue Account and Common Good as at 31 March 2018 as shown in Appendix 1;
- (c) note that in accordance with the relevant strategies to maintain revenue balances, the Council's objective of retaining recommended levels of uncommitted balances has been achieved: and
- (d) note that the unaudited Annual Accounts for 2017/18 will be presented to the Audit, Risk & Scrutiny Committee, along with the Annual Governance Statement and Remuneration Report, at its meeting on 8 May 2018.

The Convener, seconded by the Vice Convener moved:to approve the recommendations contained within the report.

Councillor Nicoll, seconded by Councillor Dunbar, moved as an amendment:-

- (1) to approve the recommendations contained within the report;
- (2) to note that for the year 2017/18, Scottish Government provided a total of £2,708,400 in additional support to Aberdeen City Council to be spent in local schools to close to the attainment gap under the Pupil Equity Funding Scheme:
- (3) to note that for the year 2018/19 this funding has increased to £2,803,200;
- (4) to note with concern that some of the lowest scoring deciles in the Scottish Index of Multiple Deprivation are located within the Aberdeen City Council area;
- (5) to note with concern that in 2017/18 schools within the control of Aberdeen City Council have not spent £1,622,164 of the funding allocation and that this amounted to circa 60% of the money allocated not being directed to closing the attainment gap in local schools; and
- (6) to instruct the Chief Operating Officer to report back to the Operational Delivery Committee Education in early course detailing how the money is being spent in schools and the impact these measures are anticipated to have in closing the attainment gap.

On a division, there voted:- <u>for the motion</u> (5) – the Convener, the Vice Convener and Councillors Boulton, Donnelly and Laing; <u>for the amendment</u> (4) – Councillors Dunbar, Flynn, Nicoll and Yuill.

#### The Committee resolved:-

(i) to adopt the motion;

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- (ii) that officers consider rescheduling the Committee meeting in April 2019 to May 2019 to allow time for officers to prepare the Council Financial Performance report; and
- (iii) to congratulate the Director of Resources, Interim Chief Officer Finance and officers in the Finance Team for the work involved in the preparation of the report.

#### **ACC CORPORATE BRANDING - CUS/18/004**

**6.** The Committee had before it a report by the Director of Customer Services which proposed a new Aberdeen City Council crest in support of the refreshed corporate brand and sought approval for the crest's staged introduction across all council services.

## The report recommended:-

that the Committee -

- (a) note the approval of the proposed updated crest by the Lord Lyon;
- (b) approve the adoption of the updated ACC crest which will facilitate improved digital and online design;
- instruct the Marketing and Design Manager to create brand guidelines for the use of the crest across all services in conjunction with the Communications Policy presented to full council December 2015; and
- (d) approve implementation of the introduction of the new crest and refreshed brand in a phased manner as assets are naturally replaced over time beginning in Summer 2018.

The Convener, seconded by the Vice Convener moved:-

that the Committee:-

- (1) approve the recommendations contained within the report; and
- (2) agree that no consideration by the Council for further rebranding shall be given prior to 2022.

Councillor Nicoll, seconded by Councillor Dunbar moved as an amendment:that no action be taken by the Committee.

On a division, there voted:- for the motion (5) – the Convener, the Vice Convener and Councillors Boulton, Donnelly and Laing; for the amendment (4) – Councillors Dunbar, Flynn, Nicoll and Yuill.

#### The Committee resolved:-

to adopt the motion.

In terms of Standing Order 33.1, Councillor Flynn intimated that he would like this matter to be referred to full Council in order for a final decision to be taken. Councillor Flynn was supported by Councillors Dunbar, Nicoll and Yuill.

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In terms of Standing Order 33.1, the Convener determined otherwise and ruled that the matter would not be referred to full Council.

# UPDATE ON RECRUITMENT OF DEVELOPER OBLIGATIONS OFFICER - GOV/18/005

7. The Committee had before it a report by the Interim Chief Officer – Strategic Place Planning which provided an update on progress to appoint a new Developer Obligations Team Leader and to request approval to implement temporary measures while the recruitment process continued.

#### The report recommended:-

that the Committee -

- (a) instruct the Interim Chief Officer Strategic Place Planning following consultation with the Head of Commercial and Procurement Services, to agree to a 12 month extension to the Service Level Agreement with Aberdeenshire Council for the provision of Developer Obligations Services;
- (b) instruct the Interim Chief Officer Strategic Place Planning to report back to committee at the end of the 12 month period if an officer has not been appointed; and
- (c) approve to alter a previous committee decision from November 2017 (CHI/17/248) requiring the Head of Planning and Sustainable Development in consultation with the Head of Commercial and Procurement to terminate the Service Level Agreement with Aberdeenshire Council, to allow recommendations (a) and (b) above, to be implemented.

#### The Committee resolved:-

- (i) to note with disappointment the Council had been unable to recruit a Developer Obligations Team Leader;
- (ii) to instruct the Interim Chief Officer Strategic Place Planning to liaise with HR to enquire if any current employee may be suitable for potential redeployment to this post taking into consideration the budget set aside from the existing corporate training budget to fund retraining and redeployment costs;
- (iii) to instruct the Interim Chief Officer Strategic Place Planning following consultation with the Head of Commercial and Procurement Services, to agree to a 12-month extension to the Service Level Agreement with Aberdeenshire Council for the provision of Developer Obligations Services; and
- (iv) to instruct the Interim Chief Officer Strategic Place Planning to report back to committee in 9 months to report on recruitment and operation of the Developer Obligation Service.

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#### **LOCAL AUTHORITY MARKETS - PLA/18/005**

**8.** The Committee had before it a report by the Director of Resources which sought approval to create local authority markets when delivering events in Aberdeen.

### The report recommended:-

that the Committee -

- (a) approve the establishment and holding of annual markets at the events detailed in this report, in accordance with section 27 of the Local Government and Planning (Scotland) Act 1982; and
- (b) delegate authority to the Chief Officer Operations and Protective Services to establish, hold, manage, regulate and administer the markets referred to above in accordance with section 27 of the Local Government and Planning (Scotland) Act 1982, to otherwise exercise all powers under section 27 in relation to those markets (except the power to make byelaws) and to take all decisions relating to the day-to-day administration of those markets.

## The Committee resolved:-

to approve the recommendations.

## EXTERNAL FUNDING FOR TRANSPORT PROJECTS 2018/19 - PLA/18/003

**9.** The Committee had before it a report by the Interim Chief Officer – Strategic Place Planning which advised on a number of external funding opportunities that had become available or will soon become available to the Council for transportation projects and, where these are successful, request Committee approval for the use of match funding for some projects.

#### The report recommended:-

that the Committee -

- (a) note that Aberdeen City Council:-
  - (1) has been awarded funding from Paths for All to deliver projects outlined in the Smarter Choices, Smarter Places 2018/19 Programme;
  - (2) has been awarded funding from NESTRANS Revenue Programme 2018/19 to deliver projects outlined in the report;
  - (3) is bidding to the NESTRANS Capital 2018/19 funds to deliver projects outlined in this report;
  - (4) is bidding to the SUSTRANS Community Links 2018/19 fund to deliver projects outlined in this report; and
  - (5) intends to use staff time, Civitas Portis works, existing Developer Contributions and Aberdeen Western Peripheral Route Non-Motorised User (AWPR) (NMU) Offset Mitigation funding as part of the match funding mechanism;

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- (b) authorise the Developer Contributions and the AWPR NMU offset mitigation funds to be used as Match Funds and spent in accordance with the relevant legal agreement; and
- (c) note that the procurement of contracts with estimated expenditure of £250,000 and above (Works) and £50,000 and above (Goods or Services), will be reported to the Strategic Commissioning Committee at its meeting on 30th April 2018.

The Committee were advised of two changes to the list of bids, following the NESTRANS Board meeting as follows:-

- The allocation for the Bridge of Dee, in Appendix 2A of the report, had reduced from £100,000 to £10,000. This was to reflect the delays to the Western Peripheral Route opening; and
- The Bus Stop improvements budget, in Appendix 2B of the report, had increased from £100,000 to £165,000 on the Capital Funded Schemes list. This extra funding had been brought forward from the reserve list, Appendix 2C of the report, which originally showed an additional £100,000 for Bus Stop Improvements. The reserve list fund for this had now been reduced to £35,000 to reflect this.

It was noted that the above individual projects were 100% funded by NESTRANS, therefore the updates did not affect recommendations (b) or (c).

#### The Committee resolved:-

- (i) that officers circulate details of the update to the two projects above to members of the Committee by email; and
- (ii) to otherwise approve the recommendations contained within the report.

#### **INWARD INVESTMENT AND TRADE PRIORITIES - PLA/18/006**

**10.** The Committee had before it a report by the Director of Resources which presented the international trade and inward investment priorities for the year ahead.

#### The report recommended:-

that the Committee -

- (a) approve the international trade and inward investment priorities for 2018-19;
- (b) delegate authority to the Chief Officer City Growth (in consultation with the Co-Leaders and Lord Provost) to authorise only necessary and appropriate travel to markets approved by Council/Committee as international trade and inward investment priorities for 2018 – 2019 as opportunities arise, provided the cost of such travel is reasonable and does not exceed the budget envelope set out in the report; and

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- (c) instruct the Chief Officer Customer Experience to update the Travel Policy in line with the approved Scheme of Governance
- instruct the Chief Officer City Growth to submit an annual service update to the City Growth and Resources Committee on international travel outlining the economic benefits achieved;
- (e) approve the submission of the bid for Aberdeen to host the World Energy Cities Partnership Annual General Meeting in 2019; and
- (f) note progress with the Invest Aberdeen initiative and current priorities.

## The Convener, seconded by the Vice Convener moved:-

that the Committee approve the recommendations contained within the report, subject to (i) removing reference to the Lord Provost at recommendation (b) above; and (ii) to amend recommendation (e) above to read "approve the submission of a bid for Aberdeen to host the World Energy Cities Partnership Annual General Meeting in 2019 up to a cost to the Council of £60,000 and that an appraisal of the submission is provided to the next meeting of the Committee in June 2018".

Councillor Nicoll, seconded by Councillor Dunbar moved as an amendment:that the Committee –

- (1) approve the recommendations contained within the report at (a), (c) and (f) above:
- (2) instruct the Chief Officer City Growth to provide a report detailing a travel plan for the year 2018/19 and take appropriate measures to have a travel plan in place for future years;
- (3) instruct the Chief Officer City Growth to submit an annual report to the City Growth and Resources Committee, on international travel detailing the tangible economic benefits achieved; and
- (4) note the proposal to submit a bid to host the Annual General Meeting of the World Energy Cities Partnership in 2019. Instructs the Chief Officer City Growth to submit a report on the details of the proposal with full costings ahead of the submission deadline for applications on 1 June 2018.

Councillor Yuill, seconded by Councillor Flynn moved as a further amendment:that the Committee –

- (1) approve the recommendations contained within the report, subject to (i) removing reference to the Lord Provost at recommendation (b) above; and (ii) to amend recommendation (e) above to read "approve the submission of a bid for Aberdeen to host the World Energy Cities Partnership Annual General Meeting in 2019 up to a cost to the Council of £60,000 and that an appraisal of the submission is provided to the next meeting of the Committee in June 2018";
- (2) instruct the Chief Officer City Growth to provide a report detailing a travel plan for the year 2018/19 and take appropriate measures to have a travel plan in place for future years; and

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(3) instruct the Chief Officer – City Growth to submit an annual report to the City Growth and Resources Committee, on international travel detailing the tangible economic benefits achieved.

In terms of Standing Order 28.15, where there was more than one amendment to the motion, a vote would be taken between the two amendments.

On a division, there voted:- <u>for Councillor Nicoll's amendment</u> (3) – Councillors Dunbar, Flynn and Nicoll; <u>for Councillor Yuill's amendment</u> (3) – the Convener, the Vice Convener and Councillor Yuill.

There being an equality of votes, in terms of Standing Order 31.6, the Convener exercised his casting vote for Councillor Yuill's amendment.

On a division, there voted:- <u>for the motion</u> (5) – the Convener, the Vice Convener and Councillors Boulton, Donnelly and Laing; <u>for Councillor Yuill's amendment</u> (1) – Councillor Yuill.

#### The Committee resolved:-

to adopt the motion.

## **EXTERNAL PROJECTS AND PARTNERSHIP - PLA/18/007**

**11.** The Committee had before it a report by the Director of Resources which sought approval for international travel associated with external partnerships and funding activity.

## The report recommended:-

that the Committee -

- (a) approve elected member and officer international travel as detailed in the Travel Plan for financial year 2018-19; and
- (b) delegate authority to the Chief Officer City Growth, in consultation with the Chief Officer Customer Experience, to authorise travel within the allocated budget.

The Convener, seconded by the Vice Convener moved:-

to approve the recommendations contained within the report.

Councillor Nicoll, seconded by Councillor Dunbar moved as an amendment:-

that the Committee -

- (1) approve the recommendations contained within the report; and
- (2) instruct the Chief Officer City Growth to submit an annual report to the City Growth and Resources Committee on international travel detailing the tangible economic benefits achieved.

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On a division, there voted:- <u>for the motion</u> (5) – the Convener, the Vice Convener and Councillors Boulton, Donnelly and Laing; <u>for the amendment</u> (4) – Councillors Dunbar, Flynn, Nicoll and Yuill.

## The Committee resolved:-

- (i) to adopt the motion; and
- (ii) to include in future reports, the duration of the trips and an update as to the impact of Brexit on future travel in terms of funding/partnerships.

#### **LOW CARBON TRAVEL AND TRANSPORT FUND - PLA/18/010**

**12.** With reference to article 17 of the minute of meeting of the Finance, Policy and Resources Committee of 1 February 2018, the Committee had before it a report by the Director of Resources which outlined the outcome of Aberdeen City Council's funding application to Transport Scotland's Low Carbon Travel and Transport Challenge Fund to develop a low carbon refuelling station at the city's new Exhibition Centre and recommended acceptance of the funding as detailed within the report.

## The report recommended:-

that the Committee -

- (a) note a business case to support participation in Transport Scotland's Low Carbon Travel & Transport (LCTT) Challenge Fund which has been approved by Capital Board and Corporate Management Team (CMT);
- (b) approve Aberdeen City Council's participation in the programme;
- (c) approve entering into a legal agreement with Transport Scotland for the purpose of funding the project;
- (d) approve the creation in the Non-Housing Capital Programme of a new project expenditure budget of £1,479,467 for the low carbon fuelling station at the new AECC, funded by the LCTT grant funding of £1,035,627 and a transfer of £443,840 from the construction inflation budget of the Non-Housing Capital Programme; and
- (e) note the details of low carbon utilisation in other regions.

#### The Committee resolved:-

to approve the recommendations.

#### **DECLARATION OF INTEREST**

Councillors Boulton and Mackenzie declared an interest in the following item of business by virtue of their position as council appointed board members of Aberdeen International Youth Festival and Aberdeen Performing Arts respectively, Councillor Boulton considered that the nature of her interest required her to leave the meeting and she took no part in the

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Committee's deliberations thereon. Councillor Mackenzie considered that the nature of her interest did not require her to leave the meeting. Councillor Houghton substituted for Councillor Boulton for this item only.

#### **CULTURAL STRATEGY FOR ABERDEEN - PLA/18/015**

**13.** The Committee had before it a report by the Director of Resources which provided details on the development of a Cultural Strategy for Aberdeen 2018-2028 and development of a five-year action plan.

#### The report recommended:-

that the Committee -

- (a) approve Culture Aberdeen, a Cultural Strategy for the City of Aberdeen 2018-2028 as attached in Appendix 1;
- (b) approve the steps that have been undertaken to develop the Strategy through Culture Aberdeen;
- (c) approve the five-year action plan and priority activities for 2018-19; and
- (d) note the Council's considerable contribution to realising the strategy ambitions through the existing 2018/19 revenue budget commitments and that any future Council financial commitment towards delivery will require a fully costed business case to be brought to Committee for approval.

The Convener, seconded by the Vice Convener, moved:-

that the Committee -

- (1) approve the recommendations:
- (2) instruct the Chief Officer City Growth to bring to the next meeting of the City Growth and Resources Committee, business cases for UNESCO Creative Cities Designations for:-
  - (i) Crafts and Folk Art
  - (ii) Gastronomy; and
- (3) instruct Chief Officer City Growth to bring back a report to the next City Growth and Resources Committee meeting with a review on the Governance of the 365 Advisory Group and Aberdeen Festivals.

Councillor Yuill, seconded by Councillor Nicoll, moved as an amendment:-

that the Committee -

- (1) approve the recommendations:
- (2) approve the additions at (2) and (3) above;
- (3) recognises the Council's considerable contribution to realising the strategy ambitions through the existing 2018/19 revenue commitments, welcomes the considerable support provided by external partners in delivering approximately £1.35 of external funding for every pound contributed by Aberdeen City Council in addition to the £260,000 Common Good funding and £145,000 funding from creative Scotland and any future Council

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- financial commitment towards delivery will require a fully costed business case to be brought to Committee for approval; and
- (4) instructs officers to report back to the City Growth and Resources Committee within 6 months on how the council might support a revitalised and sustainable Aberdeen International Youth Festival in future years.

On a division, there voted:- <u>for the motion</u> (5) – the Convener, the Vice Convener and Councillors Donnelly, Houghton and Laing; <u>for the amendment</u> (4) – Councillors Flynn, Mackenzie, Nicoll and Yuill.

#### The Committee resolved:-

to adopt the motion.

# ABERDEEN CITY COUNCIL OWNERSHIP - LOCAL DEVELOPMENT PLAN REVIEW BIDS - RES/18/002

**14.** The Committee had before it a report by the Director of Resources which sought authority to submit appropriate submissions in relation to the Local Development Plan review.

## The report recommended:-

that the Committee instruct the Chief Officer – Corporate Landlord to submit appropriate submissions for any site within Council ownership in relation to the Local Development Plan review.

## The Committee resolved:-

that the Committee instruct the Chief Officer – Corporate Landlord in consultation with the Co-Leaders, to submit appropriate submissions for any site within Council ownership in relation to the Local Development Plan review and to circulate these to all members of the Council.

In accordance with the decision recorded under article 2 of this minute, the following items of business were considered with the press and public excluded.

#### PINEWOOD HAZELDENE SALE UPDATE - RES/18/016

**15.** With reference to article 44 of the minute of meeting of the Finance, Policy and Resources Committee of 20 September 2017, the Committee had before it a report by the Director of Resources which provided an update on (1) the status of the sale of the Pinewood Hazeldene site; (2) a further request from the purchaser; (3) discussion with the Council's partners and the options and risks around this.

24 April 2018

The Committee had tabled, a letter from Ledingham Chalmers Solicitors dated 24 April 2018 for consideration.

## The report recommended:-

that the Committee -

- (a) instruct the Chief Officer Corporate Landlord to advise the council's development partner that their proposal is unacceptable;
- (b) instruct the Chief Officer Corporate Landlord to enter into further discussion with the council's development partner as identified in the report; and
- (c) delegate authority to the Chief Officer Corporate Landlord to agree a revised deal as identified in the report with the council partner and the purchaser and to instruct the Chief Officer Governance to conclude the necessary legal documentation or take legal action as required.

#### The Committee resolved:-

- (i) to note the letter from Ledingham Chalmers dated 24 April 2018; and
- (ii) to otherwise approve the recommendations.

#### SHAPING ABERDEEN HOUSING LLP - RES/18/006

**16.** With reference to article 3 of the minute of meeting of Council of 6 March 2018, the Committee had before it a report by the Director of Resources which provided details in relation to the Council's involvement with the Housing LLP and addressed an earlier action opportunity for new build Council housing.

#### The report recommended:-

- (a) note the progress achieved in relation to the Shaping Aberdeen Housing LLP programme for delivery of affordable housing (mainly mid-market rent);
- (b) note that Shaping Aberdeen Housing LLP, due to current and projected supply and demand factors, has brought forward an updated financial model using rent levels lower than those in the original proposals agreed by the Council at its meeting on 15th March 2017;
- (c) note that, in relation to the proposed project on the site of the former Summerhill Education Centre, the effect of these reduced rent levels is to reduce the sum offered for the site by the LLP as outlined within the report at section 2.3;
- (d) agree that the reduced sum as outlined within the report at section 2.4 for the Summerhill site, having been reviewed by Council officers, is not considered an acceptable price;
- (e) agree that disposal of the site at the reduced sum as outlined within the report at section 2.6 should not proceed and that this decision is communicated to Shaping Aberdeen Housing LLP;
- (f) agree not to proceed further with the Shaping Aberdeen Housing LLP programme and that this decision is communicated to Shaping Aberdeen Housing LLP; and

24 April 2018

(g) instruct the Chief Officer - Governance to take the necessary legal steps to wind up the Shaping Aberdeen Housing LLP.

<u>Council housing new build proposals - Recommendation related to Capital Programme</u>

Committee

(h) refer the report to the Capital Programme Committee on 23 May 2018, for approval to proceed with the Summerhill site as outlined within the report at section 2.8.

Council housing new build proposals - Recommendations to City Growth and Resources Committee and Capital Programme Committee

- (i) subject to approval of recommendation (h) above agrees to delegate authority to the Director of Resources to approve the finalised financial model as outlined within the report a section 2.9; and
- (j) subject to approval of recommendation (h) above agrees to delegate authority to the Director of Resources, in conjunction with the Chief Officer – Corporate Landlord and Chief Officer – Governance, to agree the value of the General Fund Summerhill site and to seek Scottish Government consents as may be necessary.

## Recommendations Relating to the Strategic Commissioning Committee

- (k) agree to refer the report to the Strategic Commissioning Committee on 30 April 2018 for approval of the following recommendations subject to approval of recommendation (h) above by the Capital Programme Committee on 23 May 2018:-
- (1) agree to tender for the development and construction works as outlined within the report at section 2.11(a); and
- (2) delegate authority to the Director of Resources, following consultation with the Head of Commercial and Procurement Services and the Chief Officer Governance, to undertake the tender process and award the necessary contracts on behalf of the Council as outlined within the report at section 2.11 (b).

## The Committee resolved:-

to approve the recommendations subject to:-

- (1) amending recommendation (g) above to read "instruct the Chief Officer -Governance to liaise with Shaping Aberdeen Housing LLP in relation to taking the necessary legal steps to wind it up";
- (2) amending recommendation (i) above to read "subject to approval of recommendation (h) above, agrees to delegate authority to the Director of Resources in consultation with the Convener and Vice-Convener of City Growth and Resources Committee to approve the finalised financial model as outlined within the report at section 2.9; and

24 April 2018

(3) deleting the words "and the Chief Officer – Governance" at recommendation (k)(2) above.

## **DISPOSAL OF SITE AT HARRIS DRIVE, ABERDEEN - RES/18/008**

**17.** The Committee had before it a report by the Director of Resources which sought approval for the disposal of the subjects at Harris Drive, Aberdeen.

## The report recommended:-

that the Committee -

- approve the proposed disposal of the subjects at Harris Drive to New Endeavour LLP; and
- (b) that the Chief Officer Governance be instructed to conclude missives for the sale of the subjects incorporating various appropriate qualifications as are necessary to protect the Council's interests.

## The Committee resolved:-

to approve the recommendations.

COUNCILLOR DOUGLAS LUMSDEN, Convener.

24 April 2018

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1		The Business Planner details the reports which have be				-	submitting for th	ne calendar year.	
2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
3			19 June 2018						
4	Balnagask Motte Regeneration	CH&I on 16/01/18 agreed to (i) to withdraw the report from today's agenda; and (ii) to instruct the Head of Land and Property Assets to further review the legal and financial implications of the report prior to it being re-submitted to Committee for decision making.			Corporate Landlord	Resources	Remit 1.1	D	A report will not be provided to the June Committee, further information has been provided by the legal team in respect of various account transfers between the General Services Account and Housing Revenue Account. Further work is required to fully consider this information.
	2017 Christmas Village Evaluation	To provide members with the evaluation of the 2017 Winter Village.		Dawn Schultz	City Growth	Place	2.3	R	As there are no decisions to be taken, a Service Update will be circulated.
5									
	City Centre Living Study	Finance, Policy and Resources Committee - 7/12/16/17 (Article 3) - The Committee agreed to approve expenditure of up to £30k to award a contract to consultants to prepare a City Centre Living Study and report progress back to Committee in March 2017.	A draft report has been received and is currently being consulted on with officers to ensure that implications arising from the consultant's study are captured. A report on the outcomes will be submitted by May 2018. On the agenda		Chief Executive	Chief Exceutive	2.2		

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
7	Local Housing Strategy	To present the Local Housing Strategy for approval.		Mel Booth	Early Interventions and Community Empowerment	Customer	2.2	D	The draft LHS was submitted to Scottish Govt for peer review before Christmas 2017 with a response due by the end March 2018. On the 16 March a progress update was requested, SG stated a formal response would follow in the coming weeks. Verbal progress updates were provided between March and May via SHIP progress meetings.
8	Aberdeen City and Aberdeenshire Tourism Strategy	To note the new tourism strategy for the city and region		Richard Sweetnam	City Growth	Place	2.2	D	VisitAberdeenshire has developed a new tourism strategy for the city and region. Following that it has been undertaking a series of consultations on a supporting action plan to deliver the overall objectives of the strategy to grow tourism markets and numbers, and in doing so, the overall value of spend. Officers have waited to have the Strategy and completed action plan before reporting to Committee. Because of this delay, a report will come to Committee in September.

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
9	Strategic Car Parking Review	To advise of the outcome of the Strategic Car Parking Review and to make recommendations for future actions.		Joanna Murray	Strategic Place Planning	Place	2.2	D	Comments have now been provided by the relevant services on the draft document and work is now ongoing with the consultants to finalise the document.  This work will be completed shortly and the finalised report will be presented to committee in September.
10		To approve the business case for the One-Stop Shop project and approve the Council entering in to the necessary formal contractual arrangement with a third party for a sub-lease of premises.		Matt Lockley	City Growth		2.2 and 3.3	R	This report would have sought formal approval to enter into a sub-lease agreement for a one-stop employability facility on Union Street, as outlined in an initial report to CH&I Committee in August 2017. However the work on the business case concluded that the one-stop shop model is not financially viable for the council, and therefore no further approvals are required as the project is not being progressed. Alternative options (i.e. shared workspace and hotdesking facilities within partner venues) are now being explored
11	Regional Economic Strategy Action Plan Refresh	To note the refreshed action plan and approve Council supporting its delivery.		Richard Sweetnam	City Growth	Place	2.3		

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
12	Joint Initiative for Vehicle Emissions (Jive 2) Report	To seek approval to deploy a further ten H2 buses	A report will also be submitted to the Strategic Commissioning Committee	Yasa Ratnayeke/ Laura Paterson	City Growth	Place	1.3.4		There is a need to first bottom out costs for Jive 1 before a report is prepared and submitted to Committee for Jive 2. It is expected that a report will be submitted in November.
13	Programme	Creative Funding is the Council's grant programme to support the delivery of cultural and heritage based events and activities within Aberdeen and is currently open to application. The scheme is open to 'not for profit' organisation and community groups who can apply for up to £15,000 to support the delivery of projects. The purpose of the report would be to seek approval for grants which have been recommend for award that are over the £10,000 Delegated Powers threshold. Recommendations for award are through the independent review panel which takes place early May. If the panel do not make any recommendations for awards over £10,000 then the report would be withdrawn.	On the agenda	Mark Bremner	City Growth	Place	1.3.7		
14	Associated with the AWPR/B-T - NOM Cllr	Council 15/03/17 - The Council accepted the terms of the motion as follows "To instruct the Chief Executive to liaise formally with the AWPR/B-T funding partners to provide a report to the Communities, Housing and Infrastructure Committee before the end of 2017 in respect of the capacities of the junctions associated with the AWPR/B-T within the Aberdeen City boundary. This information is essential in determining if there are sufficient capacities for existing traffic and for future development within the Aberdeen City boundary."		John Wilson	Strategic Place Planning	Place	2.2	D	The traffic model simulation data is not available at present so the report will need to be deferred until the September meeting.

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
15	UNESCO Creative Cities Bid	The CG&R Committee - 24/4/18 agreed to instruct Chief Officer - City Growth to bring to the next meeting of the City Growth and Resources Committee business cases for UNESCO Creative Cities Designations for:- (1) Crafts and Folk Art (2) Gastronomy	A Service Update was circulated by email on 22 May 2018.	Mark Bremner	City Growth	Place	2.2	D	Officers have been looking at the work involved in providing Committee with robust business cases for two potential designations under UNESCO Creative Cities. There will be a series of independently facilitated engagement/ consultation workshops with stakeholders across the city that will inform those business cases. On this basis, the work will not have concluded in time for June meeting, but a report will follow in September.
16	Performance Report	To provide Committee with an update in regards to performance.		Martin Murchie	Business Intelligence Unit	Commissioning	Purpose 1	D	The Council's performance reporting arrangements are being reviewed and realigned to the revised Committee structure. A report will be submitted after Summer.
17	Provision of a Technical Information Portal	To seek approval to procure and spend on an online technical information portal with access to recognised standards, regulatory information and industry data, and on membership of the British Standards Institute.		Alexander Ryland	Digital and Technology	Customer	1.2	R	There is no requirement to report to the CG&R Committee as the spend has been met from existing resources. The procurement aspects will be reported to the SCC in September

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18	Schoolhill Public Realm Enhancement	To approve the development and implementation of Schoolhill public realm enhancement. Approval from CG&R Committee of the Council's contribution to be met from the Non Housing Capital Programme.	Reports also being submitted to Strategic Commissioning Committee (07/06/18) and Capital Programme Committee (23/5/18) for consideration. On the agenda		Corporate Landlord	Resources	Purpose 1 and Remits 1.2 & 1.3		
19	Torry Heatnet Pilot Project (Torry Phase 1A)	Approval of Business Case, and approval to proceed with implementation	Reports also being submitted to Strategic Commissioning Committee (07/06/18) and Capital Programme Committee (23/05/18) for consideration. On the agenda	Bill Watson	Corporate Landlord		Remit 1.1, 1.2, 1.3, 2.2 & 3.2		
20	Middlefield/Northfield Place-Making (3rd Report)	To report on investment proposals and to seek approval for the use of resources for their implementation.	Reports also being submitted to Strategic Commissioning Committee (07/06/18) and Capital Programme Committee (23/05/18) for consideration. On the agenda	Bill Watson	Corporate Landlord		Remit 1.1, 1.2, 1.3, 2.2 & 3.2		

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
	King Street	Committee agreed to approve the minute subject to amending Article 5(iii) to read 'that in relation to item 22 (Site at Beach Esplanade/King Street), to instruct officers to take forward the full Council resolution on 16 December 2015 with the founding trustees of the Aberdeen Islamic Charitable Trust and to report back to Council on progress at the meeting on 21 June 2017. The Council resolution of 16 December 2015 (Article	Several meetings have taken place between the parties throughout the first quarter of 2018. Officers will report back to a future Committee once Heads of Terms for the land have been provisionally	Stephen Booth	Corporate Landlord	Resources	3.3	D	To date there has not been significant progress, therefore no decisions are required at this stage. A Service Update will be presented for the June meeting, it is expected that a full report will be submitted for the November meeting.
21	·	City Growth and Resources Committee - 24/04/2018 agreed to approve the submission of a bid for Aberdeen to host the World Energy Cities Partnership Annual General Meeting in 2019 up to a cost to the Council of £60,000 and that an appraisal of the submission is provided to the next meeting of the Committee in June 2018	On the agenda	Matt Lockley/ Richard Sweetnam	City Growth	Resources	2.3		
23	Pension Fund Guarantee Requests	To consider any pension fund guarantee requests received	On the agenda	Lesley Fullerton	Finance	Resources	1.2		

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
	Aberdeen Festivals	City Growth and Resources Committee - 24/04/2018 agreed to instruct Chief Officer - City Growth to bring back a report to the next City Growth and Resources Committee meeting with a review on the Governance of the 365 Advisory Group and Aberdeen Festivals.	A Service Update was circulated by email on 22 May 2018.	Dawn Schultz	City Growth	Resources		D	Officers are discussing the potential models to deliver festivals and events in the city, and in the context of SMG and its delivery of business events and larger scale entertainment. At the same time, VisitAberdeenshire has been working on its resourcing of a Convention Bureau model. These discussions conclude on the best model for delivery, and therefore it would follow that the governance around delivery, in relation to the programme, would be clear, but a report will follow in Sept.
24	Aberdeen in Colour Project – Langstane Place	To seek an allocation as a contribution to Aberdeen in Colour project – Langstane Place	On the agenda	Scott Davidson	Corporate Landlord	Resources	GD 3		
26	Transport	To purpose of this report is to seek approval for an overarching voluntary Regional Quality Partnership for Public Transport Agreement and to commit the Council to the Agreement.	On the agenda	Chris Cormack	Planning	Place	2.2		
	City Region Deal Strategic Transport Appraisal Objectives	The Purpose of the report is to seek Member endorsement of the interim objectives which have been developed as part of the Strategic Transport Appraisal project being undertaken as part of the City Region Deal. These objectives will be used as part of the assessment criteria for option appraisal.	On the agenda	Ken Neil	Strategic Place Planning	Place	2.2 & 2.3		
27	Loans of Works of Art to Overseas Venues	To request approval for officers to accompany works of art to loans venues overseas	On the agenda	Christine Rew	City Growth	Resources	GD 4		

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	Neighbour Audits of Regeneration Areas	To inform committee of the findings of neighbourhood audits carried out across five regeneration areas	There were some concerns about the timescales within which we would receive the neighbourhood audit reports from the consultant, and it was not clear whether the content of those reports would require to be reported to committee. On receiving them within a timescale which would allow us to meet the June committee deadline, the view was that the content and recommendations should be reported. On the agenda	Angela Taylor	City Growth	Place	2.2 & 2.3		
3	Blackhills of Cairnrobin	To update Committee regards discussions with the Community re possible Community Asset Transfer and provide recommendations on the way forward. The report is in response to a notice of motion raised by Councillor Flynn and Councillor Nicoll at the Finance, Policy and Resources Committee on the 1st February 2018 (article 8).	On the agenda	Debbie Wyllie	Corporate Landlord	Resources	3.3		
3	Acquisition of 532 King Street	To provide recommendations for Integrated Children's and Family Services to acquire the property which is currently leased by the service.	On the agenda	Debbie Wyllie	Corporate Landlord	Resources	3.3		
3.	Hazlehead Pool Feasilbility Inspection	Capital Programme 23 May 2018 - Urgent Notice of Motion by Jennifer Stewart:- "to instruct the Chief Officer Corporate Landlord to undertake a feasibility inspection on the future use of the Hazlehead Swimming Pool site, including the temporary re-opening of the building while the Northfield Pool works were undertaken, and to report the findings to the City Growth and Resources Committee on 19 June 2018".	Report Awaited	·	Corporate Landlord	Resources	3.1		
3:	Aberdeen Science Centre Bank Guarantee	The purpose of this report is to seek approval for entering into a new Bank Guarantee arrangement.	On the agenda	Alex Paterson		Operations	1.3, 1.3.7 & 2.2		

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34	Council House Building Programme	To report on the business case for delivery of 2,000 new Council houses.	Although this item was transferred to the Capital Programme Committee Business Planner at the last meeting, there were aspects which required consideration and approval from the City Growth and Resources Committee in relation to its Terms of Reference. On the agenda	Paul Genoe	Corporate Landlord	Resources	2.2 & 3.3		
35			1 August 2018 - SPECIAL MEETING FOR QUARTERLY ACCOUNTS						
36	Council Financial Performance - Quarter 1,	To present the Council's financial position for the quarter.		Lesley Fullerton	Finance	Resources	1.3		
37			18 September 2018						
38	Unrecoverable Debt	This report advises numbers and values of Council tax, business rates and housing benefit overpayments made unrecoverable during 2017/18 as required in terms of Financial Regulations 5.3.4.		Wayne Connell	Customer	Customer	1.2		
39	Aberdeen City and Aberdeenshire Tourism Strategy	To note the new tourism strategy for the city and region		Richard Sweetnam	City Growth	Place	2.2	D	This was originally due in June, however we awaited the ViisitAberdeenshire new tourism strategy and completed action plan before reporting to Committee.

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
10	Strategic Car Parking Review	To advise of the outcome of the Strategic Car Parking Review and to make recommendations for future actions.	Comments have now been provided by the relevant services on the draft document and work is now ongoing with the consultants to finalise the document. This work will be completed shortly and the finalised report will be presented to committee in September.	Joanna Murray	Strategic Place Planning	Place	2.2	D	Delayed from the June meeting.
41	Capacities of Junctions Associated with the AWPR/B-T - NOM Cllr	Council 15/03/17 - The Council accepted the terms of the motion as follows "To instruct the Chief Executive to liaise formally with the AWPR/B-T funding partners to provide a report to the Communities, Housing and Infrastructure Committee before the end of 2017 in respect of the capacities of the junctions associated with the AWPR/B-T within the Aberdeen City boundary. This information is essential in determining if there are sufficient capacities for existing traffic and for future development within the Aberdeen City boundary."			Strategic Place Planning	Place	2.2		This was due for the June meeting, however the traffic model simulation data was not available at that time.
42	Local Housing Strategy	To present the Local Housing Strategy for approval.		Mel Booth	Strategic Place Planning	Place	2.2	D	Was due at June Committee, however officers were still waiting for the peer review feedback from the Scottish Government.

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	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
	Development of Models for Civic Leadership and Engagement	To consider models for Civic Leadership and Engagement		Derek McGowan	Early Intervention and Community Empowerment	Customer			Following the decision at Full Council on 5 March to 'endorse the values and principles of civic leadership and engagement as set out in Appendix L' there was not a further requirement to report to Committee. This has therefore been removed from the planner. Any future proposals regarding civic leadership and engagement will be presented to the appropriate committee for consideration.
4	Annual Report on Economic Panel	To present the annual review as per the Committee's TOR.		Richard Sweetnam	City Growth	Place	2.1		
4	Property Asset Management Policy and Framework	Finance, Policy & Resources Committee – 20/09/16 (Article 26) - The Committee agreed that a report on the Property Asset Management Strategy be brought to the Committee on 8 June 2017.		Alastair Reid	Corporate Landlord	Resources	3.1	D	Delayed from F,P&R on 1/2/18 and to be reported in second half of 2018
4	Service Income Policy	To seek approval of the Service Income Policy.			Finance	Resources	GD 7.1		
4	Any property Disposal Recommendation	To present the outcome of the marketing exercise of any proposed property disposal.		Neil Strachan	Corporate Landlord	Resources	3.3		

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
48	Disposal of the Former Victoria Road School	FP&R – 01/02/18 – agreed  (a) instruct the Head of Land and Property Assets to openly market the site with the aspiration that proposals from interested parties must seek to retain as much of the buildings on the site as possible; and  (b) to note that the outcome of the marketing exercise would be brought back to the most appropriate committee before the summer recess.  Referred to FC for a decision. Full Council on 5/3/18 agreed 1. (a) instruct the Head of Land and Property Assets to openly market the site with the aspiration that proposals from interested parties must seek to retain as much of the buildings on the site as possible; and 2. (b) to note that the outcome of the marketing exercise would be brought back to the City Growth and Resources committee meeting on 18 September 2018.		Stephen Booth	Corporate Landlord	Resources	3.3		
	Aberdeen Art Gallery - Visitor and Economic Impacts	To update members on the programming schedule for the new Art Gallery and the economic benefits of the new Gallery refurbishment and to ensure links to other complementary developments in the city centre	Christine Rew to confirm date	Christine Rew	City Growth	Place	1.3.6		
50	Housing Revenue Account Business Plan 2017-2047	Housing and Infrastructure to undertake a full strategic review of service delivery in relation to the Housing Revenue Account and report back to the Communities, Housing and Infrastructure Committee on 8 November 2017.	The final report will be produced following the budget process in February 2018 and the publication of the Asset Management Plan which is due in March 2018.		Finance	Resources	2.2		
51	Building Performance Policy	Communities, Housing and Infrastructure to undertake scrutiny of policy compliance and report back to committee with an annual review and progress report in 12 months, envisaged to be May 2018.	This report has been deferred from May 2018 due to a lack of capacity within the Planning Team to undertake the work; and projects have not progressed far enough for a progress report. A service update will be provided to update members on the process.	David Dunne	Strategic Place Planning	Place			

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52	Performance Report	To provide Committee with an update in regards to performance.		Martin Murchie	Business Intelligence Unit	Commissioning	Purpose 1		This was due at the June Committee, however the Council's performance reporting arrangements are being reviewed and realigned to the revised Committee structure. A report will be submitted after Summer.
53	UNESCO Creative Cities Bid	The CG&R Committee - 24/4/18 agreed to instruct Chief Officer - City Growth to bring to the next meeting of the City Growth and Resources Committee business cases for UNESCO Creative Cities Designations for:- (1) Crafts and Folk Art (2) Gastronomy		Mark Bremner	City Growth	Place	2.2		A report was due in June, however officers have been looking at the work involved in providing Committee with robust business cases for two potential designations under UNESCO Creative Cities. There will be a series of independently facilitated engagement/ consultation workshops with stakeholders across the city that will inform those business cases. On this basis, the work will be concluded in time for September meeting.

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
54	Governance of the 365 Advisory Group and Aberdeen Festivals	City Growth and Resources Committee - 24/04/2018 agreed to instruct Chief Officer - City Growth to bring back a report to the next City Growth and Resources Committee meeting with a review on the Governance of the 365 Advisory Group and Aberdeen Festivals.		Dawn Schultz	City Growth	Resources			Officers are discussing the potential models to deliver festivals and events in the city, and in the context of SMG and its delivery of business events and larger scale entertainment. At the same time, VisitAberdeenshire has been working on its resourcing of a Convention Bureau model. These discussions conclude on the best model for delivery, and therefore it would follow that the governance around delivery, in relation to the programme, would be clear, but a report will follow in Sept.
55	Regeneration	CH&I on 16/1/18 agreed to (i) to withdraw the report from today's agenda; and (ii) to instruct the Head of Land and Property Assets to further review the legal and financial implications of the report prior to it being re-submitted to Committee for decision making.		Stephen Booth	Corporate Landlord	Resources	Remit 1.1		A report was originally due at the June meeting as further information had been provided by the legal team in respect of various transfers of ownership between different Services, further work is required to fully interpret this information.
56			31 October 2018 - SPECIAL MEETING FOR QUARTERLY ACCOUNTS						
57	Council Financial Performance - Quarter 2, 2018/19	To present the Council's financial position for the quarter.		Lesley Fullerton	Finance	Resources	1.3		
58			27 November 2018						

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
59	City Events 2019/20	To present the events programme for approval.		Dawn Schultz	City Growth	Place	Purpose 6		
60	Joint Initiative for Vehicle Emissions (Jive 2) Report	To seek approval to deploy a further ten H2 buses.	A report will also be submitted to the Strategic Commissioning Committee	Yasa Ratnayeke/ Laura Paterson	City Growth	Resources	Remit 1.3.4	D	A report was due in June, however there was a need to first bottom out costs for Jive 1 before a report was prepared and submitted to Committee for Jive 2.
61	King Street		Several meetings have taken place between the parties throughout the first quarter of 2018. Officers will report back to a future Committee once Heads of Terms for the land have been provisionally	Stephen Booth	Corporate Landlord	Resources		D	Service update will be presented for the June meeting with a full report being submitted in November. To date there has not been significant progress therefore no decisions are required at this stage.
61	Energy Plan for Aberdeen	CH&I Committee on 16/1/18 agreed to instruct the			Strategic Place	Place	Purpose 6		
62	and the state of t	Interim Director of Communities, Housing and Infrastructure to report back to CH&I Committee when the energy plan is complete.			Planning	. 1000	and Committee Decision		
63	Fairtrade Resolution	Reporting the biennial review of the Fairtrade Resolution and seeking approval of the Resolution		Sinclair Laing	Strategic Place Planning	Place	GD 7.1		
64	Any property Disposal Recommendation	To present the outcome of the marketing exercise of any proposed property disposal			Corporate Landlord	Resources	3.3		

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
65	Conditions and Suitability Programme	To present the rolling programme to define projects to upgrade the condition and suitability of current estate.			Corporate Landlord	Resources	Purpose 4		
66	Asset Management Plan (including school estate and housing stock)	To present the asset management plan (inlcuding school estate and housing stock) for approval.			Corporate Landlord	Resources	3.1		
67	Shaping Middlefield Triangle - CHI/17/293	CH&I on 16/1/18 agreed to instruct the Head of Land and Property Assets to openly market the site in accordance with Aberdeen City Council's aspirations and report back with the outcome to a future and appropriate Committee in due course.	Nov-18	Kay Diack	Corporate Landlord	Resources	3.3		
68	Credit Review Rating Annual Report	To present the outcome of the annual review of credit rating by Moody's.		Sandra Buthlay	Finance	Resources	1.3		
	Creation of a Living Wall	Council on 5/3/18 agreed (1) to instructs the Interim Director of Communities, Housing and Infrastructure (or equivalent) to bring forward a business case to a future meeting of the Communities, Housing and Infrastructure Committee (or equivalent), based on the viability of locating City Tree(s), or other solutions, in key locations in the city where immediate improvements in air quality are deemed necessary; and (2) to instruct the Director of Resources to investigate the opportunity to create a "living wall" on the St Nicholas Centre elevation of Flourmill Lane. Working with relevant partners to identify costs to create, deliver and maintain a living wall, funding streams available, consents from building owners, the health and other benefits of a living wall and to report back to the appropriate committee.		Stephen Booth	Corporate Landlord	Resources			
69	Reserves Strategy	Council on 6/3/18 agreed h) to instruct the Chief Officer  – Finance to report back to the City Growth and Resources Committee before December 2018 on a		Sandra Buthlay	Finance	Resources			
70		detailed reserves strategy.							
71	Collections Development Policy	To approve the Collections Development Policy 2018- 2022 for Aberdeen Art Gallery & Museums		Helen Fothergill	City Growth	Resources	1.2		
72			07 February 2019						

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
73	Aberdeen City Region Hydrogen Strategy	Communities, Housing and Infrastructure on 16/1/18 instructed a review of all Council policies within fleet, transport, energy, economic and environment to support the adoption of hydrogen.	To be reported in January 2019 as part of the annual report on the Hydrogen Strategy.	Andrew Win	City Growth	Place	2.2		
	Developer Obligation Review - Community Asset Plans	Communities, Housing and Infrastructure on 8/11/7 - The Committee instructed the interim Head of Planning and Sustainable Development to prepare Community Asset Plans on a secondary school catchment basis and to return to committee at the next available opportunity to seek approval(s) of these plans.	To be reported in January 2019 - Service updates will be provided on a bi-annual basis during the development of community asset plans.		Strategic Place Planning	Place	2.2		
74	Visit Aberdeenshire Update - Negotiated Contract	Finance, Policy and Resources Committee - 01/02/18 - The Committee agreed to note that details of the negotiated contract would be reported back to the Committee.	To be reported January/February 2019	Richard Sweetnam	City Growth	Place	2.2		
76	Corporate Debt Policy	To seek approval of the Corporate Debt Policy		Sandra Buthlay	Finance	Resources	GD 7.1		
77	Any property Disposal Recommendation	To present the outcome of the marketing exercise of any proposed property disposal.			Corporate Landlord	Resources	3.3		
78	Update on Recruitment of Developer Obligations Officer	City Growth and Resources Committee on 24/04/2018 agreed to instruct the Interim Chief Officer - Strategic Place Planning to report back to Committee in 9 months to report on recruitment and operation of the Developer Obligation Service.		Gale Beattie/David Dunne	Strategic Place Planning	Place	1.2		
79			25 April 2019						
80	Any property Disposal Recommendation	To present the outcome of the marketing exercise of any proposed property disposal.			Corporate Landlord	Resources	3.3		
81	Annual Committee Effectiveness Report	To present the annual effectiveness report for the Committee.		Mark Masson	Governance	Governance	GD 7.4		
82			May 2019 onwards						
83	Following the Public Pound	To present the reviewed following the public pound policy.	To be reported September 2019	Sandra Buthlay		Finance	1.3.7		
84	Community Planning Aberdeen - Local Outcome Improvement Plan Annual Report	To present the LOIP annual report.		Michelle Cochlan	Strategic Place Planning		Purpose 6		
85			DATE TBC						

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
86	Developing an Energy Plan for Aberdeen	Communities, Housing and Infrastructure Committee on 16/1/18 instructed the interim Director of Communities, Housing and Infrastructure to report back to CH&I Committee when the plan is complete.			Strategic Place Planning	Place	2.2		
87	Lock Block Streets - NOM Former Cllr Corall	Council 15/03/17 referred the terms of the motion to Communities, Housing and Infrastructure Committee. "agrees to instruct the Interim Director of Communities, Housing and Infrastructure to develop a policy that specifies:  a. the location of existing granite sett and lock block streets;  b. which ones should be maintained; and c. what maintenance procedure should be used; and gives a commitment that any future repair work will be carried out sympathetically and appropriately."		Doug Ritchie	Operations and Protective Services		2.2 and GD 7.1		
	Scottish Government Public Sector Pay Policy - Financing Options	Council on 5/3/18 agreed to note that the budget assumes a pay award in line with the Scottish Government Public Sector Pay Policy and that in the event of national negotiations exceeding this assumption and to instruct the Chief Officer -Finance to report back to City Growth and Resources Committee on options to finance the additional costs.		Sandra Buthlay	Finance	Resources	1.2	R	Should the agreed 2018/19 pay award be higher than budgeted, this will be dealt with through the quarterly financial reporting regime.
88	Scottish Government Funding	Council on 5/3/18 agreed As part of our commitment to Civic Leadership and Urban Governance instruct the Chief Executive to bring a report to the City Growth and Resources Committee working with partners to include our ALEOs, Aberdeen and Grampian Chamber of Commerce, Aberdeen Burgesses Federation of Small Businesses, Opportunity North East, and Scottish Enterprise to assess the impact on Aberdeen of Scottish Government funding in comparison to the funding received by other local authorities and identify how the council can encourage the Scottish Government to provide a better financial settlement for Aberdeen.			Chief Executive	Chief Executive	1.2		
90			AD HOC REPORTS (CYCLE DEPENDENT ON REQUIREMENT TO REPORT)						

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2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
91	Pension Fund Guarantee Requests	To consider any pension fund guarantee requests received		Lesley Fullerton	Finance	Resources	1.3.4		
92	Unit 24 Howemoss Drive, Kirkhill Industrial Estate Dyce	Proposed purchase of Industrial Investment property by City Council		Stephen Booth	Corporate Landlord	Resources	3.3		
93	Willowbank House (Aberdeen Business Centre) - Option Appraisal and Future Use	Willowbank House (Aberdeen Business Centre) is a City Council-owned investment property, under the management of the Head of Land & Property Assets. The report discusses its present condition, its market appeal, and sets out various options for the future of this property asset.		Stephen Booth	Corporate Landlord	Resources	3.3		
	Business Case for the Acquisition of ex-Council Properties in Buildings where the Council is the Majority Owner	Council on 6/3/18 agreed to instruct the Director of Resources to report back to the relevant future committee with a business case for the acquisition of ex-Council properties in buildings where the Council is the majority owner and the income stream generated would cover the cost of acquisition as well as any other properties that were previously Council owned.		Stephen Booth	Corporate Landlord	Resources			
94	Small Financial Assistance Grants and Gala Funding	To consider any requests not approved under delegated powers.	To be reported as and when required.	Karen Black	Finance	Resources	GD3		
95	All of the below will	recommended to be reported by means of a service	undate report, and should ar	v decisions on	any of the below	he required ther	a report woul	ld he submitted	to Committee at the
96		Todominonada to be reperted by medice of a convice	appropria	•	any or the bolon	oo roquirou ino.	та горогі поа	ia bo cabiiiitoa	
97	Denburn Car Park Site	Property Sub Committee - 17/11/15 - The Sub Committee agreed to instruct the Head of Land and Property Assets to open discussions with NHS Grampian (The Scottish Ministers) over the future of the Denburn car park site and report back to a future meeting of this Committee.		Stephen Booth	Corporate Landlord	Resources	3.3		
98	Disposal	' '	A Service Update was circulated on 23 January 2018.	Stephen Booth	Corporate Landlord	Resources	3.3		
99	Ferryhill Engine Shed Lease	Property Sub Committee - 02/09/15 - It was agreed to note that the Head of Land and Property Assets will report to the Property Sub Committee on 29 March 2016, with details of what the Trust has provided and a recommendation on a way forward.		Stephen Booth	Corporate Landlord	Resources	3.3		

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2	2	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommende d for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
10		Market Street	Assets to report the outcome of discussions to a future meeting.	Discussions continue on other options for the site with the owners and is therefore dependent on their development plans.	Stephen Booth	Corporate Landlord	Resources	3.3		

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#### **ABERDEEN CITY COUNCIL**

COMMITTEE	City Growth and Resources
DATE	19 June 2018
REPORT TITLE	Regional Economic Strategy - Action Plan Refresh
REPORT NUMBER	PLA/18/025
DIRECTOR	Steve Whyte
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Richard Sweetnam
TERMS OF REFERENCE	2.3 - consider reports on key actions by the Council towards the delivery of the Regional Strategy and the Inward Investment Plan

#### 1. PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval from the Committee of the refreshed Action Plan for the 2015 Regional Economic Strategy.

## 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the progress made since the publication of the 2015 Regional Economic Strategy; and
- 2.2 Approves the refreshed Action Plan, provided as an Executive Summary attached as Appendix 1 to this report

#### 3. BACKGROUND

- 3.1 On 16 December 2015, the Council approved the Regional Economic Strategy for the North East of Scotland (CHI/15/340. Titles *A 20-year vision for the Well-being of the Place and Our People* it provides a long term vision and plan for the economic development of the North East of Scotland to 2035.
- 3.2 It proposed a 'Renaissance Scenario', where economic recovery of the UK oil and gas resource is maximised and Aberdeen's long term international position is secured. The region has broadened its economy into other sectors including energy (renewables), tourism, food, drink and agriculture, life sciences and the creative sector and significantly improved employment and income levels in our more deprived places, improved our city centre environment, and regenerated towns, ensuring the sustained economic performance is more evenly distributed.

- 3.3 Four Programme Areas were identified:
  - i. Investment in Infrastructure
  - ii. Innovation
  - iii. Inclusive Economic Growth
  - iv. Internationalisation
- 3.4 The co-signatories to the Strategy are Aberdeen City Council, Aberdeenshire Council and Opportunity North East (ONE). The approved Strategy was the basis from which the Council and its partners negotiated the Aberdeen City Region Deal.
- 3.5 Since then, a number of wider changes have occurred that have an impact on the delivery of the Strategy. This includes the investment by the UK Government and the Scottish Government through the City Region Deal (of £125m respectively) and a separate Memorandum of Understanding (of £254m by the Scottish Government, but also a continued deterioration in the cost per barrel of oil; the results of the Brexit referendum, the enterprise and skills review by the Scottish Government, the securing of a credit rating by the Council, and subsequent bond issue, and the changing financial challenges under which the Council is operating.
- 3.6 The updated plan also reflects the Council's development of its target operating model, and the collective leadership proposals as part of the Urban Governance around key clusters for the growth of the city: infrastructure, learning and skills; and internationalisation.
- 3.6 To reflect these changes, and their impact on the delivery of the Action Plan, it has been refreshed and updated. The refreshed 2018-2023 Plan, and supporting Executive Summary, is provided in Appendix 1 to this report.

#### 4. PROGRESS TO DATE

4.1 The table below provides a summary of the actual completed progress made in the 2015, by Programme area.

RES Action (2015 Plan)	Update
Investment in Infrastructure	
1. Submit the City Region Deal to the UK	Complete
Government and the Scottish Government	
2. Realise the development opportunities in the	Broad Street scheme soon to
CCMP	be completed
	Marischal Square open
	Union Terrace Gardens at
	detailed design stage

RES Action (2015 Plan)	Update
	Aberdeen Works being
	delivered through ESF (see below)
	Aberdeen 365 Events Plan being implemented
	Feasibility studies completed (Queens Square, City Centre Living, Car Parking)
3. Prioritise delivery of A96 Corridor Improvements and other key arteries	A96 in approved Government programme with 2030 end date. Aberdeen to Huntly section let to design consultants for route development.
4, Ensure all procurement includes supplier engagement activity so that our businesses are aware of all potential opportunities to tender for projects	Complete and ongoing
5. Work with the new EU & National Funding programmes to access opportunities under its Low Carbon Infrastructure Transition Programme to increase the level of renewable energy infrastructure	Complete and ongoing through Civitas Portas, JIVE, Hytrec and OLEV
6. Businesses in the region have access to a variety of immediately available and affordable premises (commercial, industrial sites, incubation) and new use of existing brownfield	Ongoing – city centre masterplan, Marischal Square
7. Develop an Investment Plan that looks at how alternative financial models which can be used to invest in/deliver regional priorities of housing, broadband, etc	ACC secured credit rating from Moodys and a subsequent £370m bond issue
Innovation  8. Deliver an Oil & Gas Technology Centre	Complete via City Region Deal
0,	, , ,
9. Delivery of supply chain development activities in the Renewables/ Energy Action Plan	Research complete. Developing SME support in discussion with Scottish Enterprise (SE) and ONE
Inclusive Economic Growth	
10. Implement Developing the Young Workforce - working with training providers, schools, colleges, universities and business, strengthening vocational skills attainment levels and encouraging more apprenticeships	Ongoing. Regional Invest in Youth Group being led by AGCC
	1

RES Action (2015 Plan)  11. Address skills shortages in key sectors including public services and health sectors as identified in the Regional Skills Strategy  12. Embed the use of targeted recruitment and Update  Regional Skills Strategy completed. Skills  Development Scotland (SDS) leading implementation  Continuous
including public services and health sectors as identified in the Regional Skills Strategy
identified in the Regional Skills Strategy  Development Scotland (SDS) leading implementation
leading implementation
training clauses in our procurement strategies
to ensure those areas with higher levels of Employability and skills related
economic inactivity can access skills/ training community benefits achieved
opportunities from public sector investments from public contracts between
Jan 2017 and May 2018:
Apprentices employed - 12
Jobs created - 56
Work experience placements
(school pupils, Higher &
Further Education students,
jobseekers) - 22
Individuals benefiting from
careers and employability
related training (jobseekers) -
30
Qualifying the workforce
(individuals achieving NVQ 2
and above or industry
certification) - 77
13. Deliver £2.2m ESF Employability Pipeline Progress through Positive
Project to increase economic activity through Partnerships in Year 1 of
training and work experience placement delivery. 70 individual action
plans complete
14. By investing in our schools, we are Support to AGCC Delivery of
investing in the region's economic growth the Regional Invest in Youth
delivering high attainment levels and positive Group under Developing the
destinations for our young people and providing   young workforce
a future supply of skills for employers, inward
investors and future entrepreneurs Council's Capital Programme
15. Develop and implement the Regeneration Locality Plans completed
Plans for Tillydrone, Middlefield, Northfield and
Torry Neighbourhood audits to
identify main barriers to jobs
and training have concluded and the findings are driving
new approaches including
more local 'one stop' projects
and the development of an
Aberdeen Works app.
Assistant value app.

RES Action (2015 Plan)	Update
	The Tillydrone Hub is currently in the construction phase and plans for the Middlefield Triangle, on the back of the Haudagain roundabout investment, are being refined. The Harbour Board and Dragados continue to work closely with Torry communities on regeneration activities in the area
16. Delivery of Business Gateway to provide business start-up and development support, that is available to all businesses (including social enterprise in key health and social care sector)	2015/16 – 480 new starts (41% of region) 73% three-year survival rate
17. Support implementation of key actions from the emerging/ existing industry-led sector strategies for oil & gas, food & drink, tourism and life sciences	Support where needed through ONE Business Development programmes
18. Support the promotion and marketing of the place through the emerging proposals for a regional DMO	VisitAberdeenshire established. New business plan being implemented aligned to new strategy being developed
19. Develop a iconic tourism attractions to capitalise on non-business tourism and leisure markets and stimulates diverse culture, creative offerings of a national and international standard	City centre tourism assets under development – Art Gallery, Music Hall  The new events complex under development at Dyce  Market research on cruise passenger markets complete
Internationalisation	
20. Support the development of our ports and harbours (the Aberdeen Harbour expansion)	ACC invested £5.5m as part of the City Region Deal
	City Region Deal earmarked £25m for supporting transport infrastructure  Bay of Nigg Expansion Travel
21. Develop the £330m new Aberdeen	Plan under development  Ongoing and on plan
Exhibition and Conference Centre to anchor	Ongoing and on plan

RES Action (2015 Plan)	Update
existing international events and compete nationally and internationally for new events	SMG Europe Ltd appointed as new operator
22. Work with Aberdeen International Airport in supporting its development plans	Complete and continuing
23. Support NESTG (North East of Scotland Trade Group) to develop and enhance international trade and investment support	Working with AGCC in relation to new export partnership model that capitalises on NESTG brand
24. Develop an International Events Strategy for the region targeting international, UK and regional events and support	Aberdeen365 Vision and Events Plan approved and has attracted new events to the city
25. Maximise the opportunity from Offshore Europe 2017 and 2019 and develop a programme of ancillary activity that broadens the appeal of the region to a global audience	Continuing and to coincide with the opening of the new events complex at Dyce
26. Provide internationalisation support to	ACC Trade Plan
businesses in existing priority and new markets linking existing innovation and R&D capability, in both the private sector and academia	ACC has MoUs with five regions.
	- Barranquilla, Colombia - Villahermosa, Mexico
	Mokpo, South Korea - Halifax, Canada
	- Pemba, Mozambique
	World Energy Cities Partnership
	Support to NESTG
27. Promote the 'investor readiness' of the region to international institutional investors/ sovereign wealth funds	Invest Aberdeen set up and resourced. Business Plan being delivered
28. Lobby and participate in key international, EU and national networks that can support delivery of our economic priorities	EU partnerships and projects, World Energy Cities, Trade links

## 5. ACTION PLAN REFRESH

5.1 The 2018 Action Plan refresh does not change the overall strategic direction of the 2015 Strategy and is constructed around the same four Programme areas. The update reflects that many of the actions within the original Action Plan are still in the process of being, delivered.

- 5.2 The refreshed Action Plan also seeks to maximise the opportunities within each of the region's key sectors:
  - Oil, Gas & Energy
  - Food, Drink, Agriculture & Fishing
  - Tourism
  - Life Sciences
- 5.3 Regional priorities are aligned with UK and Scottish sector priorities and the UK industrial strategy, to ensure maximum economic impact is achieved at a regional and national level and to derive the greatest possible benefit from public funding in co-investment opportunities within the sectors. The priorities also recognise and anticipate the changing external funding environment in the context of Brexit.
- 5.4 A feature of the development of the 2015 plan was the then evolving collaboration at the city and regional level. It provided a framework for the emerging regional public-private sector economic partnership, Opportunity North East. The Council Co-leader represents the Council on this private sector-led board. A city and regional coordination group (Regional Economic Strategy Group), comprising executive representatives of ONE, officers of the Council, Aberdeenshire Council, Scottish Enterprise, Skills Development Scotland, AGCC and other public agencies coordinate their contribution in support of the delivery of the Strategy and plan, monitoring performance, as well as inputting to the respective Community Planning Partnerships in both Council areas.
- 5.6 Building on this, effective partnership working between the private and public sectors will drive the ambitions in the 2018 refresh. Central to this is the collaboration between Aberdeen City Council, Aberdeenshire Council, ONE, and other private and public-sector partners, including the national enterprise and skills agencies. Aberdeen City Council, Aberdeenshire Council and ONE are exploring how the proposed national Regional Economic Partnership model might be further developed in North East Scotland to support the delivery of the updated Plan.

#### 6. MEASURING PROGRESS

- 6.1 The Regional Economic Strategy Group will continue to monitor delivery of the RES Action Plan and engages regularly with other partners and stakeholders. Actions delivered by specific partners are subject to that organisation's performance management processes, and/ or the monitoring requirements of any external funders.
- 6.2 The Council's contribution towards delivery is regularly reported through its Committees.

#### 7. FINANCIAL IMPLICATIONS

7.1 There are no direct staffing or financial implications arising from this report. Staffing and financial implications that may arise in delivering, or supporting the

delivery of the actions in the revised plan will be reported to the relevant Council Committee or City Region Deal Joint Committee where appropriate.

## 8. LEGAL IMPLICATIONS

8.1 None anticipated.

## 9. MANAGEMENT OF RISK

9.1 As business cases are developed in delivery of the action plan, officers will consider financial risk.

Category	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	The cost to the Council could escalate beyond those predicted costs in business case development	L	Costs are monitored on an ongoing basis by relevant project leads or programme office
Legal	Some of the actions proposed may have unexpected legal consequences	L	All actions that involve a contribution from the Council are reviewed by specialist legal advice in Legal and Procurement services, and the Council's own governance
Employee	The refresh provides staff with a clear vision of the overall direction for the economy of the city and wider region and the alignment of the Operating Model, and prioritising staff resources to that. There is a risk these resources are not prioritised	M	Chief Officer – City Growth and through the Capital Review Board, and City Region Deal Programme Board, identifies core project teams to support the successful delivery of the Council's priorities in the Plan
Customer	There could be a perception that there is no plan on response to the changing economic and policy framework, and there is a negative view amongst investors and employers.	L	The Plan provides a framework for the Council to continue to work closely and collaborate with private sector and other stakeholders to secure the long-term prosperity and growth of the city.
Environment	Some of the actions may have an impact on the environment	L	Each project will have an assessment of any environmental impacts where

Category	Risk	Low (L), Medium (M), High (H)	Mitigation
			relevant and through statutory processes
Technology	Optimum delivery of the plan requires both digital hardware and software capability. There is a risk that there is insufficient capacity available	M	Key elements in the plan relate to the digital infrastructure. A dedicated team and resource has been approved to deliver this  It will be supported by the Council's own digital transformation, and the Digital Partners where relevant
Reputational	Council's reputation could be damaged where actions are not supported or delivered	L	The 2015 Regional Economic Strategy, the LOIP and the Administration's Policy Statement demonstrate the commitment of the Council to the economic growth of the city and wider region. This plan is a realistic set of proposals to contribute to this development and targets attraction of new investment and funding through the collaborative governances to oversee its delivery

## 10. OUTCOMES

Local Outcome Improvement Plan Themes			
	Impact of Report		
Prosperous Economy	This plan supports the Regional Economic Strategy's objectives		
	All of this activity contributes to the Prosperous Economy theme of the LOIP as it is focussed on the creation of jobs and value add to the Aberdeen economy in terms of renaissance and diversification.		
Prosperous People	This plan supports the Regional Economic Strategy's objectives		

	The Inclusive Economic Growth actions in particular have a direct impact on the Prosperous Economy theme of the LOIP.
Prosperous Place	Aberdeen and the wider city region's competitiveness is enhanced by a sustainable economy – to visitors, business, students and employees – from across the world. The refresh directly contributes to improving the attractiveness of the city to investors and employers and supporting the overarching aims of the CCMP.
Enabling Technology	Central to delivery of the ambitions in the plan is world class digital connectivity.

Design Principles of Target Operating Model			
	Impact of Report		
Customer Service Design	The refreshed plan will align to the Council's support to its business customers and key employers in the city and the Council's 'business friendliness'.		
Organisational Design	The Council's new Place function, and clustering of City Growth, Planning, Culture, Events, Galleries and Museums and Archives will improve collaboration and delivery across these key contributors to the key sector priorities		
Governance	City Growth & Resources Strategic Commissioning Capital City Region Deal Joint Committee		
Workforce	None		
Process Design	None		
Technology	The development of digital platforms could become a host for the monitoring of the city and regional economic performance and the Council's developing Business Intelligence Unit		
Partnerships and Alliances	The report seeks approval for continued work across city and regional economic partnerships. It should also build on strong partnerships with the UK Government and the Scottish Government in securing major investment in future. It also provides a framework for the Council's engagement with EU partners and trade an investment partners through the World Energy Cities Partnership		

## 11. IMPACT ASSESSMENTS

Assessment Outcome
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Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Children's Rights Impact Assessment/Duty of Due Regard	Not applicable

## 12. BACKGROUND PAPERS

Council 16 December 2015 Regional Economic Strategy & City Regional Deal Update (CHI/15/340)

## 13. APPENDICES (if applicable)

Appendix 1 – Executive Summary and 2018-2023 Action Plan

## 14. REPORT AUTHOR CONTACT DETAILS

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Chief Officer City Growth
<a href="mailto:rsweetnam@aberdeencity.gov.uk">rsweetnam@aberdeencity.gov.uk</a>
01224 522662

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## **Foreword**

North East Scotland is a major contributor to the UK and Scottish economies. The public and private sectors in the region are working in partnership to ensure that our economy delivers significant benefits locally and nationally in the future.

The creation of the Regional Economic Strategy (RES) in 2015 set out a shared vision of renaissance for the region, based upon maximising the oil and gas opportunity, strengthening and diversifying the economy and continuing to attract investment and talent. The RES was supported by an Action Plan that aligned activity by partners to ensure the maximum economic impact was delivered by activity and investment.

We have updated our Action Plan to reflect both the changing economic environment within which we are contributing to the overall economic ambition of the North East of Scotland, and our achievements since 2015.

We have secured a £250m investment by the UK Government and the Scottish Government in an £820m City Region Deal programme, with a significant focus on innovation in our key sectors of oil and gas; food, drink and agriculture; life sciences; and digital infrastructure. We will build on the successful delivery to date, which includes the creation of The Oil & Gas Technology Centre, construction of the Aberdeen Harbour expansion beginning, securing investment in the region's digital infrastructure and significant progress in bringing forward transport and other sector innovation investments.

Significant investment is delivering a new arena and events complex in the city, the Aberdeen City Centre Masterplan, two new Business Improvement Districts in Inverurie and Peterhead, and an extended harbour in Peterhead with one of the largest fish markets in Europe.

Sector-specific growth programmes are working with cohorts of ambitious, high-growth potential companies in food, drink and agriculture and life sciences and are being developed for oil, gas and energy and digital businesses. Alongside these, new programmes are focusing on innovation, internationalisation and market development within these sectors to support long-term economic diversification and resilience.

Our economic collaboration and leadership has strengthened and is recognised nationally. We remain committed to working across our sectors to support growing, innovative and international businesses and to attract investment to secure the economic future of the region.

This updated Action Plan reflects these successes and the new opportunities and challenges that we face from factors including Brexit, commodity prices and public-sector transformation.

We will continue to be ambitious, work together, act and invest to ensure that the North East evolves as a major economic driver nationally and provides opportunity and employment for our people and communities. We look forward to working with you to deliver this Action Plan.

Jenny Laing
Aberdeen City Council
Co-Leader

Douglas Lumsden

Aberdeen City Council

Co-Leader

Sir Ian Wood

Opportunity North East
(ONE) Chair

Jim Gifford Aberdeenshire Council Leader



# **Executive Summary**

#### **Overview & Context**

The Regional Economic Strategy (RES) provides a shared vision and ambition for the future of the North East of Scotland to align commitment, investment and action in pursuit of its economic growth and diversification objectives. The cosignatories to the RES are Aberdeen City Council, Aberdeenshire Council and Opportunity North East (ONE), although the Strategy is influenced and driven by a wider collaboration in North East Scotland, including the national enterprise and skills agencies and regional economic partners.

The vision remains one of economic renaissance that results in a diversified and resilient regional economy supporting high-value employment through:

- Maximising oil and gas recovery and becoming a globally recognised hub for innovation and technology development with a strong, diversified and internationally-focused oil, gas and energy supply chain anchored in the region for the long term and playing a key role in energy transition towards a lower carbon energy system.
- Growing the region's food, drink, agriculture and fishing; life sciences; and tourism sectors and entrepreneurial environment to deliver a more balanced and resilient economy.
- Inclusive economic growth and investment in our key sectors and quality of place securing the future well-being of the city, the region, our communities and people.

The goal is an economy growing across new and traditional industries, supported by a high-skilled workforce, agile and open to future opportunities and better able to anticipate and respond to future challenges.

The renaissance vision continues to inform action and investment, shaping our future, and creating opportunities for growth and employment for the long term. Sector-specific transformational projects in delivery and development are already changing the face of our economy.

Since the publication of the RES in December 2015, the region has pursued its renaissance agenda and many of the actions within the RES and the original Action Plan have been, or are in the process of being, delivered. Transformational projects include the sector-specific innovation projects within the Aberdeen City Region Deal for oil and gas, life sciences, and food, drink and agriculture, and major infrastructure investment including the AWPR, new arena and events complex in Aberdeen, Aberdeen Harbour expansion and projects within the City Centre Masterplan.

The region has continued to make a substantial economic contribution to Scotland and the UK. Gross Value Added (GVA) in 2016, from Aberdeen City and Aberdeenshire, was £17.5 billion, accounting for 13.1% of total Scottish GVA (9.1% population share). However, GVA for Aberdeen City and Aberdeenshire has fallen for two consecutive years, from £18.6 billion in 2014 to £17.9 billion in 2015 and £17.5bn in 2016.

Despite difficulties in the last 2 or 3 years, the North East of Scotland remains one of the most active economies in the UK. GVA per head in Aberdeen City and Aberdeenshire was 44% higher than the Scottish national average in 2016. Productivity in Aberdeen City and Aberdeenshire was still substantially higher than the national average, with £61,419 GVA generated per job filled, the second highest in the UK, surpassed only by London.

Total employment in the region peaked in 2014 at 319,000 but declined to 310,000 in 2016. The regional employment rate has recovered, with the employment rate for those aged 16-64 at 79.3%, compared to 74.3% in 2016. Unemployment has also begun to decline, with claimant count unemployed at 5,600 in April 2018, compared to 6,555 in March 2017. That is equivalent to only 1.7% unemployment rate (claimant count) in the region

The region recognises its strengths but also acknowledges its vulnerability and the continuing need for action and investment to secure future prosperity and employment for all. The Action Plan and Regional Skills Strategy are aligned to ensure the North East develops its skills base and attracts skilled people from other parts of the UK and internationally, and will endeavour to put inclusive growth at the heart of our investment

The RES partners have now reviewed and updated the 2015 Action Plan to reflect the changing economic context and to ensure the economy is more resilient to severe fluctuations in the oil price and other external shocks. The updated Action Plan takes account of the progress achieved since 2015 and maintains the long-term focus on outcomes and impacts, to ensure the region capitalises on the economic opportunities around transformational projects in delivery and development. It is also a response to the regional economy's significant exposure as a result of Brexit, and the new risks and opportunities that have emerged since the RES was approved.

## **Key Themes**

The key themes within the RES and Action Plan are:

- · Investment in infrastructure
- Innovation
- · Inclusive economic growth
- · Internationalisation

The actions within these themed programme areas are designed to stimulate growth within the region's key industry sectors. Improving the conditions for business and the city region's global competitiveness will safeguard or create employment, increase the value of jobs, and create a more resilient and diversified economic base, characterised by growing businesses of all sizes. The Plan therefore provides a determined focus on long term economic prosperity for the region, its communities and people.

## **Our Sectors**

The Action Plan seeks to maximise the opportunities within each of the region's key sectors:

- Oil, Gas & Energy
- · Food, Drink, Agriculture & Fishing
- Tourism
- Life Sciences

Regional priorities are aligned with Scottish and UK sector priorities and the UK industrial strategy, to ensure maximum economic impact, is achieved at a regional and UK and Scottish level and to derive the greatest possible regional benefit from public and private funding in coinvestment opportunities within the sectors. Across our sectors, world class connectivity is crucial, and the Plan also prioritises transport and digital investment with industrial digital transformation and entrepreneurship gaining even sharper focus.

# Sustainability

Sustainability is a key theme within the Action Plan, spanning economic diversification to deliver a broader economic base, opportunities associated with the circular economy, carbon capture and storage and energy transition as the oil and gas industry and its supply chain evolves to a lower carbon future. The region's natural assets and clean environment are also its economic assets and therefore must be safeguarded to support our sectors particularly tourism, food, drink, agriculture and fisheries.



# Local and National Alignment

Effective partnership working between the private and public sectors is driving an ambitious development agenda for North East Scotland. Central to this is a collaboration between Aberdeen City Council, Aberdeenshire Council, ONE, and other private and public-sector partners, including the national enterprise and skills agencies – Scottish Enterprise and Skills Development Scotland – and the region's Further Education and Higher Education sectors.

This Plan sets out actions over the next five years that will support the delivery of the renaissance economic vision. It also provides context for other strategies covering regional infrastructure, regional skills, land use and transport planning to ensure broad alignment with the regional economic priorities. It also aligns to the respective Community Planning priorities and Outcomes in each Council area.

The cross-sectoral regional partnership working by the UK Government and the Scottish Government, the two local authorities, the private sector and national agencies is unique within the current Scottish context. It is about how we work together, rather than formal structures. The partners interact regularly at strategic and tactical levels and are engaged in a variety of project-specific activities.

Aberdeen City Council, Aberdeenshire Council, ONE and the national agencies are exploring how the proposed national Regional Economic Partnership model might be further developed in North East Scotland to support the delivery of the regional economic priorities, informed by our experience of joint working over many years, implementation of delivering the Aberdeen City Region Deal and the leadership of its Joint Committee.

# Engagement and Future Projects

During 2018 as part of the Action Plan review and update process, ONE led engagement on behalf of the RES partners with the private sector and other stakeholders across the region on the renaissance vision, ambition and agenda, current priorities and to identify what new projects could produce transformational economic impacts. Eight themed projects emerged across 13 events, attended by more than 1,500 people and involving more than 500 conversations on potential projects. The identified projects are now being further assessed for transformational impact.

The Action Plan is a working document, with the partners developing a project pipeline with associated business cases for further investment from private and public sectors, including the UK Government and Scottish Government to ensure that regional economic success supports national economic performance.

# Measuring Progress

The Regional Economic Strategy Group monitors delivery of the RES Action Plan and engages regularly with other partners and stakeholders. They include: Aberdeen City Council, Aberdeenshire Council, ONE, Invest Aberdeen, Aberdeen & Grampian Chamber of Commerce, Scottish Enterprise, VisitAberdeenshire, VisitScotland, University of Aberdeen, Robert Gordon University, North East Scotland College, Cairngorms National Park Authority and Skills Development Scotland.

There is a range of data that will monitor the economic performance of the Aberdeen City Region and, over time, how well economic growth is being experienced across different groups and places. These will include GVA growth, Gross Disposable Household Income, earnings, economic inactivity and unemployment.

Actions delivered by specific partners are subject to that organisation's governance and performance management processes and contribute to the RES performance framework.

## Investment in Infrastructure

The North East of Scotland has significant strengths in the quality of its built and natural environment and global connections to key markets. The on-going development of infrastructure, physical and digital, to support its economic ambition and enable growth in its key sectors, is critical to future success. We must deliver world-class digital connectivity across the whole region to support business creation and growth and enable new ways of working. Our physical connectivity also remains a priority, to ensure our transport networks across all modes meet the needs of our producers and exporters with a focus on international reach to established and new markets.

	Action	Lead & Key Partners
i)	In response to the Planning Review, set up an Infrastructure Investment Group to strategically plan and coordinate national utilities investment and funding in the city and wider region	Aberdeen City Council
ii)	Development of investor ready pipeline of development opportunities	Aberdeen City Council Invest Aberdeen
iii)	Develop and implement a region-wide housing strategy and action plan	Aberdeen City Council Aberdeenshire Council
i∨)	Support an Updated Regional Transport Strategy, building on ongoing investment in AWPR, rail enhancement and other schemes under construction, developing active travel networks and initiatives such as integrated ticketing to promote modal shift and maximising the benefits of improved infrastructure	NESTRANS
<b>v</b> )	Lobby Transport Scotland to prioritise the implementation of key strategic upgrades on the trunk road network, including A90 north and south of Aberdeen and the A96 dualling between Aberdeen and Inverness	Aberdeen City Council Aberdeenshire Council NESTRANS Aberdeen & Grampian Chamber of Commerce
∨i)	Deliver on commitments to implement schemes through the City Region Deal, including access to the new Aberdeen South Harbour, and, in the Scottish Government's Memorandum of Understanding, to reduce journey times to the Central Belt	Scottish Government (Transport Scotland) Aberdeen City Council Aberdeenshire Council NESTRANS
∨ii)	Work with Scottish Government and Transport Scotland, under the City Region Deal programme, to develop business cases for priority transport infrastructure schemes across the north east to bring forward future funding opportunities	Aberdeen City Council Aberdeenshire Council NESTRANS
∨iii)	Enhance City Centre environment by implementation of transport elements of the City Centre Masterplan and a Low Emissions Zone, including Hydrogen fuelled vehicles	Aberdeen City Council NESTRANS
ix)	Development of business case and prospectus for Aberdeen's Queens Square redevelopment	Aberdeen City Council Police Scotland NHS Scottish Courts

	Action	Lead & Key Partners
×)	Deliver detailed design and cost proposals for site preparation and infrastructure to facilitate developer investment at Energetica Industry Park	Scottish Enterprise
×i)	Explore production of development briefs for Aberdeen Station Gateway, Castlehill and North Dee redevelopment (CCMP Projects)	Aberdeen City Council Network Rail Abellio Scot Rail Private Sector
×ii)	Consult with the UK Government and Scottish Government to ensure that successor programmes to EU Structural Funds are aligned to the economic needs of the North East (Shared Prosperity Funds)	Aberdeen City Council Aberdeenshire Council
×iii)	Identify regeneration opportunities for commercial and industrial areas across the region, ensuring land and infrastructure is available in strategic growth areas and corridors, and aligned to capitalise on development of new technologies and supply chain opportunities (eg: CCS, Decommissioning)	Strategic Development Plan Aberdeen City Council Local Development Plan (LDP) Aberdeenshire Council (LDP)
xiv)	Implement the digital programme within the Aberdeen City Region Deal: 1. Duct Delivery Network 2. Local Full Fibre Network 3. Expand ACC Fibre Network 4. Sensor Network 5. Regional Data Exchange 6. Gigabit Voucher Scheme	Private Sector Aberdeen City Council Aberdeenshire Council NHS Grampian Universities
xv)	Building on the Digital Programme in the City Region Deal secure additional investment into development of Smart City activities and the rollout of 5G technologies across public sector and industry	<b>DCMS</b> Aberdeen City Council Private sector

## Innovation

Home to highly innovative companies, two leading Universities, and strong research base across our key sectors, the North East of Scotland has a reputation for enterprise, innovation and world class solutions. Innovation is critical to future economic growth in the region and includes technology creation, digital transformation, research and development, and product development across our key sectors. Innovation will drive competitiveness, efficiency and productivity, support internationalisation across the company base and position North East Scotland as an attractive inward investment proposition. The City Region Deal includes £210 million of sector-specific innovation projects with the Oil & Gas Technology Centre now established as an independent, industry-led innovation hub and the capital funding secured for the life sciences innovation hub with a targeted operational date in 2020. Business case approval for the food and agriculture innovation hub is targeted by the end of 2018/19.

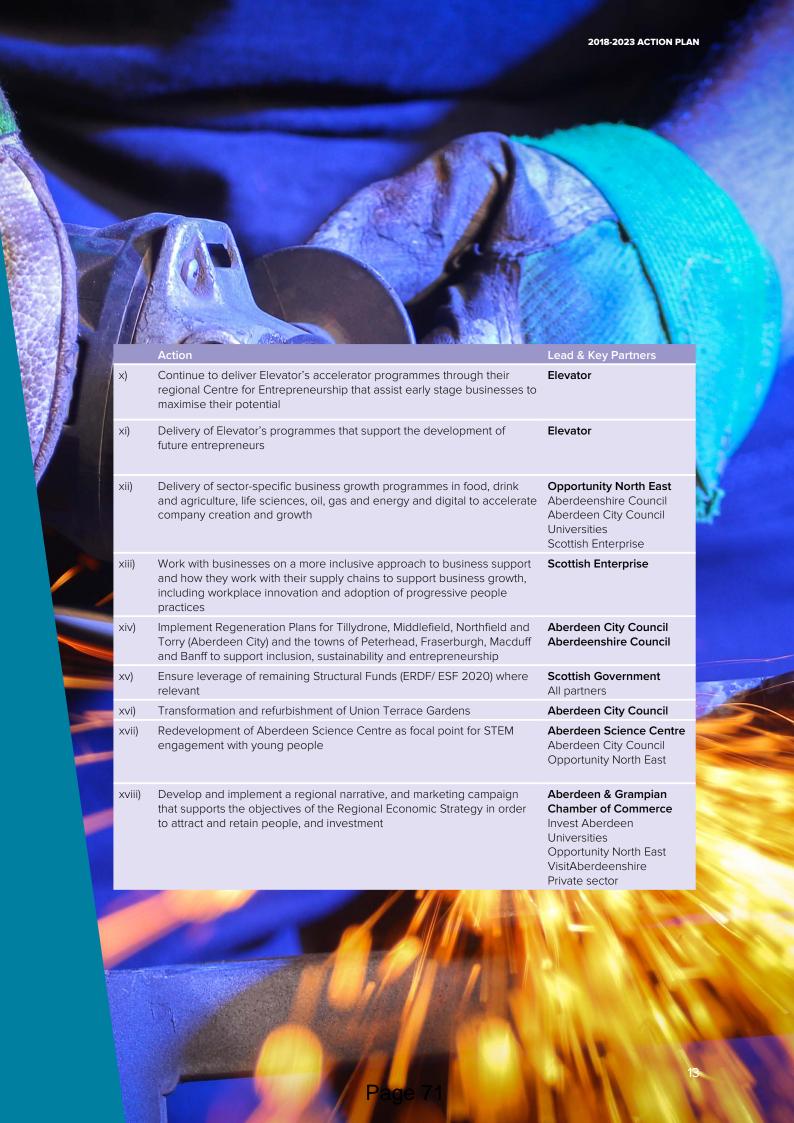
	Action	Lead & Key Partners
i)	Capitalise on our reputation as a global centre of excellence for subsea and underwater engineering and decommissioning, and for learning and training in the broader oil and gas and energy sectors	Industry The OGTC Scottish Development International Universities NESCol Invest Aberdeen Opportunity North East
ii)	Deliver Food Hub within the City Region Deal that provides R&D infrastructure and expertise for regional primary producers, processors and manufacturers	Opportunity North East Aberdeen City Council Aberdeenshire Council Scottish Enterprise Universities
iii)	Delivery of Bio-therapeutics Hub within the City Region Deal to grow and develop spin-out and start-up life sciences businesses beyond early stage development	Opportunity North East Aberdeen City Council Aberdeenshire Council Universities NHS Grampian Scottish Enterprise
i∨)	Increase the number of tourism businesses with online booking capabilities	VisitScotland
<b>v</b> )	Ensure energy sector is maximising opportunities for investment under place based Industrial Strategy and Sector Deals	Oil & Gas UK Industry UK Government The OGTC Scottish Enterprise Universities Opportunity North East
∨i)	Implement the Regional Sustainable Energy Action Plan, promoting awareness and opportunities arising from it to identify competitive advantage for the region	Aberdeen City Council Aberdeenshire Council

	Action	Lead & Key Partners
∨ii)	Maximise supply chain development in alternative energies (including renewables and carbon capture & storage/hydrogen action plan, and support innovation in other fuel technologies	Aberdeen City Council Aberdeenshire Council Scottish Enterprise Opportunity North East
∨iii)	Provide specific business growth support for private sector companies focusing on diversification opportunities	Scottish Enterprise Opportunity North East Business Gateway contractor
ix)	Ensure opportunities for a Smart City Action Plan are maximised	Aberdeen City Council Scottish Cities Alliance Private Sector Universities
x)	Develop and deliver the digital and entrepreneurship hub to build a digital company cluster and enable digital transformation within the region's key sectors	Opportunity North East ONE CodeBase Universities Business Gateway
xi)	Building on the data platform in Regional Data Exchange above, stimulate innovation through open data networks to create an underlying framework for public data in the region to be open and available for others to use and reuse	Aberdeen City Region Deal NHS Public sector Universities Private Sector
xii)	Review and scope potential future transformational projects identified through the Renaissance stakeholder engagement for economic impact and further development	Opportunity North East Aberdeen City Council Aberdeenshire Council

## Inclusive Economic Growth

A broader and more resilient productive economy with companies growing through investment in innovation and internationalisation, generating high-value products and services. This will create new employment opportunities in the region across all sectors and enhance productivity, enabling as many people as possible to benefit from economic growth, across the labour market and within groups that face higher barriers to high quality and productive jobs, reducing inequality across the city and region. This requires the development of the right skills across all age groups, retaining people here and attracting new talent from outside the region. Delivery of the Regional Skills Strategy, developing key assets such as our tourism and cultural offerings, and delivery of the City Centre Masterplan and regenerations of our northern towns will provide an economic benefit and contribute towards our proposition to attract investment and ultimately develop jobs and opportunity in the region.

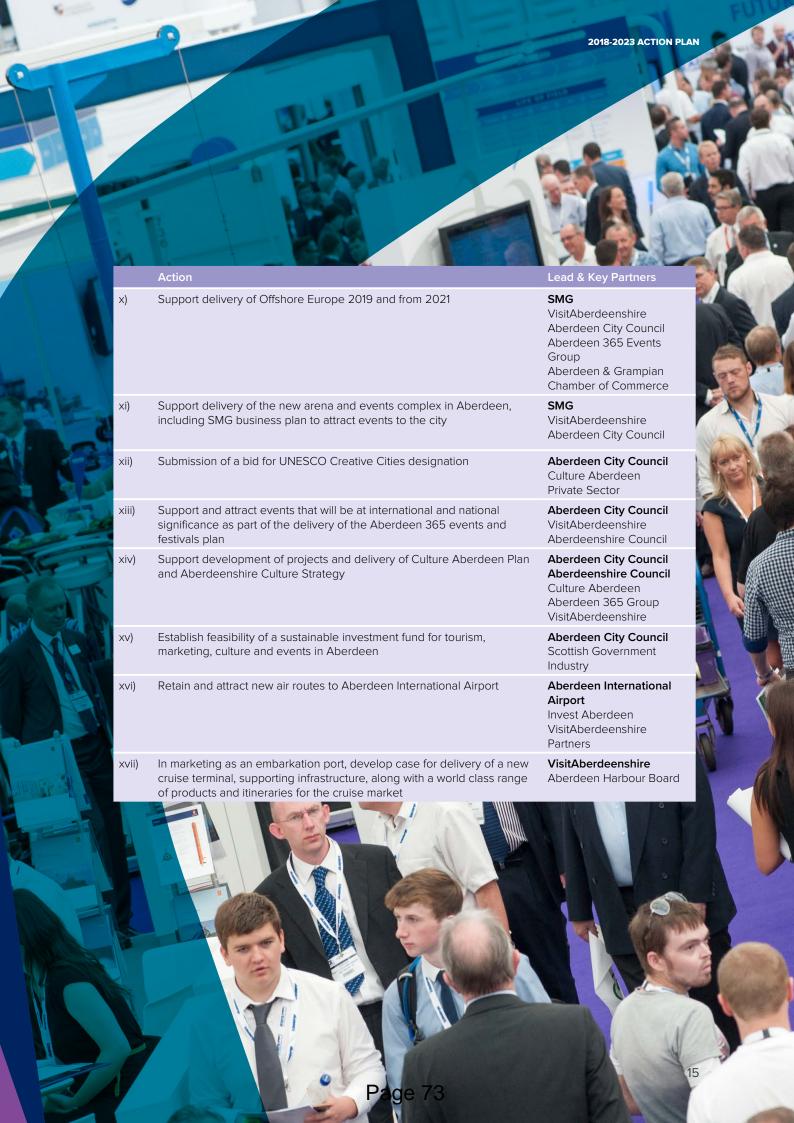
	Action	Lead & Key Partners
i)	Support objectives of the Circular North-east programme. A circular economy seeks to maximise value from what is currently termed waste. The project will promote innovation and encourage collaboration between local companies and academic institutions to identify business opportunities for both new and existing companies	Zero Waste Scotland Aberdeen & Grampian Chamber of Commerce
ii)	Deliver future phases of the "Buy North East" initiative to promote local procurement, and continue to ensure our businesses are aware of all potential infrastructure projects, and sales opportunities from these	Aberdeen & Grampian Chamber of Commerce Public Sector partners
iii)	Through the Regional Learning & Skills Partnership, improve support for young people, high attainment, meaningful progression and employment opportunities that, in turn, fulfil the economic needs of the region	NESCOI Skills Development Scotland Aberdeen City Council Aberdeenshire Council Universities Opportunity North East
iv)	Putting inclusive growth at the heart of public sector investment, maximise opportunities for targeted recruitment and training activity for all potential procurement spend through community benefit clause	Aberdeen City Council Aberdeenshire Council
<b>v</b> )	Support delivery of Developing Young Workforce Programme	Regional Learning & Skills Partnership DYW North East Opportunity North East
vi)	Responding to the 15-24 Learner Journey Review, develop feasibility of delivering Campus 6 model, a model which will extend and enhance the educational opportunities and choices for young people in the final year of secondary education, and who are seeking to progress further, through tertiary education, towards meaningful employment and improved career prospects	NESCol Universities Aberdeen City Council Aberdeenshire Council
∨ii)	Align the region's skills system to support economic transition through delivery of Regional Skills Strategy	Regional Learning & Skills Partnership
∨iii)	Increase the take up of Scottish Enterprise support to businesses and grow the number of account managed companies based in the region	Scottish Enterprise
ix)	Continue the delivery of Business Gateway business start-up, funding and development support which is available to all businesses (including social enterprise in key health and social care sector)	Business Gateway contractor Aberdeenshire Council Aberdeen City Council



# Internationalisation

The North East of Scotland is home to high-value businesses that are internationally focused and Universities with exceptional international reputations. Maintaining a global focus, developing international markets for our products and services, maintaining and developing our external connections, and being competitive as a global city region to attract inward investment and talent are priorities for the partners.

	Action	Lead & Key Partners
i)	Delivery of Invest Aberdeen inward investment bureau to deliver city region propositions to retain and attract new businesses and investment across priority sectors	Invest Aberdeen Scottish Development International Department for International Trade Aberdeen Harbour Board Peterhead Harbour
ii)	Rejuvenate North East of Scotland Trade Group as an export partnership focused on increasing the number of companies exporting and activity from existing exporters	Aberdeen & Grampian Chamber of Commerce Opportunity North East Scottish Government
iii)	Maximise civic, trade, World Energy Cities & EU memberships to link Aberdeen to international trade and investment markets	(New) North East Scotland Trade Group Aberdeen City Council Industry Scottish Development International Department of International Trade
i∨)	Engage with Government to ensure Region is positioned to capitalise on any emerging trade deals following Brexit	(New) North East Scotland Trade Group Aberdeen City Council Aberdeen & Grampian Chamber of Commerce
<b>v</b> )	Ensure we maximise opportunities for the fisheries sectors as the landing and processing hub for the UK in the context of Brexit	Aberdeenshire Council Opportunity North East
vi)	Delivery of the new Regional Tourism Strategy and Action Plan	VisitAberdeenshire Aberdeen City Council Aberdeenshire Council Opportunity North East VisitScotland Cairngorms National Park Authority
∨ii)	Delivery and marketing of cultural, heritage and tourism attractions of national significance, and of international standard (existing and new assets) and maximising tourism potential of accredited archives	Aberdeen City Council Aberdeenshire Council VisitAberdeenshire VisitScotland
∨iii)	Support and promote the arts and cultural venues of the North East to attract and promote national and international exhibitions and programmes	Aberdeen Art Gallery & Museums Aberdeen City Council Aberdeenshire Council VisitAberdeenshire
ix)	Establish a new Convention Bureau model to maximise the impact of the new arena and conference centre and the Aberdeen Harbour expansion	VisitAberdeenshire Industry Aberdeen City Council SMG











#### ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	19 June 2018
REPORT TITLE	Schoolhill Public Realm Enhancement
REPORT NUMBER	RES/18/029
DIRECTOR	Steve Whyte
CHIEF OFFICER	Stephen Booth
REPORT AUTHOR	Scott Davidson
TERMS OF REFERENCE	Purpose – 1
	Remit – 1.2, 1.3

#### 1. PURPOSE OF REPORT

1.1 To seek approval for the implementation of the first stage of a public realm enhancement at Schoolhill.

## 2. RECOMMENDATION(S)

That the Committee:

2.1 Note the scheme's financial implications presented in Section 4 and approve an allocation of £550,000 for the Schoolhill Public Realm Enhancement to be met from the Non-Housing Capital Programme.

#### 3. BACKGROUND AND MAIN ISSUES

- 3.1 At its meeting on 7 June 2016, the Finance, Policy and Resources Committee resolved to:
  - a. Agree that the City Centre Masterplan public realm proposals at Golden Square and Schoolhill Pocket Park were also important to secure the long-term transformation of the city centre.
  - b. Agree that detailed design proposals for both Golden Square and Schoolhill Pocket Park be procured from specialist consultants.
  - c. Agree to delegate authority to the City Centre Director in consultation with the Depute Leader of the Council and the Convener of Finance Policy and Resources for up to £2 million of expenditure to implement the Union Street package of works together with the Union Terrace Gardens, Golden Square and Schoolhill Pocket Park design proposals.
- 3.2 At its meeting on 23 May 2018, the Capital Programme Committee resolved to:

- a. Note that the Business Case for Schoolhill Public Realm Enhancement has been considered and agreed for their interest by the City Centre Masterplan Board and Capital Board.
- b. Note the authorisation for the preparation of detailed design of Schoolhill public realm by Finance, Policy and Resources Committee on 7 June, 2016.
- c. Approve the first stage Schoolhill Public Realm Enhancement project as an addition to the Capital Programme and notes the estimated costs in Section 4 which shall be considered by Strategic Commissioning Committee on 7 June 2018 and City Growth and Resources Committee on 19 June 2018 and for the works to be complete by the beginning of 2019.
- d. Refer the report to the Strategic Commissioning Committee on 7 June 2018.
- e. Refer the report to the City Growth and Resources Committee on 19 June, 2018 for approval of a project budget of £550,000 to be met from the Non-Housing Capital Programme.
- 3.3 At its meeting on 7 June 2018, the Strategic Commissioning Committee resolved to:
  - a. Approve the Business Case and the budget for the proposed works.
  - b. Delegate authority to the Chief Officer Capital, following consultation with the Head of Commercial and Procurement Services, to procure the first stage public realm enhancement, including all necessary consents, licenses, orders and agreements for the area in front of Aberdeen Art Gallery subject to approval of the funding of £550,000 by the City Growth and Resources Committee on 19 June 2018.
  - c. Delegate authority to the Chief Officer Place to bring forward a comprehensive public realm enhancement design for the wider Schoolhill area as future stages of works and report to appropriate committees; and
  - d. Instruct the Director of Resources to apply for appropriate external grant funding for design costs of £30,000.
- 3.4 Figure 1 presents the scope of a comprehensive urban realm enhancement project for Schoolhill. The high level principles include establishing a new entrance to Aberdeen Art Gallery, the potential for an improved plaza to the Cowdray Hall war memorial, creating a new access route to Robert Gordon's College, creating an appropriate plaza adjacent to the Robert Gordon University buildings, retaining appropriate mature trees and the Victoria Cross memorial in addition to reconfiguring the Schoolhill carriageway to support active travel recognising that it is part of the national cycle network.

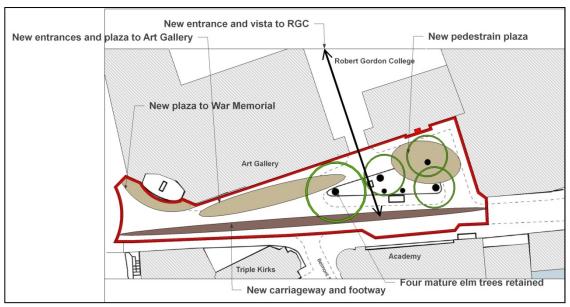


Figure 1 – Key Structural Elements for Schoolhill Public Realm Enhancement

- 3.5 As a development of the City Centre Masterplan the urban realm enhancement must be accessible to all and safely resolve the current place and movement conflicts enabling people to walk and cycle, as well as use bus and car access, in what is a key destination place for the city centre. The project should be an exemplar for city centre public realm provision.
- 3.6 A clear contribution to city centre place-making needs to show a creative and integrated approach to urban design and travel management. The enhancement will help to create a significantly improved urban environment that delivers on the City Centre Masterplan objective of promoting the city centre as an inclusive and attractive place where people will want to live, work and visit.
- 3.7 The area is a primary place in the city centre serving several important destinations with significant pedestrian activity. The footfall is set to grow substantially with the re-opened Art Gallery in 2019 anticipating 350,000 visitors a year, the residential development at Triple Kirks anticipating over 450 residents and staff as well as the likely re-use of the currently vacant Robert Gordon University buildings and the on-going needs of Robert Gordon's College. The immediate vicinity includes the Academy (retail and leisure) as well as the adjacency of Belmont Street.
- 3.8 The first stage of Schoolhill public realm enhancement encompasses the road, footways and small plaza in front of Aberdeen Art Gallery and Robert Gordon's College as shown in Figure 2.

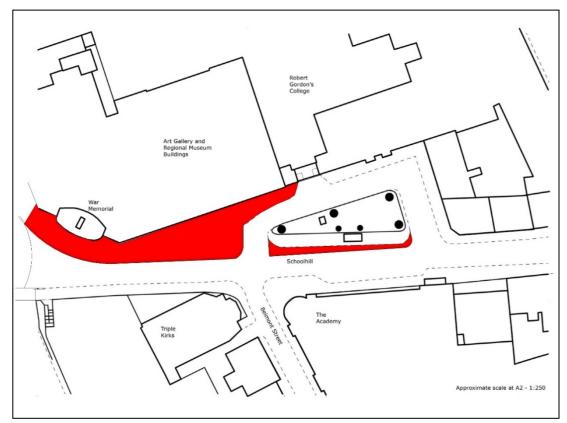


Figure 2 - Schoolhill Public Realm Site

- 3.9 During 2016 and 2017 options for the public realm enhancement were developed and consultations were undertaken with key stakeholders. This resulted in extensive and positive dialogue with Robert Gordon's College (RGC), particularly in 2017.
- 3.10 In developing the first stage project for the area in the forthcoming weeks, engagement will continue with Robert Gordon's College, Robert Gordon University, the Disability Equity Partnership, the City Centre Community Council and the Aberdeen Civic Forum, etc. Upon approval the future compressive public realm project will be subject to continued stakeholder engagement.
- 3.11 The first stage project will be developed, designed, costed and procured through an in-house team. This team will secure all necessary consents and will also manage the tendering for, appointment and supervision of contractors to undertake the work for completion in early 2019.

## 4. FINANCIAL IMPLICATIONS

4.1 Funding of £550,000 (as advised by Faithful and Gould) would be required from the Council's non-housing capital programme to implement the first stage. An application for external funding of £30,000 as a contribution to design costs will be made.

#### 5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

## 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Overspend	L	Active project management and costing during design to ensure project delivers within budget
Legal	None		
Employee	Key project staff leave Council	L	Use notice period to redirect staff or secure external support
Customer	Maintaining stakeholder engagement and support	M	Active engagement with stakeholders with clear responsibility to Project Manager
Environment	None		
Technology	None		
Reputational	Lack of implementation timeously	L	Active project management and early delivery through staging

#### 7. OUTCOMES

Local Outcome Improvement Plan Themes		
	Impact of Report	
Prosperous Economy	Investment in infrastructure – enhancement of the public realm at Schoolhill will represent a transformational enhancement in the city centre infrastructure and active travel	
Prosperous People	Protected from Harm – the scheme will increase safety for all in a vital and vibrant area of the city centre	
Prosperous Place	People friendly city – the enhancement of the public realm will help to develop the city centre as a people focused place that encourages sustainable travel options; particularly walking and cycling. It will also create a place designed for people that can demonstrate a creative and integrated approach to high quality urban design	

#### 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Provided at Appendix 2
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	Not applicable

#### 9. BACKGROUND PAPERS

Aberdeen City Centre Masterplan and Delivery Programme
FP&R Committee 7 June 2016 - Strategic Infrastructure Plan - CG/16/077
Capital Programme Committee 23 May 2018 - Schoolhill Public Realm
Enhancement - RES/18/018
Strategic Commissioning Committee 7 June 2018 - Schoolhill Public Realm
Enhancement - RES/18/033

#### 10. APPENDICES

Appendix 1 – Schoolhill Public Real Enhancement Business Case Appendix 2 – Equality & Human Rights Impact Assessment

## 11. REPORT AUTHOR CONTACT DETAILS

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## **Business Case**

Project Stage

Define

Project Name	Schoolhill Public Realm Enhancement	Date	16 April, 2018
Author	Scott Davidson	Version	1

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## **Business Case**

**Project Stage** 

**Define** 

#### 1. Business Need

At its meeting on 7 June 2016, the Finance, Policy and Resources Committee resolved, amongst other things, to agree that the City Centre Masterplan public realm proposals at Schoolhill Pocket Park were important to secure the long-term transformation of the city centre. The Committee also greed that detailed design proposals for Schoolhill Pocket Park be procured.

Schoolhill public realm is the road, footways and small piazza in front of Aberdeen Art Gallery and Robert Gordon's College as shown in Figure 1.

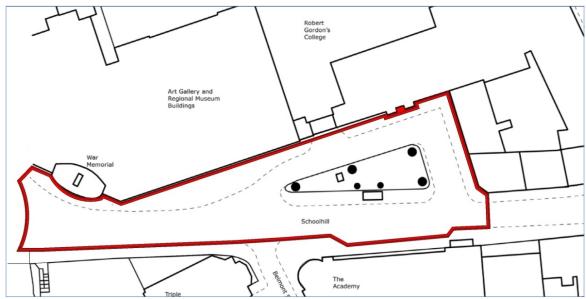


Figure 1 - Schoolhill Public Realm Site

This contributes to the delivery of City Centre Masterplan.

In addition enhancements to the public realm will provide a setting for refurbished Aberdeen Art Gallery which is projected to receive 350,000 visitors per annum. Further, around 1,500 staff and students from Robert Gordon's College use this area each day and there is an opportunity to make the area safer. Also, Schoolhill is part of the National Cycle Network and investment in this infrastructure will help promote active travel.

#### 2. Objectives

The scheme must be accessible to all and enable people to walk and cycle safely balanced with bus and car access in what will be a key destination place for the city centre. It should act as an exemplar in this regard and in city centre public realm provision. A clear contribution to place needs to be demonstrated that shows a creative and integrated approach to urban design and travel management. The scheme will help to create an enabling environment that delivers on the City Centre Masterplan objective of promoting the view of Aberdeen city centre as an energetic, inclusive and fascinating place where people will want to live, work and visit – changing perception. It must be attractive to people regardless of interests or means.

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## **Business Case**

Project Stage

**Define** 

## 3. Options Appraisal

3.1 Option 1 – Do Nothing / Do Minimum	
Description	Undertake public realm enhancements within the footway in front of Aberdeen Art Gallery
<b>Expected Costs</b>	£550,000
Risks Specific to this Option	Project delays due to potential archaeological discoveries
Advantages & Disadvantages	Advantages – Provides small impact to improve access to Aberdeen Art Gallery. Quickness of implementation, minimal traffic impact and general disruption.
	Disadvantages – Limited impact on changing perceptions of the city centre. Lack of integration of urban design and travel management. Does not address vehicular congestion and inappropriate vehicle waiting.
	Opportunity lost – Option 1 will limit the creation of a key destination for the city centre and not support active travel.
Other Points	None

3.2 Option 2 - Mid-Level Scheme	
Description	Option 1 + Refurbishment of piazza at Robert Gordon's College
Expected Costs	£1m - £1.5m
Risks Specific to this Option	Project delays due to potential archaeological discoveries
Advantages & Disadvantages	Advantages – Provides small impact to improve access to Aberdeen Art Gallery and to piazza. Potential site for cycle hire drop-off. Limited traffic disruption.
	Disadvantages – Limited impact on changing perceptions of the city centre. Lack of integration of urban design and travel management. Does not address vehicular congestion and inappropriate vehicle waiting. Likely to reduce or lose disabled parking at Schoolhill.
	Opportunity lost – Option 2 will limit the creation of a key

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## **Business Case**

Project Stage

	destination for the city centre as it will not represent transformational change; rather it will build on the existing elements. It will not support active travel.
Other Points	None

3.3 Option 3 – Full Scheme	
Description	Options 1 and 2 above + addressing active travel infrastructure improvement on existing highway.
Expected Costs	£2.55m
Risks Specific to this Option	Project delays due to potential archaeological discoveries. Traffic Regulation Order processes
Advantages & Disadvantages	Advantages – Creates a scheme accessible to all (including potential site for cycle hire drop-off) that allows people to walk and cycle safely balanced with bus and car access as well as accommodating disabled parking provision. Allows the creation of a key destination place for the city centre that can become an exemplar in city centre public realm provision across Scotland through a creative and integrated approach to urban design and travel management. It will be attractive to people regardless of interests or means. Addresses public access to Cowdray Hall and Art Gallery; also allows the City to consider future significant outdoor art commissions and aligns with the 'Aberdeen in Colour' aspirations for Belmont Street by offering opportunity to extend reach into Schoolhill  The scheme, for this area, will help to create an enabling environment that delivers on the City Centre Masterplan objective of promoting the view of Aberdeen city centre as an energetic, inclusive and fascinating place where people will want to live, work and visit – changing perception.  Disadvantages – Longer implementation period due to regulatory requirements.
Other Points	Any other relevant information.

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Project Stage

**Define** 

## **Business Case**

## 3.4 Scoring of Options Against Objectives

Use the table below to score options against the objectives in order to create a shortlist of options to be considered.

Objectives	Options Scoring Against Objectives				
	1	2	3		
Accessible to all	3	3	3		
Walk and cycle safely	1	1	3		
Balanced approach for all travel modes	0	0	3		
Key destination place	2	2	3		
City centre public realm exemplar	0	1	3		
Creative and integrated approach to urban design and travel management	0	0	3		
Changing perception	1	2	3		
Attractive regardless of interests or					
means	0	1	2		
Total	7	10	23		
Ranking	3	2	1		

## Scoring

Fully Delivers = 3
Mostly Delivers = 2
Delivers to a Limited Extent = 1
Does not Deliver = 0
Will have a negative impact on objective = -1

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## **Business Case**

**Project Stage** 

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#### 3.5 Recommendation

Pursue a full scheme for Schoolhill public realm enhancement with delivery in stages. Stage 1 – Western section, Stage 2 on the highway of Schoolhill and Stage 3 at the piazza area in front of Robert Gordon's College.

#### 4. Scope

The project will produce a key public realm space befitting of its surrounding cultural, educational and commercial uses. This will be a key destination space that will contribute to the CCMP objective of changing perceptions. The area will become a safer place for walking and cycling. Benefits will accrue to the city's cultural offer and the safe movement of those working, studying, visiting and living in the city centre. Aberdeen in Colour guidance should be considered as well as Government guidance such as "Designing Streets."

Design needs to consider inclusion of digital projection onto the Art Gallery façade/pediment in line with the digital engagement strategy and digital external signage

#### 4.1 Out of Scope

The project will build upon the public realm work of Belmont Street and the refurbishment of Aberdeen Art Gallery. It may help to accelerate the refurbishment and occupation of former Aberdeen University buildings.



## **Business Case**

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**Define** 

## 5. Benefits

5.1 Customer Benefits						
Benefit	Measures	Source	Baseline	Expected Benefit	Expected Date	Measure Frequency
Key Destination	Increased activity	Footfall counter	TBD	Increased activity leading to increased vitality and vibrancy	From completion	Monthly comparator
	Beverages sold	Retailers	TBD	Increased dwell time	From completion	Monthly comparator
Improved active travel	Increased cycling	On-site counter	TBD	Increased cycling	From completion	Annual

5.2 Staff Benefits										
Benefit	Measures	Source	Baseline	Expected Benefit	Expected Date	Measure Frequency				

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# ABERDEEN CITY COUNCIL

## Corporate Project Management Toolkit

## **Business Case**

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5.3 Resources Benefits (financial)										
Benefit	Measures	Source	Capital or Revenue?	Baseline (£'000)	Saving (£'000)	Expected Date	Measure Frequency			



## **Business Case**

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**Define** 

## 6. Costs

6.1 Project Capital Expenditure	6.1 Project Capital Expenditure & Income										
(£'000)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Staffing Resources											
Add cost items under each heading											
Land Acquisitions											
New Vehicles, Plant or Equipment											
Construction Costs	£550,000	£2,000,000									
Capital Receipts and Grants		£2,000,000									
Sub-Total	£550,000	£0									

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## **Business Case**

Project Stage

6.2 Project Revenue Expenditure & Income											
(£'000)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Staffing Resources	30,000	30,000									
Add cost items under each heading											
Non Staffing Resources											
Revenue Receipts and Grants	30,000										
Sub-Total	0	30,000									



## **Business Case**

Project Stage

6.3 Post- Project Capital Expend	6.3 Post- Project Capital Expenditure & Income										
(£'000)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Staffing Resources											
Add cost items under each heading											
Land Acquisitions											
New Vehicles, Plant or Equipment											
Construction Costs											
Capital Receipts and Grants											
Sub-Total											

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## Corporate Project Management Toolkit

## **Business Case**

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6.4 Post- Project Revenue Expenditure & Income											
(£'000)	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
Staffing Resources											
Add cost items under each heading											
Non Staffing Resources		Assumed that ongoing maintenance cost can reflect current requirements									
		in the context of the city centre generally.									
Revenue Receipts and Grants											
Sub-Total											



## **Business Case**

Project Stage

**Define** 

7. Procurement Approach
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Contractor to be procured through open tender.

8. Key Risks				
Description	Mitigation			
Traffic regulation processes and procedures	Early engagement with key stakeholders including Robert Gordon's College, Aber			

## 9. Time

## 9.1 Time Constraints & Aspirations

Stage 1 completion would be in January 2019. Stages 2 and 3 would follow later into 2019/20 depending on traffic regulation processes.

9.2 Key Milestones			
Description	Target Date		
Design Approved	September 2018		
Stage 1 completion	January 2019		
Stage 2 completion	Late 2020		

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## **Business Case**

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10. Governance	
Role	Name
Project Sponsor	Gale Beattie
Project Manager	Nigel McDowell
Other Project Roles	Programme Manager – Scott Davidson

11.Resources							
Task	Responsible Service/Team	Start Date	End Date				
Road design	Alan McKay						
Roads regulation	Doug Ritchie						
Procurement	Boguslawa Symonowicz						
Urban design	Nigel McDowell						

#### 12. Environmental Management

Existing trees to be retained. New tree planting to be investigated.

#### 13. Stakeholders

Robert Gordon's College, Disability Equity Partnership, Aberdeen Inspired, The Academy, Visit Aberdeenshire, Civic Forum and City Centre Community Council. Lord Provost/veterans/British Legion/serving armed forces all stakeholders for the War Memorial

Internal stakeholders include ACC City Growth, Visit Aberdeenshire,, Aberdeen 365 Events Group and AAG Project Board.

Stakeholder management plan will be prepared.

#### 14. Assumptions

Funding support from Community Links programme of £2m may be available.

Assumed that ongoing maintenance cost can reflect current requirements in the context of the city centre generally.

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## **Business Case**

Project Stage

**Define** 

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Review of archaeological discoveries.

## 16. Constraints

Traffic regulation requirements

17. ICT Hardware, Software or Network infrastructure		
Description of change to Hardware, Software or Network Infrastructure	EA Approval Required?	Date Approval Received
If digital projection; ICT will be required		

18. Support Services Consulted				
Service	Name	Sections Checked / Contributed	Their Comments	Date
PMO				
Finance	Scott Paterson		There is usually a cost element associated to improved maintenance of urban realm; are you expecting the Belmont St regime to be extended to Schoolhill, and if so, how much "extra" will it cost?	20/4/18
Asset Management	Stephen Booth		Further clarity sought on Option 3 selection.	20/4/18
Estates	Stephen Booth			
Legal	Alison Watson			

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(Conveyancing)			
Legal			
(Procurement)			
Procurement	Boguslawa Symonowicz	You are talking about stage delivery, to ensure the continuity of contractor/consultant it would require tender for all stages with break clauses allowing for any changes circumstances.	17/4/18
	Alison Gallacher	More clarity on options and benefits sought	19/4/18
ICT			
Architecture and Design Team	Nigel McDowell	I think it would be worth making a statement that the condition of the space currently will require considerable investment to bring it up to what should be a tolerable standard/for purpose — and therefore making colleagues aware that lack of investment and attention to detail means that something needs to be done at some point soon, regardless. Scheme will be under maintenance period for 1yr or 18months and shouldn't need much investment for years' thereafter. —  The tree roots have made the footways around about uneven, the footways are likely to have compromised the health of the mature elms, the raised area is a barrier to free movement, there is considerable accumulation of unplanned street furniture cluttering the area, the space is not of the calibre to match and to celebrate the Art Gallery investment	24/4/18

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## **Business Case**

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Grounds Maintenance	Steven S			import approof the Formal the Formal the invest improved as the statue Kharton access Mainton access the modern and I will be able spaced lookin continuous this mand I will be able spaced lookin continuous this mand I will be able spaced lookin continuous this mand I will be able spaced lookin continuous this mand I will be able spaced lookin continuous this mand I will be able spaced lookin continuous this mand I will be able spaced lookin continuous this mand I will be able spaced lookin continuous this mand I will be able spaced lookin continuous this spaced lookin and I will be able spaced lookin continuous this spaced lookin and I will be able spaced lookin continuous this spaced lookin and I will be able spaced lookin continuous this spaced lookin and I will be able spaced lo	s destination cance, the planning val for the hotel in ormer RGU means to place is ripe for ment and that an element to its urban would send the right ages to any future perator, etc.)  I key features such VC memorial, the of Gordon of the elms will be end within a scheme of as well as ing a new and sible plaza for all enance ie street bing etc is minimal at the project access then there increased use of ace. This being the hen I would advise the place of additional the budget to cover enance. We want to the to look after this properly and keep it g its best. By using with existing the roes / budget then ay not be possible would not want to see maintenance to bace to the detriment er parts of the city st.	17/4/18
Policy	Gale Beattie					
Planning	Gale Beattie					
Communications	David Ewen					
HR						
City Growth	Richard Sweetnam			relate	minor comments d to internal nolders and	18/4/18
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## **Business Case**

Project Stage

		performance metrics	
	Christine Rew	Option 3 addresses public access to Cowdray Hall and Art Gallery; also allows the City to consider future significant outdoor art commission; aligns with the 'Aberdeen in Colour' aspirations for Belmont Street by offering opportunity to extend reach into Schoolhill.	18/4/18
		Scope - Design needs to include digital projection onto the Art Gallery façade/pediment in line with the digital engagement strategy and inclusion of digital external signage.  Expand to include war	
Operations	Verslei Dita an	memorial stakeholders.	47/4/40
Operations	Vycki Ritson	Include revenue cost estimates and recognise potential procedural delay	17/4/18

19. Document Revision History			
Version	Reason	Ву	Date

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#### ABERDEEN CITY COUNCIL

COMMITTEE	Capital Programme
	Strategic Commissioning
	City Growth and Resources
DATE	Capital Programme: 23 <sup>rd</sup> May 2018
	Strategic Commissioning: 7 <sup>th</sup> June 2018
	City Growth and Resources: 19th June 2018
REPORT TITLE	Torry Heatnet Pilot Project (Torry Phase 1A)
REPORT NUMBER	RES/18/022
DIRECTOR	Steve Whyte
CHIEF OFFICER	Stephen Booth
REPORT AUTHOR	Bill Watson
TERMS OF REFERENCE	Capital Programme: Remit 1.1
	Strategic Commissioning:
	Remits 3.4
	City Growth and Resources:
	Remit 1.1, 1.2, 1.3, 2.2 & 3.2

#### 1. PURPOSE OF REPORT

- 1.1 Capital Programme Committee: to report on development proposals and to seek approval for the principals of their implementation and the incorporation of this project within the capital programme.
- 1.2 Strategic Commissioning Committee: to report on commissioning proposals and to seek approval for the implementation of their procurement.
- 1.3 City Growth and Resources Committee: to report on investment proposals and to seek approval for the use of resources for their implementation.

## 2. RECOMMENDATION(S)

- 2.1 That the Capital Programme Committee:-
- 2.1.1 approves the extension of the existing district heating network (located in Balnagask Circle) so as to serve Deeside Family Centre, Balnagask House and Provost Hogg Court.
- 2.2 That the Strategic Commissioning Committee:-
- 2.2.1 approves the appointment of Aberdeen Heat and Power to design, build and maintain this installation on behalf of the Council (with an estimated design and build contract value of £606,000, and with an estimated heat supply and maintenance contract value of £61,513 per annum) and delegates authority to the Head of C&PS to enter into a legal agreement with Aberdeen Heat and Power Company Ltd for this.
- 2.2.2 approves the establishment of an agreement between the Council and Bon Accord Care, so that the Council becomes the heat supplier to Balnagask House (with an estimated heat supply and maintenance contract value of £14,150 per annum) and delegates authority to the Head of C&PS to enter into a legal agreement with Bon Accord Care Ltd for this.

## 2.3 That the City Growth and Resources Committee:-

2.3.1 approves the utilisation of the previously allocated Council and Interreg North West Europe HEATNET project funding for this purpose.

#### 3. BACKGROUND

- 3.1 The Special Council Meeting convened on 24<sup>th</sup> October 2016 approved the development of:
  - an Energy from Waste facility (due to be operational in 2021);
  - a large-scale district heating project in Torry (so as to capitalise on the heat to be generated by the EfW plant from 2021 onwards); and
  - and this early-action, small-scale, district heating project.
- 3.2 Aberdeen Heat and Power (AH&P) designed, built and maintain the existing district heating installation within Torry. This project is a small scale extension of this existing installation. Accordingly, it is considered that AH&P is well placed to be the service provider for this project.
  - (NB the various options for the Service Provider to the large scale Torry Heat Network will, in due course, be considered as part of the Full Business Case for the larger project).
- 3.3 This Special Council Meeting approved the allocation of £365,000 (at current € exchange rates) to provide match-funding to allow €608,485 of funding to be secured from Interreg North West Europe HEATNET project so as to assist

- the development of transition strategies for delivering low carbon district heat. This transition strategies project included this pilot project.
- 3.4 The Interreg North West Europe HEATNET project seeks to establish transition strategies for delivering low carbon district heat.
- 3.5 Scotland Energy Strategy The Future of Energy in Scotland was published December 2017. This outlines the objectives towards energy efficiency and carbon reduction targets for Scotland up to 2050 with interim targets of 2020 and 2032. This policy supports the development of district heating as a methodology for decarbonising the heat sector.
- 3.6 The district heating that has, so far, been installed in Aberdeen is regarded as a low carbon standard. It has been constructed of well-insulated, preassembled pipes, using relatively low pipe pressures and relatively low flow and return temperatures.
- 3.7 A Feasibility Study has been prepared for this pilot project. See Appendix 10.1: Project Heatnet, Torry Phase 1A District Heating Feasibility Study, prepared by Integrated Energy Utilities, 31st December 2017.
- 3.8 This project will employ the same pipe design philosophy, as employed elsewhere in Aberdeen, so as to minimise carbon emissions through pipe design, while also pragmatically meeting the heat and hot water needs of these existing buildings.

#### 3.9 This project will:

- in the short term, provide heating and hot water from the existing boilers within the Heat Centre to Balnagask Circle, and Provost Hogg Court;
- in the short term, seek to further reduce carbon emissions through the employment of "smart" controls;
- in the medium term, seek to reduce carbon emissions, to this pilot area, by switching from gas heat to heat from waste incineration (i.e. once the EfW plant is operational) (the gas boilers will then be used as back-up, for whenever the EfW heat source is not available); and
- in the long term, seek to achieve further carbon savings by utilising recycled heat and heat from a variety of renewable sources that could, conceivably, be developed in this Locality.

#### 4. FINANCIAL IMPLICATIONS

4.1 The capital cost of providing district heating to Provost Hogg Court, Balnagask House and Deeside Family Centre has been estimated as £606,000. See

Appendix 10.1 Project Heatnet, Torry Phase 1A District Heating Feasibility Study, prepared by Integrated Energy Utilities, 31st December 2017.

This is within the budget approved by Council on 24<sup>th</sup> October 2016. Which allocated of £365,000 from the General Account (at current € exchange rates) to provide match-funding to allow €608,485 of funding to be secured from Interreg North West Europe HEATNET project.

- 4.2 Immediately after the delivery of this project small revenue savings are anticipated (see Feasibility Study):
  - the current all-in annual cost of heating and providing hot water to these properties has been calculated to be £68,648.
  - the all-in cost of providing heat and hot water to these buildings, after conversion to district heating, has been calculated to be £61,513.
- 4.3 It is anticipated that this project will achieve significant revenue savings once the wider Torry network has been established and the Energy from Waste plant supplies heat to this network:
  - economies of scale will be achieved; and
  - gas, as a heat source, will be largely replaced by the waste heat from the EfW plant.

#### 5. LEGAL IMPLICATIONS

- 5.1 This project is part of a wider project: between fourteen north-west European partners and Interreg North West Europe. The lead partner is the City of Dublin Energy Management Agency. See Appendix 10.2.
- 5.1.1 Interreg North West Europe is a managing authority of the European Regional Development Fund.
- 5.1.2 The Council is accountable to the Lead Partner for the proper fulfilment of its part in the over-all project as detailed in the Partnership Agreement (attached to this report). The Lead Partner is accountable for proper fulfilment of the over-all project to Interreg North West Europe. The Lead Partner has reviewed these proposals and reported that they are:

"very thorough and well planned, I am very excited for this pilot and we are very keen that it can get under way as soon as possible so Aberdeen can avail of the HeatNet NWE Interreg 5B funding."

5.2 A legal agreement will be required between the Council and Aberdeen Heat and Power for the design, build and maintenance of this proposal. Aberdeen Heat and Power are a Council Arm's Length External Organisation (ALEO) already undertaking similar projects, so this agreement is considered to be normal business. Aberdeen Heat and Power and the Council already have a legal agreement for the maintenance and operation of the existing network within Balnagask Circle. It is envisaged this new agreement will take the form

- of an amendment to the existing agreement: retaining the same spilt of responsibilities. Aberdeen Heat and Power undertake the maintenance. The Council undertake the billing, and own the infrastructure.
- 5.3 A heat supply agreement will be required between the Council and Bon Accord Care. It is envisaged that this agreement may also require an alteration to the existing operating agreement with regard to the alteration of the heating plant.
- 5.3.1 This will, be the first time the Council has entered into an agreement to supply heat to another organisation.
- 5.3.2 It is not envisaged that Aberdeen Heat and Power form an agreement with Bon Accord Care to supply heat:
  - so as not to alter the split in responsibilities for the existing heat network;
     and
  - so as not to prematurely inhibit the Council's choice as to how it wishes
    the large-scale district heating scheme to be operated. (It is intended that
    a variety of Operating options will be presented to the Council for
    consideration as part of the Full Business Case for the larger district
    heating project).

#### 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Currency exchange rates	Н	Contingency allowance has been made
Financial	Loss of grant due to Brexit	L	UK and Scottish Governments have given back-stop undertakings
Legal	no significant or unusual risks		
Employee	no significant or unusual risks		
Customer	no significant or unusual risks		
Environment	no significant or unusual risks		
Technology	no significant or unusual risks		

Reputational	no significant or unusual	
	risks	

## 7. OUTCOMES

Local Outcome Improvement Plan Themes		
	Impact of Report	
Prosperous Economy	The recommendations of this report will have a positive economic impact.	
Prosperous People	The recommendations of this report will reduce the risk of an adverse impact on the People (many of whom are elderly) within the affected buildings.	
	These proposals will provide greater resilience to the heating provision to these buildings. Currently when a boiler fails, within one of these buildings, there is the risk of loss heating and hot water, particularly if the failure occurs in the winter. This project will reduce this risk.	
Prosperous Place	The recommendations of this report will have a positive impact on Torry.	
Enabling Technology	The recommendations of this report will have a positive technological learning impact: both within the City and across Europe.	

Design Principles of Target Operating Model		
	Impact of Report	
Customer Service Design	NA	
Organisational Design	NA	
Governance	NA	
Workforce	NA	
Process Design	NA	
Technology	Positive	
Partnerships and Alliances	Positive	

## 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Undertaken
Privacy Impact Assessment	not required
Children's Rights Impact Assessment/Duty of Due Regard	not applicable

## 9. BACKGROUND PAPERS

9.1 The Chancellor issued a statement on October 3<sup>rd</sup> 2016 which guarantees funds for projects which are signed up for European Programmes up until the point at which the UK leaves the European Programme. These conditions will be applied in such a way that committed projects are not disrupted.

https://www.gov.uk/government/news/further-certainty-on-eu-funding-for-hundreds-of-british-projects

9.2 The Scottish Government advised they have a similar policy, on 2<sup>nd</sup> November 2016.

https://news.gov.scot/news/eu-funds-guaranteed

#### 10. APPENDICES (if applicable)

- 10.1 Project Heatnet, Torry Phase 1A District Heating Feasibility Study, Integrated Energy Utilities, 31st December 2017
- 10.2 HEATNET NWE PARTNERSHIP AGREEMENT

#### 11. REPORT AUTHOR CONTACT DETAILS

Bill Watson
Principal Architect
williamwatson@aberdeencity.gov.uk
tel 01224-346265

### ABERDEEN CITY COUNCIL

COMMITTEE	Capital Programme
	Strategic Commissioning
	City Growth and Resources
DATE	Capital Programme: 23 <sup>rd</sup> May 2018
	Strategic Commissioning: 7 <sup>th</sup> June 2018
	City Growth and Resources: 19th June 2018
REPORT TITLE	Middlefield/Northfield Place-Making (3rd report)
REPORT NUMBER	RES/18/021
DIRECTOR	Steve Whyte
CHIEF OFFICER	Stephen Booth
REPORT AUTHOR	Bill Watson
TERMS OF REFERENCE	Capital Programme: Remit 1.1
	Strategic Commissioning:
	Remits 2.1, 2.4, 2.5, 3.2 & 3.4
	City Growth and Resources:
	Remit 1.1, 1.2, 1.3, 2.2 & 3.2

### 1. PURPOSE OF REPORT

- 1.1 Capital Programme Committee: to report on development proposals and to seek approval for the principals of their implementation and the incorporation of this project within the capital programme.
- 1.2 Strategic Commissioning Committee: to report on commissioning proposals and to seek approval for the implementation of their procurement.
- 1.3 City Growth and Resources Committee: to report on investment proposals and to seek approval for the use of resources for their implementation.

### 2. RECOMMENDATION(S)

2.1 That the Capital Programme Committee:-

- 2.1.1 approves delivery of improvements in, and around, Heathryfold Park and Auchmill Wood, up to the value of the capital grant allocation from Scottish Natural Heritage.
- 2.2 That the Strategic Commissioning Committee:-
- 2.2.1 authorises the required procurement exercise(s) for improvements in, and around, Heathryfold Park and Auchmill Wood, up to the value of the grant allocation from Scottish Natural Heritage; and
- 2.2.2 approves the required procurement exercise so as to facilitate the preparation of Active Travel plans for the schools within this Locality.

### 2.3 That the City Growth and Resources Committee:-

- 2.3.1 approves acceptance of a grant of £270,096 from Scottish Natural Heritage: to undertake additional capital works in the Locality of Middlefield and Northfield;
- 2.3.2 notes the recommendation that an additional allowance of £9415 per annum (plus an allowance for inflation) be made within future revenue budgets for the maintenance of these improvements in, and around, Heathryfold Park and Auchmill Wood, and instructs the Chief Officer Corporate Landlord to submit this to the budget process for 2019/20;
- 2.3.3 approves acceptance of a grant of £64,668 from Scottish Natural Heritage: to extend the employment of the Middlefield Community Ranger to 30<sup>th</sup> September 2019 to work within the Locality of Middlefield and Northfield;
- 2.3.4 gives advanced approval to accept an anticipated grant of £50,000 from Sustrans, to undertake surveys, consultations and develop the designs for further active travel improvements in the Locality of Middlefield and Northfield;
- 2.3.5 approves the expenditure of these grant allocations, from Scottish Natural Heritage and Sustrans;
- 2.3.6 instructs the Director of Resources, in consultation with the Chief Officer Finance (Interim) and Chief Officer CPS, to confirm to their satisfaction that the terms and conditions of the grant funding can be met in relation to this offer of funding from Scottish Natural Heritage (see 4.1 below);
- 2.3.7 instructs the Chief Officer Corporate Landlord to identify a responsible officer to monitor compliance with these grant conditions;
- 2.3.8 approves the preparation of Active Travel plans for the schools within this Locality (Manor Park, Bramble Brae, Heathryburn, West Park, Orchard Brae and Northfield Academy) (in consultation with the pupils) and approves the co-ordination of this consultation with the "I Bike" and "Northfield Cycle Maintenance" projects; and

2.3.9 approves the expenditure of grant funding so as to permit the preparation of Active Travel plans for the schools within this Locality.

### 3. BACKGROUND

- 3.1 On 20<sup>th</sup> September 2016 the Finance, Policy and Resources Committee instructed:
  - that a flood alleviation project to Heathryfold Park proceed (as a project to complement the Manor Walk new Council Housing project); and
  - that grants be sought so as to fund additional environmental enhancements to this Locality.

Grants were secured from Scottish Natural Heritage, Sustrans and Nestrans.

The HRA funded flood alleviation works are Practically Complete. The Sustrans funded (active travel) works are due to be complete by early summer 2018.

Contractors have been appointed to undertake the Nestrans (road crossings) and Scottish Natural Heritage (environmental) works. Completion of both is expected later in 2018.

- 3.2 On 9<sup>th</sup> March 2017 the Finance, Policy and Resources Committee instructed:
  - the first tranche of Scottish Natural Heritage funded environmental improvement work to proceed; and
  - approved the addition of the Park Ranger post to the staff establishment, for the duration of the SNH grant period.
- 3.3 On 20<sup>th</sup> September 2017 the Finance, Policy and Resources Committee instructed:
  - the first tranche of Sustrans funded active travel improvements to proceed; and
  - that the public be consulted on further potential active travel improvements within this Locality.
- 3.4 The Heathryfold Park Steering Group was consulted as to its priorities for further improvements to the Park and the adjacent neighbourhood. The Group's priorities were:
  - further improvements to the play facilities to the Park:
  - measures to tackle the damage caused by cars parking on the grass to Heathryfold Circle;
  - improvements to Auchmill Wood; and
  - extension of the Park Ranger's support for community activities.
- 3.5 Public consultation events were held at "The Hub" on 28<sup>th</sup> November 2017 and at Northfield Academy on 4<sup>th</sup> December 2017. The initial findings were then tested at a further public consultation event at "The Hub" on 13<sup>th</sup> February 2018.

- These consultations and the resultant report were funded by Sustrans. See Background Paper 9.1.
- 3.6 In addition, Sustrans funded a study and report into the Active Travel links between Middlefield and Auchmill Road. See Background Paper 9.2.
- 3.7 The Active Travel Reports identified the immediate priorities as being improvements to:
  - the routes through Auchmill Wood; and
  - the crossings of Provost Rust.

Measures to tackle these priorities are contained within this report.

3.8 The Active Travel Reports also suggested potential improvements to the active travel links to Northfield Academy. Information on the desire lines and barriers to active travel to the Academy was, however, not available.

Measures to tackle this lack of information are contained within this report.

- 3.9 The Active Travel Reports also identified other potential improvements, but which have longer delivery timescales:
  - the Haudagain link road and the de-trunking of Auchmill Road will give rise to the opportunity to establish active travel routes from Middlefield to the Haudagain Triangle redevelopment site; and
  - the Greenferns development will give rise to an opportunity to improve the west/east active travel routes along Provost Rust Drive and Provost Fraser Drive.
- 3.10 "I Bike" is a schools based project promoting cycling, walking and scooting. "I Bike" empowers children, parents and teachers to travel actively, safely and confidently to school encouraging exercise and reducing traffic congestion. Sustrans fund an "I Bike officer within Aberdeen City. It is proposed that this officer be located within the Northfield schools cluster for academic year 2018/19, so as to achieve synergies with the recommendations of this report.
- 3.11 "Northfield Cycle Maintenance" project is a cycle maintenance workshop in the Cummings Park centre's garage. This is allowing the centre to offer targeted cycle maintenance classes to residents / young people in the Northfield area, as well as providing provision to other interested participants / groups across the city (both youth and adult).

Adventure Aberdeen (AA) became approved by the Scottish Qualifications Authority (SQA) in 2016 to deliver cycle maintenance courses for both young people and adults.

Delivery of SQA or Velotech cycle maintenance courses at Cummings Park Community Centre will not only increase Adventure Aberdeen's capacity to deliver cycle maintenance courses, but also enhance the employability options for participants and help with the process of providing a positive destination for young people and prepare them for employment. The SQA course is delivered at SCQF level 3 and Level 4, and in particular will support those young people who are more suited to vocational training and qualifications, rather than the traditional academic qualifications.

Northfield Academy has booked to send pupils on this course, and there is strong interest from other groups in the Northfield area (including the Northfield Youth Action Group). Police Scotland are also looking at this project as a possible diversionary activity and positive destination for young people on their radar.

- 3.12 Scottish Index of Multiple Deprivation Data Zones (2016) S01006727, S01006726, S01006729 and S01006724 (located within Middlefield and Northfield) are ranked in the 2nd most deprived decile. The regeneration of the areas of multiple deprivation within Aberdeen (including these) are a priority for Community Planning Aberdeen. The project will (for those with a low disposable income):
  - reduce transport costs (releasing income for other needs);
  - reduce isolation; and
  - encourage healthier lifestyles.
- 3.13 Attendance levels at Northfield Academy is significantly lower than the City's average: this is linked to high rates of sickness. This low rate of attendance is linked to poorer academic attainment and poorer employment prospects. An environment conducive to healthy living, in the form of improved lesiure facilities and increased opportunities for active travel, is expected to reduce incidences of ill health and hence improve school attendance. In addition, studies have shown that children who walk and cycle to school are more alert and are better able to absorb information. It is anticipated that this project will contribute to improved school attainment and, therefore, improved employment prospects.
- 3.14 The Aberdeen Active Travel Action Plan 2017-2021 recognises the priority that should be given to "Local Improvements", so as to achieve higher proportion of journeys being made on foot and by bicycle.
- 3.15 This project is aligned with the Nestrans Regional Transport Strategy 2013/2035, "Proposals for Action: Walking and Cycling (IC6)", and "The Cycling Action Plan for Scotland".
- 3.16 The strategic objectives of these proposals are:
  - to continue to improve the quality and accessibility of a Locality which currently has low value amenity: in line with Aberdeen's Open Space Audit & Strategy;
  - to continue to improve the path network in this neighbourhood so as to increase and enhance the opportunities for people to get outdoors to relax, exercise and socialise, improving health and wellbeing in one of

- Scotland's deprived communities: in line with the objectives of Aberdeen's Core Path's Plan;
- to continue to create a diverse matrix of habitats, connected to the wider greenspace network, so as to support biodiversity: in line with Aberdeen's Nature Conservation Strategy; and
- to continue to build community confidence and capacity through community collaboration during the design, delivery and long-term management processes. in line the City's Strategic Infrastructure Plan, 5 Year Business Plan; Aberdeen - The Smarter City; and the Local Outcome Improvement Plan.

### 4. FINANCIAL IMPLICATIONS

- 4.1 The capital cost of undertaking: further improvements to the play facilities to the Park; measures to tackle the damage caused by cars parking on the grass to Heathryfold Circle; and improvements to Auchmill Wood has been estimated £270,096. (The match funding of these works is to be the Sustrans grant for the path improvements across the Park). The net result of which is that the new works be 100% funded by the grant from Scottish Natural Heritage. When the terms and conditions become available these will be passed onto Chief Officer Finance (Interim) and Chief Officer CPS to confirm to their satisfaction that the terms and conditions of the grant funding can be met in relation to this offer of funding.
- 4.2 The additional annual maintenance of the improved facilities has been estimated as:

	Total	£ 9415
-	benches and signage	£ 315
-	additional paths	£ 5600
-	path protection works	revenue neutral
-	bio-diversity measures	£3500
-	grass verge protection	revenue neutral
-	ennanced play area	revenue neutral

4.3 The gross cost of extending the employment of the Park Ranger to 30<sup>th</sup> September 2019 has been estimated at £64,668 (based on known pay settlement information). (The match funding of this is to be time allocated to support this project from the existing permanent staff establishment). The net result of which is that this post is to be 100% funded by the grant from Scottish Natural Heritage.

There is currently an employee in the Middlefield Community Ranger post on a fixed term contract until 31<sup>st</sup> December 2018. The proposal to extend the fixed term contract until 30<sup>th</sup> September 2019 would not have any implications in terms of redundancy rights. It should be noted that redundancy rights would apply after 2 years of continuous service and consideration would need to be

- given to this if the fixed term contract were to be extended in future beyond 30<sup>th</sup> September 2019.
- 4.4 The cost of undertaking the surveys, consultations and design development for further active travel improvements in the Locality of Middlefield and Northfield has been estimated at £50,000 from Sustrans. This cost is to be 100% funded by Sustrans. No match funding is required against this grant.

### 5. LEGAL IMPLICATIONS

- 5.1 A legal agreement will be required between the Council and Scottish Natural Heritage with regard to the delivery of these additional works and consequential reporting.
- 5.2 A legal agreement will be required between the Council and Sustrans with regard to the delivery of the design development works.

### 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Overspend due to unforeseen site conditions and/or tender inflation	M	Contingency allowance has been made. Some flexibility in scope of works  Contract management by officers skilled in this type of work
Legal	no significant or unusual risks		
Employee	no significant or unusual risks		
Customer	no significant or unusual risks		
Environment	no significant or unusual risks		
Technology	no significant or unusual risks		
Reputational	no significant or unusual risks		

# 7. OUTCOMES

Local Outcome Improvement Plan Themes		
	Impact of Report	
Prosperous Economy	The recommendations of this report will have a positive economic impact.	
Prosperous People	The recommendations of this report will have a positive impact on those that participate in active travel, recreation and environmental activism.	
Prosperous Place	The recommendations of this report will have a positive impact on the Locality of Middlefield/Northfield: by providing an enhanced environment and facilitating an enhanced engagement by the citizens of this Locality in their environment and in active travel.	
Enabling Technology	Not applicable	

Design Principles of Target Operating Model		
	Impact of Report	
Customer Service Design	NA	
Organisational Design	NA	
Governance	NA	
Workforce	Positive	
Process Design	NA	
Technology	NA	
Partnerships and Alliances	Positive	

# 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Undertaken
Privacy Impact Assessment	not required

Children's Rights Impact Assessment/Duty of Due Regard	not applicable

### 9. BACKGROUND PAPERS

- 9.1 Aberdeen Active Travel Action Plan 2017 2021, Aberdeen City Council, January 2017
- 9.2 Scottish Index of Multiple Deprivation 2016; <a href="http://simd.scot/2016/#/simd2016\_20pc/BTTTTTT/13/-2.1549/57.1585/">http://simd.scot/2016/#/simd2016\_20pc/BTTTTTT/13/-2.1549/57.1585/</a>
- 9.3 Nestrans Active Travel Action Plan; http://www.nestrans.org.uk/wp-content/uploads/2017/02/AcTrAP\_FINAL.pdf
- 9.4 Nestrans Regional Transport Strategy Refresh;
  <a href="http://www.nestrans.org.uk/wp-content/uploads/2017/02/RTS\_Refresh\_FINAL\_APPROVED\_BY\_MINISTER.pdf">http://www.nestrans.org.uk/wp-content/uploads/2017/02/RTS\_Refresh\_FINAL\_APPROVED\_BY\_MINISTER.pdf</a>
- 9.5 Grampian Health and Transport Action Plan; <a href="http://www.nestrans.org.uk/wp-content/uploads/2018/03/HTAP-Annual-Report-2017.pdf">http://www.nestrans.org.uk/wp-content/uploads/2018/03/HTAP-Annual-Report-2017.pdf</a>

### 10. APPENDICES (if applicable)

- 10.1 Middlefield, Heathryfold, Northfield, Active Travel Improvement Priorities Report, Local Transport Projects, January 2018
  - Middlefield-Heathryfold-Northfield Active Travel\_Final Issue 1.pdf
- 10.2 Auchmill Road, Aberdeen Feasibility Assessment of Cycling Measures Technical Note, Local Transport Projects, December 2017

Auchmill Road Cycle Crossing Technical Note Final Issue.pdf

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### **ADDENDUM**

The Capital Programming Committee, on 23 May 2018, requested clarification of the staff costs previously reported in item 4.3.

It is noted this previously reported item contains an error, the SNH grant of £64,668 is, in fact, a grant towards both fees (£36,686) and ACC's staff costs (£27,982).

The gross cost of extending the employment of the Park Ranger, from 1<sup>st</sup> January 2019 to 30<sup>th</sup> September 2019, has been estimated at £28,874.43 (based on known pay settlement information).

### **ABERDEEN CITY COUNCIL**

COMMITTEE	City Growth and Resources
DATE	19 June 2018
REPORT TITLE	World Energy Cities Partnership AGM
REPORT NUMBER	PLA/18/031
DIRECTOR	Steve Whyte
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Matt Lockley
TERMS OF REFERENCE	2.3

### 1. PURPOSE OF REPORT

1.1 To present an appraisal of the submission by Aberdeen City Council to host the World Energy Cities Partnership AGM in September 2019.

### 2. RECOMMENDATION(S)

That Committee:-

- 2.1 Note the appraisal of the bid to host the World Energy Cities Partnership AGM in September 2019 and the anticipated costs and benefits; and
- 2.2 Approve the Council's continued participation in the formal bidding process as set out in the report

### 3. BACKGROUND

### WORLD ENERGY CITIES PARTNERSHIP AGM

- 3.1 At its meeting on 24<sup>th</sup> April 2018, City Growth and Resources Committee resolved to support the submission of a bid from Aberdeen City Council to host the World Energy Cities Partnership (WECP) AGM in 2019, subject to such a bid not committing the Council to expenditure in excess of £60,000. The Committee also resolved to receive a report including an appraisal of the bid and further details on costs and benefits at its next meeting.
- 3.2 Aberdeen City Council is a founding member of the WECP, a partnership which was established in 1995 with 5 founding members. Today, the partnership has 20 member cities from across the world, all of which are established energy capitals within their respective countries or markets. From an initial focus on the oil and gas sector, the partnership has in recent years extended its scope

- to cover renewable energy, reflecting global shifts in energy production and new and innovative technologies.
- 3.3 The WECP meets formally twice each year; once for a working meeting alongside the Offshore Technology Conference in Houston and once in the autumn for its AGM. The latter meeting is hosted by a different member city each year following a competitive bidding process. Recent hosts have been Rio de Janeiro (2015), Cape Town (2016) and Halifax (2017). The 2018 AGM will be hosted by Kuala Lumpur from the 16<sup>th</sup>-19<sup>th</sup> October. Attendance at this year's AGM for the Lord Provost and two officers was approved at Council on 5<sup>th</sup> March 2018. Aberdeen last hosted the AGM in 2008.
- 3.4 The Lord Provost of Aberdeen currently holds the Vice-Presidency of the WECP. Mayor Mike Savage of Halifax, Nova Scotia, is the President and Mayor Sylvester Turner of Houston is the General Secretary. The President and Vice-President roles will be due for election at the 2019 AGM.
- 3.5 The WECP has a formal bidding process for each year's AGM, which requires a bid to be submitted by potential host cities by 1<sup>st</sup> June on the preceding year. Potential host cities are then invited to present on their plans at the AGM in the preceding year, where a formal vote on the next AGM is taken. Subject to Committee approving continued participation in the bidding process, Aberdeen City Council would therefore be expected to present on its 2019 AGM bid and programme during the AGM meeting in Kuala Lumpur.
- 3.6 WECP AGMs follow a set pattern, usually over three days, and the successful bid must confirm that a number of formal meetings, informal networking opportunities, social activities and a formal dinner will be provided. They are also expected to be aligned with a significant 'anchor' event that adds value to delegations attending the AGM. With this in mind, the Aberdeen bid for 2019 is aligned to Offshore Europe to maximise business to business and networking opportunities for WECP delegations.
- 3.7 The full bid document is included as appendix A to this report with indicative costings provided at point 4.1. In brief, the provisional schedule (bearing in mind that Offshore Europe runs from 3<sup>rd</sup>-6<sup>th</sup> September) is as follows:

Date	Morning	Afternoon	Evening
Weds 4 <sup>th</sup>			Civic welcome /
September			reception event
Thurs 5 <sup>th</sup>	Officer	Informal / social	Formal WECP
September	Committee	activity	dinner
	meetings (x4)		
Fri 6 <sup>th</sup> September	Breakfast seminar / panel discussion	Site / project visit	Informal dinner, WECP members and delegations only
	Officer Strategy meeting / Mayors informal meeting		

Sat	7 <sup>th</sup>	AGM	Informal lunch	
September				

3.8 In any given year, between 14 to 17 of the 20 member cities attend the AGM. These will be high profile delegations, headed by the respective Mayors of each city. Some cities will also invite national government representatives and trade delegations will be encouraged. Based on previous years' AGMs, there would be in the region of 70 people attending representing cities and municipalities and up to a similar number as part of trade delegations. Opportunities for delegations to extend their stays in Aberdeen will also be part of the package and officers are working on a complementary programme with Visit Aberdeenshire.

### **COSTS AND BENEFITS**

- The majority of the costs associated with hosting the AGM fall to the host city. The WECP provides a small amount of support, usually not exceeding \$10,000 (£7,300 at current exchange rates). Officers have therefore carefully designed a programme that creates maximum impact and opportunity to showcase the city whilst mitigating costs and identifying opportunities for corporate sponsorship, where possible. For example, official meetings will be held either in Marischal College or the Town House and sponsorship will be sought for the headline events to lever in supporting funding. Financial contributions may also be sought from city and regional stakeholders, where appropriate. Initial approaches have been made to UK and Scottish Government agencies.
- 3.10 An outline budget is included at 4.1 below. It estimates that the total costs of a successful bid could be around £52,000. Clearly these costs, and any income streams coming forward may change over the coming months and negotiations will continue up to and beyond the WECP's decision on the 2019 AGM which will be made in October this year. If a positive decision about Aberdeen's bid is reached, more formal discussions on sponsorship opportunities will also be opened with relevant industry leaders and stakeholders in the city.
- 3.11 In terms of benefits, there will be significant international profile gained for the city by hosting the AGM and the high-level delegations that will be in Aberdeen. In addition, business to business opportunities will be a major focus and prework on this to ensure effective business matching and introductions will be a priority.
- 3.12 There will also be tangible economic benefits to hosting the AGM. Based on industry standards for international visitors and daily spend (£407 per day), and assuming four day stays for a minimum of 70 people, direct economic benefit to the city of £113,960 can be expected. This does not take into account any trade delegations above the core 70 expected from member city delegations or any extended stays, or wider indirect or induced effects.
- 3.13 Finally it is worth noting that travel costs associated with the Lord Provost and two officers attending the WECP AGM are ordinarily in the region of £7,500 £9,000, depending on the host city location. This budget would not be required if Aberdeen were to host and would instead be set against the costs of hosting.

The remaining costs would be met from the international trade and investment budgets within City Growth (subject to approval of the Council's 2019/20 budget).

### 4. FINANCIAL IMPLICATIONS

4.1 The estimated costs as at the time of this report are summarised in the table below:

Expenditure				
Cost heading	Estimated cost	Comment		
Venue hire / catering	£2,500	Formal WECP officer		
		meetings (x6), AGM		
Reception	£9,100	Based on 150 guests		
Lunches / dinners	£20,500	Lunches for WECP		
		delegation members		
		(x70), formal dinner for		
		100		
Conference breakfast	£3,000	Based on 150 attending		
Social / leisure activity	£4,240	For WECP delegation		
		members (x70)		
Transport / transfers	£7,000			
Marketing / website /	£5,500			
comms				
Total	£51,840			

### 5. LEGAL IMPLICATIONS

5.1 None anticipated.

### 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	The cost to the Council could escalate beyond the £60,000 ceiling agreed by City Growth and Resources Committee.	L	Initial estimated costs have been calculated at the top end of expectations. Contributions from the WECP and from sponsorship will reduce the overall cost to the Council. The Chief Officer – City Growth, will maintain a close watching brief on the budget

			associated with hosting the AGM.
Legal	None	-	
Employee	The timing of the AGM, running alongside Offshore Europe, will mean a significant amount of preparation and long working hours during the week concerned in September 2019. Employee health and wellbeing will need to be central to planning considerations.	M	Chief Officer – City Growth will identify core project teams for both Offshore Europe and WECP AGM and will identify contingency staff resources within the function to support the successful completion of both events.
Customer	None		
Environment	None		
Technology	None		
Reputational	Withdrawing from the bidding process could have detrimental reputational implications for Aberdeen within the World Energy Cities Partnership	L	City Growth and Resources Committee oversight of the bid and the costs and benefits of hosting the AGM should secure political commitment and mitigate the risk of withdrawal.

# 7. OUTCOMES

Local Outcome Improvement Plan Themes			
	Impact of Report		
Prosperous Economy	Aberdeen City Council's active participation in the World Energy Cities Partnership is focussed on the opportunities that the partnership brings for developing trade and investment relationships with the 19 other countries that form the partnership. Examples of this include bilateral activity with cities such as Halifax and Barranquilla, where WECP membership has facilitated the development of business opportunities to the mutual benefit of each city. Trade missions between WECP partner cities are common and Aberdeen regularly hosts trade delegations from its WECP partners.		

The City Council's work with the WECP supports the Regional Economic Strategy's objectives around internationalisation of the economy and, related, Invest Aberdeen is a new inward investment. initiative to deliver increased inward investment to the city region and WECP membership is a significant advantage in this regard. Hosting the AGM and an associated business-tobusiness programme will result in a diverse range of international opportunities being showcased in Aberdeen and it is anticipated that trade associations and agreements will be a positive outcome. All of this activity contributes to the Prosperous Economic theme of the LOIP as it is focussed on the creation of jobs and value add to the Aberdeen economy in terms of international diversification.

Design Principles of Target Operating Model		
	Impact of Report	
Customer Service Design	None	
Organisational Design	None	
Governance	None	
Workforce	None	
Process Design	None	
Technology	None	
Partnerships and Alliances	The report seeks approval for continued work across international partnerships and a central, high-profile role for Aberdeen in the WECP in 2019. It should also build on strong partnerships with the UK and Scottish Governments in delivering a major international trade and investment event.	

### 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required

Privacy Impact Assessment	Not required
Children's Rights Impact Assessment/Duty of Due Regard	Not applicable

### 9. BACKGROUND PAPERS

<u>World Energy Cities Partnership – annual review</u> (CHI/17/203) – report to Communities, Housing and Infrastructure Committee, 29<sup>th</sup> August 2017, recommendations approved.

World Energy Cities Partnership and international trade opportunities (CHI/18/014) – report to Council, 5<sup>th</sup> March 2018, recommendations approved.

<u>Inward investment and trade priorities</u> (PLA/18/006) – report to City Growth and Resources Committee, 24<sup>th</sup> April 2018, recommendations approved (with amendments).

## 10. APPENDICES (if applicable)

Appendix A – WECP AGM – Aberdeen 2019 bid document

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# WORLD ENERGY CITIES PARTNERSHIP ABERDEEN AGM BID

2019



# INTRODUCTION



Aberdeen isn't just a city by the sea, it's a city of the sea. A city where ships dock right up against the city-centre streets. Where urban dolphins leap at the harbour mouth. Where locals paddle-board and surf off the city beach. And golden sands stretch for miles – towards vast dunes to the north and high cliffs to the south.

Aberdeen is a cosmopolitan and connected place – with people working and studying here from across the world, their accents mixing with the sound of local Doric, an original Scots language. All this adds up to a different sort of city altogether...

Over the last 40 years, our city has reinvented itself from a regional capital dependent upon fishing, farming and tourism to become an enterprising energy capital and the centre of the UK's national oil and gas activity. The Regional Economic Strategy, along with the City Region Deal and the City Centre Masterplan, all highlight the region's ambitious plans for economic growth and diversification while celebrating the city's origins and retaining its connections to land and sea. Now is a perfect time for you to visit as the region is in the midst of another transformational journey to make sure it continues to be an attractive, prosperous and sustainable place.

# PROPOSED DATES

Aberdeen City Council proposes that the 2019 AGM takes place in Aberdeen between 4th and 7th September 2019. The AGM programme will kick-off with an evening networking reception on Wednesday 4th September and close with the Annual General Meeting on Saturday 7th September.

The proposed AGM dates coincide with the biannual Offshore Europe Conference which will take place in Aberdeen between 3rd and 6th September 2019, which will be the first event of its kind to take place in our newly constructed events complex in Aberdeen.

2019 is a big year for our city and hosting the WECP AGM in Aberdeen during the year will add to the excitement. Not only will our new arena be opening, it'll be a year of celebration our for city's cultural venues and 2019 will also mark an important milestone year for some of the city's large infrastructure and development projects.

# **GETTING HERE**

Aberdeen is easily accessible from across the globe, and the airport is just a short 6-mile drive from the city centre.

Aberdeen has 94 flights per week to London, providing daily flights to London's four main airports: Gatwick, Heathrow, Luton and City. As well as flights from European international hubs, Paris and Amsterdam. Aberdeen also has many direct flights to most UK cities and many other European destinations. Airlines flying into Aberdeen include British Airways, EasyJet, Flybe, KLM, Wideroe, Eastern Airlines, Air France, SAS and Wizz Air. You'll have no shortage in flight options for your journey to Aberdeen.

On arrival Aberdeen City Council (ACC) will arrange transfers to your hotel or if you are arriving early to explore the local area you will find easy access to taxis, bus services or car rental companies.

For information on flights to Aberdeen, please visit: www.aberdeenairport.com



# **VENUES**

### MEETINGS AND CONFERENCE VENUES

### **NEW ARENA**

Aberdeen City Council is currently building a new arena and conference centre facilities which will open in 2019. This project will see the creation of a new arena, conference halls, a subterranean multipurpose space, Energy Centre, two hotels (Hilton and Aloft), car parking and public space. It is the largest investment of its kind in Europe.

The new arena will host Aberdeen's flagship event, Offshore Europe, in September 2019 which will be held in parallel with the WECP AGM in Aberdeen. The new arena will have a maximum capacity of 12,500, significantly greater than the current Exhibition and Conference Centre.





### **TOWN HOUSE**

Adjacent to Marischal Square is the Town House, originally built in the 16th Century it was remodelled in an impressive Neo-Gothic style during the 1870s and a modernist extension added in 1975. The Town House is home to our local municipality offices and has a range of conference and meeting facilities including the famous 'Town and County Hall' and our Council Chambers as well as the atmospheric Tolbooth Museum, part of Aberdeen Art Gallery & Museums, which explores the history of crime and punishment in the Burgh.

### MARISCHAL COLLEGE

Constructed in the early 1800s, Marischal College conveniently sits next to the Town House and is the world's second largest granite building, after El Escorial in Spain. The building was renovated and remodelled in 2011 and has since been the headquarters of Aberdeen City Council. The 17,500m² building has over 50 meetings and events spaces, some of which will be used for committee meetings during the AGM.



# POTENTIAL NETWORKING AND DINNER VENUES



### ABERDEEN ART GALLERY

Aberdeen Art Gallery is currently undergoing a £30 million redevelopment and is scheduled to be reopen in 2019. The revitalised Art Gallery will be city's must visit cultural destination, with a captivating blend of traditional and contemporary architecture and exceptional artworks. The stunning new copper-clad rooftop gallery, designed by internationally-acclaimed Hoskins Architects, will show the best exhibitions from around the world. WECP AGM delegates can enjoy an unforgettable networking reception surrounded by inspiring works of art in this impressive, welcoming and fully-accessible city centre building.

### TRINITY HALL

Trinity Hall is home to the seven incorporated trades of Aberdeen; Hammermen, Bakers, Wrights and Coopers, Tailors, Shoemakers, Weavers and Fleshers. The Modernist Hall was built in 1966 at the corner of Holburn Street and Great Western Road and hosts a vast historical collection and stunning stained-glass windows depicting the history of the organisation from its Incorporation in 1587 to the present day. With an excellent menu available, the venue is famous in Aberdeen for hosting wedding receptions, banquets and corporate dining events.





### THE TOWN AND COUNTY HALL

Since Victorian times the Town and County Hall has been used for large meetings and receptions. Royalty have also been entertained here on several occasions, most notably King Edward VII and Queen Alexandra after the opening of Marischal College's new buildings in 1906. The Town and County Hall was originally built in a medieval style, with Flemish influences evident on its ceiling. A minstrels' gallery is prominent and around the room there are a number of impressive paintings.



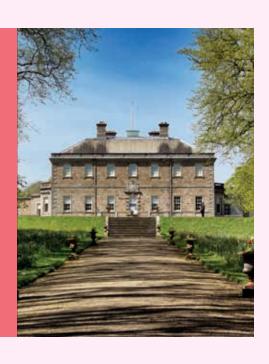
### THE CHESTER HOTEL

The Chester Hotel in Aberdeen's West End is a chic upmarket venue, winning the coveted 'Boutique Hotel of the Year' title at the 2017 Prestige Hotel Awards. The hotel is housed in a listed 19th Century Granite building on Queens Road, just a short 20 minute walk along a leafy boulevard to the centre of the City. The venue houses an excellent fine dining restaurant run by Savoy trained chef Kevin Dalgleish which serves delicious seafood and locally reared beef as well as an elegant afternoon tea. There is also a laid back and comfortable bar serving its very own Chester Brew ale on tap.

### **HADDO HOUSE**

Owned and managed by the National Trust for Scotland, Haddo House & Country Park is one of the most popular attractions in the North East. Designed by William Adam in 1732 and home to the Gordon family for over 250 years, Haddo House is one of Scotland's grandest Palladian-style country mansions. Crisp Georgian architecture, sumptuous Victorian interiors and enchanting terraced gardens set amidst 80 hectares of glorious countryside make this an exceptional venue for relaxed corporate hospitality and fine dining

Within easy reach of Aberdeen, Haddo House was built for entertaining, regularly playing host to royalty and dignitaries across the centuries.





### BREWDOG BREWERY 'DOGTAP'

The home of the global craft beer giants BrewDog is Ellon, a town around 15 miles north of Aberdeen. With ten taps, BrewDog Brewery's onsite bar opened in 2014, and sits in the shadow of their giant external fermenters, separated from the brewkit by a single glass door. What better way to enjoy some BrewDog beer in the place it was created and washed down with some excellent food. BrewDog's Brewery is the prefect location for an informal dinner and their famous 'Dog Walk' brewery tour will definitely build up your appetite and thirst!

# **INDUSTRY EXCURSIONS**



### **HYDROGEN REFUELLING STATION**

To service our increasing fleet of hydrogen cars, vans and buses, Aberdeen is home to two hydrogen refuelling stations. The Aberdeen City Hydrogen Energy Storage (ACHES) site is operated by Hydrogenics and is located in the south of the city. The facility has four electric recharging points and also has training facilities on site, allowing further opportunities within the hydrogen supply chain to be researched.

# EUROPEAN OFFSHORE WIND DEPLOYMENT CENTRE

The European Offshore Wind Deployment Centre (EOWDC) is Scotland's largest offshore wind test and demonstration facility and is being developed by Vattenfall-owned Aberdeen Offshore Wind Farm Limited. Located in Aberdeen Bay, the innovative 92.4MW 11-turbine offshore wind scheme will trial next generation technology and once operational, boost the industry's drive to competitive clean power. Construction of the development is due to finish later in 2018 and once finished, it is expected to generate the equivalent of 70% of Aberdeen's domestic electricity demand.





### OIL AND GAS TECHNOLOGY CENTRE

The Oil & Gas Technology Centre was established in October 2016 with £180 million funding as part of the Aberdeen City Region Deal. It is supported by the Scottish Government, UK Government, Aberdeen City Council, Aberdeenshire Council and Opportunity North East.

OGTC provides an industry-led, focused and flexible approach to enable and facilitate innovation between industry, academia and government to help maximise economic recovery from the UK sector of the North Sea.

Working through Solution Centres, Centres of Excellence, Technology Accelerators and Innovation Hubs, OGTC's objective is to establish a culture of innovation that will consolidate both Aberdeen's and the North-East of Scotland's position as the global hub for oil and gas technology and innovation.

### ABERDEEN HARBOUR EXPANSION

Aberdeen Harbour is currently constructing a £350 million facility in Nigg Bay, to the south of the existing harbour. Once complete, this new facility will be known as Aberdeen South Harbour. This harbour will represent a step change in the marine support facilities available in Scotland and will provide 1,400 metres of quay at water depths of up to 10.5 metres (LAT), with a turning circle of 300 metres and a channel width of 165 metres. The harbour expansion is expected to be completed in 2020.





### UNIVERSITY OF ABERDEEN

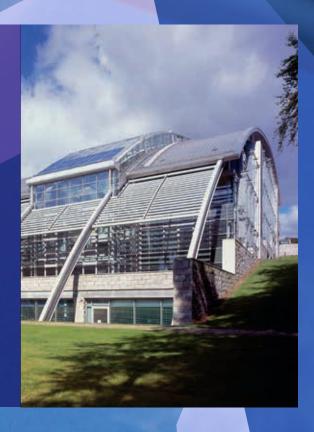
Founded in 1495 by William Elphinstone, Bishop of Aberdeen and Chancellor of Scotland, the University of Aberdeen is Scotland's third oldest and the UK's fifth oldest university. The university of Aberdeen is a community of 14,500 students with 120 nationalities, based across two main campuses in Old Aberdeen and Foresterhill.

Teaching at the University of Aberdeen is organised across 12 schools which encompass a broad range of disciplines. This is complemented by the University's multidisciplinary research centres and institutes which bring together experts at the cutting-edge of their fields to work with colleagues across the UK and beyond on the big issues of today.

### **ROBERT GORDON UNIVERSITY**

Robert Gordon is situated in the south of the city on the banks of the River Dee. Robert Gordon University has a heritage going back 250 years, and it was granted university status in 1992. Since then the university has gone from strength to strength, proactively engaging with businesses in the development of many of its degree courses and meeting regional and national needs at a time of constant change and development.

RGU's DART® simulation suite (Dynamic Advanced Response Training) represents a joint-venture between RGU and KCA Deutag Drilling Limited. This state-of-the-art learning environment employs 3D graphics to represent a rig floor and the wide range of equipment and drilling processes currently used by the oil & gas industry. The simulator consists of a 60' screen and a control cabin (fitted with 2 x drillers' chairs) offering users a realistic drilling experience.



# **ANCHOR EVENT**

### SPE OFFSHORE EUROPE

SPE Offshore Europe 2019 will be held at the new events complex in Aberdeen. This biennial oil and gas exhibition attracts a global audience of engineers, technical specialists, industry leaders and experts with the aim of sharing ideas, debating current issues and creating common agendas for the future of the offshore oil and gas industry.

SPE Offshore Europe is recognised by offshore professionals as Europe's leading E&P event. Attending will ensure you are up to date with most significant technologies and can connect with a global network of 36,000 attendees (2017 figures).

Attending the event will allow you to engage directly with technical experts from more than 1,000+ suppliers on the exhibition floor, from international market leaders to new innovative technology providers, to source and compare effective and efficient solutions to specific industry challenges.





The SPE Offshore Europe Conference is the largest free-to-attend programme in the industry. Programmed by a keynote and technical committee of industry thought-leaders, including peer-reviewed technical abstracts the conference is truly "by the industry, for the industry". Around 30 conference sessions take place across the 4 days which usually includes around 12 keynotes by senior global representatives from leading companies in the industry.

# **LOCATION**





Walk from Aberdeen International Airport



Drive from City Centre





Drive from Aberdeen International Airport





Train from
Aberdeen City to Dyce





Drive from Dyce Train Station





Bus from City Centre

# TRAVEL TIMES TO NEW ARENA

# **THEME**

### FROM ALTERNATIVE TO MAINSTREAM - TOWARDS A 21ST CENTURY ENERGY MIX

Our vision through the Regional Economic Strategy remains one of economic renaissance, that results in a diversified and resilient economy through maximizing oil and gas recovery and becoming a globally recognised hub for innovation and technology development. We have a strong, internationally-focussed oil, gas and energy supply chain anchored in the region for the long term who are playing a key role in energy transition towards a lower carbon energy system.

Aberdeen has progressed from the 'Oil Capital of Europe' to the 'Energy Capital of Europe' meaning not only do we excel in the offshore oil and gas industry; we also have a strong and burgeoning renewables industry.

Renewable energy is no longer seen as an alternative or future energy and has become a mainstream energy source. Aberdeen companies have become renowned for diversification through the successful transfer of technology, skills and engineering expertise across energy markets and international borders and we would like to showcase this to our WECP partners.

Offshore wind has become a familiar sight in the North East of Scotland where there are three offshore wind farms in operation or under construction:

- European Offshore Wind Deployment Centre (EOWDC) developed and operated by Vattenfall-owned Aberdeen Offshore Wind Farm Limited is located in Aberdeen Bay, 3km off the coast of Aberdeen
- Kincardine Offshore Wind Farm will be a floating windfarm of 7 turbines to be installed 15km south of Aberdeen
- Equinor's Hywind 30MW wind turbine farm is the world's first commercial windfarm on floating structures and is situated 25km offshore Peterhead

Furthermore, through the H2 project, and our fleet of 10 hydrogen buses, a hydrogen economy has recently been created in Aberdeen. Launched in 2015, the £21million green transport Aberdeen Hydrogen Bus Project was ground-breaking as the first multi-sector partnership spearheaded to deliver advancements in sustainable transport while delivering the world's largest demonstration of hydrogen fuel cell buses.

Another part of the H2 Aberdeen Programme was the development of Aberdeen's second hydrogen refuelling station, opened in February 2017; the £2.6million station will serve the city's expanding fleet of cars and vans.

Aberdeen is of course also famous for being home to many multi-national operators, as well as a range of supply and service companies. This energy expertise has allowed the city to embrace the renewable energy sector and helped to position the region as a centre of renewables excellence.

At a time when many countries are working to increase power generation from renewable sources, we would like to use the WECP AGM 2019 as a platform to showcase Aberdeen's diversification from oil to incorporate the wider energy sector and the city's range of transferrable skills and expertise across the energy industry.

# **NETWORKING AND INTERACTIONS**

There will be a range of opportunities for networking during the WECP AGM in Aberdeen with fellow WECP delegates, the local business community and the national and international delegates attending for Offshore Europe.

Aberdeen City Council will arrange a networking event on the first evening of the AGM. This will allow WECP attendees to meet with local industry and with delegates visiting the city for Offshore Europe. The event will be held in the refurbished Aberdeen Art Gallery or other city centre location and may be sponsored by the local business community.

A Gala Dinner will also be held for official delegates and special local invited guests and sponsors. The Gala Dinner will be held in an impressive venue in Aberdeen City Region.

The four day agenda will include the WECP scheduled events such as the committee meetings and Annual General Meeting as well as various receptions, breakfasts, luncheons, dinners, a business breakfast and panel discussion and tours of local energy sites.

Having Offshore Europe as the anchor event will allow us to access the Offshore Europe programme of conference sessions, seminars, receptions and the exhibition. Aberdeen City Council is liaising with the organisers of Offshore Europe, Reed Expo, to ensure that there are sessions focussed on WECP included in the programme.

# **RESULTS**

The WECP AGM coinciding with Offshore Europe will inform delegates of Aberdeen's energy industry, meet with the local and international business community to do business and exchange knowledge and expertise.

With over 35,000 delegates expected to visit the Offshore Europe conference and exhibition, Aberdeen will be thriving. WECP AGM delegates will be able to access the Offshore Europe programme and fringe events and you will be guaranteed to make new business contacts, learn from the international business community and enjoy yourself whilst you do business.

### **B2B PROGRAMME**

Aberdeen City Council will work with partners to incorporate a B2B programme so would encourage business delegations to travel with WECP partners to the AGM. We will manage and deliver a matchmaking programme for B2B meetings, assist delegations with securing stand space if they wish to exhibit at Offshore Europe and recommend/secure invites to industry events.



# **CONFERENCE PLANS**

### **SUPPORT**

The AGM will be organised and managed by Aberdeen City Council's Economic Development Team, who are currently the WECP Liaison Officers for Aberdeen. Aberdeen City Council also has full support from its partnership organisations primarily Invest Aberdeen, Aberdeenshire Council, Aberdeen and Grampian Chamber of Commerce, Visit Aberdeenshire, Scottish Enterprise, Scottish Development International, the UK Department for International Trade and various trade bodies active within the Aberdeen area.

### **AGM COMMITTEE**

Aberdeen City Council will coordinate the AGM, liaising and working with AGM committee throughout the planning of this event. Aberdeen will closely communicate with the AGM Committee to set objectives and expectations for the event and to learn from the AGM Committee member cities who have recently hosted this event. To do so we aim to have monthly calls with the AGM Committee and we anticipate that these will increase in frequency as the AGM approaches.

### PROMOTIONAL VALUE

It is estimated that over 35,000 delegates will attend Offshore Europe in 2019 and therefore we can increase awareness of WECP with the visitors to the city. WECP will be promoted through marketing and communications such as speeches, news releases and social media as well as using logos, banners, posters and promotion of the programme in wider Offshore Europe marketing and communications, wherever possible.

### SAFETY PLAN

Aberdeen is a very safe city with most venues and events just a short walk from the city centre hotel. The city was one of the first in the UK to gain 'Purple Flag' status, an award which it has retained for many years and which proves that it is a safe city during the evening and at night. Transport will be provided for events further than 500m from the hotel and always for visitors with additional support needs. All of our events will be supported by the Aberdeen City Events team and all venues / locations used will be sufficiently staffed by trained personnel.



# **OPTIONAL ACTIVITIES**

### MARITIME MUSEUM

Aberdeen Maritime Museum tells the story of the city's long relationship with the sea. Located close to the harbour on Shiprow this populat attraction incorporates a purpose built museum building and the historic Provost Ross's House, built in 1593. The Maritime Museum houses a unique collection covering shipbuilding, fast sailing ships, fishing and port history. It is the only place in the UK where you can see displays of the North Sea oil and gas industry. Aberdeen Maritime Museum offers visitors a spectacular viewpoint over the busy harbour.





### **FITTIE**

Footdee - or Fittie as it is known by locals - is one of the most unique communities in the UK huddled at the end of a rewarding stroll along Aberdeen beach front. The charming mid 19th century former fishing community was designed by John Smith, the architect responsible for Balmoral Castle, and to visit them today really is like stepping back in time. The cottages all face inwards in squares with their backs to the ocean to protect them and their inhabitants from the fierce storms, which then, as now, rage in from the sea.

### **ABERDEEN ARCHIVES**

The Aberdeen Archives houses the records of Aberdeen City Council and its predecessors dating back to the twelfth century. The Archives also hold the Assessor's records for the Grampian Joint Valuation Board and the former Grampian Police and include other records of local businesses, churches, charities, voluntary organisations and individuals.

Our Burgh records include our UNESCO-recognised Council Registers. Commencing in 1398, the Council Registers exist in an almost unbroken run from the Fourteenth Century to the present day, detailing the important decisions in local government that shaped and informed the life and future of the City of Aberdeen.



### ABERDEEN HARBOUR CRUISE

This tour will provide you with a look over one of the busiest and most impressive ports within the UK, with over 28,000 shipping movements taking place per year. The fully narrated tour will take you out and about amongst the lively harbour. You will get the chance to see a variety of oil industry support vessels berthed in the harbour and the docks. While seeing Aberdeen's Skyline from a different perspective.





### **DOLPHIN ADVENTURE TOUR**

This tour will provide you with the unique experience to see some of Aberdeen's urban dolphins. Aberdeen Harbour is not only one of the busiest ports in the UK and the main centre of marine operations for the energy industry in the north-west Europe, however the city's harbour mouth has also become one of the best places in the country to see Bottlenose Dolphins.

At times there can be as many as 20 dolphins in the pod, creating such an amazing display in the water, leaping high into the air and creating huge splashes with their powerful tails! As well as the near daily sightings of Bottlenose Dolphins at the harbour, you may be one of the lucky ones to spot Risso's Dolphin, White Beaked Dolphin, Minke Whale and Harbour Porpoise can be seen.

What other city can boast such amazing wildlife just 2 miles from its lively city centre!



### **TOLBOOTH**

The Tolbooth is one of Aberdeen's oldest buildings, built between 1616 and 1629 and used as a prison until the 19th century. It played a major part several important historical events including use to hold Jacobite prisoners in 1746 after the battle of Culloden. The building was encompassed into the Town House during the 1870's renovations but is now open to the public as a prison museum with its remaining 17th and 18th century cells.

# TRUMP INTERNATIONAL GOLF LINKS / MACLEOD HOUSE & LODGE HOTEL

MacLeod House & Lodge is a five-star Hotel located in Balmedie, just outside Aberdeen on the coast of the North East.

This historic Scottish mansion and lodge is set amidst mature woodland in the heart of the magnificent Trump International Estate. This opulent five-star property provides exquisite superior and grand deluxe guestrooms, intimate bar and dining facilities, and is the ultimate setting for dinner, bed and breakfast, private parties or exclusive use. Both historic buildings are nestled together within close proximity to the world-renowned links golf course. Boasting many charming characteristics including secret stairways, traditional log fires and period features plus a whisky bar and spectacular grounds, MacLeod House & Lodge offers luxury and comfort in a secluded and dramatic location.





### **NUART**

Nuart began in Stavanger, Norway in 2001 and has grown in to the world's leading celebration of street art. The annual Nuart Aberdeen event takes place in April each year with a four-day festival which sees a team of international, national and local artists develop their latest works on walls around the city centre.

Although the festival only lasts a few days, this is celebrated year-round with engaging workshops and interesting walking tours, meaning the artwork on show is not to be missed while visiting Aberdeen.

### **GLENGARIOCH DISTILLERY**

One of the oldest operating distilleries in Scotland – and its most easterly – Glen Garioch has been making its mighty malt in the quaint and historic market town of Oldmeldrum, near Aberdeen, ever since 1797. Shielded from the world's prying eyes, deep in the fertile 'Granary of Aberdeenshire', and only ever produced in small, precious batches, Glen Garioch is a rare find indeed, but warmly appreciated by those who like a hearty Highland malt, non chill-filtered as nature intended, with a wholesome maltiness, honeyed sweetness and delicious creamy texture to savour.

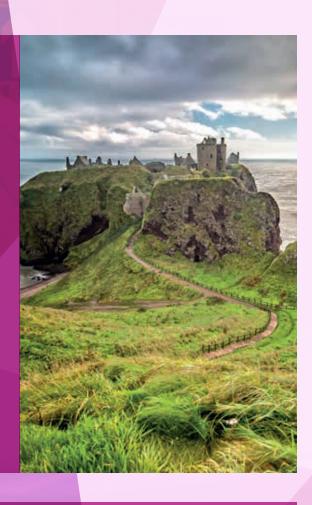


### **DUNNOTTAR CASTLE**

After a visit to the pretty harbour town of Stonehaven, you can take a trip to Dunnottar Castle located just under 2 miles south, perched on high cliffs jutting out into the waves one of the finest in Scotland. Learn about its bloody history or just take in the spectacular view.

Visit Dunnottar Castle for an unforgettable experience and discover the importance of Dunnottar – an impregnable fortress that holds many rich secrets of Scotland's colourful past. The dramatic and evocative ruined cliff top fortress was the home of the Earls Marischal, once one of the most powerful families in the land.

William Wallace, Mary Queen of Scots, the Marquis of Montrose and the future King Charles II have graced the Castle with their presence. Most famously though, it was at Dunnottar Castle that a small garrison held out against the might of Cromwell's army for eight months and saved the Scottish Crown Jewels, the 'Honours of Scotland', from destruction.



### **CRATHES CASTLE**

Cared for by the National Trust for Scotland. Crathes Castle is every inch the classic Scottish tower house, and a fantastic day out! You can discover a labyrinth of cultural history, from portraits and antique furniture to painted ceilings and explore the famous garden or enjoy a walk through the wider estate.

Standing against a backdrop of rolling hills and set within its own glorious gardens, Crathes Castle provides a memorable experience with its towers, turrets and stories of its resident ghosts. King Robert the Bruce granted the lands of Leys to the Burnett family in 1323: the ancient Horn of Leys, which can be seen today in the Great Hall, marks his gift.

The walled garden is split into eight sections that encompass every green delight imaginable - a sculpted topiary, soft herbaceous colours and modern exotic blooms. Nature spotters will love the waymarked trails along the Coy Burn - keep an eye out here for buzzards, herons and kingfishers.

# **PRE & POST ACTIVITIES**

Aberdeen's vibrant city centre is home to some of Scotland's best branded eateries as well as a host of independent restaurants and the city's night scene can be enjoyed at one of the many traditional pubs, craft beer taverns or boutique bars. You will be spoilt for choice! There is also a great selection of music and live performance venues as well as the newly refurbished art gallery and multiple museums and historic walking tours.

Our pristine golden sandy beach and promenade are only a mile from the hustle and bustle of the city centre and is the perfect location to relax, surf or watch the dolphins.

Less than an hours' drive from the centre of Aberdeen visitors can explore the stunning countryside and surrounding nature in Aberdeenshire. Here, you can visit Royal Deeside, the Cairngorms National Park or Speyside all of which are home to world-class walks, castles, distilleries, golf courses and fantastic eateries.

Travel slightly further afield to Scotland's capital city, Edinburgh, or to our largest city Glasgow or why not travel north to the Highlands to find Nessie. If you choose to extend your stay in Scotland we guarantee you won't be disappointed...

We are a compact city with a lot to offer!



### **ROYAL DEESIDE**

If successive Royals get to be themselves here – imagine how you will feel. Royal Deeside follows the River Dee into the heart of the Grampian Mountains, with some right royal sights along the way, including the Royal Family's favourite Balmoral Castle.

Royal Deeside is a spectacular-looking area that captivated Queen Victoria with its characteristic Scottish blend of moody mountains, lofty crags, tumbling rivers and moors and forests. The rarefied royal air still pervades the neat chocolate box towns and villages of Deeside, such as Ballater and Braemar, which are unsurprisingly thronged with tourists in season. Braemar is famous for its Highland Gathering – one of Scotland's best. And held on the first Saturday in September.

You can roam for miles across grand highland estates — beneath windwashed cathedral pines, by still, dark lochs, along crystal-clear rivers where salmon come to spawn. Encircled by mountains or out among the heather and whin of open moorland, flora is lush, fauna is plentiful. Tread carefully to spot the rare protected capercaillie, pine marten, and red squirrel, and herds of red deer. Scan the skyline and you may see a golden eagle.

#### **SPEYSIDE**

Breathtaking locations, pioneering people and centuryold traditions... Visit the stills behind the world's finest malt whiskies and discover why Speyside is a mustvisit destination for any whisky lover. Playing host to 50 distilleries, over half the distilleries in Scotland, Speyside has the greatest concentration of malt whisky producers compared to every other whisky producing region.





#### CAIRNGORMS NATIONAL PARK

In the unique and special Cairngorms National Park there's something for everyone, from exploring the nature and wildlife found in the mountainous trails of Tolmount, or relaxing on the beach of Loch Morlich. The Cairngorms is a natural playground. The area offers watersports, snowsports some incredible walking and cycling routes and has 12 golf courses. It's even home to the only sleddog centre, and the first permanent bridge-based bungee jump, in the UK!



#### **DUNDEE V&A**

V&A Dundee was designed by renowned award-winning Japanese architects Kengo Kuma & Associates, and is Kuma's first building in the UK. Considered by many as the quintessential Japanese architect of today, Kuma is also designing the stadium for the Tokyo 2020 Olympics.

Scotland is a nation of designers and innovators, from the invention of waterproof fabric by Charles Macintosh, to the pioneering work of Patrick Geddes in improving urban living conditions and creating modern town planning and Ian Callum's leadership of design at Jaguar.

However, the story of Scotland's design achievements – and their ability to inspire new creativity for the future – has never been fully told. Opening in September 2018, V&A Dundee will explore Scotland's design heritage – its past, present and future.

#### HIGHLANDS AND ISLANDS

We know - it's a cliché, but the Highlands really are the Scotland of your imagination. It's an amazing concoction of culture, history, architecture and unparalleled scenery. Think big skies, mind-blowing landscapes, superb food and hospitable people — it really doesn't get any better if you want to escape and unwind. Unpredictable. Untameable. Unbelievable.

You can get lost in the majestic mountains and mysterious lochs as you journey through this beautiful land. The views are simply jaw-dropping. Pass through Britain's largest National Park, witness dolphins frolicking off the Moray Coast, marvel at the sensational seascape of the North Highlands, walk in the shadow of Britain's highest peak, Ben Nevis, or explore the stunning islands and stretches of coastline. And if you haven't heard of Loch Ness, Scotland's most famous loch... you're in for a treat!





#### ST ANDREWS

St Andrews is a picturesque seaside town on Scotland's East Coast, located 2 hours South of Aberdeen. It's known around the world as the 'Home of Golf'. The Old Course is considered to be the oldest Golf course in the world, the sport was first played on the links at St Andrews in the early 15th century. The Open Championship is on the Old Course regularly and you can visit the British Golf Museum to see over 500 years of golfing history.

St Andrews has a fascinating history. The cathedral was built in the 12th Century and was the largest building in Scotland for 7 centuries, with pilgrims flocking here from all over Europe. It's also home to Scotland's oldest seat of learning, the University of St Andrews. The ruins of the Cathedral and Castle will take you on a journey back in time. The Castle's underground mine passages and bottle dungeon remain intact and give visitors a real taste of medieval Scotland.

If you like the great outdoors the beach at the West Sands is a great place to visit. Featured in the film Chariots of Fire, it sweeps along the coastline, close to the famous Old Course. St Andrew Botanic Gardens is a hidden gem – an oasis of calm only a short walk away from the centre of town. St Andrews has some of the best shopping in Fife with an excellent range of independent, family-run businesses offering first-class personal service. There are also plenty of places to eat from award-winning fish and chips and family-friendly restaurants to fine dining and cosy bars.

#### **EDINBURGH**

Not only a capital city, Edinburgh is also the leading festival city in the world, home to the phenomenal summer festivals, and a UNESCO World Heritage Site. That's right! Wherever you look, the city buzzes with a sense of excitement all year round. Edinburgh is packed with medieval tenements and narrow wynds of its Old Town coupled with a sweeping elegance of its Georgian New Town.

With a plethora of world-class visitor attractions, sightseeing in Edinburgh is pretty easy, and you can experience different centuries of history without even moving. Head to the bottom of the famous Royal Mile and you'll find the 17th century Palace of Holyroodhouse, the modern parliament building and the prehistoric extinct volcano famously known as Arthur's Seat standing proudly next to each other.



#### **GLASGOW**

Scotland's largest city is a lively, bustling place, distinctive and full of character, where you are bound to get a very warm welcome indeed. One of the most enjoyable things to do in Glasgow is to simply look up and feast your eyes on the city's mix of striking architecture styles as you wander around. Make sure you also check out the city's fascinating museums, diverse art galleries and creative spaces which are aplenty!

It's hard to resist the allure of Glasgow's many, many shops. Enjoy perusing floors and floor of the latest trends in high street and designer retailers, or browse for second hand and one-off pieces in quirky vintage and boutique stores. To round off your stay Glasgow knows how to do nightlife! It can be tough deciding where your evening will take you - sometimes, the best nights happen when you don't make any plans.



#### **HIGHLAND GAMES**

Scotland has a long tradition and history of Highland Games where Clans would compete against each other in sporting events. Some say that Highland Games originated as a clan chieftain's way of choosing the best bodyguards and the fittest fighters. Not all the chief's requirements were warlike - musicians and dancers were important for the prestige of his household. Choosing staff and supporters was done by holding competitions - good runners for couriers, strong men for defence and a range of entertainers to amuse them during the winter evenings.

Many events at today's Highland Games still use items which would have been part of everyday life in the Highlands. Many of these traditions can still be seen in Highland Games today however they are now much more sociable and fun events celebrated worldwide.

Highland games take place across Scotland during the weekends of the summer months between May and September. The following Highland Games will take place either the weekend before or weekend after the WECP AGM in Aberdeen:

- Lonach Highland Gathering
- Glenurquhart Highland Games
- Strathardie Highland Gathering

- Grantown on Spey Highland Games
- Braemar Highland Gathering
- Blairgowrie and Rattray Highland Games

### SUPPORTED BY:

























# WELCOME TO INVESTABERDEEN

THE ABERDEEN CITY REGION IS
ONE OF OPPORTUNITY, AMBITIOUS,
INNOVATIVE, DYNAMIC AND TALENT
RICH. A REGION PROUD OF ITS HERITAGE
AND INVESTED IN ITS FUTURE.

Renowned as a Global Energy Hub it is a vibrant, entrepreneurial region in Scotland's North East, home to a unique mix of business opportunities and specialist skills across various sectors including energy, technology, life sciences and food and drink.

More than 20% of Scotland's top businesses are located in this region which is taking great strides to ensure that it continues to compete on a world stage. Aberdeen is in the midst of a transformational journeydesigned to drive an economic renaissance, bringing benefits to the region, Scotland and the UK overall now and for generations to come.

More than £8billion of public and private infrastructure investment is due to be delivered before 2030, marking an exciting time to be part of a region with a reputation as a genuine world class business location.

#### Aberdeen is primed for business - and the

INVESTABERDEEN team is on hand to welcome you here.

#### **Contact**

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Twitter: @Invest\_Aberdeen
Web: investaberdeen.co.uk

Supported by



Aberdeenshire COUNCIL



ABERDEEN

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#### **ABERDEEN CITY COUNCIL**

COMMITTEE	City Growth and Resources
DATE	19 <sup>th</sup> June 2018
REPORT TITLE	Regional Quality Partnership for Public Transport
REPORT NUMBER	PLA/18/009
DIRECTOR	Steven Whyte
CHIEF OFFICER	Gale Beattie
REPORT AUTHOR	Chris Cormack
TERMS OF REFERENCE	2.2

#### 1. PURPOSE OF REPORT

1.1 The purpose of this report is to seek approval for an overarching voluntary Regional Quality Partnership for Public Transport Agreement and to commit the Council to the Agreement.

#### 2. RECOMMENDATION(S)

It is recommended that the Committee:

- 2.1 Approve for signature on behalf of the Council the North East of Scotland Bus Alliance Quality Partnership Agreement 2018 in Appendix 1 of this report; and
- 2.2 Note that a Service Update report would be circulated in September 2018 to update on targets and proposed action plan set by the Bus Alliance Board.

#### 3. BACKGROUND

#### 3.1 **Background**

- 3.1.1 It was proposed by the Local Authority and Bus Operator Forum (LABOF) partners that a more ambitious voluntary region-wide Quality Partnership for public transport agreement be established which set the objectives, standards & targets for the region, governance arrangements and a programme and timeframe for delivery of interventions on specific transport corridors, which could then be the subject of statutory or enhanced partnership agreements depending on the requirements of the transport corridor.
- 3.1.2 A report was submitted to the Communities, Housing and Infrastructure Committee on the 29<sup>th</sup> August 2017 which advised members on the proposals of LABOF toward the options for refreshing the current structure of the Quality

Partnership for Public Transport and to seek approval for the principles of a revised voluntary Quality Partnership with statutory functions for public transport for the North East of Scotland Region (including Aberdeen City). The committee "approved a two tier approach for a region-wide voluntary partnership agreement and subsequent corridor specific agreements such as statutory or enhanced partnership agreements"; and requested "the Interim Head of Planning and Sustainable Development to report to the Communities, Housing and Infrastructure Committee in January 2018 confirming the terms of the Quality Partnership Board and region-wide Voluntary Quality Partnership Agreement and associated technical, procedural and/or financial matters arising."

3.1.3 Officers were unable to report in January 2018 as LABOF partners continued to shape the Bus Alliance (Quality Partnership) Board membership and the governance arrangements for the board and partnership.

#### 3.2 Proposed Bus Alliance Purpose and Objectives

- 3.2.1 The proposed regional Quality Partnership Agreement is appended to this report at Appendix 1.
- 3.2.2 The region wide Quality Partnership will be known as the North East of Scotland Bus Alliance. It establishes a new Bus Alliance Board responsible for the establishment of joint objectives and targets, overseeing monitoring, providing resources and committing to the aims of a Passenger Charter. By joining the North East Bus Alliance, partners are signing up to a Passenger Charter and Terms of Reference, which can be viewed in Appendix 1 (pages 2 and 10).
- 3.2.3 The Bus Alliance and region-wide Quality Partnership Agreement form a voluntary partnership with all partners participating on an equal basis. The Agreement is intended to support delivery of the Nestrans Regional Transport Strategy, Aberdeen City and Aberdeenshire Councils' respective Local Transport Strategies and to lock in the benefits of significant investment in recent and imminent infrastructure improvements. The overarching objectives of the Agreement are to:
  - Arrest decline in bus patronage in the North East of Scotland by 2022;
  - Achieve year-on-year growth in bus patronage to 2025.
- 3.2.4 Several sub-objectives have also been developed, against which targets will be set and progress will be monitored through the Board and are detailed in Appendix 1 (page 3).
- 3.2.5 As well as aiming to improve quality standards across the region, the purpose of the Bus Alliance and region-wide voluntary Quality Partnership Agreement is to set an agreed framework for the development of more formal statutory agreements on individual transport corridors. Further information on the current proposed programme for delivery is detailed in Appendix 1 (page 9).

#### 3.3 Proposed Bus Alliance Governance

- 3.3.1 Governance and reporting on both the voluntary and statutory elements of the Partnership Agreement will be critical and both require a robust governance structure and the establishment of a Bus Alliance Board by which actions will be agreed, progress reported and that is able to resolve any disputes that may arise. It is anticipated that there will also be an Executive Group, which will be constituted of representatives from each member of the Bus Alliance, as appropriate, and will implement the instructions from the Board by overseeing the delivery of activity by the working groups and report on progress to and seek direction from the Board. It is anticipated that Working Groups will take forward the main delivery of the Quality Partnership and membership will be constituted of appropriate representatives from across the members of the Bus Alliance, as required, specific to a particular area of delivery, reporting to the Executive Group.
- 3.3.2 The Bus Alliance Board will be made up of the proposed membership:
  - Independent Chair
  - Director, Nestrans
  - Chief Officer, Aberdeen City Council
  - Chief Officer, Aberdeenshire Council
  - Managing Director, First Aberdeen
  - Managing Director, Stagecoach North Scotland
  - Representative for all other bus operators
  - Passenger Representative.
- 3.3.3 The Bus Alliance will look to work with a number of key stakeholders throughout inception and implementation, as detailed in Appendix 1 (page 10). George Mair, from the Confederation of Passenger Transport and a Nestrans Board member, has been identified as the preferred candidate for the Independent Chair of the Board, acting in a personal capacity. It is envisaged that the Board member for the Council will be the Chief Officer responsible for Public Transport. All other operators of commercial local bus services in the north-east have been approached with a view to participation as have several individuals regarding the role of passenger representative.
- 3.3.4 The first tasks of the new Board will include the development of an action plan and agreement of a dispute resolution procedure. The Board will review the action plan on an annual basis.
- 3.3.5 The minutes and decisions of the Bus Alliance Board will be reported directly to the Nestrans Board with progress and project specific updates also reported to the two Councils. The two Councils and Transport Scotland will remain the relevant roads authorities and issues relating to roads consent will require to be submitted to the relevant roads authority for approval.
- 3.3.6 Full detail on the structure and responsibilities of the Bus Alliance can be viewed in Appendix 1 (pages 10-13).

#### 3.4 Next Steps

- 3.4.1 Following approval of the North East of Scotland Bus Alliance and Quality Partnership Agreement by all partners, the first step will be for the Board to be established and meet for the first time. The Board will scope targets for objectives and prepare an action plan and a Service Update report will be submitted; once these have been established.
- 3.4.2 The Board will also prioritise the programme for implementation of statutory partnerships on specific transport corridors. Corridors to be considered as a priority will be highlighted through a forthcoming 'State of the Network Report', which will be developed as the Bus Alliance's first action later in 2018. The key transport corridors detailed on page 9 of Appendix 1 are the key 'A' classification routes in the City which due to their classification set out that they are the City's most important transport corridors as reflected in the Regional Transport Strategy and Local Transport Strategy and links to the ongoing works focussing on the Roads Hierarchy post implementation of the Aberdeen Western Peripheral Route and for the delivery of the City Centre Masterplan.
- 3.4.3 Any projects from the Bus Alliance will be managed through the Council's governance arrangements and reported to committee as appropriate.

#### 4. FINANCIAL IMPLICATIONS

- 4.1 There are no anticipated implications in terms of the establishment of the Bus Alliance and the progression to the next stage other than staff time, which can be met from existing resources.
- 4.2 On the basis of the recommendations there is a requirement to further report, particularly where each corridor intervention will require to be considered by the appropriate committee and the financial implications would be brought forward at that time.

#### 5. LEGAL IMPLICATIONS

- 5.1 The input into the Bus Alliance falls under existing general delegated powers (including but not limited to those relative to implementation of policy, arrangement for traffic management and the promotion of new infrastructure schemes where they are included in Transport Strategies and Development Plans) and will be managed through the normal governance arrangements and programming of work priorities, ensuring these are in line with Council/Partner objectives and priorities. Legal colleagues have reviewed the Agreement and are content that there are no governance or contractual concerns.
- 5.2 Under the Local Transport Strategy the Council has committed to increase public transport patronage by making bus travel an attractive option to all users and competitive with the car in terms of speed and cost. One option for enshrining commitments to improve bus services recommended in the Local Transport Strategy is to enter into a statutory Quality Partnership (sQP), as defined in the Transport (Scotland) Act 2001.

- 5.3 Statutory partnerships place legal obligations on both the local transport authority and the bus operators, with the local transport authority providing the relevant facilities and the latter to operate their services to the prescribed standards. If the Council fail to deliver on what has been agreed under such agreements, then there will be legal implications and possible recourse against the Council.
- 5.4 The Council must adhere to the legislative requirements for bus services as determined by the Transport Act 1985 and Transport (Scotland) Act 2001 and any future legislation that may apply.

#### 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	There are no financial risks as a result of the recommendations of this report and further consideration to such risks will be addressed through the future reports to committee.	L	As noted, further consideration to such risks will be addressed through the future reports to committee.
Legal	There are no legal risks as a result of the recommendations of this report and further consideration to any risks will be addressed through the future reports to committee when statutory partnerships are formed.	L	As noted, further consideration to such risks will be addressed through the future reports to committee when statutory partnerships are formed.
Employee	There is a risk that there is insufficient staff time and resource to fully engage in and deliver the proposed partnership agreement. There is a low likelihood of this occurring and the workloads of Officers will be managed by Chief Officer of Strategic Place Planning to ensure	L	The workloads of Officers will be managed by Chief Officer of Strategic Place Planning to ensure milestones/deadlines are met.

	milestones/deadlines are met.		
Customer	There is a risk if the Council does not sign up to the Quality Partnership and Bus Alliance that this will be to the detriment of bus services in the city, and to the delivery of the Local Transport Strategy.	Н	Approving the Quality Partnership will mitigate this risk and Officers will work with partners to ensure the agreement meets all partners' priorities.
Environment	There are no environmental risks as a result of the recommendations of this report and further consideration to such risks will be addressed through the future reports to committee as each corridor intervention is considered and detailed targets are agreed including those with a focus on air quality and vehicle emission standards.	L	N/A
Technology	There are no technological risks as a result of the recommendations of this report	L	N/A
Reputational	There is a risk of adverse publicity and repute for the Council if the Quality Partnership is not agreed, as this is the primary driver to improving public transport in the City and Region.	M	We will ensure any decision is managed through our communications team and details are fully set out with regards to the reasoning for any decision and ensure officers continue to engage with the partners involved and to work in collaboration with them, to establish an acceptable agreement.

#### 7. OUTCOMES

	Impact of Report
Prosperous Economy	Investment in infrastructure and economic growth - the recommendations in this report are focussed on improving public transport in the City. A high quality public transport system is important for any thriving economy in transporting people to work and education and directly support the business and education sectors and ensures the workforce can travel effectively and that all have access to appropriate education opportunities and access to all facilities in a cost-effective way.
	A consistent approach to delivery of public transport in the City will ensure that local environmental factors, changing priorities and customer needs are considered as well as available budgets are considered on a reviewed basis.
Prosperous People	People are supported to live as independently as possible - The improvement to public transport links to the Community Plan vision of creating a 'sustainable City with an integrated transport system that is accessible to all.' The actions in the Action and Delivery Plan assist in the delivery of actions identified in the Single Outcome Agreement (SOA) 2013, in particular the Thematic Priority — Older People ('Older people in Aberdeen have increased independence') and the Multi-lateral Priority — Integrated Transport ('Aberdeen is easy to access and move around in') and the Underlying Principle — (A presumption for community based access to services — 'Services are accessible to all citizens in the ways which meet their needs').
Prosperous Place	People friendly city - the LOIP sets out that we will improve multi-modal access to Aberdeen. The LOIP identifies that transport is a major contributor to carbon emissions and in Aberdeen there is an exceptionally high level of car ownership and usage. It is a circular agreement – poor air quality and poor road safety discourages people from walking or cycling, however reducing reliance on private transport is the best way to improve air quality and a high quality public transport network is critical to this and this is identified in the LOIP which sets out the requirement for a competitive and accessible public transport system.

Design Principles of Target Operating Model		
	Impact of Report	
Customer Service Design	<b>Co-design:</b> Delivery of the Quality Partnership will require considerable consultation and engagement with communities and stakeholders.	
Organisational Design	<b>Enabling:</b> The Council will be working with partners to deliver improvements to public transport and this will be a collaborative and joint effort with each partner playing a role.	
Governance	<b>Transparent:</b> All delivery of actions through the Quality Partnership will be robustly evidenced through studies, modelling, assessment of data and public feedback and where actions take place clear measurable evidence of improvement will be required.	
Partnerships and Alliances	This is a partnership agreement where we ensure all have shared vision and are working to deliver shared objectives.	

#### 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Children's Rights Impact Assessment/Duty of Due Regard	Not required

#### 9. BACKGROUND PAPERS

9.1 N/A

#### 10. APPENDICES (if applicable)

10.1 Appendix 1 - North East of Scotland Bus Alliance Quality Partnership Agreement 2018

#### 11. REPORT AUTHOR CONTACT DETAILS

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#### Appendix 1

## North East of Scotland Bus Alliance Terms of Reference and Quality Partnership Agreement 2018

#### 1. Purpose of the North East Quality Partnership Agreement

- 1.1. Aberdeen City Council, Aberdeenshire Council, First in Aberdeen and Stagecoach Bluebird have been involved in a Quality Partnership for public transport since its inception in April 1998. Nestrans, the Regional Transport Partnership for the North East, joined the Quality Partnership in 2007 and a further update to the agreement was signed by all five partners in 2010.
- 1.2. This new North East Scotland Bus Alliance augments the Quality Partnership and covers the whole of the Nestrans region, encompassing both Aberdeen City Council and Aberdeenshire Council areas and is open to all operators of registered local bus services operating within the region. It establishes a new Bus Alliance Board responsible for the establishment of joint objectives and targets, overseeing monitoring, providing resources and committing to the aims of the Passenger Charter.
- 1.3. By joining the North East Bus Alliance, partners are signing up to the Passenger Charter on the following page and the objectives and Terms of Reference set out in the following sections.
- 1.4. The Bus Alliance and region-wide Quality Partnership Agreement form a voluntary partnership with all partners participating on an equal basis.
- 1.5. The Partners of the North East Bus Alliance are:
  - Nestrans;
  - Aberdeen City Council;
  - Aberdeenshire Council
  - First in Aberdeen;
  - Stagecoach North Scotland.
  - ......and others as appropriate.

#### 2. Objectives

#### **Passenger Charter**

The North East of Scotland Quality Bus Partnership has defined objectives for improving public transport in the north east of Scotland. To help bring these about it has set itself a range of challenging targets. The partners have committed to the following:

Bus operators in the Partnership will provide a modern, accessible and high quality fleet. They will also ensure that drivers go through recognised customer care and disability awareness training. Operators will individually strive to ensure that their ticketing strategy is focussed on customer value for money, to increase the bus market, to fund future investment and ensure the long-term viability of services.

Public sector partners will implement policy, infrastructure and traffic management measures that will benefit buses by improving reliability, reducing journey time variability and/or reducing current journey times. This will include more schemes that will give people using buses greater priority. They will also provide high quality and accessible passenger waiting areas. Public sector partners shall seek to support socially necessary routes in relevant areas through conventional scheduled services and demand responsive services and they will ensure that an increasing proportion of these routes are provided using quality and accessible vehicles.

Bus operators and public sector partners will work together to provide a wide range of passenger information services and multi-operator ticketing initiatives that promote ease of understanding and use. These will help to provide seamless interchange opportunities. Key outcomes are improved customer satisfaction and increased patronage. The partners will also participate in an annual passenger satisfaction survey, the results of which will be published in an annual report, and they will consult with members of the public and communities in an effort to seek feedback on services and facilities provided."

2.1. This Agreement is intended to support delivery of the Nestrans Regional Transport Strategy, Aberdeen City and Aberdeenshire Councils' respective Local Transport

Strategies and to lock in the benefits of significant investment in recent and imminent infrastructure improvements including the opening of the Diamond Bridge in 2016 and the opening of the Aberdeen Western Peripheral Route and Balmedie-Tipperty improvements in 2018.

- 2.2. The overarching Objectives of this agreement are to:
  - 1. Arrest decline in bus patronage in the North East of Scotland by 2022;
  - 2. Achieve year-on-year growth in bus patronage to 2025.
- 2.3. A number of sub-objectives have also been developed, against which targets will be set and progress will be monitored through the Alliance.
  - a) To increase the mode split proportion of people travelling by bus across the region;
  - b) To improve the operational performance of bus services;
  - c) To improve customer satisfaction with the overall level of service across the region;
  - d) To reduce emissions per bus passenger journey, contributing to improved local air quality and reducing carbon emissions.
  - e) To improve access to public transport for all, reducing the equalities gap across the region by reducing barriers including cost and physical access.
- 2.4. The mechanisms by which the above objectives and targets can be achieved will include:
  - reducing journey times and their variability;
  - improving journey speeds;
  - improving service frequencies;
  - providing a punctual and reliable service as well as quality infrastructure and information to encourage mode shift and improve accessibility;
  - by improving the fuel efficiency and emissions profile of the bus fleet, utilising greener technologies;
  - by reducing lost mileage; and
  - re-investing the savings made through more reliable bus operation back into enhanced bus services.
- 2.5. Improving journey time reliability by reducing its variability and reducing journey times will be a key focus of this agreement in order to make savings that can be re-invested back into the network in a way that creates future growth.

2.6. In order to measure future performance against the objectives, the Board will agree appropriate targets to achieve the objectives following development of a State of the Network report.

#### 3. Key Deliverables

- 3.1. A number of significant infrastructure schemes and other improvements have been completed in the last five years or are currently under construction and will provide significant benefits to the movement of traffic and buses across the City Region. Together these form a significant investment on the part of the public sector partners and the participating bus operators. They include:
  - Removal of the restriction on the A96 at Inveramsay Bridge in 2016 through creation of a new 1.5km road link at a cost of £10.2m;
  - Opening of the Diamond Bridge in 2016 and the creation of a new link from the north of the city at a cost of £22.3m;
  - Construction of the Aberdeen Western Peripheral Route and Balmedie Tipperty dualling with the aim of removing traffic from and reducing congestion within the City as well as improving journey times and reliability on the key route north towards Ellon, Peterhead and Fraserburgh (overall estimated project cost £745m);
  - An investment of £304,000 to create a direct access for buses to the Kingswells
    Park and Ride from the A944, opened in 2016, and making it easier for a wider
    range of services to serve the site;
  - An investment of £15.2m to construct a new 1,000 space park and ride site at Craibstone on the A96 and the Dyce link road. The project was completed in February 2017;
  - An expansion of the Ellon Park and Ride facility at a cost of £292,000 in 2013/14 to provide additional parking spaces and controlled access to the site;
  - Extension to the operating hours of bus lanes on Great Northern Road to better reflect peak traffic conditions. These changes came into effect in June 2015;
  - Decriminalisation of bus lanes enforcement in March 2013 following an investment of around £350,000 in bus lane cameras and back office systems;
  - The closure of Broad Street to all traffic except for buses, cyclists and pedestrians as part of the wider City Centre Masterplan;
  - Investment of £160,000 in an upgraded Aberdeenshire Electronic Ticket Machine back-office facility in February 2017 to assist small operators across the region and in the delivery of smart ticketing initiatives;
  - Completion of a bus interchange hub at Fyvie in 2016 at a cost of £114,000; and
  - Construction of a bus turning circle at Dyce rail station (£426,000).
- 3.2. Other improvements to the quality of provision have included:

- Bus operator improvements including significant investment in the vehicle fleet, the installation of new electronic ticket machines, website and app developments, introduction of contactless payment methods and investment in new fuel technologies;
- Investment of £614,000 to introduce real time passenger information across Aberdeenshire in 2015 and subsequent extension of real time information to cover all services across the region and the upgrade of at-stop screens (£35,000);
- Joint working to improve at-stop timetable information (£271,000 over the last five years);
- Investment of £19m from a number of industry and public sector partners in the Hydrogen bus project including a fleet of 10 new hydrogen fuelled vehicles and refuelling station;
- £17.5 million revenue support for bus services by Aberdeenshire Council over the last five years and £658,000 support by the City Council over the last five years; and
- Investment in bus shelters and timetable provision.
- 3.3. Work is also progressing on a number of projects that will be progressed over the coming years, including:
  - Further extension of the Park and Ride site at Ellon;
  - Potential bus priority and associated improvements identified through modelling of the network on the B9119 Queens Road between Aberdeen Crematorium and Springfield Road;
  - Wellington Road multi-modal study;
  - The City Centre Masterplan and Roads Hierarchy review which will significantly change the way in which traffic moves through and around Aberdeen City Centre, including buses;
  - CIVITAS PORTIS a four year European funded project of which one strand is focussed on "Collective Travel' and reducing the mode split of car travel on the A96 between Aberdeen and Inverurie;
  - Further investment in park and ride mini-hubs on the A947 and A93 corridors; and
  - Dualling of the A96 between Aberdeen and Inverness, to be delivered by Transport Scotland.

#### 4. Statutory agreements

- 4.1. As well as aiming to improve quality standards across the region in line with the Partnership objectives and targets, the purpose of the Bus Alliance and region-wide voluntary Quality Partnership Agreement is to set an agreed framework for the development of more formal statutory agreements on individual route corridors.
- 4.2. The legislation currently allows for the introduction of Statutory Quality Partnerships or Quality Contracts, however there are proposals for changes to the legislation and the introduction of Service Improvement Partnerships similar to the Enhanced Partnerships contained within the Bus Services Act in England. The Scottish Government is currently considering these in the context of Scottish legislation and more detail on the form that these new partnerships will take will emerge in due course. The partners of the Bus Alliance will consider and review the appropriateness of any new partnership models as they develop in order to decide which model is most suitable. By signing this voluntary agreement, partners are committing to consider and review any proposed structure and management arrangements of such agreements and to a proposed implementation programme.

#### The rationale for setting up corridor specific statutory agreements

- 4.3. Annual monitoring of the existing quality partnership standards and targets has been carried out over the last five years. Whilst progress has been made towards a number of the infrastructure and vehicle targets, for example the proportion of accessible vehicles and availability of information at bus stops, the key indicators for bus patronage and journey times are moving in the wrong direction and away from the targets set. Customer satisfaction with the overall level of service has, despite the intervention of operators to reduce dwell time through investment in smart ticketing and the review of schedules, decreased in recent years, particularly in relation to punctuality and time customers are waiting at their bus stop.
- 4.4. Monitoring of bus patronage data through the current Quality Partnership agreement shows a 7% reduction in paying bus passengers between 2015/16 and 2016/17 and a reduction of around 35% since 2009/10.
- 4.5. Travel to work and education statistics also show that objectives to encourage mode shift away from private car to more sustainable modes of transport are not being achieved with, at best, mode split remaining fairly static and the proportion of people using the bus for the journey to work declining from 17% to 12% in the City and remaining at 5% in Aberdeenshire between 2005/06 and 2015. Although declining bus patronage is, to a certain extent, a national trend, the following data from the 2015 Scottish Household Survey shows the proportion of people travelling to work and education by bus in Aberdeen is lower than other cities in Scotland.

Aberdeen: 11%Glasgow: 17%Edinburgh: 27%Dundee: 20%

- 4.6. The recent 2017 Passenger Focus surveys also show the north east to have lower levels of passenger satisfaction than other areas across Scotland.
- 4.7. These trends demonstrate the need for more to be done to challenge the dominance of the private car and increase the attractiveness of bus travel.
- 4.8. It was agreed by all partners that a new approach was needed and statutory quality partnerships (or if applicable in the future, Service Improvement Partnerships) have been identified as a mechanism providing for a greater level of commitment from partners to deliver necessary improvements for buses when compared with current voluntary agreements. All partners entering into this agreement are doing so on the basis that they have clear intention and will to address the challenges that are faced in achieving the aims and objectives that are described.
- 4.9. This agreement also sits within the wider context of ongoing work to deliver the City Centre Masterplan, Roads Hierarchy Review and to lock in the benefits of the Aberdeen Western Peripheral Route (AWPR). The management and provision of parking is also key to encouraging greater bus use, particularly for access to the city centre. Statutory partnership agreements could include consideration of how demand management measures can be used to influence modal shift and how funding can be directed to prioritise improvements.
- 4.10. Aberdeen City Council is currently undertaking a strategic car parking review which will assist in identifying measures that can feed into future agreements.

#### Facilities to be provided through a statutory partnership agreement

- 4.11. A statutory Quality Partnership (sQP) agreement would be required to set out the specified facilities to be provided by the authorities and the standards to be met by the bus operators. Legislation on sQPs states that the scheme may include facilities provided before any proposals to form a quality partnership have been considered if they are provided no more than 5 years before the scheme is proposed or for more than 5 years but less than 10 years before the date the scheme is proposed, where the consent of all operators using the facilities has been obtained.
- 4.12. In return for the facilities provided by the transport authority(ies), bus operators are required to operate their services to specified standards which must be linked to the aims and objectives of national, regional and local bus policies. Under the current legislation, specification can be made on standards of minimum frequencies and vehicle requirements but not on maximum frequency, the timing of services or the levels of fares.

4.13. Further to the above improvements already delivered and identified in Section 3, it is anticipated that statutory corridor agreements could include the following key principles:

#### Local Authority / Nestrans

#### **Bus Operators**

priority measures and additional bus priority (e.g. bus lanes, bus gates, bus only turning restrictions, traffic signal priority and sequencing, urban traffic control), to be identified through corridor studies.

Potential improvements to bus Commitment to run a minimum frequency on defined corridors (with consideration of exclusions for special services like registered school services).

Demand management measures to reduce car movements in certain areas and improve priority for buses.

Service stability (e.g. a limited number of timetable changes per year)

**Improvements** to bus stop infrastructure (e.g. bus shelters, bus interchanges, bus boarders, build outs, raised kerbs, dropped kerbs).

Minimum vehicle standards (e.g. maximum age, accessibility, emissions).

Improvements to passenger safety and security (e.g. CCTV, bus shelter lighting)

Enhanced monitoring of service performance (e.g. journey times, reliability and punctuality)

Enhanced monitoring of service performance (e.g. journey times, reliability and punctuality) through real time information systems and data sharing.

Enhanced customer engagement (e.g. commitment to consult with passengers/communities on service changes and participate in Area Bus Forums).

Enhanced customer engagement (e.g. commitment to monitoring bus passenger satisfaction and Area Bus Forums)

Potential to link fare rises to other subject factors. to ensuring compliance with Competition Law.

Enforcement (e.g. additional bus stop clearways, parking, waiting & loading restrictions, and bus priority enforcement).

Customer service and staff training over and above disability and dementia awareness training, which are mandatory from 1 March 2018.

**Improvements** to passenger information at-stop (e.g. information, real time disruption information and branding materials)

Continued development of smart, integrated and cashless ticket products

and integrated ticket products

Continued development of smart Targeted marketing and promotion.

Pursue an increase in personal travel planning with and by employers / households on the corridor.

Implementation of planning policy that supports the mode hierarchy of walking, cycling and public transport movements over car.

A consistent parking policy that focuses on both supply and pricing in order to encourage modal shift.

Encouraging and developing green travel plans.

4.14. Depending on the outcome of consultation and new legislation on bus partnerships, this list could be expanded or amended to include a wider range of public sector policy tools as well as infrastructure measures as part of the development of new partnership models. The Alliance will review the options for enhanced partnership agreements when new legislation is introduced.

#### 5. Statutory partnership corridors and programme for delivery

- 5.1. Initial corridors for delivery of statutory agreements (whether these be sQPs or a new form of statutory agreement) and for which work is already progressing are:
  - A944 / B9119 Queens Road Westhill to Aberdeen;
  - A96 Inverurie to Aberdeen; and
  - A956 Wellington Road to Stonehaven.
- 5.2. Future corridors / areas for delivery are:
  - City Centre:
  - A90 north and A956 King Street corridor;
  - A93 Deeside corridor;
  - A947 corridor; and
  - A90 south corridor.
- 5.3. This programme is guided by a range of studies that are currently being progressed in the short to medium term and will help to identify specific improvements that can be made for buses on each of the corridors, subject to a State of the Network report to be progressed as an early deliverable of the Bus Alliance.

- 5.4. The agreements for each of these corridors will cover:
  - The rationale for a statutory agreement from all parties, linked to wider bus policy.
  - Objectives and targets of the agreement, specific to the corridor in question;
  - Details of all the facilities / interventions to be provided by the transport authority.
  - Details of the specified standard of local services which operators are required to provide.
  - Date from which the scheme will come into operation.
  - Duration of the scheme.
  - Who is responsible for the delivery of the different facilities and standards.
  - Who is responsible for the maintenance of the different facilities.
  - Timescales for the delivery of the different interventions over the duration of the scheme (including details of any phasing of improvements).
  - A written undertaking from the operator to the Scottish Traffic Commissioner that they will provide services to the specified standard as part of the agreement.
  - Details of any Traffic Regulation Orders that require to be included with the scheme.
  - Exclusions from the scheme and conditions that may be attached.
  - A mechanism for dispute resolution.
  - Monitoring and reporting arrangements.

#### 6. North East Scotland Bus Alliance - Terms of Reference

6.1 Governance and reporting on both the voluntary and statutory elements of this Partnership Agreement will be critical and both will require a robust governance structure and the establishment of a Bus Alliance Board by which actions will be agreed, progress reported and that is able to resolve any disputes that may arise. It is anticipated that the Executive Group membership will be constituted of representatives from each member of the Bus Alliance, as appropriate, and will implement the instructions from the Board by overseeing the delivery of activity by the working groups and report on progress to and seek direction from the Board. It is anticipated that the Working Groups' memberships will be constituted of appropriate representatives from across the members of the Bus Alliance, as required, specific to a particular area of delivery, reporting to the Executive Group. Whilst the passenger representative will not serve as a direct partner to the Bus Alliance, as there is no onus on the representative to deliver anything within the Alliance, they will still be present on the Board in an advisory role in order to ensure that the customer has a strong voice in the Alliance.

North East Scotland Bus Alliance Board Chair - Independent of the partners below **Key Stakeholders Nestrans Board** Aberdeen City Council inlcuding Aberdeen City Council - Head of Service Aberdeenshire Council - Head of Service Stagecoach - Managing Director First - Managing Director Traffic Commissioner Grasshopper Management - NHS Grampian Passenger representation - Scottish Roadworks - Mobility and Access - Scotrail / Network Rail Area Bus Forums & Public **Executive Group** Consultation Young People - Disability Groups **Working Groups** 

Figure 1 –Bus Alliance Membership and Structure

6.1. The Chair of the Board will be independent of the partner organisations.

#### Responsibilities of the Bus Alliance Board

- 6.2. This is a voluntary agreement and it is intended that all decisions will be taken by consensus. In the case of dispute or inability to reach consensus, business will be determined by a vote with each organisation/representative on the Board (as listed above but with the exception of the Chair who will remain independent) given one vote each, totalling three votes from the public sector, three votes from bus operators and one vote from a passenger representative body.
- 6.3. Meetings of the Bus Alliance Board will be held quarterly.
- 6.4. Each member partner will commit a practical level of resource to the partnership in order to:
- Commit to attendance at Bus Alliance meetings and, if unable to attend, provision of an appropriate substitute;
- Provide support and delegated authority to collaboratively agree targets and a delivery programme;
- Provide support and delegated authority to resource the delivery of the agreed plan, including allocation of appropriate resource for the Executive and Working Groups;
- Resolve or mitigate any issues or conflicts among partners and stakeholders;
- Resolve any issues or conflicts with other areas of work within this programme and other work programmes / projects;
- Make resources available for planning and delivery purposes;

- Provide input, recommendations and agreement to the joint decision making process to meet the Partnerships objectives;
- To validate and critique the financial implications and business case of the above tasks; and
- Agree Bus Alliance priorities to feed into the capital and revenue planning process of partner organisations.
- 6.5. The minutes and decisions of the Bus Alliance Board will be reported directly to the Nestrans Board with progress and project specific updates also reported to the two Councils. The two Councils and Transport Scotland will remain the relevant roads authorities and issues relating to roads consent will require to be submitted to the relevant roads authority for approval.
- 6.6. The first tasks of the new Board will include the development of an action plan and agreement of a dispute resolution procedure. The Board will in due course review the action plan on an annual basis.
- 6.7. Nestrans will provide secretariat support to the Bus Alliance and support to the Chair.

#### **Rules of Participation**

- 6.8. The Bus Alliance will determine the work programme, technical themes and be responsible for delivering agreed actions. Participants should endeavour to provide resources to assist in the work and deliverables. These could be from existing committees, sub-groups and work areas.
- 6.9. Given the potentially sensitive nature of some of the issues that might be discussed in the Alliance Board, documentation will be assigned an information sharing level of GREEN, AMBER or RED.
- 6.10. GREEN: Documentation that may be published in the public arena. All meeting notes will be GREEN.
- 6.11. AMBER: This will cover any documentation of a commercial interest that Board members may wish to share at the Board and which will only be accessed by Board members and agreed individuals. Unless permission is given, information contained in such documents will not be directly quoted or attributed in the publicly available meeting notes. Amber documents cannot be shared by Board Members with anyone, including people in their own organisation, unless permission is given by the Board.
- 6.12. RED: Non-disclosable documentation/information and restricted to participants present at the meeting themselves only. Participants must not disseminate the information outside of the meeting. Red information should not be discussed with any other Board member or any other person from the same organisation who is not present at the meeting in which the information is discussed.

- 6.13. Given necessary obligations with regards to data sharing and Competition Law, certain issues may need consideration as to whether they are appropriate to be discussed in the Alliance Board.
- 6.14. Verbal contributions at Alliance Board meetings can also be assigned an information sharing level. Members who wish their contributions to be considered AMBER or RED should clearly state this before making their point, otherwise information will be considered to be GREEN. Such contributions will not be recorded in the meeting note but may be recorded separately by the Minute-taker for direct follow up outside the meeting.
- 6.15. The information sharing protocols set out above will also apply to the Executive and Working Group levels of the Alliance.
- 6.16. As a member of the Alliance Board, each participant will be asked to sign this document to show their agreement to abide by the confidentiality and disclosure provisions set out above in relation to each information sharing level as described above.
- 6.17. Alliance Board participants and observers who breach the rules of confidentiality and disclosure provisions under any information sharing level may have their membership ceased.
- 6.18. The structure, responsibilities and rules of participation of the Board will be reviewed on an annual basis.

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#### ABERDEEN CITY COUNCIL

COMMITTEE	City Growth & Resources
DATE	19/6/2018
REPORT TITLE	Loans of Works of Art to overseas venues
REPORT NUMBER	RES/18/039
DIRECTOR	Steve Whyte
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Christine Rew
TERMS OF REFERENCE	General delegation 4

#### 1. PURPOSE OF REPORT

1.1 To seek approval for officers to accompany works of art on loan to international venues

#### 2. RECOMMENDATION(S)

That the Committee: -

- 2.1 Approve officer international travel to accompany works of art on loan as detailed in the International Loans Plan; and
- 2.2 Delegate authority to the Chief Officer-City Growth, in consultation with the Chief Officer-Customer Experience, to authorise the travel necessary to implement the International Loans Plan.

#### 3. BACKGROUND

3.1 Lending to partner and international galleries and museums raises the profile of Aberdeen and its collections. The presence of loans from the city's collections contributes to the international promotion of Aberdeen and its attractiveness as a cultural tourism destination. International loans enable us to showcase the quality of the collection to a new segment of potential visitors, broadening access to the collection and reaching new audiences. Items which might otherwise be in storage are available to the public. Participation in a major exhibition of Monet's works in Denmark saw 217,902 new visitors view a work on loan from the collections.

- 3.2 Loans provide an opportunity for fresh research by leading experts in their field, often resulting in the city's works of art featuring in exhibition catalogues. In agreeing to key loans, the city places its collections beside other major institutions in Europe and further afield. Consistently lending fosters partnerships with other Museums and Galleries and in turn strengthens the opportunities for reciprocity for future loans.
- 3.3 Couriers are assigned to accompany valuable works of art when they are lent to UK and international art galleries and museums. Couriers travel with the item to ensure that it is handled safely throughout, to oversee packing/unpacking, undertake a full condition check and to oversee the installation/de-installation. This ensures that the Council's assets are handled appropriately. The input of couriers is particularly required for large loans (in terms of size or number of objects); complex or delicate handling needs; complicated installation and high value loans (items of high monetary value or of national or local significance)
- 3.4 The significance, high value and fragility of the artworks managed for the Council mean that works travelling internationally need to be accompanied by qualified, trained and experienced in-house couriers. Couriers are selected from a rota of Museums and Galleries staff, assigned according to an officer's experience and knowledge and the value and nature of the works on loan. For continuity the outward courier often acts as courier on the return journey. This conforms with the service's Accreditation status and complies with the UK Registrars Group international loan guidance. Where appropriate, courier assignments are shared with other Accredited institutions as part of a sustainable and environmental approach to overseas travel.
- 3.5 Through training and experience couriers from the Museum and Galleries team have the knowledge and skills to deal with unexpected situations such as:
  - What to do in the event of a breakdown;
  - customs inspections at ports;
  - non-loading (or "bumping") of freight by the airline;
  - breakdown of vehicle/mechanical apparatus;
  - a road accident:
  - re-routing e.g. change of aircraft/destination airport;
  - damage to the object whilst in transit.
- 3.6 Planned international loans in 2018 and 2019
- 3.6.1 <u>John Singer Sargent at Nationalmuseum, Stockholm, Sweden 4/10/2018-13/1/2019</u>

This is the first major monographic exhibition in Scandinavia of Sargent's work. It is also the first temporary exhibition on the re-opening of the Nationalmuseum in Stockholm so our work will be seen by large numbers. The museum has engaged several international Sargent specialists to contribute to the exhibition and accompanying catalogue and has secured important loans from the Metropolitan Museum of Art in New York, Museum of Fine Arts Boston and the National Gallery in Washington.

3.6.2 <u>Parabola of Pre-Raphaelitism</u> at 3 venues in Japan – the Mitsubishi Ichigokan Museum, Tokyo, 16/3/2019-9/6/2019; Kurume City Art Museum, Kurume, 18/6/2019-8/9/2019 and Abeno Harukas Art Museum, Osaka, 5/10/2019-15/12/2019

The organisers of this Japanese tour have a long-standing reputation for delivering high profile touring exhibitions in Japan in partnership with British Institutions. The venues for this exhibition are situated across Japan meaning that our works will be seen by many visitors. Christopher Newall, an expert in the Pre-Raphaelites is curating the show in partnership with Stephen Wildman Director of the Ruskin Library. Aberdeen has a strong Pre-Raphaelite collection and continuing connections with Japan.

3.6.3 <u>Fernand Léger at Institut Valencia d'Art Modern, Spain 2/5/2019-15/9/2019</u>
This exhibition originates at Tate Liverpool and tours to Valencia as a second venue. The work by Léger in the collections is key to the narrative of the exhibition and setting his work in context. Additionally, the work requires reglazing prior to loan, and the service has negotiated with the borrower to pay for all costs incurred to carry out this work.

#### 4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report as all travel and subsistence costs are borne by the borrowing institutions. All loan costs are borne by the borrower. This often includes conservation/ framing/ glazing and can be a valuable opportunity to conserve works that we might not have the resources to treat. All courier costs (travel and subsistence) are covered by the borrowing institution and an administration fee is also charged. Travel arrangements are made direct by art handling shipping agents appointed by the borrower. With wi-fi and mobile technology couriers can continue working remotely whilst travelling.
- 4.2 Delegation of travel authorisation to the Chief Officer-City Growth, in consultation with Chief Officer-Customer Experience, will quicken the travel approval process and allow the service to respond efficiently to the travel arrangements made by the borrowing institution's appointed art handling agents.

#### 5. LEGAL IMPLICATIONS

- 5.1 The service complies with the UNESCO 1970 Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property which was ratified by the UK with effect from 1/11/2002.
- 5.2 Current guidance from the UK Government (DCMS), Scottish Government and Museums Galleries Scotland regarding travel to restricted countries is also implemented.

#### 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Travel costs	L	Travel and subsistence costs are borne by the borrowing institutions
	Cost of repairing damage or loss during transit	M	Confirmation of Insurance against damage and loss required from Borrower before art work permitted to travel; officer oversees packing and handling to reduce risk of damage during transit
Legal	Seizure of works of art by host country or terrorist attack	L	Works of Art are not lent to countries with high security risk rating; UK Government travel advice implemented
Employee	Personal injury due to mis-handling of works of art	L	Officers are trained in courier and manual handling processes, including gaining experience in the UK prior to going overseas; trained art handlers employed by borrowing institutions
			Officers are insured by the Art Handling agents whilst accompanying works of art overseas
			Risk assessment completed by service
Customer	International priorities and increased visitor exposure to the Collections not met	L	Lend works of art to international venues
Environment	Travel results in Co2 emissions	L	Shared transport arranged where appropriate
Technology			

Reputational	Council's reputation of caring appropriately for its assets adversely impacted if works of art are damaged whilst travelling	Trained officers travel with works of art to oversee transit and installation
	unaccompanied	

#### 7. OUTCOMES

Local Outcome Improvement Plan Themes		
	Impact of Report	
Prosperous Economy	Delivers on Regional Economic Strategy and LOIP primary driver of Internationalism	
	Works of art on loan to overseas venues strengthens the city's international links, raises the profile of the city and its art collections and drives tourists to visit as a cultural tourism destination.	
	Delivers on tourism priority for the city.	
Prosperous People	Sense of pride for our people as works of art are loaned to prestigious international venues. Borrowers promote and publicise the exhibitions extensively.	
Prosperous Place	Enhances Aberdeen and the wider city region's inward investment and internationalisation offer by presenting the strength of the city's collections and cultural offer to overseas visitors.	
	Our international place; supports international trade priorities, international exposure to tourism markets etc	
Enabling Technology		

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	None
Organisational Design	None

Governance	None
Workforce	None
Process Design	None
Technology	None
Partnerships and Alliances	Participation in external international partnerships results in new opportunities for joint working and international collaboration

#### 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	not applicable

#### 9. BACKGROUND PAPERS

Not applicable

#### 10. APPENDICES (if applicable)

International Loans Plan 2018-19

#### 11. REPORT AUTHOR CONTACT DETAILS

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#### **ABERDEEN CITY COUNCIL**

COMMITTEE	City Growth and Resources
DATE	19 <sup>th</sup> June 2018
REPORT TITLE	Aberdeen City Region Deal - Strategic Transport Appraisal
	Objectives
REPORT NUMBER	PLA/18/035
DIRECTOR	Steve Whyte
REPORT AUTHOR	Ken Neil
TERMS OF REFERENCE	2.2 determine the Council's strategies for city growth and place planning except in relation to major infrastructural planning; and 2.3 consider reports on key actions by the Council towards the delivery of the Regional Strategy and the Inward Investment Plan.

#### 1. PURPOSE OF REPORT

1.1 This report advises the Committee of the outcomes of the Scottish Transport Appraisal Guidance (STAG) Pre-Appraisal undertaken as the first stage of a Strategic Transport Appraisal component of the Aberdeen City Region Deal. A discussion on the findings from the STAG Pre-Appraisal and the development of Transport Planning Objectives (TPOs) is provided along with recommendations on how the study should progress.

#### 2. RECOMMENDATION(S)

That the Committee:-

2.1 Approve the draft interim Transport Planning Objectives identified in Paragraph 3.8.2 and Appendix 2, and advise the Aberdeen City Region Deal Joint Committee of the approval, if given

#### 3. BACKGROUND

3.1 In November 2016, Aberdeen City Council, Aberdeenshire Council and Opportunity North East successfully agreed a City Region Deal with the UK and Scottish Governments. This deal, worth £826.2 million over a 10-year period, now provides a significant delivery mechanism for initiatives to support sustainable economic growth in the region. The allocation of the funds is split between a variety of projects, one of which is a Strategic Transport Appraisal that will take a 20-year strategic view of the transport implications of the investment unlocked by the Aberdeen City Region Deal across all modes, including road, rail and active travel. The appraisal will consider established policy directives including National, Regional and Local Transport Strategies

along with current projects such as the Aberdeen Western Peripheral Route, Balmedie to Tipperty Dualling, Haudagain junction improvement and Aberdeen to Inverurie Rail upgrade. The It will also take cognisance of the Government's purpose and associated strategic outcomes including the broad measures covering a range of economic, health, social and environmental indicators and targets through the National Performance Framework.

- 3.2 The project working group, which comprises Aberdeen City Council, Aberdeenshire Council, Transport Scotland, Department for Transport, NESTRANS, Aberdeen City and Shire Strategic Development Planning Authority, jointly commissioned a Pre-Appraisal, to be undertaken in accordance with Scottish Transport Appraisal Guidance (STAG), in September 2017 as the first stage of Strategic Transport Appraisal component of the Deal. The Pre-Appraisal report and executive summary forms the output from this stage. The Scottish and UK Governments have together committed to investing up to £5 million towards the STAG process, with Aberdeen City Council and Aberdeenshire Council contributing up to a further £2 million.
- 3.3 The UK Government and Scottish Government have set up a joint group to coordinate the implementation of all Scottish City Region Deals, and the terms of reference includes "Agreeing, as far as possible, common negotiation positions with the relevant authorities which will underpin the negotiation of new City Region Deals or any potential future regional growth deals within Scotland".
- 3.4 In a separate agreement, the Scottish Government signed a 'Memorandum of Understanding' with the two Councils that also committed a further £224m to the development of transport investment, including a £200m investment in the rail infrastructure to reduce journey times between Aberdeen and Edinburgh and Glasgow.
- 3.5 The STAG Pre-Appraisal draft Interim Findings can be found in Appendix 1 along with the draft Interim Transport Planning Objectives in Appendix 2 and the Members Workshop Key Findings in Appendix 3.

#### 3.6 Strategic Transport Appraisal

- 3.6.1 The Strategic Transport Appraisal part of the City Region Deal takes a long-term view of the key transport requirements of the region. This will assist with the delivery of the key aims of the City Region Deal and in part identify the key areas of infrastructure investment necessary to facilitate the aims and vision of the Regional Economic Strategy. It will take a 20-year strategic view (up to year 2040) across all modes including road, rail and active travel and will be based on Scottish Transport Appraisal Guidance (STAG). The scope of work will include addressing issues on key strategic corridors to promote economic growth in the region and assist in facilitating the City Centre Masterplan.
- 3.6.2 The specific aims of this study are to:
  - Identify cross modal problems and opportunities with the Aberdeen City Region strategic transport provision (includes a workshop with elected Members from across the region to inform the process);

- Identify key appraisal themes around which further work should be structured; and
- Develop Transport Planning Objectives for the Aberdeen City Region to support future appraisal work and inform the development of the Regional Transport Strategy.

### 3.7 **Key Themes**

- 3.7.1 From the process of identifying both problem and opportunity categories along with an analysis of relevant policies and strategies, key themes were derived that directly reflect each of these elements.
- 3.7.2 The Key Themes that have been derived are:
  - Connections to and integration of core growth areas Seeks to demonstrate that core growth areas are well connected to and integrated with existing land-uses and the transport network. The aim of this is to reduce dependence on the private car.
  - 2. Maintaining and enhancing the natural & built environment so that the region remains a desirable place to live, work and visit Seeks to demonstrate that the current and future transport system does not negatively impact on the region's environment, including air quality, and enhances it where possible.
  - 3. Increasing travel choices for all Seeks to demonstrate that there are a number of travel choices available for key journeys with a particular focus on making the alternatives to private car more attractive.
  - **4.** Reducing the need to travel Seeks to demonstrate that alternative means are available to provide the region's residents the ability to fulfil more of their needs / responsibilities without having to travel to do so.
  - 5. Supporting key sectors and facilitating increased diversification of the region's economy, as highlighted in the 2015 Regional Economic Strategy. Seeks to demonstrate that the transport system provides efficient access to key markets.
  - **6.** Creating a safe, resilient and affordable transport system Seeks to demonstrate that the transport system reduces accidents, is able to accommodate unexpected changes and is cost effective to use.
  - 7. Improving strategic connectivity Seeks to demonstrate that the region is connected to key markets so that it is not relatively disadvantaged compared with other regions.

#### 3.8 Transport Planning Objectives

3.8.1 The Transport Planning Objectives (TPOs) derived for this study are focussed on reflecting the identified problems and opportunities, link significantly with the Key Themes and express the outcomes sought for the study. The TPOs can therefore be traced back through each step of the adopted methodology in a clear and transparent way. This allows their areas of coverage to be demonstrated, and the source of each, to ensure that a robust, evidence based audit trail is demonstrated. As part of this process, all elected Members from across the region were invited to take part in a workshop to review the draft interim objectives and outcomes from the workshop along with adjustments made to the TPOs following the workshop can be found in Appendix 3. Once

the interim objectives are approved, the appraisal will move forward to the option generation and assessment stage. A review of the interim objectives will be undertaken post Aberdeen Western Peripheral Route (AWPR) opening and the assessment of options can be updated if there are any changes. Further detail on the draft interim Objectives can be found in Appendix 2.

#### 3.8.2 The draft interim TPOs derived for this study are:

- TPO 1: Increase access to a sustainable transport system for all, recognising specific needs of disadvantaged and vulnerable users Focus is on alleviating the problems and addressing the opportunities related to access to and the sustainability of the Aberdeen City Region transport system as a whole. The transport system includes the road, rail, and active travel networks and the various services (including bus, rail, taxi and freight) that operate on them. All users are included with particular recognition given to disadvantaged and vulnerable users to both improve access to potential employment and key services, and ultimately their quality of life.
- TPO 2: Reduce the business costs of transport for all sectors of the economy to realise the aspirations of the Regional Economic Strategy Focus is on improving the competitiveness of businesses in the region, which is a key aspiration of the Regional Economic Strategy. The objective should be one that promotes the UK and Scottish economy by improving connectivity to the transport network for businesses to efficiently and effectively access key global markets. Additionally, a focus will be on addressing key problems such as transport related costs, long journey times and journey time reliability.
- TPO 3: Reduce the adverse impacts of transport on public health and the natural and built environment. Focus is on alleviating transport related problems that adversely impact upon the quality of life in the region, including vehicle emissions and accidents, whilst maintaining and enhancing the high quality of the natural and built environment, which is a key factor attracting a skilled workforce and tourism to the region. This will encompass opportunities linked to new technologies and initiatives, such as electric/hydrogen vehicles and Mobility as a Service.
- TPO 4: Improve the integration of transport and land use to reduce the need to travel by private car Focus is on addressing problems that act as barriers to linking employment, retail / leisure and residential areas with a sustainable, connected public transport and active travel network, to reduce the need to travel by private car. Additionally, a focus will be on creating a high quality digital network to reduce the need for travel.
- TPO 5: Improve the relative competitiveness of public transport compared to the private car Focus is on addressing problems and opportunities in relation to the perception that public transport is not currently a desirable alternative to the private car due to factors including limited public transport network coverage within the region and cross-boundary, unreliable journey times and the low cost of parking availability within the city centre.
- TPO 6: Maintain and enhance a safe, resilient and reliable transport network Focus is on addressing problems associated with road safety, particularly vehicle / active travel conflicts, and a lack of alternative routes should incidents occur. It is linked to opportunities concerning continuing road

safety initiatives, freight movements and benefits that may be realised by capitalising on future major infrastructure commitments, such as Aberdeen Western Peripheral Route.

### 3.9 Next Steps

- 3.9.1 Approval of the interim objectives and key problems opportunities will facilitate the finalisation and then publication of the final technical reports. These will be reviewed by the Project Working Group. This will feed into the review of the National Transport Strategy and the Strategic Transport Projects Review.
- 3.9.2 The Pre-Appraisal has set the context for deriving objectives against which the future appraisal of all potential interventions to support economic growth in the Aberdeen City Region will be assessed. This includes the impacts of macro effects such as Brexit on the levels of regional economic activity. It will also include a focus on advances in digital technology which will provide opportunities in regard to future travel requirements as well as providing technology solutions to improving the efficient movement of people and goods, including reducing their need to travel. Following completion of the Pre-Appraisal including the option generation stage, the next stage of the process will be to commission a STAG Initial Appraisal (Part 1) which, in addition to the Transport Planning Objectives, will consider the development of options against the following standard criteria:

#### **STAG Criteria**

**Environment** – Comprises a qualitative assessment of the impacts on the key environmental attributes and characteristics of the study area

**Safety** – Comprises two sub-criteria: accidents and security

**Economy** – Comprises three sub-criteria: Cost-benefit analysis, wider economic benefits and net effects of any option on the local and national economy

**Integration** – Comprises three sub-criteria: Transport integration, land-use integration and policy integration

**Accessibility and Social Inclusion** – Comprises of two sub criteria: Community accessibility and comparative accessibility

The Part 1 Appraisal will also assess the feasibility, affordability and public acceptability of any options along with consideration of established national, regional and local policy directives.

3.9.3 This report will be provided to the Aberdeen City Region Deal Joint Committee in June 2018. Further updates will be provided at future Committees as part of the regular Programme Monitoring so that the pipeline of transport projects within the regional economic priorities are linked to any future funding mechanisms through new City Region Deals or potential future regional growth deals within Scotland.

#### 4. FINANCIAL IMPLICATIONS

- 4.1 The project is being funded through the City Region Deal agreed with the UK and Scottish Governments. Both Governments have committed to investing up to £5 million together, with the Council and Aberdeenshire Council contributing up to a further £2 million towards a full transport appraisal of the infrastructure requirements of the region.
- 4.2 The £1 million contribution to the project is being funded through the Council's Non-Housing Capital Programme. A quarterly process is in place with Aberdeenshire Council to call on funding requisitions, in its role as designated lead authority for managing the City Region Deal cash flows.

#### 5. LEGAL IMPLICATIONS

- 5.1 None at this time although legal input will be required at future stages as schemes are identified and developed.
- 5.2 Any procurement will be undertaken in line with the Council's Procurement Regulations.

#### 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M),High (H)	Mitigation
Financial	Projects come in over or under budget	M	Appropriate project governance put in place to minimise the risk of overspend. These projects are led by the Transport Theme Group within the City Region Deal governance, that reports to the Programme Board and ultimately the Joint Committee. The work is supported by a Programme Management Office.
Legal	There are no legal risks at this stage but need to ensure appropriate commissioning procedures are followed.	L	Work closely with legal and procurement colleagues from the application stage to minimise this
Employee	Available resource to undertake the full programme	М	Monthly monitoring of projects using Project Status Reports (PSRs) will reflect changes to

			project at earliest possible point.
Customer	Project study reports not fit for purpose	L	Appropriate guidance followed and experience from previous projects used to inform the process. Where possible, Stakeholder and Public Engagement will inform the project.
Environment	Detrimental environmental impact of proposals	L	Any programme of work arising from the appraisal will be subject to a Strategic Environmental Assessment, while any proposals will focus on maintaining and enhancing the high quality natural and built environment. Also, any project objectives will be set to improving sustainable and active travel and resolving pinch points and so contribute towards environmental benefits.
Technology	There are no technological risks at this stage.	L	
Reputational	Committee decides not to approve the outcomes of the STAG Pre-Appraisal.	L	Members workshops held on 26 January 2018 and 1 June 2018 will involve Members in the process of identifying problems and opportunities and agreeing emerging objectives.

## 7. OUTCOMES

Local Outcome Improvement Plan Themes			
Impact of Report			
Prosperous Economy			

	but probably not the identified problems or opportunities themselves.
	Investment in Infrastructure - a high quality transport system is important for any thriving economy in transporting people and goods and directly support business and investment by ensuring access to all facilities in a cost effective way.
Prosperous People	The subsequent transport interventions which result from the Strategic Transport Appraisal will assist with the development of a sustainable transport network. Given that particular emphasis is given to walking and cycling and that around 30% of city residents do not have access to a car, these schemes will help improve the mobility of most city residents.
Prosperous Place	The subsequent schemes which result from the Strategic Transport Appraisal will improve the attractiveness and access to key locations and improve the range of mobility options for those travelling in the city area, enabling them to be less reliant on the private car. They will also support the overall investor readiness of the city and competing for traditional inward investment and financial investment into the north east of Scotland.
Enabling Technology	Advances in digital technology will provide opportunities in regard to future travel requirements as well as providing technology solutions to improving the efficient movement of people and goods, including reducing the need to travel. Consideration of opportunities provided by current and emerging digital technology will form part of the appraisal process as the study progresses.

Design Principles of Target Operating Model			
	Impact of Report		
Customer	Using City Region Deal funding allows the Council to		
Service Design	undertake work in support of businesses and for the benefit of		
	the residents of Aberdeen.		
Governance	City Growth and Resources		
	City Region Deal Joint Committee		
Organisational	The Council's new Place function which includes City Growth,		
Design	Planning and the Transport functions will improve collaboration		
	and delivery of these elements of the City Region Deal.		
Workforce	The Strategic Transport Appraisal will assist with the key aims		
	of the City Region Deal to identify key areas of infrastructure		
	investment. The delivery of this infrastructure will require a		
	significant resource and input from the workforce.		
Process Design	None		

Technology	Consideration of opportunities provided by current and emerging digital technology and how the Council will engage with this technology will form part of the appraisal process as the study progresses.
Partnerships and Alliances	The project is being progressed through City Region Deal with key partners including, Aberdeenshire Council, Nestrans, Aberdeen City and Shire Strategic Development Planning Authority, Scottish Government and the UK Government. The project will continue to rely on partnership working through to scheme delivery.

#### 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact	Full EHRIA not required
Assessment	
Privacy Impact Assessment	Not required
Children's Rights Impact Assessment/Duty	Not applicable
of Due Regard	

#### 9. BACKGROUND PAPERS

None

## 10. APPENDICES (if applicable)

Appendix 1 – Strategic Transport Appraisal STAG Pre-Appraisal - Interim Findings

Appendix 2 – Draft Interim Transport Planning Objectives – Summary Tables

Appendix 3 – Findings from Elected Members Workshop – 1 June 2018

#### 11. REPORT AUTHOR CONTACT DETAILS

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Appendix 1 Strategic Transport Appraisal STAG Pre Appraisal – Interim Findings	

# **JACOBS**°

## Aberdeen City Region Strategic Transport Appraisal

Transport Scotland, DfT, NESTRANS, Aberdeen City and Shire Strategic Development Planning Authority, Aberdeen City Council, Aberdeenshire Council

**Problems, Opportunities and Objectives – Draft Interim Findings** 

06 June 2018



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## 1. Introduction

#### 1.1 Background

#### **Aberdeen City Region Deal**

- 1.1.1 In November 2016 Aberdeenshire Council, Aberdeen City Council and Opportunity North East successfully agreed a City Region Deal with the UK and Scottish Governments. This deal, worth £826.2 million over a 10-year period, now provides a significant delivery mechanism for initiatives to support sustainable economic growth in the region. The allocation of the funds is split between a variety of projects, one of which is a Strategic Transport Appraisal that will take a 20-year strategic view of the transport implications of the investment unlocked by the Aberdeen City Region Deal across all modes, including road and rail.
- 1.1.2 The Project Working Group¹ jointly commissioned a Pre-Appraisal Study to be undertaken in accordance with Scottish Transport Appraisal Guidance (STAG) in September 2017. This study forms one of the first stages of the Strategic Transport Appraisal component of the Deal.
- 1.1.3 This document summarises the draft interim findings from the Pre-Appraisal stage.

#### 1.2 Study Context

- 1.2.1 The North East of Scotland is one of the most prosperous regions in the UK and retains a high performing economy, despite having faced some challenging times in recent years, primarily due to fluctuating global oil prices. In addition to the opportunities in the oil and gas sector there has been significant investment by the private sector in other strong performing industries. The Aberdeen City Region Deal recognises the opportunity for investment in transport and digital infrastructure to support the planned economic and population growth such that the region can fully realise its economic potential.
- 1.2.2 Infrastructure is considered critical to the region's ambition to remain an internationally competitive business environment. The Regional Economic Strategy, upon which much of the City Region Deal agreement is based, emphasises the desire for the region to retain its overall competitiveness whilst securing a long-term economic future, and that infrastructure is essential to this. A key element for the Strategy is to "invest in an infrastructure that caters for the needs of a high performing international city region economy and a growing hinterland roads with capacity to cope with the demands of business; extensive air and sea links, digital connectivity to develop competitive business, and a competitive and accessible public transport system".
- 1.2.3 Four key programmes were established through the Strategy to assist in achieving the vision, including:
  - Investment in Infrastructure;
  - Innovation;
  - Inclusive Economic Growth; and
  - Internationalism.

Onsisting of representatives from Transport Scotland, Department for Transport, NESTRANS, Aberdeen City and Shire Strategic Development Planning Authority, Aberdeen City Council and Aberdeenshire Council

- 1.2.4 To act in part as a delivery mechanism for the Regional Economic Strategy, the Aberdeen City Region Deal has been designed with six key project areas at its core, towards which funding will be directed to enable the economy of the region to continue to develop and grow. These projects are:
  - The Oil and Gas Technology Centre;
  - Bio-Therapeutic Hub for Innovation;
  - Agri-Food & Nutrition Hub for Innovation;
  - Digital Infrastructure;
  - Aberdeen Harbour Expansion; and
  - Strategic Transport Appraisal

#### 1.3 Strategic Transport Appraisal

1.3.1 The **Strategic Transport Appraisal** part of the City Region Deal will take a long-term view of the key transport requirements of the region. This will assist with the delivery of the key aims of the City Region Deal and in part, identify the key areas of infrastructure investment necessary to facilitate the aims and vision of the Regional Economic Strategy. It will take a 20-year strategic view (up to year 2040) across all modes including road and rail and will be based on Scottish Transport Appraisal Guidance (STAG).

#### **Pre-Appraisal**

- 1.3.2 This study forms part of the Pre-Appraisal stage of the Aberdeen City Region Deal Strategic Transport Appraisal. As such it is a multi-modal, objective-led, study that identifies key themes to drive the future direction of action, and develop interim Transport Planning Objectives upon which to appraise the likely effectiveness of future interventions in supporting the aspirations of the Regional Transport Strategy.
- 1.3.3 The specific aims of this study are to:
  - Identify evidence based cross modal problems and opportunities with strategic transport provision in the Aberdeen City Region;
  - Identify key themes around which further appraisal effort should be structured; and
  - Develop draft interim Transport Planning Objectives informed by the review of problems and opportunities, and existing and emerging transport, land-use and economic development policy position for the Aberdeen City Region.

#### Methodology

- 1.3.4 The study is being overseen by a Project Working Group with monthly progress meetings held to discuss progress, key issues, agree decisions and to guide the overall direction and programme of the study.
- 1.3.5 By following STAG principles, this study has used an evidence-based approach to identify transport problems and opportunities and from this has derived draft interim objectives. Participation and consultation with the public and stakeholders has been vital to the process and has provided valuable and informative input to the Pre-Appraisal process.

- 1.3.6 The context and evidence base that underpins this Pre-Appraisal has been established through undertaking:
  - Extensive stakeholder engagement via structured interviews, workshops and surveys;
  - · Reviews of relevant policies, strategies and previous appraisals; and
  - Comprehensive data analysis.
- 1.3.7 The data analysis is facilitated by a multi-layered geospatial GIS tool comprising a range of demographic, economic, and traffic and transport datasets that was developed to assist in the identification, definition, verification and understanding of the transport related problems and opportunities across the Aberdeen City Region. The transport data included outputs from the Aberdeen Sub Area Model (ASAM), which is the strategic multi-modal transport model covering the Aberdeen City and Aberdeenshire region and includes cross boundary movements into the Highland, Perth and Kinross and Angus local authority areas. Model outputs representing 2017 traffic conditions, with the Aberdeen Western Peripheral Route (AWPR) operational, and a 2037 future year were analysed to identify the likely future year problems and opportunities associated with the road and public transport networks.

#### 1.4 Regional Context

- 1.4.1 The Aberdeen City Region consists of a mix of urban and rural areas in the north-east of Scotland comprising of the local authority areas of Aberdeen City (186 km²) and Aberdeenshire (6,313 km²). The landscape of the region is a varied one; at the core is the urban centre of Aberdeen City, Scotland's third largest city which provides the bulk of employment within the region. This is surrounded by the rugged coastline along the North Sea in the east, the agricultural lowlands in the heart of the region, to the mountains of the Cairngorms National Park in the west. Several larger towns located within Aberdeenshire, such as Peterhead, Fraserburgh, Inverurie, Westhill, Stonehaven and Ellon perform key roles in housing much of the region's population as well as supporting its prosperity with a wide range of businesses.
- 1.4.2 Historically, the physical environment of the region shaped the focus of the economy on the traditional sectors of agriculture, forestry, fishing and mining of granite. However, in the mid-1970s the discovery of significant oil reserves in the North Sea fundamentally shifted the focus of the economy to exploration and extraction of oil. This gave new impetus to the labour market, with a high number of highly-skilled and highly-paid jobs leading to a rapid increase in population. This led to the expansion of the urban footprint of Aberdeen City and the increased growth of several of the aforementioned larger towns in Aberdeenshire, a trend that continued over the following 40 years through increased housing development in and around the City and likewise growth in employment in the heart of the City and other areas, such as the airport. Investment in transport infrastructure in the Aberdeen City Region has historically struggled to keep pace with the more rapid growth in households and key employment sectors, and one of the consequences of this is a region that is more car dependent than other areas of Scotland.
- 1.4.3 The global nature of the oil industry has proven to be susceptible to volatile fluctuations that has impacted the region. For example, in the two-year period between 2014 and 2016, the significant decrease in oil prices to a low of \$26.01, resulted in the oil industry taking action to reduce costs, which saw 150,000 oil related jobs in the UK being lost. However, through this economic turbulence, the region has demonstrated its' resilience and looks to be recovering to a stronger position through the recent efficiencies and technological advances in the oil industry, positive gains in the price of a barrel of oil to an approximate of \$76.00 (May 2018 average), and support from further diversification of the economy, particularly in the food and drink, renewables and tourism sectors. If sustained, this will establish a solid foundation on which to build the future aspirations and aims of the Regional Economic Strategy.

1.4.4 The recent significant public sector investment into large scale transport infrastructure improvements are of course key components to unlock further growth. It will be important going forward that the transport system continues to match the demands of the accelerating economic growth in the region.

#### 1.5 Socio-Economic Context

- 1.5.1 The socio-economic profile of the Aberdeen City Region is one that reflects the rapid pace of growth in the oil and gas industry in the region.
- 1.5.2 The population of the region has grown significantly in the last five decades, particularly when compared to the rest of Scotland. Since 2001, the growth in two authority areas differs slightly, with Aberdeen City demonstrating a slower population growth rate at 8.5%, but more favourable economically active age characteristics of that population, while Aberdeenshire has experienced a higher population growth rate, albeit with a larger proportion of the population over 65 who are less likely to be economically active. Both local authority areas also demonstrate a high level of academic attainment and subsequent high skill level, providing the valuable employment market for businesses in the region.

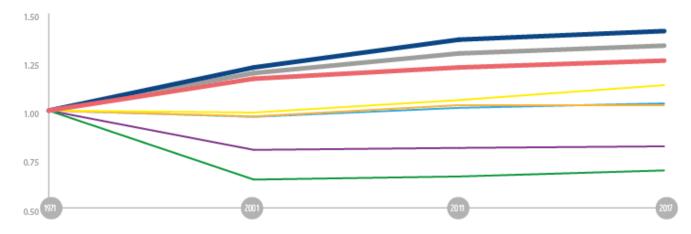
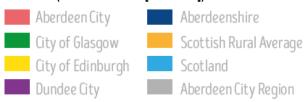


Figure 1 Population Growth (indexed to 1971 [1971=100]) Source: NOMIS 2017



**Population growth rate (2001-2017)**; Aberdeen City 8%, Aberdeenshire 15.4%, Scotland 7.1%, City of Edinburgh 14.3%, Glasgow City 7.3%, Dundee City 2.2% and SRA 5.9%;

**Working Age Population (Nomis, 2017)**; Aberdeen City 69%, Aberdeenshire 63%, Scotland 65%, City of Edinburgh 71%, Glasgow City 71%, Dundee City 67% and SRA 60%;

Qualifications – level 4 and above (Census, 2011); Aberdeen City 43%, Aberdeenshire 37%,

1.5.3 The high quality of life within the region is evident in the lower levels of deprivation, higher house prices and proportions of homes in the highest council tax bands compared to other cities within Scotland. Both local authorities also demonstrate a significantly higher proportion of homes with access to two of more cars, and equally a lower proportion of homes with no cars available. These statistics highlight the dominance of the private car, which is covered in more detail later. Nevertheless, it is clear that within Aberdeen City that public transport and active travel networks play a key role for the 32% of households without access to a car.

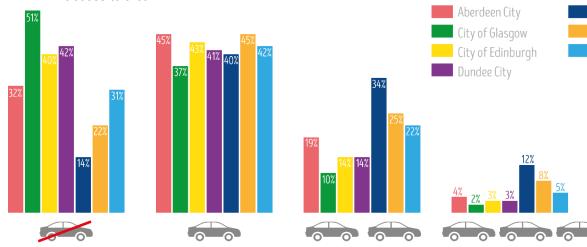
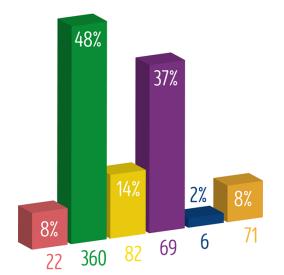


Figure 2 Car Availability Source: Census 2011



Number of locations within 20% most deprived in Scotland (SIMD, 2016); Aberdeen City 22, Aberdeenshire 6, City of Edinburgh 82, Glasgow City 360, Dundee City 69 and SRA 71;

Aberdeenshire

Scottish Rural Average

Average House Price 2017 (Scottish Government, 2017); Aberdeen City £210,428, Aberdeenshire £216,351, Scotland £180,663, City of Edinburgh £262,868, Glasgow City £170,625, Dundee City £144,436 and SRA £164,734;

Council Tax Bands F-H Ranges (Scottish Government, 2016); Aberdeen City 15%, Aberdeenshire 23%, Scotland 13%, City of Edinburgh 21%, Glasgow City 7%, Dundee City 5% and SRA

Figure 3 Number of locations in 20% most deprived Source: SIMD 2016

- 1.5.4 Economic activity is high in the region, with the employment market highlighting the high-skill level and higher salary levels that have become synonymous with the oil and gas industry. In the Aberdeen City and Aberdeenshire local authority areas average weekly incomes are significantly higher than the other comparator areas within Scotland.
- 1.5.5 In recent years there has been evidence of the growth in other sectors particularly in tourism and renewables within the Aberdeen City Region, and this has been further substantiated through the increasing uptake in new sites by businesses in these two sectors.

1.5.6 Since 1997 the Aberdeen City Region has also witnessed significant growth in Gross Value Added (GVA), despite a slower growth rate experienced in recent years coinciding with the drop in oil price. In 2015 the Aberdeen City Region contributed a similar amount to the Scottish economy as that of both Glasgow and Edinburgh Cities. Considering the GVA per head it is clear that Aberdeen City delivers a significantly higher contribution compared to both Glasgow and Edinburgh, demonstrating the success of the local economy.

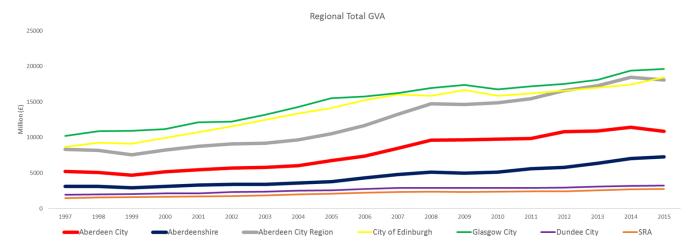


Figure 4 Regional GVA (Total (£)) Source:ONS 2016

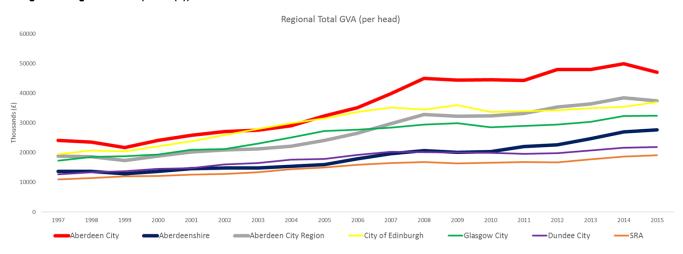


Figure 5 Regional GVA (Per Head (£)) Source: ONS 2016

**Economic Activity Rates (Census, 2011)**; Aberdeen City 73%, Aberdeenshire 64%, Scotland 69%, City of Edinburgh 69%, Glasgow City 64%, Dundee City 64% and SRA 70%;

**Regional GVA Growth 1997-2015 (ONS, 2015)**; Aberdeen City 107%, Aberdeenshire 135%, City of Edinburgh 112%, Glasgow City 92%, Dundee City 68% and SRA 87%;

Regional GVA Growth per Head 1997-2015 (ONS, 2015); Aberdeen City 95%, Aberdeenshire 103%, City of Edinburgh 90%, Glasgow City 87%, Dundee City 71% and SRA 74%.

New Enterprise 2 Year Survival Rate (ONS, 2015); Aberdeen City 81%, Aberdeenshire 84%, Scotland

#### 1.6 Transport Context

- 1.6.1 Investment in transport infrastructure, historically, in the Aberdeen City Region has struggled to keep pace with the more rapid growth in population and key employment sectors. In recent years, however, this gap has been narrowed as key high-profile infrastructure projects are completed or are due for completion in the very near future. Examples of significant infrastructure investment include the Aberdeen Western Peripheral Route, Diamond Bridge, Haudagain junction improvements, the City Centre Masterplan and revised Roads Hierarchy, the new Aberdeen South Harbour and the Programme of Rail Revolution. Each of these initiatives is aimed at providing mechanisms for unlocking further growth, demographically and economically.
- 1.6.2 Key to the Regional Economic Strategy is the ability of the transport infrastructure in the region to enable future growth and opportunity within the region. Transport in the region plays two crucial roles, enabling the movement of people to and from jobs, leisure and residential locations; and linking businesses located within the Aberdeen City Region to their key local and external markets. Key to facilitating these movements are the main transport corridors and hubs, such as the forthcoming AWPR, radial bus routes, the rail network, Aberdeen International Airport and the ports and harbours of Aberdeen, Peterhead and Fraserburgh.
- 1.6.3 Within the region, travel by private car is dominant over all other methods of travel. This has significant impacts on the road network, which is further constrained by natural barriers such as the crossings at the Rivers Don and Dee. During peak periods, the heavy reliance on the private car has a detrimental impact on journey time reliability, emission levels and safety concerns with other road users and active travel conflicts.
- 1.6.4 Public transport suffers from a lack of competitiveness compared with private car, with evidence that journey times are long throughout the region and often there is a lack of direct services to non-Aberdeen city centre locations, due to the radial routing of most services. This often results in the need to undertake multiple interchanges to travel to key locations. The Census 2011 data illustrates that the Aberdeen City Region has a lower public transport and active travel mode share compared to other cities and rural and Scottish averages.
- Aberdeen International Airport is the third largest airport within Scotland, providing direct and frequent flights to the rest of the UK and key European locations such as Amsterdam and Scandinavia. Additionally, the airport is the best-connected airport for UK to UK flights, which is a crucial aspect due to the propensity of the airport to be used for business flights. In 2013, 61% of all passengers from Aberdeen City Airport were business travellers, compared to 30% at Edinburgh Airport and 27% at Glasgow Airport. Passenger numbers have fluctuated in the last 10 years, although 2017 witnessed a growth of 4.6% from the previous year, after two preceding years of passenger reductions. The importance of the airport to the region is highlighted by the fact that the number of passengers is similar in scale to those traveling through Aberdeen Rail Station, whereas in Edinburgh and Glasgow the number of people travelling through the rail stations in the cities far exceeds those using the respective airports.
- 1.6.6 Due to the geographical proximity of Aberdeen to the North Sea oil fields and fishing waters, marine transport plays an important role in the growth in the region's economy. Aberdeen Harbour plays a crucial role in the supply and maintenance of vessels related to the oil and gas industry and handles over 6,500 shipping movements annually. Both Peterhead and Fraserburgh ports have also demonstrated growth in tonnage passing through the ports and play key roles in the fishing industry, with Peterhead also being the premier supply harbour for the larger subsea support vessels.



Change in Vehicle KMs 2011-2015 (Scottish Transport Statistics, 2016); Aberdeen City 3%, Aberdeenshire 8%, Scotland 5%, City of Edinburgh 4%, Glasgow City 6%, Dundee City 0% and SRA 5%;

**Growth in Airport Terminal Passengers 2011-2017 (CAA, 2018)**; Aberdeen Airport 0.2%, Edinburgh Airport 42.9%, Glasgow Airport 44.3%;

Propensity to Fly 2017 (ratio of annual passengers to population of City Deal areas); Aberdeen Airport 6.3%, Edinburgh Airport 9.8%, Glasgow Airport 5.4% The ratio of passenger/population includes both arriving and departing at the airports

**Rail Passenger Growth 2010-2015 (ORR, 2016);** Aberdeen 17% (+495,642); Inverurie 54% (+188,182), Dyce 15% (+84,736), Stonehaven 11% (+52,976), Portlethen 206% (+37,942), Insch 36% (31,524), Laurencekirk 42% (+30,942), Huntly 18% (+15,836);

Road Accidents 2011-2016 (STATS 19, 2016), 2017 [Provisional] (Police Scotland Accident File

## 2. Problems & Opportunities

#### 2.1 Deriving Problem & Opportunities

- 2.1.1 The identification and definition of Problems and Opportunities has been the fundamental basis for the derivation of the Key Themes and subsequent Objectives for this study. A two phased approach was undertaken as part of this process during Autumn and Winter 2017. The first phase consisted of:
  - Stakeholder Engagement: key stakeholders chosen because they represent a diverse range of organisations with a vested interest in the region's transport system. Extensive engagement was undertaken with these stakeholders through a variety of means:
    - Structured Interviews with transport bodies, business and youth representatives
    - Stakeholder Workshops with local authorities, transport operators & organisations, business organisations, universities, disability organisations and the north east Scotland freight forum
    - Elected Member Workshops was held specifically for the region's Elected Members
  - **Surveys** online surveys with Aberdeen City and Aberdeenshire community councils and the public
  - ASAM Transport Model: analysis covering current and future year forecasts of transport conditions.
- 2.1.2 **Phase two** involved using the two sources listed below to undertake gap analysis and validation of the identified problems and opportunities from phase one.
  - **Data analysis:** covering socio-economic data, and transport and traffic data collated from a number of sources.
  - Policy Review and Previous Studies: including:
    - National Transport Strategy Refresh
    - Strategic Transport Projects Review
    - o Nestrans Regional Transport Strategy Refresh
    - Aberdeen City Local Transport Strategy
    - Aberdeenshire Local Transport Strategy
    - Regional Economic Strategy
    - Aberdeen City Region Deal
    - Aberdeen City and Shire Strategic Development Plan
    - o Aberdeen City Local Development Plan
    - o Aberdeenshire Local Development Plan
    - o Aberdeen City Centre Masterplan and Delivery Programme
    - Wide range of up to date Appraisals, which have included Aberdeen Roads
       Hierarchy, Aberdeen Cross City Connections, A90 Fraserburgh Peterhead Ellon –
       Aberdeen Corridor Study, A947 Route Improvement Strategy, Access from the South
       - Bridge of Dee Study and Wellington Road Multi-Modal Corridor Study.
- 2.1.3 This process generated large numbers of individual problems and opportunities that were analysed and distilled to more aggregate 'categories'.

#### 2.2 Problems & Opportunities Categories

2.2.1 Having identified a range of problems and opportunities, these were further grouped to develop a number of categories as outlined below.

#### **Table 1: Identified Problems Categories**

#### **ACCESSIBILITY**

- · Long journey times to key destinations
- Local geography constrains ability to create efficient transport system
- · Poor access to the airport from Dyce Rail Station

#### **ACTIVE TRAVEL**

- Lack of high quality connected active travel provision
- · Road safety concerns hinders active travel uptake

#### CONNECTIVITY

- Relative isolation of the Aberdeen City Region to Central Belt and poor inter-town connectivity
- AWPR alone will not necessarily solve all problems of connectivity
- Lack of quality, accessible multi-modal interchanges
- · Lack of high speed internet access

#### **PUBLIC TRANSPORT**

- Public transport options not being competitive when compared to the private car
- · Lack of public transport accessibility
- Unreliable public transport journey times during peak times and in built up areas
- Lack of public transport capacity on key corridors
- High cost of travelling
- Difficult for vulnerable users to access public transport, i.e. connections to Aberdeen Rail Station from the city centre
- Limited scope for public sector funding for improved bus provision

#### **ROAD**

- Key corridors in region suffer journey time reliability issues during peak times
- Lack of high capacity road network provision
- Road infrastructure for freight movements is not always suitable
- Low cost and relative ease of parking in the city
- · Safety issues on road network
- Poor perception of road maintenance
- Constrained road capacity on key corridors into city centre
- Constrained road capacity in the city centre
- Lack of alternative vehicular routes
- Vehicle dominant mode in city centre
- Unsafe driver behaviour
- City centre journey time reliability issues during peak times
- High traffic volumes into city during peak times

#### **SOCIO-ECONOMIC**

- Over-reliance on car as main mode of travel
- Limited integration between land use & transport network
- Limited funding opportunities
- Negative health impact from vehicle emissions
- Growing & ageing population
- Oil and gas dominated economy
- · Skills shortage for key industries
- Poor tourism infrastructure and difficult to access attractions

#### **ACCESSIBILITY**

- Better connect the region as a whole
- City Centre Masterplan
- Economic benefit of an airport well integrated with the city region
- Improved regional accessibility will facilitate change towards more sustainable movements
- · Travel planning can result in behaviour change
- · Maximise access to new harbours

#### **ECONOMY AND DEVELOPMENT**

- Continued economic growth
- · Develop the tourism offering
- Increase collaboration between government and business
- Move towards higher density and well located developments to reduce the need to travel by car
- Growth (economic, employment and tourism) generated by new harbour
- Local existing high skills base
- High quality of life in the Aberdeen City Region

#### CONNECTIVITY

- Recent digital connectivity improvements can reduce the need to travel
- Improved regional connectivity will facilitate change towards more sustainable movements

#### **ENVIRONMENT**

- Technology as a way of improving transport network efficiency
- Reduced emissions will improve air quality

#### **PUBLIC TRANSPORT**

- Committed rail developments including Kintore Station and Programme of Rail Revolution
- Increased positive growth in rail patronage
- Make bus more competitive with car
- · Change perception of public transport
- Build on identified successes of park & ride sites

#### **ROAD**

- · Lock in AWPR benefits
- Move towards a less car dependent region
- Freight efficiency benefits from AWPR
- Continuing improvements to road safety

#### **ACTIVE TRAVEL**

- Quality sustainable travel provision shown to increase uptake of these modes
- Health benefits associated with an increase in walking and cycling
- Incorporation of high quality active travel provision as part of City Centre Masterplan

#### 2.3 Key Problem & Opportunities

2.3.1 A further review of the wide range of problems and opportunities was carried out to determine the **Key** Problems and Opportunities, within the context of this study. These describe the specific regional context with which the transport network functions, or is expected to function in future, and views on how these may broadly be addressed:

#### **Table 3: Key Problems & Opportunities**

#### **KEY PROBLEMS**

- High car usage in the Aberdeen City Region
- A large volume of private car movements combined with the constrained road network - linked to long / unreliable journey times, particularly in the peak periods.
- Infrastructure and services need to keep a pace with development growth – where it doesn't that can lead to oversaturation of the network in constrained areas.
- Poor perception of public transport provision in the Aberdeen City Region – uncompetitive option as a result of long / unreliability of journey times, relatively high ticket prices and lack of quality interchanges;
- The rail network is currently limited to two main corridors, which suffer from overcrowding in the peak period; further land use development could add to the pressure on the routes.
- Lack of a wide-spread high quality and fully integrated active travel network, in particular linked cycle routes – leads to a requirement to often cycle on roads, which hampers active travel uptake;
- Relative remoteness of Aberdeen city centre in relation to key markets in the Central Belt and beyond

#### **KEY OPPORTUNITIES**

- A programme of Rail Revolution and the opening of Kintore Rail Station.
- AWPR combines a bypass for long distance traffic with peripheral, shorter journeys, with aim of removing traffic from city centre.
- City Centre Masterplan potential to improve the public realm for the benefit of all users and provide quality active travel routes.
- Continued sustainable economic growth stimulated through both traditional sectors and diversification.
- Aberdeen South harbour has the potential to stimulate further growth in the economy, employment and tourism.
- High quality of life in the Aberdeen City Region, has the ability to retain and attract high skilled individuals.

## 3. Key Themes

- 3.1.1 From the process of identifying both problem and opportunity categories, key themes have been derived that directly reflect each of these elements. A similar process was undertaken from analysis of other relevant policies and strategies. The initial themes developed from the two phase process were then filtered through the identified themes from the other policies to generate a final set of key themes.
- 3.1.2 This process ensures that the key themes derived as part of the Pre-Appraisal directly reflect the outcomes from the four workstreams, and the development of each theme can be mapped back through each stage to the original set of individual problems and/or opportunities in a clear and transparent manner. The themes are aimed at driving the future direction of objectives by expressing desired outcomes and following the SMART principles:
  - Specific: it will say in precise terms what is sought.
  - **Measurable:** there will exist means to establish to stakeholders' and decision makers' satisfaction whether or not the objective has been achieved.
  - Attainable: there is general agreement that the objective set can be reached.
  - Relevant: the objective is a sensible indicator or proxy for the change which is sought.
  - **Timed:** the objective will be associated with an agreed future point by which it will have been met.
- 3.1.3 The key themes that have been derived are:

**Connections to and integration of core growth areas** Seeks to demonstrate that core growth areas are well connected to and integrated with existing land-uses and the transport network. The aim of this is to reduce dependence on the private car.

Maintaining and enhancing the natural & built environment so that the region remains a desirable place to live, work and visit Seeks to demonstrate that the current and future transport system does not negatively impact on the region's environment, and enhances it where possible.

**Increasing travel choices for all** Seeks to demonstrate that there are a number of travel choices available for key journeys with a particular focus on making the alternatives to private car more attractive.

**Reducing the need to travel** Seeks to demonstrate that alternative means are available to provide the region's residents the ability to fulfil more of their needs / responsibilities without having to travel to do so.

Supporting key sectors and facilitating increased diversification of the region's economy Seeks to demonstrate that the transport system provides efficient access to key markets

Creating a safe, resilient and affordable transport system Seeks to demonstrate that the transport system reduces accidents, is able to accommodate unexpected changes and is cost effective to use.

**Improving strategic connectivity** Seeks to demonstrate that the region is connected to key markets so that it is not relatively disadvantaged compared with other regions.

## 4. Transport Planning Objectives

- 4.1.1 The draft interim Transport Planning Objectives (TPOs) derived for this study are focussed on reflecting the identified problems and opportunities, link significantly with the Key Themes and express the outcomes sought for the study. The draft interim TPOs can therefore be traced back through each step of the adopted methodology in a clear and transparent way. This allows their areas of coverage to be demonstrated, and the source of each, to ensure that a robust, evidence based audit trail is demonstrated.
- 4.1.2 The process followed to derive these draft interim Objectives was as follows:



The draft interim TPOs derived for this study are:

- TPO 1: Increase access to a sustainable transport system for all, recognising specific needs of disadvantaged and vulnerable users Focus is on alleviating the problems and addressing the opportunities related to access to and the sustainability of the Aberdeen City Region transport system as a whole. The transport system includes the road, rail, and active travel networks and the various services (including bus, rail, taxi and freight) that operate on them. All users are included with particular recognition given to disadvantaged and vulnerable users to both improve access to potential employment and key services, and ultimately their quality of life.
- TPO 2: Reduce the business costs of transport for all sectors of the economy to realise the aspirations of the Regional Economic Strategy Focus is on improving the competitiveness of businesses in the region, which is a key aspiration of the Regional Economic Strategy. The objective should be one that promotes the local economy by improving connectivity to the transport network for businesses to efficiently and effectively access key markets. Additionally, a focus will be on addressing key problems such as transport related costs, long journey times and journey time reliability.
- TPO 3: Reduce the adverse impacts of transport on public health and the natural and built environment. Focus is on alleviating transport related problems that adversely impact upon the quality of life in the region, including vehicle emissions and accidents, whilst maintaining and enhancing the high quality of the natural and built environment, which is a key factor attracting a skilled workforce and tourism to the region. This will encompass opportunities linked to new technologies and initiatives, such as electric/hydrogen vehicles and Mobility as a Service.
- TPO 4: Improve the integration of transport and land use to reduce the need to travel by private car Focus is on addressing problems that act as barriers to linking employment, retail / leisure and residential areas with a sustainable, connected public transport and active travel network, to reduce the need to travel by private car. Additionally, a focus will be on creating a high quality digital network to reduce the need for travel.
- TPO 5: Improve the relative competitiveness of public transport compared to the private car Focus is on addressing problems and opportunities in relation to the perception that public transport is not currently a desirable alternative to the private car due to factors including limited public transport network coverage within the region and cross-boundary, unreliable journey times and the low cost of parking availability within the city centre.
- TPO 6: Maintain and enhance a safe, resilient and reliable transport network Focus is
  on addressing problems associated with road safety, particularly vehicle / active travel
  conflicts, and a lack of alternative routes should incidents occur. It is linked to opportunities
  concerning continuing road safety initiatives, freight movements and benefits that may be
  realised by capitalising on future major infrastructure commitments, such as Aberdeen
  Western Peripheral Route.

## 5. Next Steps

### 5.1 Developing the Strategies

- 5.1.1 The Aberdeen City Region Strategic Transport Appraisal Pre-Appraisal Study sets the context for deriving draft interim objectives. This will be finalised and is against which the future appraisal of all potential interventions to support economic growth in the Aberdeen City Region will be assessed.
- 5.1.2 In line with Scottish Transport Appraisal Guidance, the study identifies the key transport problems and opportunities within the study area, and these have directly informed the basis for theme identification and draft interim objective setting upon which future options might be appraised.
- 5.1.3 In looking forward, the key findings of this study will inform:
  - The next National Transport Strategy –application of national objectives at the regional level
  - The next **Strategic Transport Projects Review** –identifying the Scottish Government's transport investment priorities
  - The next **Nestrans Regional Transport Strategy** providing an evidence base and informing the overall focus and Objectives formation for this strategy
  - The next Aberdeen City and Shire Strategic Development Plan informing the
    direction of future development in the area with associated transport requirements and
    providing context for the local development plans
  - The next Aberdeen City and Aberdeenshire Local Transport Strategies providing an evidence base and general themes for these strategies
- 5.1.4 The study also provides the evidence base and draft interim Transport Planning Objectives which will be finalised and against which future interventions will be assessed through the STAG process to include:
  - The likely impacts of the options against the Transport Planning Objectives;
  - The likely impacts of the options against STAG criteria [i.e. Environment, Safety, Economy, Integration, and Accessibility and Social Inclusion];
  - · Options against established policy directives; and
  - Feasibility, affordability and public acceptability of the options.

Appendix 2 – Draft Interim Transport Planning Objectives

ТРО	TPO 1: Increase access to a sustainable transport system for all, recognising specific needs of disadvantaged and vulnerable users		
Definition	Focus is on alleviating the problems and addressing the opportunities related to access to and the sustainability of the Aberdeen City Region transport system as a whole. The transport system includes the road, rail, and active travel networks and the various services (including bus, rail, taxi and freight) that operate on them. All users are included with particular recognition given to disadvantaged and vulnerable users to both improve access to potential employment and key services, and ultimately their quality of life.		
Relevant Themes What's the	<ul> <li>Maintaining and enhancing the natural &amp; built environment so that the region remains a desirable place to live, work and visit;</li> <li>Increasing travel choices for all;</li> <li>Creating a safe, resilient and socially inclusive transport system.</li> </ul> Key Problems & Opportunities Evidence Context		
North East Problem /Opportunity?	Much of the road network in the Region is currently dominated by car movements, particularly on key routes into Aberdeen (such as A90, A96, A944 and Anderson Drive) and within the City Centre. Car ownership in the region is high, particularly so for the proportion of households with access to two or more vehicles, and combined with the wide geographic area and hence longer average travel distances means car usage remains high.  Access to and the provision of alternative travel options can be limited, particularly in the rural areas and away from the main radial travel corridors into Aberdeen City Centre, and can make public transport often uncompetitive with private car. As a result, those without access to a car may be more restricted in their potential to access employment and services. This particularly impacts the more disadvantaged and vulnerable users.  The duration and unreliability of journey times for bus services in the region (as a result of long travel distances and heavy traffic volumes on key routes during peak periods), relatively high ticket prices and frequent requirement to travel into the city centre to interchange with other services serve to constrain public transport mode share.  Bus services generally operate on a commercial basis which means that routes that do not make money may be withdrawn. In some cases, Aberdeenshire or Aberdeen City Councils have had to provide funding to support vital services but significant budget pressures can make this particularly challenging.  Key transport nodes within the Region are also not all fully mobility compliant, for example Aberdeen Rail Station — whilst access within and immediately around the station are mostly compliant, for example Aberdeen Rail Station — whilst access within and immediately around the station are mostly compliant, inks from the wider area are often stepped access. This disproportionately impacts particular groups, such as the mobility impaired, further restricting their access to services, employment and leisure facilities.	At 58% Aberdeen City has a significantly higher car mode share than Edinburgh (32%), Glasgow (36%) and Dundee (45%), at 70% Aberdeenshire car mode share is higher than all cities and both the Scottish national average (62%) and Scottish Rural Average (63%);  Car availability is significantly higher in Aberdeenshire than all other areas for households with two or more cars available, at 34% which is 12% higher than the national average and 9% higher than the Scottish Rural Average. Aberdeen City, at 19% also has a high level of car availability which is 5% higher than Edinburgh and Dundee and 9% higher than Glasgow.  Since 2011, total vehicle kilometres in both Aberdeen City and Aberdeenshire has increased by 3% and 8% respectively, compared to 5% nationally.  Mode share for travel to work by bus is lower than the comparator cities for Aberdeen, which at 12% is 13% lower than Edinburgh, 6% lower than Glasgow and 2% lower than Dundee. The picture is more mixed for Aberdeenshire which, at 4% mode share, is on a par with the Scottish Rural Average but 6% lower than the national average.  On average around 50% of postcodes in the region cannot reach any of the top 13 employment attractors within the 90-minute period by public transport.  Whilst cycle mode shares across the comparator areas are very similar, walk mode share for Aberdeen City (15%) is 12% lower than Dundee, 10% lower than Edinburgh and 7% lower than Glasgow. Equally the walk mode share for Aberdeenshire (8%) is 4% lower than the Scottish Rural Average and 2% lower than the national average.	
Outcomes	<ul> <li>Reduce the impact from the transport system on the region's environment, and enhances it where possible. The Aberdeen City Centre Masterplan is an example of a mechanism that will set the framework to prioritise bus access, relocate vehicle movements and improve the quality of urban space within the city centre.</li> <li>Increase the number of travel choices available for key journeys with a particular focus on making the alternatives to private car more attractive. For example, the Regional and Local policies i.e. the Nestrans Region Transport Strategy, the Aberdeen City and Shire Strategic Development Plan and the Aberdeen City &amp; Aberdeenshire Local Transport Strategies will promote initiatives around improving accessibility and inclusion, i.e. public transport improvement schemes.</li> <li>Increase the number of people using active travel modes, which are either free or low cost and beneficial to health. For example, the Grampian Health and Transport Action Plan which aims to reduce the adverse impacts of transport choices on public health</li> </ul>		

#### TPO TPO 2: Reduce the business costs of transport for all sectors of the economy to realise the aspirations of the Regional Economic Strategy Definition Focus is on improving the competitiveness of businesses in the region, which is a key aspiration of the City Region Deal. The objective should be one that promotes the local economy by improving connectivity to the transport network for businesses to efficiently and effectively access key markets. Additionally, a focus will be on addressing key problems such as transport related costs, long journey times and journey time reliability. As part of improving effective partnerships across bodies, participation and discussions should involve other key transport links including both air and maritime transport to improve strategic access to both domestic and international markets, and increase the competitiveness of the Aberdeen Region. · Connections to and integration of core growth areas; Relevant Themes Supporting key sectors and facilitating increased diversification of the region's economy; · Improving strategic connectivity What's the Problems & Opportunities Context **North East** Many of the Region's businesses rely heavily on the movement of materials, manufacturing of goods, The Region has a high performing economy - regional GVA Growth (1997-2015) shows Aberdeen City Problem/ provision of services and movement of people and goods. The oil industry in particular is reliant on the growth at 107% and Aberdeenshire at 135% compared to City of Edinburgh at 112%, Glasgow City at Opportunity? timely movement of oilfield equipment around the region and to key bases including harbours. 92%, Dundee City at 68% and SRA 87%. Additionally, food processors often need to get their finished goods to market quickly; the area has long Traffic modelling data (ASAM 2017) highlights several links over 75% capacity including on Wellington supply chains due to distance from the central belt, and geographic spread of settlements. Efficient access Road, Bridge of Dee, A956 south of Bridge of Don, A90 south of Ellon and A96 through Inverurie. to clients, to labour and to suppliers internally within the Region and to Scotland and the rest of the UK, is Additionally, modelling highlights several junctions over 85% capacity including Wellington Road, A90 therefore critical to business efficiency and to economic growth in the Region. both north and south approaches to city centre, and A947 both north and south of Dyce Future scenario However, a number of routes on the Region's road network experience high traffic volumes and runs show this situation to deteriorate approximately in line with development, highlighting a additional delay, particularly key routes in and around Aberdeen (such as A90, A96, A944, A956 requirement for future infrastructure investment. Outputs highlight an average 41% increase in travel Wellington Road / Market Street and Anderson Drive). Connections to the north (in particular the A90, time from 2017 to 2037 across all three time periods A947 and A96) are constrained by large sections of single carriageway. This results in extended and Traffic counts on key corridors into the city centre highlight that approximately 38% of all traffic unreliable journey times, driver frustration and potential safety issues that impact on business enters/leaves the city during the combined AM/PM peak periods performance. Access to key markets by rail (for the movement of goods and people) is also constrained by a lack of capacity and relatively long journey times. There was an Increase in vehicle KMs in both City and Shire between 2011-2016 of 3% and 8% compared to Scottish national increase of 5% The current lack of a high quality orbital route around Aberdeen means that business movements can be impacted significantly by deteriorating journey time reliability, particularly for movements between areas Less major cities, towns and local rail stations can be reached within a three-hour travel window by rail to the north and south of Aberdeen. Although at different stages of delivery, the Aberdeen Western from the region than Glasgow and Edinburgh; Aberdeen in 3hr window in AM 77 rail stations can be Peripheral Route along with Diamond Bridge, Bridge of Dee improvements and Haudagain junction reached directly or indirectly compared to 382 from Edinburgh and 329 from Glasgow improvements are significant interventions that will contribute to addressing this specific issue. Aberdeen International Airport is the third largest airport within Scotland, providing direct and frequent Much of the Region's land use planning is focussed on locating transport reliant sectors (i.e. off-shore flights to the rest of the UK and key European locations such as Amsterdam and Scandinavia. supply) close to each other to reduce the amount of travel needed (to benefit from symbiotic Additionally, the airport is the best-connected airport for UK to UK flights, which is a crucial aspect due relationships), and in proximity to key transport interchanges such as the harbour (including the new to the propensity of the airport to be used for business flights. In 2013, 61% of all passengers from South Aberdeen Harbour) and the airport. The presence of an international airport opens up Aberdeen City Airport were business travellers, compared to 30% at Edinburgh Airport and 27% at opportunities to access key markets, indeed the airport has significant business patronage. Glasgow Airport. The growth in passenger numbers has remained fairly static overall since 2011, although 2017 has now seen a return to increased passenger numbers. There are significant opportunities around technology (improved digital connectivity, freight planning and Successful interventions would be expected to: Expected Outcomes • Contribute to core growth areas being well connected to and integrated with existing land-uses and the transport network. The Regional and Local planning and transport policies i.e. the Nestrans Regional Transport Strategy, the Aberdeen City and Shire Strategic Development Plan and the Aberdeen City & Aberdeenshire Local Development Plans and Transport Strategies, will govern and promote effective land-use and transport integrations over the next 15 years. • Improve the efficiency of the transport system's access to key markets, i.e. reduce journey times and improve journey time reliability. For example, the Aberdeen Western Peripheral Route will contribute significantly to this as will the Wellington Road Multi-Modal Corridor Study. • Improve the Region's competitiveness such that it is not relatively disadvantaged by the transport system compared with other regions due to its peripheral location. For example, the Programme of Rail

Revolution and proposals to Dual the A96 by aiming to improve connections to external areas.

#### TPO TPO 3: Reduce the adverse impacts of transport on public health and the natural and built environment. Defini Focus is on alleviating transport related problems that adversely impact upon the quality of life in the region, including vehicle emissions and accidents, whilst maintaining and enhancing the high quality of the tion natural and built environment, which is a key factors in attracting and retaining a skilled workforce and tourism to the region. This will encompass opportunities linked to new technologies and initiatives, such as electric/hydrogen vehicles and Mobility as a Service. Relevant · Maintaining and enhancing the natural & built environment so that the region remains a desirable place to live, work and visit; Themes Increasing travel choices for all; · Reducing the need to travel What's the **Problems & Opportunities** Context **North East** The Region is well known for its outstanding natural and built environment and this is one of the reasons people choose to live Tourism numbers for the Region have grown year on year and the region is one Problem/Opp and visit. However, although it is recognised that if the wider transport network is not performing well this can have a negative of the most visited in the UK. Aberdeen ranked 7th of all places in the UK as a ortunity? location to have a weekend break (Laterooms 2017). The Region boasts impact on the attractiveness of the region. Europe's largest whisky trail, over 300 castles / country houses and historic Key areas of the road network, particularly around Aberdeen City Centre (i.e. Market Street, Union Street and King Street) are ruins, 55 golf courses, one National Park, five snow sports centres, one Royal physically constrained, experience high peak period traffic volumes and have relatively high proportions of slow moving heavy Home and over 165 miles of coastline containing some of the best locations for duty vehicles (such as HGVs and buses). These factors combine to contribute to high concentrations of vehicle emissions dolphin spotting. (Nitrogen Dioxide and Particulate Matter) which have necessitated the designation of an Air Quality Management Area around the City Centre. Poor air quality impacts negatively on health and wellbeing, and can result in undesirable consequences such At 58% Aberdeen City has a significantly higher car mode share than Edinburgh (32%), Glasgow (36%) and Dundee (45%), at 70% Aberdeenshire car mode share as creating barriers to increasing active travel modes (such as walking and cycling) within the urban environment. is higher than both the Scottish national average (62%) and Scottish Rural High traffic volumes within a city centre context can also be detrimental to the retail and service sector performance; the Average (63%). resulting emissions and potential safety concerns can reduce the attractiveness of the urban centres, and discourage people from spending time in these areas. Since 2011, total vehicle kilometres in both Aberdeen City and Aberdeenshire has increased by 3% and 8% respectively, compared to 5% nationally. With higher vehicle numbers across many parts of the Region's road network, and distances travelled increasing above the national average, Carbon Dioxide emissions from the Region are likely to be contributing negatively towards global climate There is an Air Quality Management Area for Nitrogen Dioxide and Particulate change. Matter (which has a detrimental impact on people and the environment) covering parts of Market Street, Union Street, King Street, Virginia Street, The declining bus offering (through service withdrawal/reduction through insufficient levels of demand) is limiting the Commerce Street, Guild Street, Bridge Street, Holdburn Street, Victoria Road, opportunities to travel by bus throughout the Region and it is often seen as uncompetitive when compared to the private car. Torry, West North Street, Wellington Road and Anderson Drive/Auchmill Road. There are however a number of opportunities to reduce the environmental impact of vehicles including the uptake of lower or A number of new housing allocations located in the south are located along the zero emission (e.g., electric and hydrogen) vehicles, the introduction of targeted demand management in selected areas (i.e. A90 corridor that could increase north/south travel on this route, which the AQMAs) and land use planning with a focus on reducing the need to travel, improving the coverage and quality of the ASAM 2017 model outputs indicate has several links above 85% capacity. sustainable travel network, using technology to more efficiently plan travel (e.g. MaaS) and digital connectivity to reduce the Analysis of proposed Local Development Plan land-use allocations over time need to travel. The investment in rail (e.g. Revolution in Rail, and Kintore Station) presents an opportunity for increase share of compared with the current public transport network shows a number of these more sustainable transport modes. areas are likely to have a relatively sparse route coverage and service frequency. Expected Successful interventions would be expected to: Outcomes • Reduce the impact from the transport system on the Region's environment, and enhance it where possible. For example, the Aberdeen Air Quality Action Plan aims to improve local air quality through a range of targeted interventions. • Increase the number of travel choices available for key journeys with a particular focus on making the alternatives to private car more attractive. For example, Regional and Local policies i.e. the Nestrans Regional Transport Strategy, the Aberdeen City and Shire Strategic Development Plan and the Aberdeen City & Aberdeenshire Local Transport Strategies, will promote initiatives around improving accessibility, i.e. public transport improvement schemes, over the next 15 years. • Reduce the need to travel such that alternative means are available to provide the region's residents the ability to fulfil more of their needs / responsibilities. For example, one of the six key project areas for

the Aberdeen City Region Deal is improving Digital Infrastructure which will make home working easier.

ТРО	TPO 4: Improve the integration of transport and land use to reduce the need to travel by private car		
Definition	Focus is on addressing problems that act as barriers to linking employment, retail / leisure and residential areas with a sustainable, connected public transport and active travel network to reduce the need to travel by private car. Additionally, a focus will be on creating a high quality digital network to reduce the need for travel.		
Relevant Themes	<ul> <li>Connections to and integration of core growth areas;</li> <li>Maintaining and enhancing the natural &amp; built environment so that the region remains a desirable place to live, work and visit;</li> <li>Reducing the need to travel;</li> <li>Supporting key sectors and facilitating increased diversification of the region's economy</li> </ul>		
What's the North East Problem/ Opportunity?	Problems & Opportunities  Whilst Aberdeen is the third largest city in Scotland, the Region is predominately rural in nature (covering an area in excess of 6,300km²). With Aberdeenshire's largest town, Peterhead, being less than 1/10th the population of Aberdeen, the city provides the majority of employment and services in the Region. Subsequently there is a significant draw to the eastern part of the region, and higher than average travel distances to work for Aberdeenshire residents (almost half travel further than 10km to work).  Car ownership across the Region is high, particularly the proportion of households with access to two or more vehicles in Aberdeenshire. With travel distances in Aberdeenshire also being relatively long, and public transport often being seen as an uncompetitive mode of travel, this results in high levels of car use. Car usage within Aberdeen City is also high, despite the fact that journey to work distances are generally lower than the national average (the majority of journeys (80%) are under 10km in length).  The longer travel distances and the geographic spread of the population make it more difficult to provide economically sustainable public transport to all areas of the Region. This also presents a challenge in encouraging greater use of active travel models. Current levels of access to digital networks, i.e. mobile or broadband, vary significantly throughout the Region. Where levels of access are poor, this limits individual's ability to work from home.  However, there is a clear link to increasing the level of integration of transport and land-use to facilitate reductions in the need to travel and increased modal choice / change. Locating multimodal (bus, rail and active travel) interchanges at key catchments nodes to allow travel for at least part of a journey by modes other than car, and removing the need to travel completely	At 58% Aberdeen City has a significantly higher car mode share than Edinburgh (32%), Glasgow (36%) and Dundee (45%), at 70% Aberdeenshire car mode share is higher than both the Scottish national average (62%) and Scottish Rural Average (63%).  Car availability is significantly higher in Aberdeenshire at 34% than all other areas for households with two or more cars available, which is 12% higher than the national average and 9% higher than the Scottish Rural Average. Aberdeen City, at 19% also has a relatively high level of car availability and is 5% higher than Edinburgh and Dundee and 9% higher than Glasgow.  The increase in vehicle KMs travelled in Aberdeen City and Aberdeenshire is 3% and 8% respectively between 2011 and 2016, compared to Scottish national increase of 5%.  On average around 50% of postcodes in the region cannot reach any of the top 13 employment attractors within the 90-minute period by public transport. Aberdeenshire areas which are identified as SIMD 20% most deprived currently have no direct bus to Aberdeen City Centre.  Local Development Plan allocations compared with the existing public transport network shows that there would continue to be a lack of provision to provide alternatives to the private car. Additionally, a number of new housing allocations located in the south are located along the A90 corridor that could increase north/south travel on this route, which ASAM 2017 model outputs indicate has several links above 85% capacity.  Lower levels of existing access to Ultrafast Broadband (speeds in excess of 100 mbps) within Aberdeen City representing 0.4% of the population and Aberdeenshire at 0.3% of the population, compared to Scottish national average of 43%, with only 63.5% of the Aberdeenshire population having access to 4G services.	
Expected Outcomes	through increased digital connectivity represent further opportunities.  Successful interventions would be expected to:  Contribute to core growth areas being well connected to and integrated with existing land-uses and the transport network. For example, the Regional and Local policies i.e. the Nestrans Regional T Strategy, the Aberdeen City and Shire Strategic Development Plan and the Aberdeen City & Aberdeenshire Local Transport Strategies will govern and promote measures to maximise integration, co and accessibility.  Reduce the impact from the transport system on the region's environment, and enhance it where possible. For example, the Aberdeen Air Quality Action Plan aims to improve local air quality through transport travel interventions such as traffic management (e.g. Intelligent Traffic Systems) and modal shift initiatives (e.g. active travel infrastructure and education programmes).  Increase the number of travel choices available for key journeys with a particular focus on making the alternatives to private car more attractive. For example, the Nestrans Bus Action plan which outlines a series of measures to improve bus services across the region.  Improve the efficiency of the transport system's access to key markets, i.e. reduce journey times and improve journey time reliability. For example, the Aberdeen City and Shire Strategic Development Plan and the Aberdeen City & Aberdeenshire Local Development Plans which aim to promote mixed use and linked development where possible to reduce travel or travel distances.		

ТРО	TPO 5: Improve the relative competitiveness of public transport compared to the private car		
Definition	Focus is on addressing problems and opportunities with regards to the perception that public transport is not currently a desirable alternative to the private car due to factors such as limited public transport network coverage within the region and cross-boundary, unreliable journey times and the low cost of parking availability within the city centre.		
Relevant Themes	<ul> <li>Connections to and integration of core growth areas;</li> <li>Maintaining and enhancing the natural &amp; built environment so that the region remains a desirable place to live, work and visit;</li> </ul>		
	<ul> <li>Increasing travel choices for all;</li> <li>Creating a safe, resilient and socially inclusive transport system</li> </ul>		
What's the North East	Problems & Opportunities	Context	
Problem/ Opportunity?	Due to the rural nature of the Region and the geographic spread of the population, it is challenging to provide an extensive and inclusive public transport network. Bus service provision operates within a deregulated market such that most services require to operate at a profit. Whilst socially necessary services are supported by Aberdeen City and Aberdeenshire Councils, funding for these services continues to come under severe pressure.	Aberdeen City Bus mode share at 12%, is relatively low compared to Edinburgh (25%), Glasgow (18%) and Dundee (14%). Aberdeenshire at 4%, is 6% lower than the Scottish national average, although this is at a similar level to the Scottish Rural average.	
	Bus service provision in the Region is therefore typically focused on the radial corridors that link the other main population centres with Aberdeen City (i.e. A90 (north and south of Aberdeen), A96, A944 and A93). Out with these corridors, and further from the outskirts of Aberdeen, bus service provision reduces markedly along with population density. Even along strategic corridors and within the City, services have seen a gradual reduction particularly the late night and weekend services, and results in impacts on improving social inclusion.	Bus passengers are often required to complete one or more interchanges in order to reach their destinations. In some cases, a journey that could be completed by car in 15 minutes can take over 70 minutes by bus.  On average around 50% of postcodes in the region cannot reach any of the top 13	
	Journeys to destinations out with Aberdeen and peripheral areas of the City often must first travel into the city centre to interchange and then travel back to the intended destination, which is a disincentive to many potential bus users. Bus mode share is relatively low, with season ticket prices generally high and journey time reliability impacted during the peak periods. This can result in a perception that the service provision and quality is low, reducing the attractiveness of public transport as an alternative to the private car. This is exacerbated by the prevalence of low cost daily parking within Aberdeen City Centre.	employment attractors within a 90-minute period by public transport.  Aberdeenshire areas which are identified in the SIMD 20% most deprived currently have no direct bus to Aberdeen City Centre.  A season pass on the bus network in Aberdeen City is £160 more expensive than a season pass for Dundee City, and £130 more expensive than a season pass in	
	The rail network coverage is focused on two corridors to the north west and south of Aberdeen. Patronage along these two corridors however exhibits strong growth and services suffer overcrowding particularly during the peak periods.	Glasgow. A season ticket for Edinburgh is £5 more expensive.  Cost of all day parking in city is often cheaper than return rail travel, with the	
	There are proposals to reopen Kintore Station, studies ongoing to investigate extending the rail network north to Ellon, and the Programme of Rail Revolution to introduce new and extended service provision will allow further opportunities for growth.	average price of a 9-hour stay being approximately £11. This compares with an average for Edinburgh of £19.30 and for Glasgow of £21.04.	
	There is significant potential for collaboration between the public sector and bus operators to successfully drive an improved perception of public transport and an increase in overall public transport mode share across the Region. Use of technology to efficiently manage on demand bus service provision, infrastructure investment to provide bus priority on congested corridors, high quality and mobility compliant park and choose schemes and city centre parking restraint will all contribute to increasing public transport competitiveness.	The eight rail stations in the region show significant levels of growth in boardings between 2010 and 2016; Aberdeen 17% (+495,642); Inverurie 54% (+188,182), Dyce 15% (+84,736), Stonehaven 11% (+52,976), Portlethen 206% (+37,942), Insch 36% (31,524), Laurencekirk 42% (+30,942), Huntly 18% (+15,836)	
Expected	Successful interventions would be expected to:		
Outcomes	• Contribute to core growth areas being well connected to and integrated with existing land-uses and the transport network. The Regional and Local planning and transport policies i.e. the Nestrans Regional Transport Strategy, the Aberdeen City and Shire Strategic Development Plan and the Aberdeen City & Aberdeenshire Local Development Plans and Transport Strategies, will govern and promote effective land-use and transport integration over the next 15 years.		
	• Reduce the impact from the transport system on the Region's environment, and enhance it where possible. The Aberdeen City Centre Masterplan is an example of a mechanism that will set the framework to prioritise bus access, relocate vehicle movements and improve the quality of urban space within the city centre.		
	• Increase the number of travel choices available for key journeys with a particular focus on making the alternatives to private car more attractive. For example, the Regional and Local policies i.e. the Nestrans Regional Transport Strategy, the Aberdeen City and Shire Strategic Development Plan and the Aberdeen City & Aberdeenshire Local Transport Strategies will promote initiatives around improving accessibility and inclusion, i.e. public transport improvement schemes.		
	<ul> <li>Reduce the number of accidents, enable the transport system to better accommodate unexpected changes and be cost effective to use. I proposes a variety of road safety improvements along with Bus Priority Infrastructure which would reduce bus / vehicle conflicts.</li> </ul>	For example, the Fraserburgh – Peterhead to Aberdeen Transport Corridor Study which	

ТРО	TPO 6: Maintain and enhance a safe, resilient and reliable transport network		
Definition	Focus is on addressing problems associated with road safety, particularly vehicle / active travel conflicts, and a lack of alternative routes should incidents occur. It is linked to opportunities concerning continuing road safety initiatives, freight movements and benefits that may be realised by capitalising on future major infrastructure commitments, such as Aberdeen Western Peripheral Route.		
Relevant Themes  What's the North East	<ul> <li>Supporting key sectors and facilitating increased diversification of the region's economy;</li> <li>Creating a safe, resilient and socially inclusive transport system;</li> <li>Improving strategic connectivity</li> </ul> Problems & Opportunities <ul> <li>Context</li> </ul>		
Problem/Opportunity?	The Region has a diverse road network with a combination of lightly trafficked rural routes, heavily trafficked semi- urban routes, particularly key routes into and around Aberdeen (such as A90, A96, A944 and Anderson Drive) and heavily trafficked urban routes. North / south traffic currently requires to route either through the city centre or in close proximity to it. This causes issues with longer journey times that are impacted by reduced journey time reliability, which is further exacerbated when incidents occur with the subsequent disruption of the network's operation. Accidents can have disproportionate impact on road network, due to many routes operating beyond capacity at peak times.  With many of the routes connecting Aberdeen to the rest of the Region being of single carriageway standard, and reliant on a limited number of river crossings particularly in Aberdeen, the network is less resilient in terms of coping with accidents or planned maintenance. Many of the Region's businesses rely heavily on the efficient, reliable distribution of materials and equipment around the Region, to the rest of Scotland and the UK, some of which are time dependant. In addition, a safe and resilient transport network is essential to business efficiency and economic growth in the Region, with the Aberdeen Western Peripheral Route and other recently or near completed infrastructure making significant contributions to improving the operational efficiency and resilience of the road network.  As a trend, road safety continues to improve across the Region although there are areas that continue to account for a disproportionate number of accidents, particularly fatal accidents in rural parts and on high speed routes.  In terms of rail, there are also issues with overcrowding on peak rail services. This is due to strong growth in patronage in the Region, partly due to growth in housing particularly in Inverurie and Insch. This is likely to be exacerbated by further development on / near rail corridors.  The Rail Revolution prop	Model outputs from ASAM 2017 highlights several links over 75% capacity including on Wellington Road, Bridge of Dee, A956 south of Bridge of Don, A90 south of Ellon and A96 through Inverurie. Several junctions over 85% capacity including Wellington Road, A90 both north and south approaches to city centre, A947 both north and south of Dyce Increases in vehicle KMs in both City and Shire between 2011-2016 of 3% and 8% respectively, Scottish national increase is 5%. Traffic modelling has shown this trend to continue through future years.  The A90 accounted for 9% of all accidents in the region between 2011-2016, and the A96 from Anderson Drive to the north LA boundary accounts for 4% of all accidents. 76% of fatal accidents between 2011-2016 happened in rural locations, compared to 58% nationally. 51% of all accidents took place on roads where the speed limit is greater than 50mph, compared to 19% nationally.  Approximately a quarter of all accidents in the region (2016) involved a pedestrian or cyclist - concerns about vehicle and pedestrian / cyclist accidents are a potential contributing factor in the limited uptake of active travel in particular.  There are only 2 recognised Lorry parking facilities/service stations in the area, A96 at Cairnie and A90 at Fordoun which makes rest stops difficult to undertake without prior planning.  The AWPR is expected to improve freight links, reduce the time to market for goods and to reduce accidents due to the high quality route and modern design standards.  The eight rail stations in the region show significant levels of growth in boardings between 2010 and 2016; Aberdeen 17% (+495,642); Inverurie 54% (+188,182), Dyce 15% (+84,736), Stonehaven 11% (+52,976), Portlethen 206% (+37,942), Insch 36% (31,524), Laurencekirk 42%	
Expected Outcomes	<ul> <li>Successful interventions would be expected to:         <ul> <li>Improve the efficiency of the transport system's access to key markets, i.e. reduce journey times and improve journey time reliability. For example, the Aberdeen Western Peripheral Route is an intervention that seeks to reduce journey times and improve reliability.</li> </ul> </li> <li>Reduce the number of accidents, enable the transport system to better accommodate unexpected changes and be cost effective to use. For example, the North East Scotland Road Casualty Reduction Strategy is a specifically targeted strategy that will contribute to the continuing drive to reduce the number of fatal and serious accidents in the Region.</li> <li>Improve the Region's competitiveness such that it is not relatively disadvantaged by the transport system compared with other regions due to its peripheral location. For example, the Programme of Rail Revolution and proposals to Dual the A96 by aiming to improve connections to external areas.</li> </ul>		

Appendix 3 – Findings from Elected Members Workshop – 1 June 2018

Subject Notes from Elected Members Workshop on 1 June 2018

Client Various Date 4 June 2018

**Project** Aberdeen City Region - Strategic Transport Appraisal

**Project No.** B2289FAT **File** Notes from Members

Workshop\_010618

Prepared by Stuart Turnbull Phone No. 0131 659 1603

Notes			Action	
1	Problems and Opportunities  General consensus that problems and opportunities have been captured. Specific comments/points to consider are:			
	1.	Highlight problems and importance of connectivity between the region and the rest of Scotland and the UK.	Undertake a general review of the A3 Objective Sheets to strengthen the points raised below. Amend the description of the key problems and opportunities as follows:	
	2.	Emphasise that a key issue for public transport is that it is very often uncompetitive when compared to the car	Add a new key problem related with the need to ensure that the region's connections to the Central Belt and rest of the UK are enhanced	
	3.	Interchange is a blocker, particular given the radial nature of the services to and from Aberdeen City Centre	Under the problem related to perception of public transport, highlight specific issues around competitiveness/interchange	
	4.	Highlight the lack of existing quality active travel routes and emphasise the future opportunities associated with this.	In the opportunities, make reference to opportunities for improving active travel routes linked to the City Centre masterplan	
	5.	Highlight the importance of public transport in relation to providing access to jobs	Review key problems and opportunities and identify if this would aid the table without losing a key problem or opportunity.	
	6.	Consider a "read-across" between the top key problems and equivalent or related opportunities.		
2	Obj	ectives		
	Members were keen to understand the next steps and how the objectives will be used to develop the future transport strategy for the region.			

Undertake a general review of the A3 Objective Sheets to strengthen the points raised below.

#### **Notes** Action General consensus that the overall themes of Amend the wording of the draft objectives as the objectives cover the pertinent issues. Some follows: specific comments on the wording and the rationale behind the objectives was suggested: Add reference to improving connectivity within TPO2 1. Consider including reference to the need for improved connectivity within one of the Reinstate the word "business" before costs in objectives. TPO2. Consider whether "costs" is the correct wording, or whether this should relate to Be more specific around TPO2, to clarify Journey Times which "costs" are referred to Already covered in TPO5 but highlight need for 3. Emphasise the need for competitive public improved interchange, and addressing nontransport within one of the objectives radial movements in the TPO description Review the language in TPO1 in relation to Add reference "for all" in the first part of TPO1 "disadvantaged" and "vulnerable" Review TPO3 and consider if "Public Health" should be specifically worded in the objective. 5. Need to recognise the links to public health No change to objectives but reflect opportunities for technology in the text 6. Opportunities for recognising the potential explaining the context for various TPOs (eg for future technologies could be reflected in digital connectivity, EVs and Hydrogen the objectives Vehicles, MaaS) No change to objectives but reflect 7. Clarify where freight issues and opportunities for freight initiatives in the text opportunities relate to the objectives, and explaining the context for various TPOs strengthen links in the analysis process. 3 Other Issues Consider engaging with young women/families No action for this commission. To be to understand particular needs of this considered further by the Project Group demographic group. 4 **Next Steps** Jacobs to update the Interim Report for 7 June. Aim to circulate updated draft for comments by Report will be finalised after the round of noon on Wed 6th June. Committee Meetings being held in during w/c 18 June. Aim to have updated full report available for In the meantime, Jacobs to update the full report initial review by 22<sup>nd</sup> June. to take account of the feedback from the Client Group and the Members workshop

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#### **ABERDEEN CITY COUNCIL**

COMMITTEE	City Growth and Resources
DATE	19 June
REPORT TITLE	Neighbourhood Audits of Regeneration Areas
REPORT NUMBER	PLA/18/034
DIRECTOR	Steve Whyte
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Angela Taylor
TERMS OF REFERENCE	2.2 determine the Council's strategies for city growth and place planning except in relation to major infrastructural planning; and 2.3 consider reports on key actions by the Council towards the delivery of the Regional Strategy and the Inward Investment Plan.

#### 1. PURPOSE OF REPORT

1.1 The purpose of this report is to inform Committee of the findings of five neighbourhood audits carried out in the regeneration areas of Middlefield, Woodside, Tillydrone, Torry and Seaton, on behalf of Aberdeen City Council, as part of the Progress Through Positive Partnerships project, and to approve proposed actions to address points raised in those reports.

#### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the content of the five neighbourhood audit reports and overall report;
- 2.2 Instructs the Chief Officer, City Growth, and the Chief Officer, Digital and Technology, (working with the Council's Digital Partner) to develop and implement an app which can be used by Council employees, partner agencies, and members of the public to access information about support services available to them;
- 2.3 Instructs the Chief Officer, City Growth, to work with partner organisations to investigate the feasibility of running regular neighbourhood career and support sessions in the regeneration areas; and

2.4 Instructs the Chief Officer, City Growth, and the Internal and External Communications Manager to work with partner agencies to develop and deliver a marketing strategy to promote the availability of training and support services across the city.

#### 3. BACKGROUND

- 3.1 Aberdeen City Council secured European Structural Fund (ESF) monies to deliver the Progress Through Positive Partnerships employability project, which was approved by the Communities, Housing and Infrastructure Committee in August 2016. As part of this project, a series of neighbourhood audits designed to identify the needs of local people in the regeneration areas of Middlefield, Woodside, Tillydrone, Torry and Seaton, was carried out.
- 3.2 Pathways Services was commissioned, following a competitive tendering exercise, to carry out the audits and identify what services local people wanted, key barriers to improving their lifestyles, individual aspirations, and future service provision requirements, with the aim of identifying what services were required. The exercise also sought to identify what services the area residents were aware of locally and whether new and existing services could be better targeted.
- 3.3 The surveys were carried out over the summer and early-autumn, when the canvassers went door-to-door across the regeneration areas, as well as attending community events and having a presence at community facilities, including rent offices.
- 3.4 The aim was to get 200 survey responses in each area, but unfortunately, despite repeated attempts to engage with residents, the canvassers were unsuccessful, to varying degrees in different areas, in achieving this number. A number of those spoken to expressed an interest in receiving support via the project and have been invited to register. Leaflets and calling cards were left at homes where there was no response and ongoing efforts to engage with those who did not take up the offer of assistance at the time of the survey will be made via the marketing campaign.
- 3.5 Each of the area reports, attached as appendices to this report identifies themes and issues raised in each area. A number of common themes runs throughout, and this is highlighted in the overall report Skills Audit Report on Regeneration Areas in Aberdeen City. As a result, the same recommendations are put forward for addressing the issues in each area.
- 3.6 The main issues identified were:
  - Lack of understanding and knowledge of eligibility for in-work benefits;
  - Need for greater promotion of available support and benefits;
  - Need for partner organisations to link up and have a presence in the localities to increase knowledge of and access to services;
  - Need for affordable, accessible childcare in neighbourhoods;
  - Requirement for more training, and particularly more locally-available training in the city and neighbourhoods;

- Need for more work trials, coaching, and key-worker support and services to address barriers to employment for those seeking to enter or return to the workforce;
- Many people seeking to enter the workforce are looking for less than the
  average Aberdeen weekly wage, reflecting a tendency towards seeking
  lower and semi-skilled jobs and the need to ensure that there are
  opportunities to progress and secure more skilled employment either
  immediately or at a later stage.
- Much of the help sought is available, but people don't know how to access it.
- 3.7 As can be seen from the appendices, the recommendations centre largely around awareness-raising of support and benefits available and encourage significant promotional activity through a range of means to connect people to that support. The development of an app, which could be simply and regularly updated and easily accessed by council staff, support and partner agencies, service providers, and the public would a significant step towards the provision of a virtual one-stop shop and help to signpost people towards support.
- 3.8 The Progress Through Positive Partnerships project is due to run until December 2018, however options to extend it for up to four more years utilising remaining ESF resources and for the associated additional match funding are being explored meantime.

#### 4. FINANCIAL IMPLICATIONS

- 4.1 The delivery of improved signposting and access to support services could lead to a reduction in costs to the Council through a reduced reliance on benefits, such as housing and council tax benefits through supporting people into paid employment, as well as through a potential reduction in court and recovery costs associated with the termination of tenancies as a result of housing rent arrears. This is a potential positive outcome and could be achieved through pointing people towards organisations such as the Council's Financial Inclusion Team, Cash In Your Pocket, and Shelter, which support people who are in financial difficulty to address those difficulties with a view to preserving tenancies and avoiding debt-related recovery actions.
- 4.2 There is also the potential for efficiencies through saving staff and partner time in identifying and finding contact details for support organisations, and through individuals being able to identify them themselves rather than relying on the council to do so.
- 4.3 The costs of any joint marketing campaign would be met from the Progress Through Positive Partnerships budget and partner contributions. Although not formally costed, it is anticipated that the app development costs would be less than £10,000, which could be met from the project budget though contributions would be sought from other partner sources. Due process would be followed in terms of procurement regulations.
- 4.4 The costs of regular neighbourhood career and support sessions in the regeneration areas would be met through the project budget and delivered by

the project using contracted organisations, in partnership with employability training providers, such as Pathways Services, and with the potential for Job Centre Plus and Skills Development Scotland to take a role in this. Services would also be delivered by businesses requested to do so as part of their Community Benefit clause obligations.

#### 5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report.

#### 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Customer	The recommendations made in the Neighbourhood Audit reports bring forward new ways to engage with and support customers on their doorsteps and digitally. These will not be realised if the recommendations are not pursued. The potential benefits of making people more aware of the support they are entitled to may not be realised without awareness raising campaigns and a presence in communities.	L	A Progress Through Positive Partnerships communications plan has been drafted to support the work of the project and will be updated to find new ways of spreading information about services available to the public.
Reputational	Failure to act on the findings and recommendations of the reports may carry some reputational risk to Aberdeen City Council, as it may be seen to be aware of the difficulties facing people, but doing little to support them back into work. This	M	A Progress Through Positive Partnerships communications plan has been drafted to support the work of the project and will be updated to find new ways of spreading information about services available to the public.

media.
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# 7. OUTCOMES

Local Outcome Improvement Plan Themes			
	Impact of Report		
Prosperous Economy	Inclusive Economic Growth - We will ensure there access for all employers to qualified labour.  We will significantly improve the city throug regeneration of our communities and ensuring vibrant economy.  By providing improved access to support services training and job seeking skills, people living in our communities will be in a stronger position to find an sustain employment, improving their lifestyles an reducing reliance on the state.		
Enabling Technology	Digital Innovation – Aberdeen City is the location of choice for businesses to develop in digital innovation, supported by academic and public sector activity.  The development of an app to support council and other public sector staff, support agencies, service providers and the public would improve knowledge of services available and accessibility to them, while also signposting people to the help and agencies available in their local areas, as well as in the city as a whole.		

Design Principles of Target Operating Model			
	Impact of Report		
Partnerships and Alliances	Closer working with partners and the strengthening of existing relationships would support the further development of a strategic employability pipeline in Aberdeen, while encouraging cross-referrals resulting in greater support for those citizens in need of it and reducing duplication of effort.		

#### 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact	The recommendations arising from this report do not require that a fill Equality and Human Rights Impact
Assessment	Assessment is completed.
Privacy Impact Assessment	Not required
Duty of Due Regard / Fairer Scotland Duty	This report meets the Fairer Scotland Duty.

#### 9. BACKGROUND PAPERS

9.1 Report CHI/16/154 European Social Fund – Employability Pipeline CH&I Committee report August 2016

#### 10. APPENDICES (if applicable)

- 1. Skills Audit Report on Regeneration Areas in Aberdeen City
- 2. Middlefield Neighbourhood Audit
- 3. Woodside Neighbourhood Audit
- 4. Tillydrone Neighbourhood Audit
- 5. Torry Neighbourhood Audit
- 6. Seaton Neighbourhood Audit
- 7. Report CHI/16/154 European Social Fund Employability Pipeline

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# Skills Audit Report On Regeneration Areas in Aberdeen City





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#### **Executive Summary**

This Report provides an overview of the findings of a series of five Neighbourhood Audit Reports commissioned by Aberdeen City Council through the Progress Through Positive Partnerships project.

The audits were carried out in mid to late-2017 across regeneration areas of Aberdeen by a team of independent canvassers to maintain impartiality throughout the process. Separate reports are available for each area.

Five areas – Middlefield, Seaton, Tillydrone, Torry and Woodside – were audited. The survey covered topics such as length of unemployment, barriers to returning to employment and qualifications held, as well as willingness to re-train and the support people would benefit from to improve employability and find work.

Half of all respondents were not working. Of those not in employment, almost seven tenths had been unemployed for over six months, although less than half had been affected by longer term unemployment of over 2 years. This potentially reflects that the areas have been harder hit by the recent downturn in the local economy than other areas.

Further reflecting the length of unemployment faced, there was no single outstanding barrier to returning to employment noted by respondents, although the cost of working and the cost of childcare were the most common answers across all areas.

It was also noted that across all areas benefit uptake was lower than expected, with well below a tenth in receipt of Jobseekers Allowance and less than one fifth in receipt of Tax Credits, despite wages being received being well below average and the numbers stating they were unemployed.

Almost two thirds of respondents were willing to re-train to improve their skills, with realistic expectations of the funding or wage they could expect to receive while doing so.

Just over two fifths of respondents went on to further or higher education after school, although it was noted that respondents often did not gain employment relating to their qualifications, with half not doing so.

Almost two thirds of respondents also reported that they are available for work or training. Respondents felt that more locally available help, locally available training, increased availability of training in the city and an increase in childcare were required.

It is therefore recommended that awareness of current provision available, including childcare, is raised, so that the support and different routes back into employment which are available are highlighted, ensuring that people are connected to the training and jobs they are seeking and receive appropriate financial support where available.

#### Introduction

#### **Background**

In 2017 Pathways was funded by Aberdeen City Council, as part of the European Structural Fund-supported Progress Through Positive Partnerships project, to carry out a Neighbourhood Audit of the Regeneration areas of the city. Separate reports were produced, covering each area, are individually available.

An important aspect of the Audits was to identify what services local people were aware of locally and how new and existing services could be better targeted.

The Audits were carried out during 2017, with further results obtained through use of Survey Monkey and the results then entered into a database for compilation.

This report looks at the information gathered from the area audits to provide a brief overview of findings. Detailed analysis of the findings of each area can be found in the report on that area, which can be obtained from Angela Taylor, Senior Project Officer, City Growth (AngTaylor@aberdeencity.gov.uk).

#### **Citywide Comparison**

Each individual report also contains comparisons between the areas audited and Aberdeen city as a whole. As expected for regeneration areas, looking at a range of indicators such as employment, income, health and housing, the comparisons show the audited areas to be at a disadvantage against the city as a whole.

In 2016 Aberdeen City Council produced a paper analysing the most recent Scottish Index of Multiple Deprivation figures (Briefing Paper 2016/05). The SIMD looks at small areas of Scotland, called datazones, to look at indicators in small local areas. There are 6976 datazones in Scotland, of which 283 are in Aberdeen.

The figures show that Aberdeen has 9 of the overall 15% most deprived data zones in Scotland, with a further 13 in the overall 20% most deprived data zones.

When looking at individual indicators, the SIMD shows that just 4 datazones (Employment) and 5 datazones (Income) are in the worst 15% ranked across Scotland.

More concerning is that 46 datazones are in the worst 15% for Education, Skills and Training and that this figures, in contrast to those above, has actually risen since 2012.

However, it should be noted that when analysing these figures the full impact of the downturn in the oil industry across all economic sectors had not been fully felt in 2016 and that the position is likely to have worsened since then.

It should also be noted that these figures are based on datazone information from 2016 and that with the current economic downturn these figures may have declined further.

#### Methodology

A questionnaire was developed in partnership with Aberdeen City Council's Progress Through Positive Partnerships project team, covering a range of topics such as length of unemployment, job goals, re-training etc.

It was initially planned to deliver the questionnaire solely through door-knocking. However, due to a lower than expected response rate from the door-knocking exercise the survey was also made available through Survey Monkey.

A team of canvassers was recruited from a broad range of backgrounds, which enabled canvassing to be delivered throughout the day when the majority of those currently disengaged would be at home. This had the benefit of ensuring neutrality during completion of the questionnaires.

All doors in each area were knocked on during the course of the canvassing, which was delivered over a minimum of a 3 week period for each area, with the exception of Seaton where the canvassers worked for 7 weeks. Where no replies were received repeat visits were made, so that all doors at which a reply was not received were knocked on at least 3 times.

Those residents in employment were asked questions relating to their employment including hours per week, wages and whether any benefits were received in the household.

Those residents who confirmed they were unemployed were asked the length of time since they had last worked, hours and wages they would consider, the benefits they receive and their likes or dislikes about their last job.

All clients then answered a series of questions on the following topics:

- Willingness to Re-train
- Training & Qualifications
- Goals & Aims
- Support Requested

A total of 692 questionnaires were completed through door-knocking across the regeneration areas, by 284 males and 396 females, with 12 people declining to answer which gender.

#### Survey Monkey

As the response to the door-knocking element was lower than expected the Survey was also made available online through Survey Monkey. This was heavily promoted through the City Council's online media, Pathways' Facebook page and through SHMU Radio.

This met with limited success with a further 300 people from across the city completing the survey. Of these over two thirds (206) were from outwith regeneration areas, of whom 89 were male and 117 female.

The main difficulty faced in correlating these responses with those received through door-knocking was that in the vast majority of cases respondents did not complete all the questions, This makes it difficult to include these responses in the overall report, although wherever possible this has been done.

#### **Findings**

#### i. Employment Status

Across the regeneration areas a total of 351 people who completed the questionnaire worked full time.

The percentage of respondents working full time in each area ranged from 54% in Middlefield to 65% in Tillydrone, with the majority of people in each also having been in their job for at least 6 months and at least 27% having been in their job for more than 5 years.

Very encouragingly, the vast majority of respondents who were in employment stated that they were happy with the hours they worked – this ranged from 85% in Torry to more than 92% in Woodside. This suggests that whether people are working full or part time they are comfortable with their working hours.

However, the percentages working full time were not reflected in the earnings received, with a range of 18% (Middlefield) to 30% (Torry) earning over £300 per week, which is well below the median earnings in Aberdeen City of £483 when looking at full and part time workers combined.

It could be concluded from these figures that respondents were working in lower paid and consequently lower skilled jobs and this was reflected when people were asked what their job was, with the vast majority working in low or semi-skilled professions.

Worryingly, despite this low income the numbers of people in receipt of in-work benefits across all the areas was very low, with never more than 17% in any area receiving these benefits. This would suggest that awareness of these benefits needs to be raised to prevent people slipping into in-work poverty.

Unfortunately, in the Survey Monkey element of the Audit, although 177 people stated they worked full time less than a quarter gave their weekly wage, although it was notable that earnings were much higher in this response, perhaps reflective of the fact that the majority lived outwith regeneration areas.

#### ii. Unemployment

Those who stated they were not working were asked a number of questions relating to their last job and their future goals and expectations.

A total of 349 people from across the regeneration areas who completed the survey stated they were unemployed. Across all areas around 90% stated they had previously worked, mostly full time.

Across all the areas audited the main reasons given for leaving the last job held were Had Children, Stress and Illness. Other common reasons given for leaving a job included Being Made Redundant and the Hours or Shifts required.

In common with those currently working, the wages which had been earned by those now unemployed when they worked were low. The highest percentage earning over this amount was in Torry, with just 43% earning over £300 per week, which dropped as low as 24% in Middlefield.

Of concern across all the areas was the high number of people who had been unemployed for over 6 months, which at 240 represented 69% of those answering the question. Of further concern within this figure is that 77 people stated that they had been unemployed for over 5 years and of these 48 had not worked for over 10 years.

Respondents were also asked what they most liked about their former employment, with the most common answers being:

- 1. Money/ Wage;
- 2. Social Aspect; and
- 3. Being part of a team.

These answers are in line with previous surveys carried out elsewhere which consistently show that one of the main benefits of working is the social benefit (and consequent mental health benefits) which can be gained from employment.

However, respondents were also asked what they did not like about their last job. The most common answers given were Stress, Pressure and Hours or Shifts.

Noticeably, as would further be expected from the below average wages noted, respondents across all areas tended to have been in lower or semi-skilled jobs, although there are individual exceptions to this across all areas, such as engineers, a plumber, an accountant and a teacher.

A similar finding was noted when asked what job people were seeking, with lower and semi-skilled jobs being the most commonly given answer.

Respondents were asked what steps they would need to get back to work. Across all areas the most common responses were:

- Build self-confidence;
- Work experience; and
- Update their CV

Following this respondents were asked what concerned them about returning to work, and highlighted the following:

- Childcare cost and availability;
- Stress;
- Time away from family; and
- Wage available for the work.

When asked why these were barriers there were four almost universal replies:

- Didn't think help was available for them;
- Didn't know where to find help;
- Loss of benefits; and
- Loss of benefits security.

Unsurprisingly, following on from these responses, when respondents were asked what help was needed the most common replies were:

- Locally available training;
- Locally available help;
- Increase in childcare provision; and
- Financial help when starting work.

Other common replies included Work Placements, Money and Career progression.

Taken as a group of questions these highlight an ongoing need to both make provision as accessible and affordable as possible and to raise awareness of existing provision.

When asked at this stage what wage would be required to work, less than half stated they would require over £300 per week, closely mirroring both the earlier answer to their previous wage and the tendency noted towards seeking lower or semi-skilled jobs.

#### iii. Benefits

All respondents, whether employed or not working, were asked what benefits were received in the household.

Across all areas the most commonly received benefits were Child Benefit, Housing Benefit and Tax Credits.

However, many respondents were potentially either unaware of the full range of benefits they were in receipt of, or not claiming all they were entitled to as the percentages claiming Jobseekers Allowance were never higher than 10% across any area and those claiming Universal Credit no higher than 2. These figures combined do not correspond with the percentage classing themselves as unemployed, which was normally around half of the respondents in any one area.

#### iv. Willingness to Re-train

This section asked all respondents about the length and type of re-training they were willing to undergo to secure employment. In each area at least two thirds of respondents stated that they would be willing to re-train to get back to work.

In each area half of those willing to re-train also said they would be willing to train for over 6 months, whilst almost a fifth were willing to re-train for up to 6 weeks.

When asked what rate of benefit they would require while re-training almost a fifth stated they would be willing to do so for their current benefit rate. Of those people who were working and responded over half in each area would be willing to re-train for their current salary.

To complete this section respondents were asked where they would find out about re-training, for which the main answers, discounting those who would re-train through their employer, were as follows:

- 1. Social Media:
- 2. Jobcentre Plus;
- 3. Friends & Family; or
- 4. Newspaper.

#### v. Training & Qualifications

This section focused on time spent in education, both in school and beyond, including the qualifications gained. The section was completed by all respondents.

Respondents were asked what the highest level of qualification they had attained at school was. There was a noticeable difference between areas, with at the lowest just 26% of people in Middlefield having achieved Highers or equivalent, rising to the highest of 50% in Woodside. However, in each area between 10% and 20% did not achieve any qualification.

Respondents were also asked about further and higher education, with around half in each area having attended college. Across all areas between 67% (Middlefield) and 82% (Woodside) completed their course and achieved qualifications.

Of those respondents who had attended further education between 40% (Middlefield) and 51% (Woodside) gained employment directly related to their course and qualifications.

The last part of this section asked what other training had been attended. Between two fifths and half stated that they had attended further training beyond school or further education. By far the majority of this was on-the-job training, covering a wide spectrum of courses from CSCS and security courses through to nursing, teaching and accounting.

#### vi. Goals & Aims

This section asked for people's aspirations and was completed by all respondents.

Of those who answered, between 51% (Seaton) and 65% (Torry) stated that they were available for work, with the majority in all areas looking for full time employment. Less than 10% of people put restrictions on the area of the city they would work in, with around a fifth willing to travel outwith the city to secure employment.

The numbers willing to consider self-employment varied greatly from area to area, although encouragingly this was never lower than 26% in Tillydrone and rose as high as 45% in Torry.

In common with the answers given earlier in the audits, the weekly wage stated as required to return to work was lower than expected. Between 46% in Woodside and 62% in Middlefield stated that they would require at least £300 per week, which as highlighted earlier in the report is well below the citywide median earnings of £483 per week per week.

When asked at this stage of the questionnaire what help they thought should be in place to help people back to work the most common responses were:

- 1. Locally available help;
- 2. Locally available training;
- 3. More training available in the city:
- 4. More affordable childcare:
- 5. Financial help to start work; and
- 6. Wider availability of work placements.

Meanwhile, between 64% (Middlefield) and 80% (Woodside) would consider voluntary work as a way of developing skills.

#### vii. Support Requested

To conclude the questionnaire unemployed respondents were asked what support they felt would be beneficial to help them return to work, with the following most common responses:

- 1. Financial support to return to work;
- 2. Work experience placements;
- 3. Help with CVs;
- 4. Training for a specific job;
- 5. Free IT Training; and
- 6. Confidence Building classes.

The figures above suggest that people are seeking support which does currently exist, highlighting the need for increased publicity and awareness of existing support, and ensuring support is available in the localities.

#### Recommendations

The findings in each area showed only small variations and this has led to the same recommendations being made for each of the areas and subsequently to the same overall recommendations.

1. Ensure people are aware of the support available.

The type of support looked for broadly matched the support which currently exists within the city.

However, although people stated that they were seeking existing support, the numbers of people from the regeneration areas accessing that support are lower than would be suggested by these answers.

It is also noticeable that, whilst being broadly aware of existing support, when queried about the type of support which should be made available a number of respondents stated that there should be locally available support and training, much of which does currently exist.

It is therefore important that the existing support and any new support, such as through the Progress Through Positive Partnerships (PTPP) programme, is heavily publicised across the areas.

The pipeline of employment support which has been put in place by PTPP is an important step in providing access to training and employment opportunities and this should be heavily and consistently marketed through all forms of media, with social media prominent in any future promotion of services.

By consistently "blanket" advertising the available services across a variety of social media feeds and through a range of other promotional means, access to city-wide support training awareness of support and training can therefore be raised across the regeneration areas.

2. Ensure people are connected to the jobs they want.

It was noted throughout the audits that although a huge range of jobs had been held and were aspired to by those not working that there was a tendency towards seeking lower and semi-skilled jobs.

Whilst it is important not to dumb down the career aspirations of people living in regeneration areas who may wish to enter more skilled professions, it is equally important that those seeking lower skilled professions are supported to achieve their goals.

However, it should also be considered that this may be because a lower skilled job is all that the person believes they can achieve at that time. It is therefore also important that alongside support to gain the job a person wants that they are also offered the opportunity, either immediately or at a later stage, to access training to secure more skilled employment.

The jobs which were stated as being sought in the audits continue to be available within the city, despite the economic downturn, with a number or sectors, such as care and hospitality continuing to experience shortages.

The most popular employment sectors in the audits were care, retail and hospitality; all of which have current vacancies in the city. It is therefore important that initiatives which can connect people from regeneration areas to the jobs they want to do, such as Jobcentre Plus' Local Employment Partnership, are accessed.

#### 3. Ensure Work Trials/ On-the-job training is widely accessed.

Following on from Recommendation 2, it was further noted that the majority of people are seeking to enter the same types of employment as they have previously held. In addition, large numbers of people said that they would like to access work experience placements.

Work Trials are available directly through Jobcentre Plus, as well as through the Progress Through Positive Partnerships project. These provide the opportunity for local people to demonstrate their skills on the job without affecting their benefits.

These and other similar opportunities are currently available and could be more widely accessed by residents and should therefore be promoted as part of the programme of advertising recommended above to increase uptake.

# 4. Ensure the availability of Back-To-Work benefits and In-Work benefit calculations are promoted

The Audits have highlighted that the wages which people are looking for are well below the average for the city. As a result there is likely to be a need for in-work benefits for residents returning to work.

Alongside this, the number of people reporting receipt of benefits such as Working Tax Credits is lower than may be expected in regeneration areas.

As a result, the entitlement and availability of in-work benefits should be highlighted within the communities, including alongside the advertising which is undertaken to highlight support services.

In addition, the importance of in-work benefit calculations should be emphasised. By carrying out checks prior to entering employment it would be possible to not only reduce the numbers who may leave work due to ongoing employment struggles, but also would increase the uptake of inwork benefits by those entitled to them.

Residents have also highlighted that childcare and assistance in buying equipment or clothing would be of benefit to them in their efforts to return to work.

Through programmes such as the Low Value Procurement (Jobcentre Plus) and the Support Fund (Fairer Aberdeen Fund) such support is available, but it is apparent from answers provided that this is not commonly known of by residents.

It is once again therefore important that the availability of such support services are advertised throughout the area.

#### **Next Steps**

The audits were carried out over a 6 month period across all the regeneration areas of the city and found that a large number of people were seeking assistance to get back to work.

Following the audits all the people in each community who stated they required help were re-contacted via the Progress Through Positive Partnerships project and offered the assistance they sought. To date only a small percentage of those offered assistance have taken up this offer. However, as part of this follow-up respondents were also provided with project information should they wish to participate in future.

#### **Conclusion**

The questionnaire ran to over 90 questions and it may have been expected that its length may have discouraged people from completion of it. However, this was not the case, with the majority of those who turned down the opportunity doing so without knowing the length of questionnaire. Those who did complete it were happy to do so with the assistance of the canvassers.

The number of people who are would like additional support to return to work was also a very positive outcome.

The Audit also demonstrated that the help which people seek is available, but that residents are often unaware of it.

Aberdeen City Council's Progress Through Positive Partnerships (PTPP) project is bringing together much of the support available across the city to make it as accessible as possible for the unemployed people to access the support they wish and require.

The key to ensuring that as many people as possible can be supported through PTPP and other projects is therefore to ensure that awareness of the available support is raised through extensive publicity.

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# Middlefield Neighbourhood Audit





EUROPE & SCOTLAND
European Social Fund
Investing in a Smart, Sustainable and Inclusive Future

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#### **Executive Summary**

This Report is the first in a series of five Neighbourhood Audit Reports commissioned by Aberdeen City Council through the Progress Through Positive Partnerships project, which will also be followed by an overall report on the combined findings.

The audits were carried out in mid-to-late 2017 across regeneration areas of Aberdeen by a team of independent canvassers who maintained impartiality throughout the process.

This report, covering the Middlefield area, was carried out in 2017 over a three week period and covered topics such as length of unemployment, barriers to returning to employment and qualifications held, as well as willingness to re-train and the support people would benefit from to improve employability and find work.

A little under half of all respondents were not working. Of these not in employment, just over three quarters had been unemployed for over six months and over half for over 2 years.

Perhaps as a result of the length of unemployment faced, a tenth of respondents stated that a loss of benefit security was barrier to returning to employment for them. Alongside this, benefit uptake for both employed and unemployed, was worryingly low with less than a fifth in receipt of Tax Credits and much less than a tenth in receipt of Jobseekers Allowance, despite wages being received being well below average and the numbers stating they were unemployed.

Two thirds of respondents were willing to re-train to improve their skills, with realistic expectations of the funding or wage they could receive while doing so.

Just over half of respondents went on to further or higher education after school, although it was noted that respondents often did not gain employment relating to their qualifications, with less than half not doing so.

Two fifths of respondents also reported that they are available for work or training, with around a tenth reporting that they felt that people in the area require more locally available help and training.

It is therefore recommended that awareness of existing and/or new local support and training is raised so that the different routes back into employment which are available are highlighted, ensuring that people are connected to the jobs they are seeking and receive appropriate financial support where available, whether towards the cost of training or in-work benefits.

#### Introduction

#### **Background**

Aberdeen City Council successfully bid for European Structural Fund funding for the Progress Through Positive Partnerships employability project. As part of this successful bid a series of Neighbourhood Audits was to be carried out, designed to identify the current needs of local people in five areas of the city – Middlefield, Woodside, Tillydrone, Torry and Seaton.

Pathways was commissioned through competitive tendering by Aberdeen City Council through the European Structural Fund (ESF) to carry out a series of 5 Neighbourhood Audits of the area identifying what services local people wanted, key barriers to an improved lifestyle, individual aspirations, and future service provision requirements, with the aim of thereby identifying what services were required.

An important aspect of the Audit was also to identify what services local people were aware of locally and whether new and existing services could be better targeted.

The Audit was carried out in May 2017, with the results then entered into a database for compilation.

#### **Citywide Comparison**

In identifying the need to direct services towards regeneration areas such as Middlefield it is important to set the challenges faced by the area into context. The latest published NOMIS figures show the following key benefit claim figures in the Auchmill ward which covers Middlefield and across the city as a whole:

	Middlefield	Aberdeen City
Jobseekers Allowance	120	2 480
Employment & Support Allowance	295	8 455
Incapacity Benefit/ Severe Disability All.	20	270
Disability Living Allowance	280	7 800

Source: NOMIS June 2017

The figures above show that there are significant numbers of residents in the Middlefield area in receipt of benefit, highlighting the importance of addressing the needs of the area through the provision of services which support people to enter or return to work.

#### Middlefield

#### Demographic

The Middlefield area itself has a total estimated population of 3 064. Of these, it is estimated that 2 030 (66.2%) are of working age.

The working age population of the area represents approximately 1.25% of the working age population of Aberdeen City.

Significantly, the percentage of the area which is over working age in Middlefield is just 10.8%, against 14.9% in Aberdeen.

Middlefield has a young population, with 24.2% of residents aged under 16. This further highlights the importance of having systems in place to support people of all ages, from school leaver upwards, into employment.

Aberdeen City Council Population Estimates 2015

#### Scottish Index of Multiple Deprivation

Middlefield is covered by 4 datazones in the SIMD, one of which incorporates part of Cummings Park. Unfortunately the datazones across the country have recently been revised, with the latest figures the first available under these revisions and it is therefore not possible to carry out comparisons with previous SIMD figures to identify any trends.

However, analysis of the latest 2016 figures shows the datazones had the following rankings out of the 6505 datazones in Scotland:

Datazone	Employment	Income	Health	Housing	Education
SO1006727	1531	1659	510	559	214
SO1006726	2181	1211	1178	393	263
SO1006729	1662	1131	714	708	178
SO1006718	3498	2981	2885	1516	297

These figures show that Middlefield consistently ranks below the median level for deprivation across the country, with one SIMD datazone for Employment and three Income ranking in the worst 25%.

Also of particular concern is that all four datazones rank within the worst 5% for Education.

#### Health

As shown by the figures claiming illness-related benefits, across all age ranges there is a significant number of people with limiting long term illnesses. This is further reflected in the SIMD outcomes, which show 3 of the Middlefield datazones to be in the worst 15% ranking for Health in the country.

These figures are important when considering the efforts being made nationally to reduce the numbers of people on illness related benefits and encourage them back into work, such as through the Welfare Reform programme.

#### **Neighbourhood Audit**

The information above highlights the importance of correctly targeting services and funding at regeneration areas of the city to ensure that residents of areas such as Middlefield are offered the maximum opportunity to enter or return to work.

A summary of the findings of each section of the questionnaire are presented below, so that the City Council and partners can best decide how to target their own services or introduce new services to the area.

#### Methodology

A questionnaire was developed in partnership with Heather Farquhar and Angela Taylor, Aberdeen City Council, covering a range of topics such as length of unemployment, job goals, re-training etc.

It was planned to deliver the questionnaire through a combination of doorknocking and approaching people using local community centres and projects.

A team of canvassers from a range of backgrounds was recruited which enabled canvassing to be delivered throughout the day. This has the benefit of ensuring neutrality during completion of the questionnaires.

All doors in the area were knocked on during the course of the canvassing, which was carried-out over a 3-week period. Where no replies were received repeat visits were made, so that all doors at which a reply was not received were knocked on at least three times.

The preparatory work for the new Haudagain Roundabout affected the Audit as a large number of Council properties had already been vacated by the time the canvassing was conducted. Perhaps as a result of this the number/ percentage of people completing the questionnaire who are in employment was significantly above the percentage completing it who were out of work.

As a result of the lower response rate both in Middlefield and across other regeneration areas an online version of the questionnaire was also developed and published on Survey Monkey. This was widely advertised across social media platforms such as Facebook and the City Council's Twitter feed, as well as directly through agencies and projects across the city.

In Middlefield this resulted in a further 7 responses, although these responses were further limited in that none of the 7 respondents fully completed the questionnaire. However, where questions were completed they have been incorporated into this report.

Those residents in employment, which made up 52.9% of those completing the Audit, were asked questions relating to their employment including hours per week, wages and whether any benefits were received in the household, as well as their opinion on what services should be provided to help those out of work re-enter the workforce.

Those residents who confirmed they were not working were asked the length of time since they had last worked, hours and wages they would consider, the benefits they receive and their likes or dislikes about their last job, before being asked about the support they felt should be in place to help them find work.

All clients then answered a series of questions on the following topics:

- Benefits
- Willingness to Re-train
- Training & Qualifications
- Goals & Aims
- Support Requested

A total of 185 questionnaires were completed, by 72 males and 113 females. Of those completing the questionnaire 86 were unemployed. The questionnaire was therefore completed by 9.1% of the working age population of the area.

#### **Findings**

#### i. Employment Status

Just over half (99) of those completing the questionnaire stated they were currently in employment.

Of those in employment, 54% were working full-time, with 44% (24) also stating that they were happy with the hours they worked (whether full or part-time).

For those stating they were unhappy with their hours the main barriers to changing working hours were caring responsibilities and family commitments.

The majority of people had been in their current job for over 6 months, with just over 18% having been in their current job under 1 year. At the other end of the spectrum, almost 40% of people had been in their current job for over 5 years. Significantly, just over two thirds (68%) work in the Service sector.

A small percentage of people said that they were unhappy in their current job (13%); with the main barriers faced to securing the type of work they wanted being care responsibilities, lack of qualifications and lack of experience.

The weekly wage stated as being received was well below the city median of £483 per week. Of the 94 people in employment, only 18 stated that their income exceeded £350 per week, in itself well below the city average.

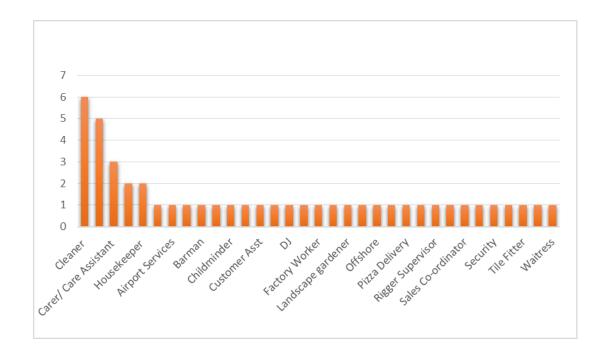
However, only 17 people stated that they were in receipt of in-work benefits. Combined with the low wages, this suggests that there may be a lack of understanding and knowledge of in-work benefits and there may therefore be a need to advertise and encourage uptake of these benefits within the area, perhaps through organisations such as Cash In Your Pocket.

Perhaps the most positive aspect of the survey in relation to employed respondents was that 87% of people stated that they are happy in their current job. This highlights the importance of finding people the kind of work they want, no matter what the skill level of that job may be.

#### ii. Unemployment

A total of 84 unemployed residents completed the questionnaire, approximately 47% of the total completed. Of these, 87% had previously worked, with almost two thirds of those (63%) having worked full time.

A wide range of jobs had previously been held, ranging from lower skilled jobs such as cleaners and factory workers to highly skilled jobs such as a safety officer and an engineer. However, the vast majority of jobs previously held were lower skilled.



The main reasons given by respondents when asked what they did not like about their previous job were stress, pressure, money, spending time away from their family and the hours/shifts they worked.

This is further emphasised by the wages they had previously earned which, in common with those currently in employment are well below the average for the city, with less than one quarter (24%) earning over £300 per week.

Just under half of those questioned previously worked full time (49%), with the main reasons given for the last job ending being Illness and Had Children. This suggests that there are potentially large numbers of Women Returners and Employment Support Allowance clients living in the area, both of which are priority groups for national initiatives.

Significantly, given the recent downturn in the oil industry and subsequent effect on the local economy, a further 12.5% reported that their most recent job ended because they were made redundant.

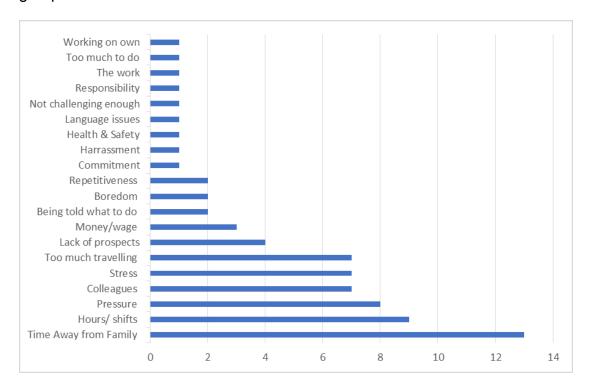
Of particular concern was the length of time which respondents had been unemployed for:

	Number	%age
Over 6 months	64	76
Over 2 years	49	58
Over 5 years	28	33.3
Over 10 years	19	23

These figures are significant as the length of unemployment faced by these groups is likely to mean that individuals not only face a number of barriers to employment themselves, but that when they are applying for jobs they are competing with people who have been unemployed for much shorter times.

A range of activities which address this, such as work trials, are therefore needed to support this client group back into work, alongside services to address the barriers faced in their day-to-day lives which may include such issues as debt etc.

When asked about what they liked about their last job the most common answers were: being part of a team; money; the social aspect; and responsibility. These should also be emphasised when supporting this client group.



Conversely, people did not like spending time away from their family, hours/shifts, stress, pressure and colleagues in their last jobs.

The jobs which people in the area were looking for ranged from lower skilled work, such as cleaner and security work, to skilled work such as plumber, mechanic, and joiner, and included one person looking for work as an architect.

In considering the work they would like to do, the most common steps residents felt they needed to take were to build self-confidence, update their CV, update their qualifications, improve their interview skills, re-train and access funded training.

However, only 2.7% identified literacy or numeracy needs as a barrier to securing the work they wanted.

Participants were also asked what they would enjoy most about working and what concerns they had. The most commonly identified reasons to enjoy working were being part of a team, money, and responsibility.

Meanwhile, the biggest concerns about returning to work were the cost and availability of childcare provision, time away from their family and the money/ wage they would earn. These were highlighted as concerns as a significant proportion of respondents (18.8%) stated they did not know where to get help, with 10.9% concerned about a loss of benefits if the job did not work out.

When asked if they had previous experience of the type of work they wanted, less than one fifth (16.8%) stated that they had previous experience. This suggests that training could form an important route back into employment for significant numbers within the Middlefield area.

Respondents were asked a number of times throughout the survey, in different ways, to identify the help needed for them to be able to return to employment. Most commonly respondents wanted locally available help, more financial help starting work, locally available training, more training across the city and an increase in affordable childcare.

Significantly, once again respondents stated that they were looking for wages well below the Aberdeen city average, with just under two-fifths (37%) looking for a wage of over £300 per week. This suggests that a large proportion of the group are looking for part time or lower skilled work and it is therefore important to ensure that the availability of such posts is highlighted where possible.

Finally, all clients were asked if they had worked full or part time in the past, with the following results:

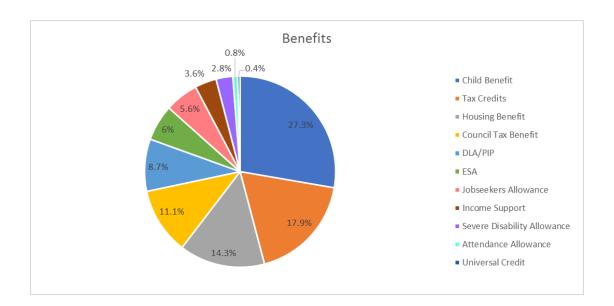
- 52 (62%) of respondents have worked full time;
- 32 (38%) have worked part-time.

#### iii. Benefits

All respondents were asked about the benefits people in their household were in receipt of.

As expected, the most common responses were Child Benefit (27.3%), Tax Credits (17.9%) and Housing Benefit (14.3%).

However, less than 10% of respondents stated they were in receipt of Jobseekers Allowance (5.6%), Employment Support Allowance (6%) or Income Support (3.6%).



Given that almost half of the people completing the questionnaire stated they were unemployed this demonstrates that a significant percentage of people do not know what benefits they receive.

In the longer term, this may become a significant issue as currently only 0.4% are in receipt of Universal Credit. As this percentage increases over time there will clearly be work required to ensure that people know what benefits they are entitled to.

Finally in this section, people were also asked how many people in their household were in receipt of benefit, with over half (55%) stating that one person received benefits, with the most in one household being three.

#### iv. Willingness to Re-train

All respondents had the option of completing this section, with 98% responding to at least one question. Of those, almost two thirds (115) stated they were willing to re-train for the type of job they are looking for.

The majority of people (114/176) also said that they would be willing to retrain for the type of job they would like to do, with 18.8% willing to re-train for up to 6 weeks and 22.7% for 6–12 weeks and just over half (51.4%) willing to re-train for 6 months or more.

It is therefore extremely important that not only are there training opportunities available for local people, but that these training opportunities are accessible and are delivered over varying lengths of time to suit the needs of local people.

When asked how much they would expect to be paid while training a quarter (24.8%) said they would expect to receive their current income, whilst a fifth

(19.8%) would train without receiving a wage, dropping slightly to 18.2% who expect to receive the National Minimum Wage and 17.4% who would expect to receive a minimum of their benefits.

Finally, people were asked where they would expect to find out about training opportunities. The 5 most popular answers were:

Employer 12.6%
Social Media 11.9%
Jobcentre Plus 10.6%
Newspaper: 7.6%
Friends & Family: 5.9%

Taken as a whole this section highlights the willingness of local people to retrain and that their expectations during retraining are realistic in comparison to what training is available.

It is important that a range of training opportunities is in place to meet the needs of local people. These need to be available over a variety of timescales from short courses lasting up to 6 weeks to longer training offering the opportunity to enter jobs with skills. Ideally, as much on-the-job training should be available to people as possible.

## v. Training & Qualifications

This section focussed on the qualifications of people living in the Middlefield area, whether they went on to College or University and if they gained employment relevant to their qualifications.

Of those achieving qualifications, almost one fifth (19%) left school with no qualifications. Slightly over two-fifths (43.6%) achieved Standard or O Grades, whilst just over a quarter (26.2%) achieved Highers.

Just over two-fifths (41.9%) attended college, although one third of them did not complete their course. A further 11.4% went to university.

People who went to college and university accessed a wide range of courses, from access courses, through SVQs to degree level courses.

It is also noticeable from the earlier question relating to the job people were currently in that there appears to be a discrepancy between the course attended and whether a job in this sector was secured, with a little over half (55.8%) finding a job relevant to their qualifications.

The survey also asked all respondents to state whether they had attended any training since leaving school or further education.

Two-fifths (40%) of respondents stated that they had attended some form of training. As expected there was a huge range of training accessed, with much of it work-based or led training. However, there was also a range of training accessed which was not on behalf of a workplace. Training accessed included taxi training, child development, army training, CSCS, HR and carpentry, giving a demonstration of the breadth of different training accessed.

#### vi. Goals & Aims

All respondents were asked the questions in this section, although many opted to answer only questions which they felt were of relevance to them.

Of 161 responses, 60% (96) said that they were available for work, training or volunteering.

In further questioning, 35% (34) of these stated they are willing to work or train over 6 hours per day, with a further 43% (41) willing to attend 2–4 hours per day.

Of 140 people who answered, only 14 (10%) stated that they are only willing to work in the Middlefield area. All other respondents are willing to travel to other parts of Aberdeen or outwith the city to secure work (17%).

Meanwhile, 35 people also said they would consider self-employment, with just under half (49%) saying they would like help developing their ideas and a similar percentage (48%) saying they would need training to become self-employed.

When asked at this stage 90% of people responded to a question asking what kind of help they or others would need to return to employment. The most common answers given were:

•	Locally available help	14.2%
•	Locally available training	10.6%
•	More training available in city	10.3%
•	More financial help with starting work	9.5%
•	Increase in affordable childcare	7.9%
•	Wider availability of work placements	7.4%

Earlier in the Audit, those who stated they were not working were asked about their concerns about working. A wide range of responses were given, of which the most popular were Childcare Provision and Cost (9.4% of responses), Time Away from Family (8.1%) and Lack of Current Skills (7.5%).

As reported earlier, wage expectations were low, with over three fifths (61.7%) looking for a wage of under £300 per week. This ties-in with the range of hours per day for which people were looking for work, with a higher percentage than answering perhaps seeking part-time work.

Over 95% of people thought that the wage they were seeking was realistic, suggesting that people recognise that they may not immediately be able to enter highly skilled employment and linking in with earlier answers relating to the type of work sought, which suggested that many would be comfortable with lower skilled employment.

Positively, almost two thirds (64.2%) of those answering stated they would consider volunteering, which can provide an excellent bridge back into employment.

#### vii. Support Requested

The final section of the questionnaire looked at what help respondents would like to help them find work. A total of 158 people responded to the initial question in this section, of which almost half - 75 – stated that they would like help to get into work or training.

A wide range of support was listed for respondents to choose from, with the most common choices as follows:

Financial support towards training courses	8.9%
Help with CV's	8.1%
Confidence building	7.6%
Free IT Training	6.7%
Work Experience placement	7.0%
Training for a specific job	6.8%

The figures above (and other answers provided) suggest that people are seeking support which does currently exist. The problem which exists at the moment is therefore perhaps in connecting people to the support which is available.

#### Recommendations

Findings from the report show that although 80% of the Middlefield residents completing the Skills Audit are long term unemployed, there remains a wish within the population for support which will help them enter or return to employment.

Based on this willingness and the responses to questions, the following recommendations are made:

1. Ensure people are aware of the support available.

A large number of people (75) indicated that they would like additional support to change job or return to work.

Alongside this, residents reported the type of help they are looking for which broadly matched the help they believe is available.

Taken together, these results suggest that although residents are aware of some support they do not necessarily know how readily available it is.

It is therefore important that the availability of existing support within the area and city is highlighted. Extensive marketing programmes, through as many different media as possible, should be carried out across the area so that a steady stream of information is brought to the attention of local people.

Such advertising should not rely on a single source as earlier questions show that clients are not aware or would not use all the support agencies or media available for information on training or jobsearch. Advertising could take place through:

- social media
- community newsletters;
- the community radio station;
- through local projects and centres e.g. The Middlefield Hub;
   Cummings Park Community Flat etc.;
- job and training fairs connecting local people to available opportunities;
- targeted leafleting of Jobcentre Plus clients during signing on.

By marketing the support available through a variety of media consistently over a period time awareness of support will be raised, with an expectation of increased numbers accessing support.

#### 2. Ensure local help and training, including core skills, is available

Throughout the Audit both employed and unemployed people were asked what type of support should be given to people who want to return to work. Each time this was asked the most popular answers were Locally Available Help and Locally Available Training.

Within the Middlefield area there are locations, such as the Middlefield Hub, where people can access some support, but provision is limited in the area.

Within the city the types of training and support which people are looking for is available through a variety of organisations e.g. Aberdeen Foyer, Tullos Training, NESCOL, Pathways etc. However, when asked about how to address their barriers almost one fifth of people (18.8%) stated that they did not where to get help.

This suggests that people are not necessarily aware of the support which is available, backing up the first recommendation that marketing of services is carried out.

#### 3. Ensure people are connected to the jobs they want.

Further following on from Recommendation 1, there is a clear need to follow up the support provided by ensuring that people are connected to the types of job they are looking for.

There can be a tendency towards highlighting vacancies that are available in specific sectors. For example, in the past, there was a particular push at one stage to get people into retail jobs across agencies. However, if people are not keen on these vacancies there is limited benefit to pushing them towards these vacancies as job retention is likely to be limited at best.

The list of occupations sought given by residents show a mix of lower to higher skilled jobs, from cleaner to architect. It is important that the availability of these jobs is highlighted to residents wherever possible and that they are encouraged to enter into these jobs.

It is noticeable that the jobs listed are broadly available within Aberdeen, if in more limited numbers since the downturn in the oil industry started affecting all sectors, and this, combined with the support available to address barriers should be emphasised. 4. Ensure the availability of Back-To-Work benefits and In-Work benefit calculations are promoted

The Audit has highlighted that the jobs and wages which people are looking for are well below the average for the city. As a result there is likely to be a need for in-work benefits for residents returning to work.

Alongside this, the number of people reporting receipt of benefits such as Working Tax Credits is lower than may be expected in regeneration areas.

As a result, the entitlement and availability of in-work benefits should be highlighted within the community, including alongside the advertising which is undertaken to highlight support services.

In addition, the importance of in-work benefit calculations should be emphasised. By carrying out checks prior to entering employment it would be possible to not only reduce the numbers who may leave work due to ongoing employment struggles, but also would increase the uptake of inwork benefits by those entitled to them.

Agencies such as Cash In Your Pocket which can connect people with organisations able to give in-work benefit calculations are available in the city and their services should be highlighted as part of any support to return to employment.

Residents have also highlighted that childcare and assistance in buying equipment or clothing would be of benefit to them in their efforts to return to work.

Jobcentre funding for training and travel costs is available, but from answers provided is not commonly known of by residents.

It is therefore important that the availability of such support services are advertised throughout the area.

5. Ensure different routes into work are available.

The Audit showed that people are looking for a wide variety of support to return to work. Whilst one-to-one support and locally available help featured prominently other avenues, such as work experience and support to improve language skills were also highlighted.

As with many of the recommendations above it is therefore important that residents are connected with the opportunities for to both improve employability through training or work experience and one-to-one support which exist within Aberdeen.

Additionally, almost two thirds of those responding said they would consider voluntary work as a way of developing their skills. Again, it should be highlighted that volunteering opportunities are available in the city, with ACVO's website highlighting over 800 opportunities are currently available.

Work Trials are also available directly through Jobcentre Plus, which can also provide the opportunity for local people to demonstrate their skills on the job without affecting their benefits.

These and other similar opportunities are currently available and could be more widely accessed by residents and should therefore be promoted as part of the programme of advertising recommended above to increase uptake.

## **Next Steps**

The Audit has shown a large number of Middlefield residents are looking for additional support to help them back into work and it is important that this is followed up.

The first step to be taken is therefore to connect all those requesting help in the area with the opportunities which exist with and to follow up through individual contact with all those seeking additional support.

This is being done through the Progress Through Positive Partnerships project.

Further Skills Audits reports are available for the following areas:

- Woodside;
- Tillydrone;
- Torry; and
- Seaton.

Comparisons of the areas will also be carried out to find any variances in the needs between areas, gradually building a picture across the city.

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#### Conclusion

There was an extremely positive response from residents of the Middlefield area to the Audit, both in the reaction to the canvassers when knocking on doors and in the results obtained.

The questionnaire ran to over 90 questions – although a number of these were missed depending on whether the respondent was working or not - and it may have been expected that its length may have discouraged people from completion of it. However, this was not the case, with the majority of those asked being extremely willing to complete the form with the assistance of the canvassers.

Whilst there is undoubtedly a significant percentage of people for whom caring responsibilities is a barrier, this is lower than previously thought. However, the number of people who would like additional support to return to work was a very positive outcome.

The Audit also demonstrated that the help which people seek is available, but that this is not often known by residents.

The challenge now will be for organisations to meet the needs of the client group, highlighting the availability of all aspects of jobsearch support, through to training and employment opportunities and the benefits and funding available to support those returning to work.

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# Woodside Neighbourhood Audit





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## **Executive Summary**

This Report is one of a series of five Neighbourhood Audit Reports commissioned by Aberdeen City Council through the Progress Through Positive Partnerships project, which will also be followed by an overall report on the combined findings.

The Audits were carried out in mid-to-late 2017 across regeneration areas of Aberdeen by a team of independent canvassers who to maintain impartiality throughout the process.

This is the second report in a series of five, covering the Woodside area, which was carried out in June 2017 over a three week period and covered topics such as length of unemployment, barriers to returning to employment and qualifications held, as well as willingness to re-train.

A little over half of all respondents were not working. Of these not in employment, over three quarters had been unemployed for over six months and almost half for over 2 years, with a tenth not knowing where to find help.

Perhaps as a result of the length of unemployment faced, a fifth of respondents stated that a loss of benefit security was barrier to returning to employment for them. Alongside this, benefit uptake, for both employed and unemployed, was worryingly low, with just one sixth in receipt of Tax Credits and less than a tenth in receipt of Jobseekers Allowance, despite wages being received being well below average and the numbers stating they were unemployed.

Over three quarters of respondents were willing to re-train to improve their skills, with realistic expectations of the funding or wage they could receive while doing so.

Almost two thirds of respondents went on to further or higher education after school, although it was noted that respondents often did not gain employment relating to their qualifications, with just under a half not doing so.

Two thirds of respondents also reported that they are available for work or training, with around a tenth reporting that they felt that people in the area require more locally available help and training, as well as an increase in affordable childcare.

It is therefore recommended that awareness of existing and/or new local support and training is raised so that the different routes back into employment which are available are highlighted, ensuring that people are connected to the jobs they are seeking and receive appropriate financial support where available, whether towards the cost of training or in-work benefits.

#### Introduction

#### **Background**

Aberdeen City Council successfully bid for European Structural Fund funding for the "Progress Through Positive Partnerships" project. As part of this successful bid a series of Neighbourhood Audits were to be carried out, designed to identify the current needs of local people in five regeneration areas of the city – Middlefield, Woodside, Tillydrone, Torry and Seaton.

Pathways was commissioned through competitive tendering by Aberdeen City Council through the European Structural Fund (ESF) to carry out a series of 5 Neighbourhood Audits of the area identifying what services local people wanted, key barriers to an improved lifestyle, individual aspirations, future service provision requirements, with the aim of thereby identifying what services were required.

An important aspect of the Audit was also to identify what services local people were aware of locally and whether new and existing services could be better targeted.

The Audit was carried out in May 2017, with the results then entered into a database for analysis.

#### **Citywide Comparison**

In identifying the need to direct services towards regeneration areas such as Woodside it is important to set the challenges faced by the area into context. The latest published NOMIS figures show the following key benefit claim figures in the Hilton/Woodside and Stockethill ward which covers Woodside and across the city as a whole:

	Woodside	Aberdeen City
Jobseekers Allowance	165	2 480
Employment & Support Allowance	355	8 455
Incapacity Benefit/ Severe Disability All.	20	270
Disability Living Allowance	250	7 800

Source: NOMIS June 2017

The figures above show that there are significant numbers of residents in the Woodside area in receipt of benefit, highlighting the importance of addressing the needs of the area through the provision of services which support people to enter or return to work.

#### Woodside

#### Demographic

The Woodside area itself has a total estimated population of 4 062. Of these, it is estimated that 2 787 (68.6%) are of working age.

The working age population of the area represents approximately 1.2% of the working age population of Aberdeen City.

The percentage of the area which is over working age in Woodside is 12.9%, against 14.9% in Aberdeen.

Woodside also has 18.7% population aged under 16. This shows that Woodside also has a significant young population, further highlighting the importance of having systems in place to support people of all ages, from school leaver upwards, into employment.

Aberdeen City Council Population Estimates 2015

#### Scottish Index of Multiple Deprivation

Woodside is covered by 4 datazones in the SIMD. Unfortunately the datazones across the country have recently been revised, with the latest figures the first available under these revisions, so, it is therefore not possible to carry out comparisons with previous SIMD figures to identify any trends.

However, analysis of the latest 2016 figures shows the datazones had the following rankings out of the 6505 datazones in Scotland:

Datazone	Employment	Income	Health	Housing	Education
SO1006682	2206	1347	1296	663	1089
SO1006683	2383	1468	2256	760	998
SO1006684	571	99	99	500	805
SO1006685	1433	1789	1346	1093	669

Rankings shown in the table above are based on the total number of SIMD datazones across the country (6505), with lower numbers representing an area ranks lower and therefore worse than a datazone ranked more highly. These figures therefore show that Woodside consistently ranks below the median level for deprivation across the country, with two SIMD datazones for Employment and three Income ranking in the worst 25%.

Also of particular concern is that all four datazones rank within the worst 5% for Education.

#### Health

As shown by the Department of Work & Pension (DWP) figures claiming illness-related benefits, there is a significant number of people with limiting long-term illnesses across all age ranges. This is further reflected in the SIMD outcomes, which show 3 of the Woodside datazones to be in the worst 15% ranking for Health in the country.

These figures are important when considering the efforts being made nationally to reduce the numbers of people on illness-related benefits and encourage them back into work, such as through the Welfare Reform programme.

## **Neighbourhood Audit**

The information above highlights the importance of correctly targeting services and funding at regeneration areas of the city to ensure that residents of areas such as Woodside are offered the maximum support to enable them to benefit from opportunities to enter or return to work.

A summary of the findings of each section of the questionnaire are presented below, so that Aberdeen City Council and partners can best decide how to target their own services or introduce new services to the area.

## Methodology

A questionnaire was developed in partnership with Heather Farquhar and Angela Taylor, Aberdeen City Council, covering a range of topics such as length of unemployment, job goals, re-training etc.

It was planned to deliver the questionnaire through a combination of doorknocking and approaching people using local community centres and projects.

A team of canvassers from across a range of backgrounds were recruited, ensuring neutrality during completion of the questionnaires and canvassing to be delivered throughout the day when the majority of those currently disengaged would be at home.

Over a 3 week period, all doors in the area were knocked on a minimum of 3 times to obtain a maximum response rate.

As a result of the lower response rate both in Woodside and across other regeneration areas an online version of the questionnaire was also developed and published on Survey Monkey. This was widely advertised across social media platforms such as Facebook and the City Council's Twitter feed, as well as directly through agencies and projects across the city.

In Woodside this resulted in a further 24 responses, although these responses were further limited in that none of the Survey Monkey questionnaires were fully completed. However, where questions were completed they have been incorporated into this report.

Those residents in employment, which made up 50.6% of respondents, were asked questions relating to their employment including hours per week, wages and whether any benefits were received in the household, as well as their opinion on what services should be provided to help those out of work re-enter the workforce.

Respondents who confirmed they were not working were asked the length of time since they had last worked, hours and wages they would consider, the benefits they receive and their likes or dislikes about their last job, before being asked about the support they felt should be in place to help them find work.

All clients then answered a series of questions on the following topics:

- Benefits
- Willingness to Re-train
- Training & Qualifications
- Goals & Aims
- Support Requested

A total of 154 questionnaires were completed, by 65 males and 88 females, with one person not responding to the question. Of those completing the questionnaire 76 were unemployed. The questionnaire was therefore completed by 5.5% of the working age population of the area.

## **Findings**

#### i. Employment Status

Just over half (78) of those completing the questionnaire stated they were currently in employment.

#### Working Hours

Of those in employment, 60% were currently working full time, with 41% (32) of those working also stating that they were happy with the hours they currently worked.

For those stating they were unhappy with their hours the main barriers to changing working hours were children, caring responsibilities and money.

#### Duration of employment

The majority of people had been in their current job for over 6 months, with just over 15% having been in their current job under 6 months. At the other end of the spectrum, one third of people had been in their current job for over 5 years.

A very small percentage of people (7.5%) said that they were unhappy in their current job; with the main barriers faced to securing the type of work they wanted being lack of skills or experience, lack of opportunity, the stress involved and the hours or shifts required.

Perhaps the most positive aspect of the survey in relation to employed respondents was that 92.5% of people stated that they are happy in their current job. This highlights the importance of finding people the kind of work they want, no matter what the skill level of that job may be, indicating that once in suitable employment respondents were largely committed to remaining there.

#### Employment sector

Almost two fifths (39%) of respondents work in the Service sector, with the reminder spread across a number of sectors, although the most significant answer was "Other" (43%), with others working in Retail, Manufacturing, Construction and Public Administration.

#### Wages

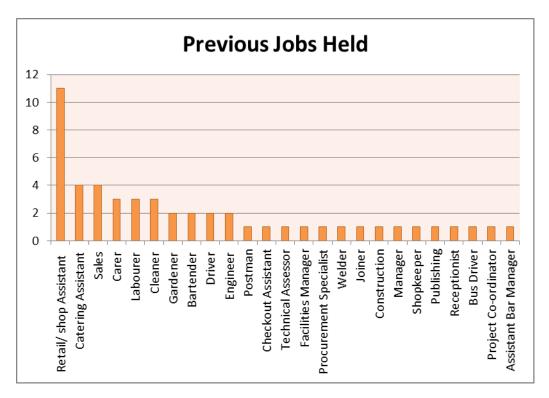
The weekly wage stated as being received was well below the city average. Of the 78 people in employment, only 15 stated that their income exceeded £300 per week, in itself well below the city average of £483.

However, as only 11 people stated that they were in receipt of in-work benefits, this suggests that there may be a lack of understanding and knowledge of eligibility for in-work benefits and there may therefore be a need to advertise and encourage uptake of these benefits within the area, perhaps through organisations such as Cash In Your Pocket Living Network or a neighbourhood DWP event.

## ii. Unemployment

A total of 86 unemployed residents completed the questionnaire, approximately 56% of the total completed. Of these, 91% had previously worked, with over two thirds of those (70%) having worked full time.

A wide range of jobs had previously been held, ranging from lower skilled jobs such as burger shop assistant and domestic cleaner to highly skilled jobs such as an engineer and a technical assessor. However, the vast majority of jobs previously held were lower skilled.



The main reasons given when asked what they did not like about their previous job were hours and shifts worked, the pressure and stress, time spent travelling and time away from their family.

This is further emphasised by the wages earned, which in common with those currently in employment are well below the average for the city, with less than two fifths – 39% - earning over £300 per week.

Just over two thirds of those questioned previously worked full time (72%). Of all those who had previously worked the main reasons given for the last job ending being Illness or Had Children. This suggests that there are potentially large numbers of Women Returners and Employment Support Allowance clients living in the area, both of which are priority groups for national initiatives.

Significantly, given the recent downturn in the oil industry and subsequent effect on the local economy, a further 16.7% reported that their most recent job ended because their contract ended and a further 10.7% were made redundant.

Of particular concern in was the length of time which respondents had been unemployed for:

	Number	%age
Over 6 months	64	77.1
Over 2 years	51	61.4
Over 5 years	28	33.7
Over 10 years	19	22.9

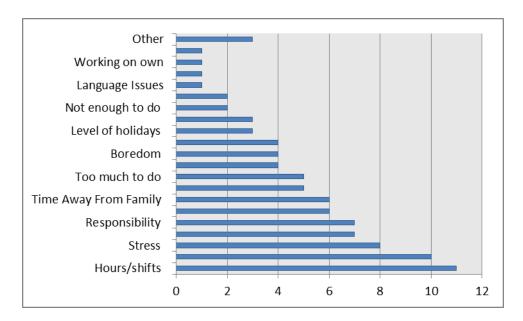
These figures are significant as the length of unemployment faced by these groups is likely to mean that individuals not only face a number of barriers to employment themselves, but also that when they are applying for jobs they are competing with people who have been unemployed for much shorter times.

These figures highlight the need for high level support at the early stages of unemployment, as well over 50% of unemployed respondents are now over 2 years from economic activity, and without an increased level of support at the early stages there is potential for significant numbers to remain outwith the labour market for extended periods. This will negatively impact on their quality of life and health, as well as having the potential to impact on relationships.

A range of activities which address this, such as work trials, coaching and key worker support are therefore needed to support this client group back into work, alongside services to address the barriers faced in their day-to-day lives, which may include such issues as debt etc.

When asked about what they liked about their last job over a third of people responded Money, with the remaining most common answer Time Away From Family, with other responses including Responsibility, Achieving Goals, Feel Valued, Getting Results, Financial Independence, Being Part of A Team and How Good I Felt About Myself all equally popular answers.

Conversely, people did not like hours/shifts, pressure and stress in their last jobs.



The jobs which people in the area were looking for ranged from lower skilled work, such as cleaner and bar work, to skilled work such as an engineer, nurses, an accountant, and another person aiming to open their own garage.

In considering the work they would like to do, the most common steps needed were work experience/placements, to re-train, to build self-confidence, funded training and start-up grants. However, only 1.1% identified literacy or numeracy needs as a barrier to securing the work they wanted.

Meanwhile, the biggest concerns about returning to work were the cost, the availability of transport, availability of childcare provision, time away from their family and hours/shifts required and the money/ wage they would earn.

A significant proportion of respondents (9.7%) stated they did not know where to get help. However, the main concerns about returning to work were the loss of benefits if the job did not work out (19.5%) and the loss of benefit security (20%).

When asked if they had previous experience of the type of work they wanted, barely one fifth (20.3%) stated that they had previous experience. This suggests that training could form an important route back into employment for significant numbers within the Woodside area.

The next most popular reasons for wanting to do the type of work they had identified were Money, Have Appropriate Qualifications and Like Helping Others, as well as Have Skills for the Job. In conjunction with the lack of previous experience this further suggest work experience placements could form an important route back into employment for Woodside residents.

Respondents were asked a number of times throughout the survey, in different ways, to identify the help needed for them to be able to return to employment. Most commonly respondents wanted locally available training, locally available help, an increase in affordable childcare and wider availability of work experience placements, backing up the earlier responses in the audit.

Significantly, once again respondents stated when asked what wage they required, that they were looking for wages well below the Aberdeen city average, with less than half (46%) looking for a wage of over £300 per week. This suggests that a large proportion of the group are looking for part time or lower skilled work and it is therefore important to ensure that the availability of such posts is highlighted where possible.

Finally, all unemployed respondents were asked if they had worked full or part-time in the past, with the following results:

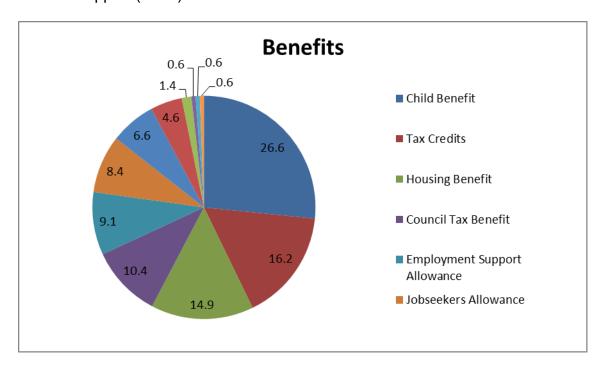
- 54 (63%) of respondents have worked full time;
- 32 (37%) have worked part-time.

#### iii. Benefits

All respondents were asked about the benefits people in their household were in receipt of.

As expected, the most common responses were Child Benefit (26.6%), Tax Credits (16.2%) and Housing Benefit (14.9%).

However, less than 10% of respondents stated they were in receipt of Employment Support Allowance (9.1%), Jobseekers Allowance (8.4%) or Income Support (6.6%).



Given that almost half of the people completing the questionnaire stated they were unemployed this demonstrates that a significant percentage of people do not know what benefits they receive.

In the longer term, this may become a significant issue as currently only 1.7% stated they are in receipt of Universal Credit. As the transfer over to Universal Credit increases over time there will clearly be work required to ensure that people know what benefits they are entitled to, both whilst out of work and in work.

Finally in this section, people were also asked how many people in their household were in receipt of benefit, with just under three quarters (70%) stating that one person received benefits, with the most in one household being three benefit claimants.

#### iv. Willingness to Re-train

All respondents had the option of completing this section, with 88% responding to at least one question.

Of those who responded, 108 stated that they were willing to re-train for the type of job they are looking for, with 16 willing to re-train for up to 6 weeks and 28 for 6–12 weeks and over half (59) willing to re-train for 6 months or more.

It is therefore extremely important that not only are there training opportunities available for local people, but also that these training opportunities are accessible and are delivered over varying lengths of time to suit the needs of local people.

When asked how much they would expect to be paid while training a quarter (24%) said they would expect to receive their current income, whilst less than a tenth (9.7% would train without receiving a wage, although over a fifth (23.1%) would expect to receive the National Minimum Wage.

Finally, people were asked where they would expect to find out about training opportunities. The 5 most popular answers were:

•	Social Media	15.3%
•	Employer	15.3%
•	Jobcentre Plus	11.8%
•	College/ university	11.8%
•	Friends & Family	8.5%

Taken as a whole, this section highlights the willingness of local people to retrain and that their expectations during retraining are realistic in comparison to what training is available.

It is important that a range of training opportunities is in place to meet the needs of local people. These need to be available over a variety of timescales, from short courses lasting up to 6 weeks to longer training offering the opportunity to enter jobs with skills. Ideally, as much on-the-job training should be available to people as possible.

#### v. Training & Qualifications

This section focussed on the qualifications of people living in the Woodside area, whether they went on to college or university and if they gained employment relevant to their qualifications.

A little under half of respondents (44%) achieved at least Standard Grades at school, with almost a third (30%) achieving Highers. Notably, almost a quarter (24%) of respondents had achieved overseas qualifications, so have clearly moved to Aberdeen since leaving school.

Exactly two-fifths (40%) attended college, with a further third going to university (34%). Over four fifths, (82%) gained a qualification.

People who went to college and university accessed a wide range of courses, from access courses, through SVQs to degree level courses, with the majority studying at SVQ level or above.

It is also noticeable from the earlier question relating to the job people were currently in that there appears to be a discrepancy between the course attended and whether a job in this sector was secured., with a little over half (51%) finding a job relevant to their qualifications.

The survey also asked all respondents to state whether they had attended any training since leaving school or further education.

A little over half (51%) of respondents stated that they had attended some form of training. As expected there was a huge range of training accessed, with much of it work-based or led training. However, there was also a range of training accessed which was not on behalf of a workplace. Training accessed included welding, employment law, electrical and nursing, giving a demonstration of the breadth of different training accessed.

#### vi. Goals & Aims

All respondents were asked the questions in this section, although many opted to answer only questions which they felt were of relevance to them.

Of 120 responses, just under two thirds (64%) said that they were available for work, training or volunteering.

In further questioning, almost one third of respondents (31%) stated they are willing to work or train over 6 hours per day, with just over half (52%) willing to attend for up to 4 hours per day.

Of 121 people who answered, just 8 (7%) stated that they are only willing to work in the Woodside area. All other respondents are willing to travel to other parts of Aberdeen, with 21% willing to travel outwith the city to secure work.

Meanwhile, 53 people also said they would consider self-employment, with more than half of these (62%) saying they would like help developing their ideas, although a lower percentage (47%) said they would need training to become self-employed.

When asked at this stage 74% of people responded to a question asking what kind of help them or others would need to return to employment. The most common answers given were:

•	Locally available training	11.8%
•	Locally available help	11.1%
•	Increase in affordable childcare	10.6%
•	More training available in city	8.7%
•	Wider availability of work placements	8.0%
•	More financial help with starting work	7.7%

Earlier in the Audit, those who stated they were not working were asked about their concerns about working. A wide range of responses were given, of which the most popular were: Time Away From Family; Hours/Shifts (both 8.1% of responses); Childcare Provision and Cost (7.4%); and Transport (also 7.4%). Interestingly, only 3.7% highlighted a Lack of Current Skills.

As reported earlier, wage expectations were low, with almost half (46%) looking for a wage of under £300 per week. This ties-in with the range of hours per day for which people were looking for work, with a high percentage (70%) looking for less than 6 hours work per day.

Over 89% of people thought that the wage they were seeking was realistic, suggesting that people recognise that they may not immediately be able to enter highly skilled employment and linking in with earlier answers relating to the type of work sought, which suggested that many would be comfortable with lower skilled employment.

Positively, four fifths (80%) of those answering stated they would consider volunteering, which can provide an excellent bridge back into employment.

#### vii. Support Requested

The final section of the questionnaire looked at what help respondents would like to help them find work. A total of 126 people responded to the initial

question in this section, of which well over half (72) stated that they would like help to get into work or training. Of these, 33 were unemployed

A wide range of support was listed for respondents to choose from, with the most common choices as follows:

Financial support towards training courses	12.3%
Work Experience placement	8.7%
Training for a specific job	8.7%
Free IT Training	8.5%
Identification of work opportunities	4.8%
Confidence Building	4.5%
Help with CV's	4.5%

The figures above (and other answers provided) suggest that people are seeking support which does currently exist. The problem which exists at the moment is therefore perhaps in connecting people to the support which is available.

#### Recommendations

Findings from the report show that although 77.1% of the out of work Woodside residents completing the Skills Audit are long term unemployed, there remains a wish within the population for support which will help them enter or return to employment.

Based on this willingness and the responses to questions, the following recommendations are made:

1. Ensure people are aware of the existing support available.

A notable number of unemployed people (33) indicated that they would like additional support to change job or return to work.

Alongside this residents reported the type of help they are looking for broadly matched the help they believe is available.

Taken together, these results suggest that although residents are aware of some support they do not necessarily know how readily available it is.

It is therefore important that the availability of existing support within the area and city is highlighted. Extensive marketing programmes, through as many different media as possible, should be carried out across the area so that a steady stream of information is brought to the attention of local people.

Such advertising should not rely on a single source as earlier questions show that clients are not aware of or would not use all the support agencies or media available for information on training or jobsearch. Advertising could take place through:

- social media
- community newsletters;
- the community radio station;
- through local projects and centres e.g. Woodside Community Centre, Fersands Community Project etc.;
- job and training fairs connecting local people to available opportunities;
- targeted leafleting of Jobcentre Plus clients during signing on.

By marketing the support available through a variety of media consistently over a period time awareness of support will be raised, with an expectation of increased numbers accessing support.

### 2. Ensure local help and training is available

Throughout the Audit both employed and unemployed people were asked what type of support should be given to people who want to return to work. Each time this was asked the most popular answers were locally available help and locally available training.

Within the Woodside area there are locations, such as the Woodside Community Centre, where people can access some support, but provision is limited in the area.

Within the city the types of training and support which people are looking for is available through a variety of organisations e.g. Aberdeen Foyer, Momentum, CFINE, etc. However, when asked about how to address their barriers more than one in ten people (10.9%) stated that they did not where to get help.

This suggests that people are not necessarily aware of the support which is available, backing up the first recommendation that marketing of services is carried out.

3. Ensure the availability of Back-To-Work benefits and In-Work benefit calculations are promoted

The Audit has highlighted that the jobs and wages which people are looking for are well below the average for the city. As a result there is likely to be a need for in-work benefits for residents returning to work.

Alongside this, the number of people reporting receipt of benefits such as Working Tax Credits is lower than may be expected in regeneration areas.

In addition, the loss of benefit security (20%) and loss of benefits if the job doesn't work out (20%) were both highlighted as major concerns when discussing a return to work. The introduction and roll-out of Universal Credit can offer an opportunity to address this issue if awareness can be raised.

For those not yet on Universal Credit, the entitlement and availability of inwork benefits should be highlighted within the community, including alongside the advertising which is undertaken to highlight support services.

In addition, the importance of in-work benefit calculations should be emphasised. By carrying out checks prior to entering employment it would be possible to not only reduce the numbers who may leave work due to ongoing employment struggles, but also would increase the uptake of inwork benefits by those entitled to them.

Agencies such as Cash In Your Pocket who can connect people with organisations able to give in-work benefit calculations are available in the city and their services should be highlighted as part of any support to return to employment.

Residents have also highlighted that childcare and assistance in buying equipment or clothing would be of benefit to them in their efforts to return to work.

Jobcentre funding for training and travel costs is available, but from answers provided is not commonly known of by residents.

It is once again therefore important that the availability of such support services are advertised throughout the area.

4. Ensure different routes into work are available and promoted in an appropriate manner.

The Audit showed that people are looking for a wide variety of support to return to work. Throughout the Audit residents consistently highlighted a

wish for more work experience opportunities, as well as availability of training (both locally and in the city) and financial support towards training costs.

As with many of the recommendations above it is therefore important that residents are connected with the opportunities for both which exist within Aberdeen City.

Additionally, almost 80% of those responding said they would consider voluntary work as a way of developing their skills. Again, it should be highlighted that volunteering opportunities are available in the city, with ACVO's website highlighting over 800 opportunities are currently available.

Work Trials are also available directly through Jobcentre Plus, which can also provide the opportunity for local people to demonstrate their skills on the job without affecting their benefits and Jobcentre Plus also consider work experience placements a worthwhile step back to employment.

These and other similar opportunities are currently available and could be more widely accessed by residents and should therefore be promoted as part of the programme of advertising recommended above to increase uptake.

## Next Steps

The Audit has shown a large number of Woodside residents are looking for additional support to help them back into work and it is important that this is followed up.

The first step to be taken is therefore to connect all those requesting help in the area with the opportunities which exist and to follow-up through individual contact with all those seeking additional support.

This is being done via the Progress Through Positive Partnerships project.

Further Neighbourhood Audits of the other regeneration areas of the city have also be carried out with reports on each area being compiled as they are completed. Further reports are available for:

- Middlefield;
- Tillydrone;
- Torry; and

Seaton.

Comparisons of the areas will also be carried out to find any variances in the needs between areas, gradually building a picture across the city.

#### Conclusion

There was a limited response to requests to complete the Audit from Woodside. However, those who did complete the questionnaire were willing participants and provided key information.

The questionnaire ran to over 90 questions – although a number of these were missed depending on whether the respondent was working or not - and it may have been expected that its length may have discouraged people from completion of it. However, this was not the case, with those agreeing being extremely willing to complete the form with the assistance of the canvassers.

The main fears for Woodside residents in returning to work were the financial implications of moving back into work and the potential loss of benefits if new jobs did not work out. However, the numbers of unemployed people requesting help to find work shows that people are willing to address these barriers and with the right information could be helped to return to work with suitable financial clarity.

The Audit also demonstrated that the help which people seek is available, but that it is not often known by residents that it is available.

The challenge now will be for organisations to meet the needs of the client group, highlighting the availability of all aspects of jobsearch support, through to training and employment opportunities and the benefits and funding available to support those returning to work.

# Tillydrone Neighbourhood Audit





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## **Executive Summary**

This Report is one of a series of five Neighbourhood Audit Reports commissioned by Aberdeen City Council through the "Progress Through Positive Partnerships" project, which will also be followed by an overall report on the combined findings.

The Audits were carried out in mid to late-2017 across regeneration areas of Aberdeen by a team of independent canvassers to maintain impartiality throughout the process.

This is the third report in a series of five, covering the Tillydrone area, which was carried out in June and July 2017 over a three week period and covered topics such as length of unemployment, barriers to returning to employment and qualifications held, as well as willingness to re-train,

Half of all respondents were not working. Of those not in employment, almost three quarters had been unemployed for over six months, although longer term unemployment of over 2 years was less than a third. This potentially reflects that the area has been harder hit by the recent downturn in the local economy than other areas.

Further reflecting the length of unemployment faced, there was no single outstanding barrier to returning to employment noted by respondents, although the cost of working and the cost of childcare were the most common answers. In common with other areas audited, benefit uptake was again lower than expected, with well below a tenth in receipt of Jobseekers Allowance and less than one fifth in receipt of Tax Credits, despite wages being received being well below average and the numbers stating they were unemployed.

Over three quarters of respondents were willing to re-train to improve their skills, with realistic expectations of the funding or wage they could receive while doing so.

Just below half of respondents went on to further or higher education after school, although it was noted that respondents often did not gain employment relating to their qualifications, with half not doing so.

Almost two thirds of respondents also reported that they are available for work or training. Reflecting earlier responses just over a tenth of people felt that an increase in affordable childcare and increased availability of training in the city were required, with just under a tenth highlighting the need for more locally available help and training.

It is therefore recommended that awareness of available childcare provision is raised, alongside local support and training so that the support and different routes back into employment which are available are highlighted, ensuring that people are connected to the jobs they are seeking and receive appropriate financial support where available.

#### Introduction

#### **Background**

Aberdeen City Council successfully bid for European Structural Fund funding for the Progress Through Positive Partnerships project. As part of this successful bid a series of Neighbourhood Audits were to be carried out, designed to identify the current needs of local people in five regeneration areas of the city – Middlefield, Woodside, Tillydrone, Torry and Seaton.

Pathways was commissioned through competitive tendering by Aberdeen City Council through the European Structural Fund (ESF) to carry out a series of 5 Neighbourhood Audits of the area identifying what services local people wanted, key barriers to an improved lifestyle, individual aspirations, future service provision requirements, with the aim of thereby identifying what services were required.

An important aspect of the Audit was also to identify what services local people were aware of locally and whether new and existing services could be better targeted.

The Audit was carried out in June and July 2017, with the results then entered into a database for analysis.

#### **Citywide Comparison**

In identifying the need to direct services towards regeneration areas such as Tillydrone it is important to set the challenges faced by the area into context. The latest published NOMIS figures show the following key benefit claim figures in the Tillydrone/ Seaton/ Old Aberdeen ward, which covers Tillydrone and across the city as a whole:

	Tillydrone	Aberdeen City
Jobseekers Allowance	95	2 480
Employment & Support Allowance	300	8 455
Incapacity Benefit/ Severe Disability All.	20	270
Disability Living Allowance	170	7 800

Source: NOMIS June 2017

The figures below show that there are significant numbers of residents in the Tillydrone area in receipt of benefit, although many of these are on benefits which are linked to ill health. This highlights the importance of addressing the needs of the area through the provision of services which help to increase people's employability, as well as supporting people to enter or return to work.

#### **Tillydrone**

#### Demographic

The Tillydrone area itself has a total estimated population of 3 588. Of these, it is estimated that 2 160 (60.2%) residents are of working age.

The working age population of the area represents approximately 1.3% of the working age population of Aberdeen City.

The percentage of the area which is over working age in Tillydrone is 15.5%, against 14.9% in Aberdeen.

Tillydrone also has 24.2% population aged under 16, well above the citywide percentage of 14.7%. This shows that Tillydrone also has a significant young population, further highlighting the importance of having systems in place to support people of all ages from school leaver upwards into employment.

Aberdeen City Council Population Estimates 2015

#### Scottish Index of Multiple Deprivation

Tillydrone is covered by 5 datazones in the SIMD. Unfortunately, the datazones across the country have recently been revised, with the latest figures the first available under these revisions, so, it is therefore not possible to carry out comparisons with previous SIMD figures to identify any trends.

However, analysis of the latest 2016 figures shows the datazones had the following rankings out of the 6505 datazones in Scotland:

Datazone	Employment	Income	Health	Housing	Education
SO1006675	2121	1391	1103	1379	456
SO1006676	1348	930	1215	823	961
SO1006677	939	1642	1642	1145	949
SO1006678	2782	2518	1920	1318	574
SO1006680	1895	1313	2016	1060	452

Rankings shown in the table above are based on the total number of SIMD datazones across the country (6505), with lower numbers representing an area ranks lower and therefore worse than a datazone ranked more highly. These figures therefore show that Tillydrone consistently ranks below the median level for deprivation across the country, with two SIMD datazones for Employment and three Income ranking in the worst 25%.

Also of particular concern is that all five datazones rank within the worst 15% for Education.

#### Health

As shown by the Department of Work & Pension (DWP) figures claiming illness-related benefits, there is a significant number of people with limiting long-term illnesses across all age ranges. This is further reflected in the SIMD outcomes, which show 2 of the Tillydrone datazones to be in the worst 15% ranking for Health in the country.

These figures are important when considering the efforts being made nationally to reduce the numbers of people on illness-related benefits and encourage them back into work, such as through the Welfare Reform programme.

### **Neighbourhood Audit**

The information above highlights the importance of correctly targeting services and funding at regeneration areas of the city to ensure that residents of areas such as Tillydrone are offered the maximum support to enable them to benefit from opportunities to enter or return to work.

A summary of the findings of each section of the questionnaire are presented below, so that Aberdeen City Council and partners can best decide how to target their own services or introduce new services to the area.

# Methodology

A questionnaire was developed in partnership with Heather Farquhar and Angela Taylor, Aberdeen City Council, covering a range of topics such as length of unemployment, job goals, re-training etc.

It was planned to deliver the questionnaire through a combination of doorknocking and approaching people using local community centres and projects.

A team of canvassers from across a range of backgrounds was recruited, ensuring neutrality during completion of the questionnaires and canvassing to be conducted throughout the day when the majority of those currently disengaged would be at home.

Over a 3 week period, all doors in the area were knocked on a minimum of 3 times to obtain a maximum response rate and to ensure that doors where no reply was initially received were given as many opportunities as possible to participate.

As a result of a lower response rate than aimed for in Tillydrone and across other regeneration areas, an online version of the questionnaire was also developed and published on Survey Monkey. This was widely advertised across social media platforms such as Facebook and the City Council's Twitter feed, as well as directly through agencies and projects across the city.

In Tillydrone this resulted in an additional 15 responses, although these responses were further limited in that half did not fully complete the questionnaire. However, where questions were completed they have been incorporated into this report.

Those residents in employment, which made up 52.9% of respondents, were asked questions relating to their employment including hours per week, wages and whether any benefits were received in the household, as well as their opinion on what services should be provided to help those out of work re-enter the workforce.

Respondents who confirmed they were not working were asked the length of time since they had last worked, hours and wages they would consider, the benefits they receive and their likes or dislikes about their last job, before being asked about the support they felt should be in place to help them find work.

All clients then answered a series of questions on the following topics:

- Benefits
- Willingness to Re-train
- Training & Qualifications
- Goals & Aims
- Support Requested

A total of 138 questionnaires were completed, by 57 males and 81 females. Of those completing the questionnaire 64 were unemployed. The questionnaire was therefore completed by 6.4% of the working age population of the area.

# **Findings**

#### i. Employment Status

Just over half (74) of those completing the questionnaire stated they were currently in employment.

#### Working Hours

Of those in employment, 65% were currently working full time, with 68% of those working (50) also stating that they were happy with the hours they currently worked.

For those stating they were unhappy with their hours the main barriers to changing working hours were children, money and caring for children.

#### Duration of employment

The overwhelming majority of people had been in their current job for over 6 months, with just over 10% having been in their current job under 6 months. At the other end of the spectrum, over a quarter of people (27%) had been in their current job for over 5 years.

A small percentage of people said that they were unhappy in their current job (15%); with the main barriers faced to securing the type of work they wanted being lack of qualifications, care responsibilities, money/wage, lack of confidence, language skills and the economic downturn.

In line with findings in previous areas audited, a positive aspect of the survey in relation to employed respondents was that a high percentage, in this case 85%, of people stated that they are happy in their current job. This highlights the importance of finding people the kind of work they want, no matter what the skill level of that job may be, indicating that once in suitable employment respondents were largely committed to remaining there.

#### Employment sector

Just over half (52%) work in the Service sector, with the reminder spread across a number of sectors, with the most common sectors Retail (14%), Oil & Gas (9%) and Public Administration (5.6%).

#### Wages

The weekly wage stated as received was well below the city average of £483. Of the 74 people in employment, only 19 stated that their income exceeded £300 per week, in itself well below the citywide median of 3483 per week.

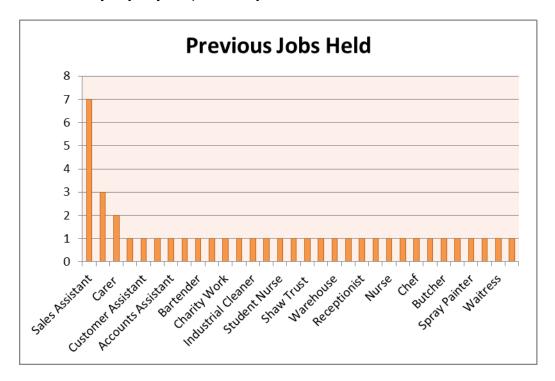
However, as only 17% stated that they were in receipt of in-work benefits, this suggests that, in common with other areas audited, there may be a lack of understanding and knowledge of eligibility for in-work benefits and there may

therefore be a need to advertise and encourage uptake of these benefits within the area, perhaps through organisations such as Cash In Your Pocket or a neighbourhood DWP event.

# ii. Unemployment

A total of 64 unemployed residents completed the questionnaire, approximately 51% of the total completed. Of these, 92% had previously worked, with almost two thirds of those (62%) having worked full time.

A wide range of jobs had previously been held, ranging from lower skilled jobs such as working in a burger shop and as a domestic cleaner to highly skilled roles such as in engineering and nursing, to retail and care work. However, the vast majority of jobs previously held were lower skilled.



This is further emphasised by the wages earned, which in common with those currently in employment were well below the average for the city, although unusually nearly two fifths earned over £300 per week.

The main reasons given when asked what they did not like about their previous job were stress, hours and shifts worked, repetitiveness and colleagues.

A little under two thirds of those questioned previously worked full time (62%). Of all those who had previously worked the main reasons given for the last job ending being that they had children, illness or they were made redundant.

This suggests that there are potentially large numbers of Women Returners or people returning to work from long absences living in the area, both of which are priority groups for national initiatives.

Significantly, and once again in common with other audited areas, given the recent downturn in the oil industry and subsequent effect on the local economy, a further 12.8% reported that their most recent job ended because they were made redundant and 8.5% reported their contract ended, suggesting that there may be untapped skills in the workforce, especially given the higher earnings noted above.

Of particular concern in was the length of time which respondents had been unemployed for:

	Number	%age
Over 6 months	47	73.7
Over 2 years	19	30.9
Over 5 years	6	9.5
Over 10 years	2	2.4

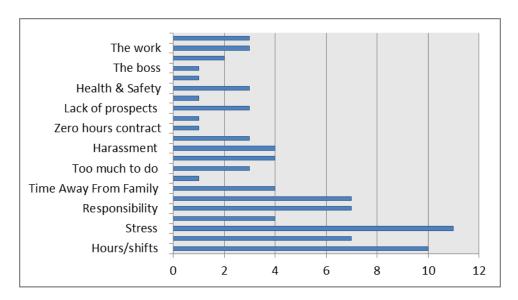
These figures are significant as the length of unemployment shows a sharp increase in recent long-term unemployment. This, coupled with the numbers of people reporting they have previously worked in the Oil & Gas sector and service industries suggests that Tillydrone has been particularly hard hit by the industry and economic downturn.

These figures highlight the need for high-level support at the early stages of unemployment, as almost a third of unemployed respondents are now over 2 years from economic activity, and without an increased level of support at the early stages there is potential for significant numbers to remain outwith the labour market for extended periods. This will negatively impact on their quality of life and health, as well as having the potential to impact on relationships.

A range of activities which address this, such as work trials, coaching and key worker support are therefore needed to support this client group back into work, alongside services to address the barriers faced in their day-to-day lives, which may include such issues as debt etc.

When asked about what they liked about their last job almost 14% of people responded Money, with nearly 9% answering Financial Independence. The second most common answer was Being Part of a Team (10.9%), which itself was also closely matched by the Social Aspect (9.1%).

Conversely, people did not like the stress, hours/shifts and pressure in their last jobs.



The jobs which people in the area were looking for covered a wide range, including policeman, mortgage advisor and game developer to less skilled jobs such as retail work. However, it is noticeable that the aspirations of people were generally of more skilled professions.

In considering the work they would like to do, the most common steps needed were build self-confidence, improve qualifications, work experience/ placements and to re-train. A further 2.5% identified literacy or numeracy needs as a barrier to securing the work they wanted.

Meanwhile, the biggest concerns about returning to work were the cost, the availability of childcare provision and its cost, stress or the wage available. However, no single answer received high responses, so it may be concluded that for individuals there are no common barriers to returning to work.

A significant proportion of respondents (18.2%) stated they did not know where to get help. However, the main concerns about returning to work were the loss of benefit security (21.2%) and the loss of benefits if the job did not work out (also 18,2%).

When asked if they had previous experience of the type of work they wanted, a little over one tenth (12.3%) stated that they had previous experience. This suggests that training could form an important route back into employment for significant numbers within the Tillydrone area.

The next most popular reasons for wanting to do the type of work they had identified were the Challenge (11.1%) Money (9.9%), Career Progression (8%), Like Helping Others (8%) and Have Skills For The Job (8%). In conjunction with the lack of previous experience this further suggest work

experience placements could form an important route back into employment for Tillydrone residents.

Respondents were asked a number of times throughout the survey, in different ways, to identify the help needed for them to be able to return to employment. When asked at this stage respondents most commonly wanted locally available help, locally available training, more financial help with starting work and an increase in affordable childcare, backing up the earlier responses in the audit.

Significantly, once again respondents stated when asked what wage they required, that they were looking for wages well below the Aberdeen city average, with two-fifths (41%) looking for a wage of over £300 per week. This suggests that a large proportion of the group are looking for part time or lower skilled work and it is therefore important to ensure that the availability of such posts is highlighted where possible.

Finally, all unemployed respondents were asked if they had worked full or part time in the past, with the following results:

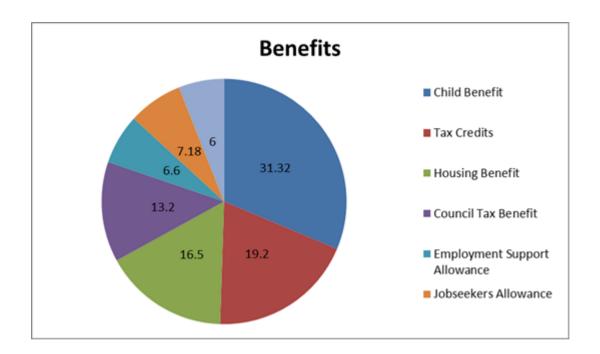
- 39 (61%) of respondents have worked full time:
- 25 (39%) have worked part-time.

#### iii. Benefits

All respondents were asked about the benefits people in their household were in receipt of.

As expected, the most common responses were Child Benefit (31.3%), Tax Credits (19.2%) and Housing Benefit (16.5%).

However, less than 10% of respondents stated they were in receipt of Jobseekers Allowance (7.2%), Employment Support Allowance (6.6%) or Income Support (4.1%).



Given that over half of the people completing the questionnaire stated they were unemployed, this demonstrates that a significant percentage of people do not know what benefits they receive.

In common with other audited areas, in the longer term, this may become a significant issue as currently only 1% stated they are in receipt of Universal Credit. As the transfer over to Universal Credit increases over time there will clearly be work required to ensure that people know what benefits they are entitled to, both whilst out of work and in work.

Finally in this section, people were also asked how many people in their household were in receipt of benefit, with four fifths (80%) stating that one person received benefits, with the most in one household being four benefit claimants.

#### iv. Willingness to Re-train

All respondents had the option of completing this section, with 87% responding to at least one question.

Of those who responded, 97 stated that they were willing to re-train for the type of job they are looking for, with 12 willing to re-train for up to 6 weeks and 31 for 6–12 weeks and over half (58) willing to re-train for 6 months or more.

It is therefore extremely important that not only are there training opportunities available for local people, but that these training opportunities are accessible and are delivered over varying lengths of time to suit the needs of local people.

When asked how much they would expect to be paid while training, a little under a quarter (31%) said they would expect to receive their current income, whilst at the other end of the spectrum almost a fifth (18%) would train without receiving a wage, whilst a similar number (18%) would expect to receive the National Minimum Wage.

Finally, people were asked where they would expect to find out about training opportunities. The 5 most popular answers were:

•	Social Media	12%
•	Jobcentre Plus	10%
•	Employer	10%
•	Friends & Family	7%
•	College/university	7%

Taken as a whole, this section highlights the willingness of local people to retrain and that their expectations during retraining are realistic in comparison to what training is available.

It is important that a range of training opportunities is in place to meet the needs of local people. These need to be available over a variety of timescales from short courses lasting up to 6 weeks, to longer training offering the opportunity to enter jobs with skills. Ideally, as much on-the-job training should be available to people as possible.

#### v. Training & Qualifications

This section focussed on the qualifications of people living in the Tillydrone area, whether they went on to college or university and if they gained employment relevant to their qualifications.

Well over half (62%) of respondents achieved at least Standard Grades at school, with almost a third (33%) achieving Highers. Notably, 25% of respondents had achieved overseas qualifications, the highest percentage of any area audited so far, so have clearly moved to Aberdeen since leaving school.

Half attended college, with almost a third going to university (31%). Three quarters of these (75%) gained a qualification.

People who went to college and university accessed a wide range of courses, from access courses, through SVQs to degree level courses, with the majority studying at SVQ level or above.

It is also noticeable from the earlier question relating to the job people were currently in, that there appears to be a discrepancy between the course attended and whether a job in this sector was secured, with exactly half (50%) finding a job relevant to their qualifications.

The survey also asked all respondents to state whether they had attended any training since leaving school or further education.

Over two-fifths (42% 59) of respondents stated that they had attended some form of training. As expected, there was a huge range of training accessed, with much of it work-based or led training. However, there was also a range of training accessed which was not on behalf of a workplace. Training accessed included yoga teacher, digger operator, health & safety and nursing. One person had attended training with the Holocaust Education Trust.

#### vi. Goals & Aims

All respondents were asked the questions in this section, although many opted to answer only questions which they felt were of relevance to them.

Of 118 responses, almost two thirds (64%) said that they were available for work, training or volunteering.

In further questioning, just over a quarter of respondents (19) of these stated they are willing to work or train over 6 hours per day, with almost two thirds (48) willing to attend for up to 4 hours per day.

Of the 104 people who answered, only 7 (7%) stated that they are only willing to work in the Tillyrone area. All other respondents are willing to travel to other parts of Aberdeen, with 16% willing to travel outwith the city to secure work.

Meanwhile, 31 people also said they would consider self-employment,

When asked at this stage, 91% of people responded to a question asking what kind of help they or others would need to return to employment. The most common answers given were:

•	Increase in affordable childcare	13%
•	More training available in city	12%
•	Locally available help	11%
•	Locally available training	11%
•	More financial help starting work	9%
•	Wider availability of work placements	8%

Earlier in the Audit, those who stated they were not working were asked about their concerns about working. A wide range of responses were given, of which the most popular were Childcare Provision and Cost (8%), Stress (also 8%), and the Money/Wage Available (7%). Interestingly, only 3% highlighted a lack of current skills.

As reported earlier, wage expectations were low, with almost three-fifths (59%) looking for a wage of under £300 per week. This ties-in with the range of hours per day for which people were looking for work, with a high percentage (73%) looking for less than 6 hours work per day.

Over 93% of people thought that the wage they were seeking was realistic, suggesting that people recognise that they may not immediately be able to enter highly skilled employment and linking in with earlier answers relating to the type of work sought, which suggested that many would be comfortable with lower skilled employment.

Positively, over three-quarters (78%) of those answering stated they would consider volunteering, which can provide an excellent bridge back into employment.

#### vii. Support Requested

The final section of the questionnaire looked at what help respondents would like to help them find work. A total of 122 people responded to the initial question in this section, of which well over half (73) stated they would like help to get into work or training. Of these, 32 were unemployed

A wide range of support was listed for respondents to choose from, with the most common choices as follows:

Financial support towards training courses	8.8%
Training for a specific job	7.1%
Work experience placement	6.6%
1-2-1 support to find work	5.5%
Free IT Training	5.3%
Training through Jobcentre Plus	5.3%
Help with CV's	4.9%

The figures above (and other answers provided) suggest that people are seeking support which does currently exist. The problem which exists at the moment is therefore perhaps in connecting people to the support which is available.

#### Recommendations

Findings from the report show that, although 72% of the out of work Tillydrone residents completing the Skills Audit are long term unemployed, there remains within the population a wish for support which will help them enter or return to employment.

Based on this willingness and the responses to questions, the following recommendations are made:

1. Ensure people are aware of the existing support available.

A large number of unemployed people (32) indicated that they would like additional support to return to work.

Although no single barrier was highlighted, one of the most common barriers reported was the cost of childcare. However, alongside this residents reported the type of help they are looking for broadly matched the help they believe is available.

Taken together, these results suggest that although residents are aware of some support they do not necessarily know how readily available it is.

It is therefore important that the availability of existing support within the area and city is highlighted. Extensive marketing programmes, through as many different media as possible, should be carried out across the area so that a steady stream of information is brought to the attention of local people.

Such advertising should not rely on a single source as earlier questions show that clients are not aware or would not use all the support agencies or media available for information on training or jobsearch. Advertising could take place through:

- social media
- community newsletters;
- the community radio station;
- through local projects and centres e.g. The Tilly Flat; Lads Club etc.;
- job and training fairs connecting local people to available opportunities;
- targeted leafleting of Jobcentre Plus clients during signing on.

By marketing the support available through a variety of media consistently over a period time, awareness of support will be raised, with an expectation of increased numbers accessing support.

#### 2. Ensure local help and training is available

Throughout the Audit both employed and unemployed people were asked what type of support should be given to people who want to return to work. Each time this was asked the most popular answers were support with the cost of childcare, locally available help and locally available training.

Within the Tillydrone area there are locations, such as the Tillydrone Community Flat, where people can access some support, but provision is limited in the area.

Within the city the types of training and support which people are looking for is available through a variety of organisations e.g. Aberdeen Foyer, Pathways, SHMU, etc. However, when asked about how to address their barriers almost a fifth (18%) stated that they did not know where to get help.

This suggests that people are not necessarily aware of the support which is available, backing up the first recommendation that marketing of services is carried out.

3. Ensure the availability of Back-To-Work benefits and In-Work benefit calculations are promoted

The Audit has highlighted that the jobs and wages which people are looking for are well below the average for the city. As a result, there is likely to be a need for in-work benefits for residents returning to work.

Alongside this, the number of people reporting receipt of benefits such as Working Tax Credits is lower than may be expected in regeneration areas.

In addition, the loss of benefit security (21%) and loss of benefits if the job doesn't work out (18%) were both highlighted as major concerns when discussing a return to work. The introduction and roll-out of Universal Credit can offer an opportunity to address this issue if awareness can be raised.

For those not yet on Universal Credit, the entitlement and availability of inwork benefits should be highlighted within the community, including alongside the advertising which is undertaken to highlight support services.

In addition, the importance of in-work benefit calculations should be emphasised. By carrying out checks prior to entering employment it would be possible to not only reduce the numbers who may leave work due to ongoing employment struggles, but also would increase the uptake of inwork benefits by those entitled to them.

Agencies such as Cash In Your Pocket which can connect people with organisations able to give in-work benefit calculations are available in the

city and their services should be highlighted as part of any support to return to employment.

Residents have also highlighted that childcare and assistance in buying equipment or clothing would be of benefit to them in their efforts to return to work.

Jobcentre funding for training and travel costs is available, but from answers provided is not commonly known of by residents.

It is once again therefore important that the availability of such support services are advertised throughout the area.

4. Ensure different routes into work are available and promoted in an appropriate manner.

The Audit showed that people are looking for a wide variety of support to return to work. Throughout the Audit residents consistently reported a wish for more work experience opportunities, as well as availability of training (both locally and in the city) and financial support towards childcare costs and starting work.

As with many of the recommendations above it is therefore important that residents are connected with the opportunities for both which exist within Aberdeen.

Additionally, over three-quarters of those responding said they would consider voluntary work as a way of developing their skills. Again, it should be highlighted that volunteering opportunities are available in the city, with ACVO's website highlighting over 800 opportunities are currently available.

Work Trials are also available directly through Jobcentre Plus, which can also provide the opportunity for local people to demonstrate their skills on the job without affecting their benefits and Jobcentre Plus consider work experience placements a worthwhile step back to employment.

These and other similar opportunities are currently available and could be more widely accessed by residents and should therefore be promoted as part of the programme of advertising recommended above to increase uptake.

# **Next Steps**

The Audit has shown a large number of Tillydrone residents are looking for additional support to help them back into work and it is important that this is followed up.

The first step to be taken is therefore to connect all those requesting help in the area with the opportunities which exist with and to follow up through individual contact with all those seeking additional support.

This will be done via the Progress Through Positive Partnerships project.

Further Neighbourhood Audits of the other regeneration areas of the city have also been carried out with reports on each area being compiled as they were completed. Audits have also been carried out in the following areas:

- Middlefield;
- · Woodside;
- Torry; and
- Seaton.

Comparisons of the areas will also be carried out to find any variances in the needs between areas, gradually building a picture across the city.

#### Conclusion

There was a limited response to requests to complete the Audit from Tillydrone. However, those who did complete the questionnaire were willing participants and provided key information.

The questionnaire ran to over 90 questions – although a number of these were missed depending on whether the respondent was working or not - and it may have been expected that its length may have discouraged people from completion of it. However, this was not the case, with those agreeing being extremely willing to complete the form with the assistance of the canvassers.

The main fears for Tillydrone residents in returning to work were the cost of childcare, the financial implications of moving back into work and the potential loss of benefits if new jobs did not work out. However, the numbers of unemployed people requesting help to find work shows that people are willing to address these barriers and with the right information could be helped to return to work with suitable financial clarity.

The Audit also demonstrated that the help which people seek is available, but that it is not often known by residents that it is available.

The challenge now will be for organisations to meet the needs of the client group, highlighting the availability of all aspects of jobsearch support, through to training and employment opportunities and the benefits and funding available to support those returning to work.

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# Torry Neighbourhood Audit





EUROPE & SCOTLAND

European Social Fund
Investing in a Smart, Sustainable and Inclusive Future

May 2018

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# **Executive Summary**

This Report is one in a series of five Neighbourhood Audit Reports commissioned by Aberdeen City Council through the Progress Through Positive Partnerships project, which will also be followed by an overall report on the combined findings.

The Audits were carried out in mid-2017 across regeneration areas of Aberdeen by a team of independent canvassers who maintained impartiality throughout the process.

This is the fourth report in a series of five, covering the Torry area, which was carried out in 2017 over a three week period and covered topics such as length of unemployment, barriers to returning to employment and qualifications held, as well as willingness to re-train and the support people would benefit from to improve employability and find work.

A little under half of all respondents were not working. Of these not in employment, just over three quarters had been unemployed for over six months and over half for over 2 years.

Perhaps as a result of the length of unemployment faced, a fifth of respondents stated that a loss of benefit security was barrier to returning to employment for them. Alongside this, benefit uptake, for both employed and unemployed, was worryingly low, with just over a tenth in receipt of Tax Credits and less than a tenth in receipt of Jobseekers Allowance, despite wages being received being well below average and the numbers stating they were unemployed.

Over three quarters of respondents were willing to re-train to improve their skills, with realistic expectations of the funding or wage they could receive while doing so.

Over three quarters of respondents went on to further or higher education after school, although it was noted that respondents often did not gain employment relating to their qualifications, with less than half not doing so.

Two thirds of respondents also reported that they are available for work or training, with around a tenth reporting that they felt that people in the area require more locally available help and training.

It is therefore recommended that awareness of existing and/or new local support and training is raised so that the different routes back into employment which are available are highlighted, ensuring that people are connected to the jobs they are seeking and receive appropriate financial support where available, whether towards the cost of training or in-work benefits.

#### Introduction

#### **Background**

Aberdeen City Council successfully bid for European Structural Fund funding for the "Progress Through Positive Partnerships" project. As part of this successful bid a series of Neighbourhood Audits were to be carried out, designed to identify the current needs of local people in five regeneration areas of the city – Middlefield, Woodside, Tillydrone, Torry and Seaton.

Pathways was commissioned through competitive tendering by Aberdeen City Council through the European Structural Fund (ESF) to carry out a series of 5 Neighbourhood Audits of the area identifying what services local people wanted, key barriers to an improved lifestyle, individual aspirations, and future service provision requirements, with the aim of thereby identifying what services were required.

An important aspect of the Audit was also to identify what services local people were aware of locally and whether new and existing services could be better targeted.

The Audit was carried out in July and August 2017, with the results then entered into a database for analysis.

#### **Citywide Comparison**

In identifying the need to direct services towards regeneration areas such as Torry, it is important to set the challenges faced by the area into context. The latest published NOMIS figures show the following key benefit claim figures in the Torry/ Ferryhill ward which covers Torry and across the city as a whole:

	Torry	Aberdeen City
Jobseekers Allowance	265	2 480
Employment & Support Allowance	410	8 455
Incapacity Benefit/ Severe Disability All.	20	270
Disability Living Allowance	190	7 800

Source: NOMIS June 2017

The figures above show that there are significant numbers of residents in the Torry area in receipt of benefits, highlighting the importance of addressing the needs of the area through the provision of services which support people to enter or return to work.

#### **Torry**

#### Demographic

The Torry area itself has a total estimated population of 8 129. Of these, it is estimated that 5 172 (63.6%) are of working age.

The working age population of the area represents approximately 3.2% of the working age population of Aberdeen City.

The percentage of the area which is over working age in Torry is 14.9%, the same as the average across Aberdeen city.

Torry also has a significant young population, with 21.4% of residents aged under 16, highlighting the importance of having systems in place to support people of all ages, from school leaver upwards into employment.

Aberdeen City Council Population Estimates 2015

#### Scottish Index of Multiple Deprivation

Torry is covered by 13 datazones in the SIMD. Unfortunately, the datazones across the country have recently been revised, with the latest figures the first available under these revisions, so, it is therefore not possible to carry out comparisons with previous SIMD figures to identify any trends.

However, analysis of the latest 2016 figures shows the datazones had the following rankings out of the 6505 datazones in Scotland:

Datazone	Employment	Income	Health	Housing	Education
SO1006624	2991	3506	2916	160	1789
SO1006625	3480	3829	3315	1674	2814
SO1006626	2353	2157	1779	684	802
SO1006627	1733	2355	1089	84	424
SO1006628	3187	3776	3287	45	1750
SO1006629	2336	1196	1361	902	291
SO1006630	2149	1385	1381	1174	776
SO1006631	2631	1532	1657	795	816
SO1006632	1582	1953	1384	759	232
SO1006633	1651	1283	1354	731	401
SO1006634	556	583	876	1070	425
S01006635	2601	2064	3014	731	808
SO1006636	1497	675	959	983	270

Rankings shown in the table above are based on the total number of SIMD datazones across the country (6505), with lower numbers representing an area ranks lower and therefore worse than a datazone ranked more highly.

These figures therefore show that Torry consistently ranks below the median level for deprivation across the country, with three SIMD datazones for Employment and six Income ranking in the worst 25%.

Also of particular concern is that six datazones rank within the worst 5% for Education and all bar two in the worst 25%.

#### Health & Housing

As shown by the Department of Work & Pension (DWP) figures claiming illness-related benefits, there is a significant number of people with limiting long term illnesses across all age ranges. This is further reflected in the SIMD outcomes, which show 2 of the Torry datazones to be in the worst 15% ranking for Health in the country and all thirteen datazones ranking in the lowest 20% for Housing, with the subsequent health impacts this can have.

These figures are important when considering the efforts being made nationally to reduce the numbers of people on illness related benefits and encourage them back into work, such as through the Welfare Reform programme.

# Neighbourhood Audit

The information above highlights the importance of correctly targeting services and funding at regeneration areas of the city to ensure that residents of areas such as Torry are offered the maximum support to enable them to benefit from opportunities to enter or return to work.

A summary of the findings of each section of the questionnaire are presented below, so that Aberdeen City Council and partners can best decide how to target their own services or introduce new services to the area.

# Methodology

A questionnaire was developed in partnership with Heather Farquhar and Angela Taylor, Aberdeen City Council, covering a range of topics such as length of unemployment, job goals, re-training etc.

It was planned to deliver the questionnaire through a combination of doorknocking and approaching people using local community centres and projects. A team of canvassers from across a range of backgrounds was recruited, ensuring neutrality during completion of the questionnaires and canvassing was conducted throughout the day when the majority of those currently disengaged would be at home.

Over a 3 week period, all doors in the area were knocked on a minimum of 3 times to obtain a maximum response rate and ensuring that residents were given as many opportunities as possible to participate in the survey.

As a result of the lower than aimed for response rate in Torry and across other regeneration areas, an online version of the questionnaire was also developed and published on Survey Monkey. This was widely advertised across social media platforms such as Facebook and the City Council's Twitter feed, as well as directly through agencies and projects across the city.

In Torry this resulted in a further 33 responses, although these responses were further limited in that none of the Survey Monkey responders fully completed the questionnaire. However, where questions were completed they have been incorporated into this report.

Those residents in employment, which made up 52% of respondents, were asked questions relating to their employment including hours per week, wages, and whether any benefits were received in the household, as well as their opinion on what services should be provided to help those out of work re-enter the workforce.

Respondents who confirmed they were not working were asked the length of time since they had last worked, hours and wages they would consider, the benefits they receive and their likes or dislikes about their last job, before being asked about the support they felt should be in place to help them find work.

All clients then answered a series of questions on the following topics:

- Benefits
- Willingness to Re-train
- Training & Qualifications
- Goals & Aims
- Support Requested

A total of 158 questionnaires were completed, by 61 males and 86 females (with a further 11 declining to answer). Of those completing the questionnaire 76 were unemployed. The questionnaire was therefore completed by 3% of the working age population of the area.

# **Findings**

#### i. Employment Status

Just over half (82) of those completing the questionnaire stated they were currently in employment.

#### Working Hours

Of those in employment, 53% were currently working full time, with 57% of those working (38) also stating that they were happy with the hours they currently worked.

For those stating they were unhappy with their hours the main barriers to changing working hours were children, caring responsibilities and money.

#### Duration of employment

The majority of people had been in their current job for over 6 months, with 22% having been in their current job under 6 months. At the other end of the spectrum, 42% of people had been in their current job for over 5 years.

A small percentage of people said that they were unhappy in their current job (17%); with the main barriers faced to securing the type of work they wanted being lack of skills or experience and lack of opportunity.

One of the most positive aspects of the survey in relation to employed respondents was that 83% of people stated that they are happy in their current job. This highlights the importance of finding people the kind of work they want, no matter what the skill level of that job may be, indicating that once in suitable employment respondents were largely committed to remaining there.

#### Employment sector

Two thirds (41%) work in the Service sector, with the reminder spread across a number of sectors, although a similar percentage (39%) answered this question as "Other", so the real percentage working in Services may be higher, especially as the only other sector which had a notable answer was Public Administration at just over 10%.

#### Wages

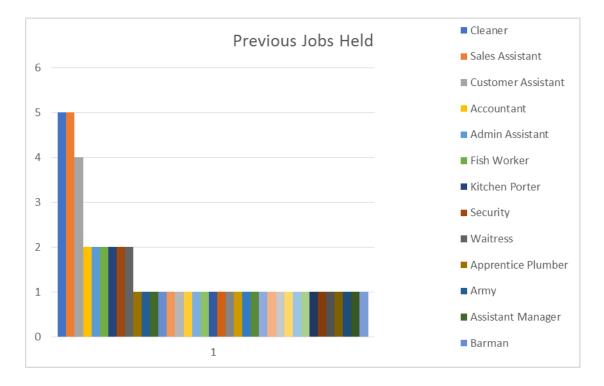
The weekly wage stated as received was well below the city average. Of the 66 people in employment responding to this question, only 30% stated that their income exceeded £300 per week, in itself well below the city average.

However, as only 11 people stated that they were in receipt of in-work benefits, this suggests that there may be a lack of understanding and knowledge of eligibility for in-work benefits and there may therefore be a need to advertise and encourage uptake of these benefits within the area, perhaps through organisations such as Cash In Your Pocket or a neighbourhood DWP event.

# ii. Unemployment

A total of 76 unemployed residents completed the questionnaire, approximately 48% of the total completed. Of those answering, 93% had previously worked, with three quarters (75%) having worked full time.

A wide range of jobs had previously been held, ranging from lower skilled jobs, such as labourer and domestic cleaner, to highly skilled jobs such as engineer and two accountants. However, the vast majority of jobs previously held were lower skilled.



The main reasons given by respondents when asked what they did not like about their previous job were hours and shifts worked, the pressure and stress, and lack of prospects.

This is further emphasised by the wages earned, which in common with those currently in employment are well below the average for the city, with less than half -43% - of those answering earning over £300 per week. However, it should be noted that this question had a very low response rate.

Three quarters of those questioned had previously worked full time (75%). Of all those who had previously worked the main reasons given for the last job ending being Illness or Had Children. This suggests that there are potentially large numbers of Women Returners and Employment Support Allowance

clients living in the area, both of which are priority groups for national initiatives.

Although not as significant a percentage as in other areas, there were still notable numbers of respondents who were long term unemployed:

	Number	%age
Over 6 months	42	65
Over 2 years	29	45
Over 5 years	15	23
Over 10 years	8	12

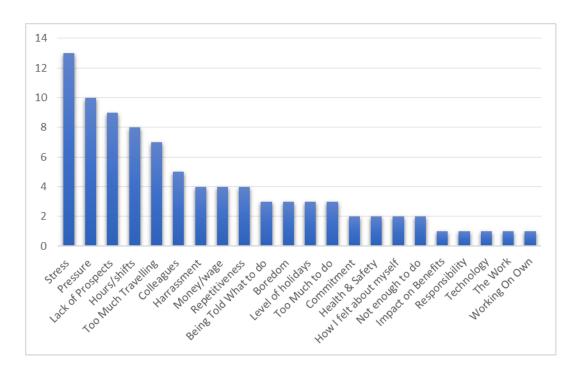
These figures are significant as the length of unemployment faced by these groups is likely to mean that individuals not only face a number of barriers to employment themselves, but that when they are applying for jobs they are competing with people who have been unemployed for much shorter times.

These figures highlight the need for high level support at the early stages of unemployment, as almost a third of unemployed respondents are now over 2 years from economic activity, and without an increased level of support at the early stages there is potential for significant numbers to remain outwith the labour market for extended periods. This will negatively impact on their quality of life and health and also have the potential to impact on relationships.

A range of activities which address this, such as work trials, coaching and key worker support are therefore needed to support this client group back into work, alongside services to address the barriers faced in their day-to-day lives which may include such issues as debt etc.

When asked about what they liked about their last job the most popular answers were Being Part of a Team, Money and the Social Aspect, with Financial Independence and How Good I felt About Myself also featuring as popular answers.

Conversely, people most commonly responded that they did not like hours/shifts, pressure and stress in their last jobs.



The jobs which people in the area were looking for ranged from lower skilled work, such as cleaner and bar worker, to skilled work such as an engineer, nurse two accountants and a motor mechanic.

In considering the work they would like to do, the most common steps needed were Done it Before, Gain Qualifications, Update CV, and Work Experience/Placements. However, just 1% identified literacy or numeracy needs as a barrier to securing the work they wanted.

Meanwhile, the biggest concerns about returning to work were the Cost and Availability of Childcare Provision, Time Away from Family, Hours/Shifts Required, and the Money/Wage they would earn.

Although a small number or people responded to a follow-up question asking why these were barriers, a significant proportion of respondents stated they didn't think help was available for them (25%), or that they did not know where to get help (14%). However, the main concerns about returning to work were the loss of benefits if the job did not work out and the loss of benefit security (both 18%).

The most popular reasons for wanting to do the type of work they had identified were Done it Before, Challenge and Have Skills for the Job.

Respondents were asked a number of times throughout the survey, in different ways, to identify the help needed for them to be able to return to employment. Most commonly respondents wanted locally available training, local available help, an increase in affordable childcare and more financial help with starting work.

Significantly, once again respondents stated when asked what wage they required, that they were looking for wages well below the Aberdeen city median of £483, with just over two-fifths (41%) looking for a wage of over £300 per week. This suggests that a large proportion of the group are looking for part time or lower skilled work and it is therefore important to ensure that the availability of such posts is highlighted where possible.

Finally, all unemployed respondents were asked if they had worked full or part time in the past, with the following results:

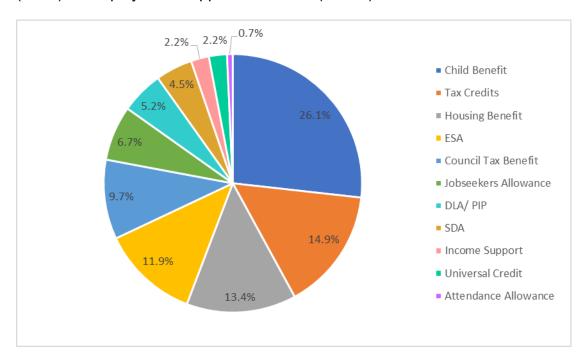
- 49 (75%) of respondents have worked full time;
- 16 (25%) have worked part-time.

#### iii. Benefits

All respondents were asked about the benefits people in their household were in receipt of.

As expected, the most common responses were Child Benefit (26.1%), Housing Benefit (13.4%) and Tax Credits (14.9%).

However, lower than expected responses were received for most benefits, including respondents stating they were in receipt of Jobseekers Allowance (6.7%) or Employment Support Allowance (11.9%).



Given that almost half of the people completing the questionnaire stated they were unemployed, this demonstrates that a significant percentage of people do not know what benefits they receive.

In the longer term, this may become a significant issue as currently just over 2% stated they are in receipt of Universal Credit. As the transfer over to Universal Credit increases over time there will clearly be work required to ensure that people know what benefits they are entitled to, both whilst out of work and in work.

Finally in this section, people were also asked how many people in their household were in receipt of benefit, with over three quarters (77%) stating that one person received benefits, with the most in one household being two benefit claimants.

#### iv. Willingness to Re-train

All respondents had the option of completing this section, with 83% responding to at least one question.

Of those who responded, 76% stated that they were willing to re-train for the type of job they are looking for, with 16% willing to re-train for up to 6 weeks, 20% for 6–12 weeks and over half (58%) willing to re-train for 6 months or more.

It is therefore extremely important that not only are there training opportunities available for local people, but also that these training opportunities are accessible and are delivered over varying lengths of time to suit the needs of local people.

When asked how much they would expect to be paid while training, 36% said they would expect to receive their current income, whilst just 6% would train without receiving a wage, although 19% would be willing to receive the National Minimum Wage.

Finally, people were asked where they would expect to find out about training opportunities. The 5 most popular answers were:

•	Jobcentre Plus	14%
•	Employer	13%
•	Social Media	11%
•	College/university	8%
•	Friends & Family	7%

Taken as a whole, this section highlights the willingness of local people to retrain and that their expectations during retraining are realistic in comparison to what training is available.

It is important that a range of training opportunities is in place to meet the needs of local people. These need to be available over a variety of timescales from short courses lasting up to 6 weeks to longer training offering the opportunity to enter jobs with skills. Ideally, as much on-the-job or practical training should be available to people as possible.

#### v. Training & Qualifications

This section focussed on the qualifications of people living in the Torry area, whether they went on to college or university and if they gained employment relevant to their qualifications.

Well over three quarters of respondents (85%) achieved at least Standard Grades at school, with almost half (45%) achieving Highers. It should also be noted that 12% of respondents had achieved overseas qualifications, so have clearly moved to Aberdeen since leaving school.

Just under 41% attended college, with a further 29% going to university. Almost three quarters (74%) gained a qualification.

People who went to college and university accessed a wide range of courses, from access courses, through SVQs to degree level courses, with the majority studying at SVQ level or above.

It is also noticeable from the earlier question relating to the job people were currently in that there appears to be a discrepancy between the course attended and whether a job in this sector was secured, with less than half (42%) finding a job relevant to their qualifications.

The survey also asked all respondents to state whether they had attended any training since leaving school or further education.

A little under half (45%) stated that they had attended some form of training. As expected there was a huge range of training accessed, with much of it work-based or led training. However, there was also a range of training accessed which was not on behalf of a workplace. Training accessed included accountancy, electrical, and rigging, giving a demonstration of the breadth of different training accessed.

#### vi. Goals & Aims

All respondents were asked the questions in this section, although many opted to answer only questions which they felt were of relevance to them.

Of 122 responses, 65% said that they were available for work, training or volunteering.

In further questioning, just a under a quarter (24%) stated they are willing to work or train over 6 hours per day, whilst over half (59%) stated they are willing to attend for up to 4 hours per day, suggesting that part time employment is a preferred option for many.

Meanwhile, 55 people (45% of those answering) also said they would consider self-employment, with more than half of these (54%) saying they would like help developing their ideas, although a slightly lower percentage (49%) said they would need training to become self-employed.

When asked at this stage 83% of people responded to a question asking what kind of help they or others would need to return to employment. The most common answers given were:

•	Locally available help	18%
•	More training available in city	15%
•	More financial help with starting work	14%
•	Locally available training	13%
•	IT Training support	9%
•	Wider availability of work placements	9%

Earlier in the Audit, those who stated they were not working were asked about their concerns about working. A wide range of responses were given, of which the most popular were, Hours/shifts (18%), Stress (15%) and Childcare provision and cost (10%). Interestingly, only 6% highlighted a lack of current skills.

As reported earlier, wage expectations were low, with 59% looking for a wage of under £300 per week. This ties-in with the range of hours per day for which people were looking for work, with a high percentage (76%) looking for less than 6 hours work per day.

Almost 88% of people thought that the wage they were seeking was realistic, suggesting that people recognise that they may not immediately be able to enter highly skilled employment and linking in with earlier answers relating to the type of work sought, which suggested that many would be comfortable with lower skilled employment.

Positively, 67% of those answering stated they would consider volunteering, which can provide an excellent bridge back into employment.

#### vii. Support Requested

The final section of the questionnaire looked at what help respondents would like to help them find work. A total of 118 people responded to the initial question in this section, of which half stated that they would like help to get into work or training.

A wide range of support was listed for respondents to choose from, with the most common choices as follows:

Financial support towards training courses	17%
Free IT Training	9%
Help with CV's	9%
Work Experience placement	8%
Training for a specific job	7 %

The figures above (and other answers provided) suggest that people are seeking support which does currently exist. The problem which exists at the moment is therefore perhaps in connecting people to the support which is available.

#### Recommendations

Findings from the report show that, although 65% of the out of work Torry residents completing the Skills Audit are long term unemployed, there remains a wish within the population for support which will help them enter or return to employment.

Based on this willingness and the responses to questions, the following recommendations are made:

1. Ensure people are aware of the existing support available.

A significant number of unemployed people (42%) indicated that they would like additional support to change job or return to work.

Alongside this, residents reported the type of help they are looking for broadly matched the help they believe is available.

Taken together, these results suggest that although residents are aware of some support they do not necessarily know how readily available it is.

It is therefore important that the availability of existing support within the area and city is highlighted. Extensive marketing programmes, through as many different media as possible, should be carried out across the area so that a steady stream of information is brought to the attention of local people.

Such advertising should not rely on a single source as earlier questions show that clients are not aware or would not use all the support agencies or media available for information on training or jobsearch. Advertising could take place through:

- social media
- community newsletters;
- the community radio station;
- through local projects and centres e.g. Old Torry Community Centre, NESCU etc.;
- job and training fairs connecting local people to available opportunities;
- targeted leafleting of Jobcentre Plus clients during signing on.

By marketing the support available through a variety of media consistently over a period time awareness of support will be raised, with an expectation of increased numbers accessing support.

#### 2. Ensure local help and training is available

Throughout the Audit both employed and unemployed people were asked what type of support should be given to people who want to return to work. Locally available help and/or locally available training always featured prominently in the responses, normally as the most popular.

Within the Torry area there are locations, such as the Old Torry Community Centre, where people can access some support, but provision is limited in the area.

Within the city the types of training and support which people are looking for is available through a variety of organisations e.g. Aberdeen Foyer, Pathways, Tullos Training etc. However, when asked about how to address their barriers more than one in ten people (14%) stated that they did not know where to get help and a quarter (25%) said they did not think help was available for them.

This suggests that people are not necessarily aware of the support which is available, backing up the first recommendation that marketing of services is carried out.

3. Ensure the availability of Back-To-Work benefits and In-Work benefit calculations are promoted

The Audit has highlighted that the jobs and wages which people are looking for are well below the average for the city. As a result there is likely to be a need for in-work benefits for residents returning to work.

Alongside this, the number of people reporting receipt of benefits such as Working Tax Credits is lower than may be expected in regeneration areas. In addition, the loss of benefit security (18%) and loss of benefits if the job doesn't work out (also 18%) were both highlighted as major concerns when discussing a return to work. The introduction and roll-out of Universal Credit may offer an opportunity to address this issue if awareness can be raised.

For those not yet on Universal Credit, the entitlement and availability of in work benefits should be highlighted within the community, including alongside the advertising which is undertaken to highlight support services.

In addition, the importance of in-work benefit calculations should be emphasised. By carrying out checks prior to entering employment it would be possible to not only reduce the numbers who may leave work due to ongoing employment struggles, but also would increase the uptake of in-work benefits by those entitled to them.

Agencies such as Cash In Your Pocket which can connect people with organisations able to give in-work benefit calculations are available in the city and their services should be highlighted as part of any support to return to employment.

Residents have also highlighted that childcare and assistance in buying equipment or clothing would be of benefit to them in their efforts to return to work.

Jobcentre funding for training and travel costs is available, but from answers provided is not commonly known of by residents.

It is once again therefore important that the availability of such support services are advertised throughout the area.

4. Ensure different routes into work are available and promoted in an appropriate manner.

The Audit showed that people are looking for a wide variety of support to return to work. Throughout the Audit residents consistently highlighted a wish for more work experience opportunities, as well as availability of training (both locally and in the city) and financial support towards training costs.

As with many of the recommendations above it is therefore important that residents are connected with the opportunities for both which exist within Aberdeen City.

Additionally, almost two thirds of those responding said they would consider voluntary work as a way of developing their skills. Again, it should be highlighted that volunteering opportunities are available in the city, with ACVO's website highlighting over 800 opportunities are currently available.

Work Trials are also available directly through Jobcentre Plus, which can also provide the opportunity for local people to demonstrate their skills on the job without affecting their benefits and Jobcentre Plus also consider work experience placements a worthwhile step back to employment.

These and other similar opportunities are currently available and could be more widely accessed by residents and should therefore be promoted as part of the programme of advertising recommended above to increase uptake.

#### **Next Steps**

The Audit has shown a large number of Torry residents are looking for additional support to help them back into work and it is important that this is followed up.

The first step to be taken is therefore to connect all those requesting help in the area with the opportunities which exist with and to follow up through individual contact with all those seeking additional support.

This will be done via the Progress Through Positive Partnerships project.

Further Neighbourhood Audits of the other regeneration areas of the city have also been carried out with reports on each area compiled as they are completed.

Comparisons of the areas will also be carried out to find any variances in the needs between areas, gradually building a picture across the city.

#### Conclusion

There was a limited response to requests to complete the Audit from Torry. However, those who did complete the questionnaire were willing participants and provided key information.

The questionnaire ran to over 90 questions – although a number of these were missed depending on whether the respondent was working or not - and it may have been expected that its length may have discouraged people from completion of it. However, this was not the case, with those agreeing being extremely willing to complete the form with the assistance of the canvassers.

The main fears for Torry residents in returning to work were the financial implications of moving back into work and the potential loss of benefits if new jobs did not work out. However, the numbers of unemployed people requesting help to find work shows that people are willing to address these barriers and with the right information could be helped to return to work with suitable financial clarity.

The Audit also demonstrated that the help which people seek is available, but that it is not often known by residents that it is available.

The challenge now will be for organisations to meet the needs of the client group, highlighting the availability of all aspects of jobsearch support, through to training and employment opportunities and the benefits and funding available to support those returning to work.

## Seaton Neighbourhood Audit





EUROPE & SCOTLAND
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#### **Executive Summary**

This Report is one in a series of five Neighbourhood Audit Reports commissioned by Aberdeen City Council through the Progress Through Positive Partnerships project, which will also be followed by an overall report on the combined findings.

The Audits were carried out in 2017 across regeneration areas of Aberdeen by a team of independent canvassers to maintain impartiality throughout the process.

This is the fifth area report in a series of five, covering the Seaton area, which was carried out over a seven week period in August and September 2017 and covered topics such as length of unemployment, barriers to returning to employment, and qualifications held, as well as willingness to re-train and the support people would benefit from to improve employability and find work.

The Seaton survey was unfortunately characterised by a very low response rate.

Canvassers spent over twice as long door-knocking in this area than in other audit areas, varying the times of day at which they visited addresses where no answer had been. However, this still limited the survey to just 42 responses from across the area.

Further attempts to increase the response rate, through a Survey Monkey online survey over a 10 week period garnered a further 15 responses, of which 10 respondents were in employment.

There was therefore a total of 57 responses to the survey, of which 18 were in employment and therefore 39 not in employment.

These limited responses make it very difficult to draw effective conclusions from the Seaton survey and as a result percentages have not normally been attributed to answers, except where notable numbers have answered a question.

However, it was noted that 72% of those not working were long term unemployed and significantly, of those not in work almost all asked for help to find new employment.

#### Introduction

#### **Background**

Aberdeen City Council successfully bid for European Structural Fund funding for the Progress Through Positive Partnerships project. As part of this successful bid a series of Neighbourhood Audits were to be carried out, designed to identify the current needs of local people in five regeneration areas of the city – Middlefield, Woodside, Tillydrone, Torry and Seaton.

Pathways was commissioned through competitive tendering by Aberdeen City Council through the European Structural Fund (ESF) to carry out a series of 5 Neighbourhood Audits of the areas, identifying what services local people wanted, key barriers to an improved lifestyle, individual aspirations, and future service provision requirements, with the aim of thereby identifying what services were required.

An important aspect of the Audit was also to identify what services local people were aware of locally and whether new and existing services could be better targeted.

The Audit was carried out in late 2017, with the results then entered into a database for analysis.

#### **Citywide Comparison**

In identifying the need to direct services towards regeneration areas such as Seaton it is important to set the challenges faced by the area into context. The latest published NOMIS figures show the following key benefit claim figures in the Seaton ward and across the city as a whole:

	Seaton	Aberdeen City
Jobseekers Allowance	105	2 480
Employment & Support Allowance	380	8 455
Incapacity Benefit/ Severe Disability All.	10	270
Disability Living Allowance	280	7 800

Source: NOMIS June 2017

The figures below show that there are significant numbers of residents in the Seaton area in receipt of benefits, highlighting the importance of addressing the needs of the area through the provision of services which support people to enter or return to work.

#### Seaton

#### Demographic

The Seaton area itself has a total estimated population of 5 637. Of these, it is estimated that 4 201 (74.5%) are of working age.

The working age population of the area represents approximately 2.6% of the working age population of Aberdeen City.

The percentage of the area which is over working age in Seaton is 13%, slightly below the citywide average of 14.9%.

Torry also has 12.5% population aged under 16, again below the citywide average of 14.7%.

Aberdeen City Council Population Estimates 2015

#### Scottish Index of Multiple Deprivation

Seaton is covered by 4 datazones in the SIMD. Unfortunately, the datazones across the country have recently been revised, with the latest figures the first available under these revisions, so, it is therefore not possible to carry out comparisons with previous SIMD figures to identify any trends.

However, analysis of the latest 2016 figures shows the datazones had the following rankings out of the 6505 datazones in Scotland:

Datazone	Employment	Income	Health	Housing	Education
SO1006666	1426	1125	752	603	537
SO1006667	994	1627	536	350	145
SO1006668	5704	5399	5399	311	4654
SO1006670	4428	4529	4529	316	2750

Rankings shown in the table above are based on the total number of SIMD datazones across the country (6505), with lower numbers representing an area ranks lower and therefore worse than a datazone ranked more highly. These figures therefore show that Seaton is split with 2 datazones below the median level for deprivation across the country, with the other two well above the median. The exception to this in Housing, with the stock ranks consistently lowly across all four datazones.

It should be noted that Seaton lies next to the University of Aberdeen and that this is perhaps the reason for the divisions in education, employment and income.

#### Health & Housing

As shown by the Department of Work & Pension (DWP) figures claiming illness-related benefits, there is a significant number of people with limiting long term illnesses across all age ranges. This is further reflected in the SIMD outcomes, which show 2 of the Seaton datazones to be in the worst 15% ranking for Health in the country and all datazones ranking in the lowest 10% for Housing, although the subsequent health impacts this can have is mitigated by the income, employment and education levels in two datazones.

These figures are important when considering the efforts being made nationally to reduce the numbers of people on illness related benefits and encourage them back into work, such as through the Welfare Reform programme.

#### **Neighbourhood Audit**

The information above highlights the importance of correctly targeting services and funding even within regeneration areas of the city to ensure that residents of areas such as Seaton are offered the maximum support to enable them to benefit from opportunities to enter or return to work.

#### Methodology

A questionnaire was developed in partnership with Heather Farquhar and Angela Taylor, Aberdeen City Council, covering a range of topics such as length of unemployment, job goals, re-training etc.

It was planned to deliver the questionnaire through a combination of doorknocking and approaching people using local community centres and projects as the questionnaire was large.

A team of canvassers from across a range of backgrounds were recruited, ensuring neutrality during completion of the questionnaires and canvassing to be carried out throughout the day when the majority of those currently disengaged would be at home.

Over a 7 week period, all doors in the area were knocked on a minimum of 3 times to obtain a maximum response rate. Due to the low response rate to requests to complete the questionnaire the time spent door-knocking was extended to over twice the period spent in other areas of the city, with repeat visits carried out at different times of day.

Additionally, a Survey Monkey questionnaire was produced, which also garnered a limited response in the area.

Those residents in employment were asked questions relating to their employment, including hours per week, wages and whether any benefits were received in the household, as well as their opinion on what services should be provided to help those out of work re-enter the workforce.

Respondents who confirmed they were not working were asked the length of time since they had last worked, hours and wages they would consider, the benefits they receive and their likes or dislikes about their last job, before being asked about the support they felt should be in place to help them find work.

All clients then answered a series of questions on the following topics:

- Benefits
- Willingness to Re-train
- Training & Qualifications
- Goals & Aims
- Support Requested

A total of 57 questionnaires were completed, by 29 males and 28 females. Of those completing the questionnaire 39 were unemployed. The questionnaire was therefore completed by 1.3% of the working age population of the area.

Within the surveys most questions had very limited responses and this report therefore reflects only those questions from which results can be drawn, although these also have small numbers of responses.

#### **Findings**

#### i. Employment Status

Less than a third (18) of those completing the questionnaire stated they were currently in employment.

#### Working Hours

Of those in employment, 68% were currently working full time, with 90% of those working also stating that they were happy with the hours they currently worked.

#### Duration of employment

The majority of people had been in their current job for over 6 months, with over half having been in their jobs for over 2 years.

#### Wages

There was a small response to the question asking people's current wage, but it was notable from those answering that the spread was greater than in other areas, although almost all (except one person) continued to be paid well below the average city wage.

However, only 6 people stated that they were in receipt of in-work benefits, which suggests that there may be a lack of understanding and knowledge of eligibility for in-work benefits and there may therefore be a need to advertise and encourage uptake of these benefits within the area, perhaps through organisations such as Cash In Your Pocket or a neighbourhood DWP event.

#### ii. Unemployment

A total of 39 unemployed residents completed the questionnaire, approximately 68% of the total completed.

A wide range of jobs had previously been held, ranging from lower skilled jobs such as kitchen staff or farm labourer through to a primary school teacher.

The main reasons given when asked what they did not like about their previous job were hours and shifts worked, the pressure, stress and colleagues.

This is further emphasised by the wages earned, which in common with those currently in employment are well below the average for the city, with barely one third 33% - earning over £300 per week.`

The majority of those responding previously worked full time (79%). Of all those who had previously worked the main reasons given for the last job ending being Illness or Had Children.

Of particular concern was the length of time which respondents had been unemployed for, with over half (60%) unemployed for over 2 years, which can lead to a number of barriers to employment.

A range of activities which address this, such as work trials, coaching and key worker support are therefore needed to support this client group back into work, alongside services to address the barriers faced in their day-to-day lives which may include such issues as debt etc.

When asked about what they liked about their last job the most common answers were Being Part of a Team, Money, and the Social Aspect, whilst respondents did not like the Stress, Colleagues and Harassment.

The jobs which people in the area were very much in line with previous jobs held, ranging from labouring to teaching.

In considering the work they would like to do, the most common steps respondents felt they needed to take were Build Self-Confidence, Improve Qualifications and Update CV.

Meanwhile, the biggest concerns about returning to work were Money, Stress and Pressure, followed by Cost of Childcare.

The main concerns about returning to work was the Loss of Benefits if the job did not work out, which was a concern for a guarter of respondents.

The most popular reasons for wanting to do the type of work they had identified were Done it Before, Have Skills for the Job and the Challenge.

Respondents were asked a number of times throughout the survey, in different ways, to identify the help needed for them to be able to return to employment. Most commonly respondents wanted more training available in the city, locally available training and locally available help, followed by an increase in affordable childcare, backing up the earlier responses in the audit.

Significantly, once again respondents stated when asked what wage they required, that they were looking for wages well below the Aberdeen city average, although almost two thirds were looking for a wage of over £300 per week.

Finally, all unemployed respondents were asked if they had worked full or part time in the past, with the following results:

- 76% of respondents have worked full time;
- 24% have worked part-time.

#### iii. Benefits

All respondents were asked about the benefits people in their household were in receipt of.

As expected, the most common responses were Housing Benefit., Employment Support Allowance (ESA), Child Benefit and Council Tax Benefit. However, the numbers saying they were in receipt of these benefits was below the numbers of unemployed, demonstrating that people are not aware of all the benefits they are in receipt of.

Given that more than half of the people completing the questionnaire stated they were unemployed this demonstrates that a significant percentage of people do not know what benefits they receive.

In the longer term, this may become a significant issue as currently only 1 person stated they are in receipt of Universal Credit. As the transfer over to Universal Credit increases over time there will clearly be work required to ensure that people know what benefits they are entitled to, both whilst out of work and in work.

Finally in this section, people were also asked how many people in their household were in receipt of benefit, with all except 6 people stating that one person received benefits, with the most in one household being three benefit claimants.

#### iv. Willingness to Re-train

All respondents had the option of completing this section, with 80% responding to at least one question.

Of those who responded, the majority were willing to train for over 6 months, whilst 4 people said they were willing to re-train for the type of job they are looking for, for less than 6 weeks.

When asked how much they would expect to be paid while training half responded that they would expect to receive their current income or the National Minimum Wage.

Finally, people were asked where they would expect to find out about training opportunities, with the most common answers:

- Social Media
- Jobcentre Plus
- Employer
- Friends & Family

#### v. Training & Qualifications

This section focussed on the qualifications of people living in the Seaton area, whether they went on to college or university and if they gained employment relevant to their qualifications.

Less than a tenth of those responding gained no qualifications at school, with over 40% gaining Highers, while a further 20% of respondents had achieved overseas qualifications, so have clearly moved to Aberdeen since leaving school.

Just over 40% attended college, with a further 40% going to university, with 75% gaining a qualification.

People who went to college and university accessed a wide range of courses, from access courses, through SVQs to degree level courses, with the majority studying at SVQ level or above. However, only half gained a job related to their qualification.

The survey also asked all respondents to state whether they had attended any training since leaving school or further education.

A little over half of respondents stated that they had attended some form of training. As expected there was a huge range of training accessed, with much of it work-based, ranging from security training to petroleum engineer training.

#### vi. Goals & Aims

All respondents were asked the questions in this section, although many opted to answer only questions which they felt were of relevance to them.

Just over half of respondents said that they were available for work, training or volunteering, with an even split between those looking for full time or part time hours, with almost all willing to travel throughout the city to find work.

Around a third also said they would consider self-employment, with less than half of these saying they would like help developing their ideas.

When asked at this stage 65% of people responded to a question asking what kind of help they or others would need to return to employment. The most common answers given were:

- Locally available training
- Locally available help
- Increase in affordable childcare
- More training available in city
- Wider availability of work placements
- More financial help with starting work

Positively, almost three quarters of those answering stated they would consider volunteering, which can provide an excellent bridge back into employment.

#### vii. Support Requested

The final section of the questionnaire looked at what help respondents would like to help them find work. A total of 29 people answered, choosing from a wide range of support, with the most common choices as follows:

Financial support towards training courses	
Work Experience placement	
Training through Jobcentre Plus	
Training for a specific job	
Help with CV's	
1-2-1 support to find work	

The choices above (and other answers provided) suggest that people are seeking support which does currently exist. The problem which exists at the moment is therefore perhaps in connecting people to the support which is available.

#### Recommendations

As a result of the low response rate in Seaton it is difficult to make recommendations specifically tailored to the area. However, those questions which were answered by the majority of those completing the survey suggest that the recommendations of other areas are equally relevant to Seaton.

1. Ensure people are aware of the existing support available.

A number of unemployed people (23) indicated that they would like additional support to change job or return to work.

Alongside this, residents reported the type of help they are looking for broadly matched the help they believe is available.

Taken together, these results suggest that although residents are aware of some support they do not necessarily know how readily available it is.

It is therefore important that the availability of existing support within the area and city is highlighted. Extensive marketing programmes, through as many different media as possible, should be carried out across the area so that a steady stream of information is brought to the attention of local people.

Such advertising should not rely on a single source as earlier questions show that clients are not aware or would not use all the support agencies or media available for information on training or jobsearch. Advertising could take place through:

- social media
- community newsletters;
- the community radio station;
- through local projects and centres e.g. The Seaton STAR Flat etc.:
- job and training fairs connecting local people to available opportunities;
- targeted leafleting of Jobcentre Plus clients during signing on.

By marketing the support available through a variety of media consistently over a period time awareness of support will therefore be raised, with an expectation of increased numbers accessing support.

#### 2. Ensure local help and training is available

Throughout the Audit, both employed and unemployed people were asked what type of support should be given to people who want to return to work. The most popular answers were Locally Available Help and Locally Available Training.

Within the Seaton area there are locations, such as the Seaton STAR Flat, where people can access some support, but provision is limited in the area.

Within the city the types of training and support which people are looking for is available through a variety of organisations e.g. Aberdeen Foyer, Tullos Training, EC-PC etc. However, when asked about how to address their barriers it was notable that people stated that they did not know where to get help.

This suggests that people are not necessarily aware of the support which is available, backing up the first recommendation that marketing of services is carried out.

3. Ensure the availability of Back-To-Work benefits and In-Work benefit calculations are promoted

The Audit has highlighted that the jobs and wages which people are looking for are well below the average for the city. As a result there is likely to be a need for in-work benefits for residents returning to work.

Alongside this, the number of people reporting receipt of benefits such as Working Tax Credits is lower than may be expected in regeneration areas.

In addition, the loss of benefit security and loss of benefits if the job doesn't work out were both highlighted as major concerns when discussing a return to work. The introduction and roll-out of Universal Credit can offer an opportunity to address this issue if awareness can be raised.

For those not yet on Universal Credit, the entitlement and availability of inwork benefits should be highlighted within the community, including alongside the advertising which is undertaken to highlight support services.

In addition, the importance of in-work benefit calculations should be emphasised. By carrying out checks prior to entering employment it would be possible to not only reduce the numbers who may leave work due to ongoing employment struggles, but also would increase the uptake of inwork benefits by those entitled to them.

Agencies such as Cash In Your Pocket which can connect people with organisations able to give in-work benefit calculations are available in the

city and their services should be highlighted as part of any support to return to employment.

Residents have also highlighted that childcare and assistance in buying equipment or clothing would be of benefit to them in their efforts to return to work.

Jobcentre funding for training and travel costs is available, but from answers provided is not commonly known of by residents.

It is once again therefore important that the availability of such support services are advertised throughout the area.

4. Ensure different routes into work are available and promoted in an appropriate manner.

The Audit showed that people are looking for a wide variety of support to return to work. Throughout the Audit residents consistently highlighted a wish for more work experience opportunities, as well as availability of training (both locally and in the city) and financial support towards training costs.

As with many of the recommendations above it is therefore important that residents are connected with the opportunities for both which exist within Aberdeen City.

Additionally, three quarters of those responding said they would consider voluntary work as a way of developing their skills. Again, it should be highlighted that volunteering opportunities are available in the city, with ACVO's website highlighting over 800 opportunities are currently available.

Work Trials are also available directly through Jobcentre Plus, which can also provide the opportunity for local people to demonstrate their skills on the job without affecting their benefits and Jobcentre Plus also consider work experience placements a worthwhile step back to employment.

These and other similar opportunities are currently available and could be more widely accessed by residents and should therefore be promoted as part of the programme of advertising recommended above to increase uptake.

#### **Next Steps**

The Audit has shown that a number of Seaton residents are looking for additional support to help them back into work and it is important that this is followed up.

The first step to be taken is therefore to connect all those requesting help in the area with the opportunities which exist with and to follow up through individual contact with all those seeking additional support.

This is being done via the Progress Through Positive Partnerships project.

Further Neighbourhood Audits of the other regeneration areas of the city have also been carried out with reports on each area compiled as they are completed.

Comparisons of the areas will also be carried out to find any variances in the needs between areas, gradually building a picture across the city.

#### Conclusion

There was a limited response to requests to complete the Audit from Seaton. However, those who did complete the questionnaire were willing participants and provided key information.

The questionnaire ran to over 90 questions – although a number of these were missed depending on whether the respondent was working or not - and it may have been expected that its length may have discouraged people from completion of it. However, this was not the case, with those agreeing being extremely willing to complete the form with the assistance of the canvassers.

The main fears for Seaton residents in returning to work were the financial implications of moving back into work and the potential loss of benefits if new jobs did not work out. However, the numbers of unemployed people requesting help to find work shows that people are willing to address these barriers and with the right information could be helped to return to work with suitable financial clarity.

The Audit also demonstrated that the help which people seek is available, but that it is not often known by residents that it is available.

The challenge now will be for organisations to meet the needs of the client group, highlighting the availability of all aspects of jobsearch support, through to training and employment opportunities and the benefits and funding available to support those returning to work.

#### **ABERDEEN CITY COUNCIL**

COMMITTEE	City Growth and Resources
DATE	19 June 2018
REPORT TITLE	City Centre Living
REPORT NUMBER	RES/18/027
DIRECTOR	Steve Whyte
CHIEF OFFICER	Stephen Booth
REPORT AUTHOR	Scott Davidson
TERMS OF REFERENCE	2.2

#### 1. PURPOSE OF REPORT

1.1 Committee to receive the City Centre Living Strategy and instruct the Director of Resources to consolidate officer response.

#### 2. RECOMMENDATION(S)

That the Committee:

- 2.1 Note the City Centre Living Strategy;
- 2.2 Instruct the Chief Officer Corporate Landlord to consult with the local business community, developers and other key stakeholders on the City Centre Living Strategy; and
- 2.3 Instruct the Director of Resources to report back to the 18 September 2018 meeting of this committee on the result of the consultation in conjunction with the current market engagement with landowners in Aberdeen in relation to proposals for the construction of Council housing as agreed by the Strategic Commissioning Committee on 30 April 2018.

#### 3. BACKGROUND AND MAIN ISSUES

3.1 In considering the Strategic Infrastructure Plan at its meeting on 7 December 2016, Finance, Policy and Resources Committee resolved to approve expenditure of up to £30,000 to award a contract to consultants to prepare a City Centre Living Strategy and report progress back to Finance, Policy and Resources Committee.

#### 3.2 The Brief

- 3.2.1 The scope of the Strategy was to review the potential for city centre living in Aberdeen and provide an assessment of the scale, scope, programme and actions to achieve this. Four key workstreams were identified to consider this:
  - Workstream 1 Quantifying the existing Aberdeen city centre residential market including evaluation of the residential market in the city centre. This is presented in the Strategy at Appendix 1.
  - Workstream 2 Key opportunities and constraints with consideration of which areas in the city centre would be most viable for residential expansion and constraints likely to affect city centre residential development. This is presented in the Strategy at Appendix 2.
  - Workstream 3 Good practice elsewhere, including a comparative analysis. This is presented in the Strategy at Appendix 3.
  - Workstream 4 Policy issues, financial mechanisms and trends informed by an exploration of future housing trends leading to recommendations. This is presented in the Strategy's report and recommendations.
- 3.2.2 Savills were appointed to undertake the commission, and their report is provided in Appendix A.

#### 3.3 The Strategy

- 3.3.1 The Strategy establishes the potential for city centre living in Aberdeen. It explores the demand drivers and market segmentation and the potential for various areas of the city centre to cater for different markets. It draws on experience from other cities in the UK.
- 3.3.2 The Strategy considers what could be constraining increased city living in Aberdeen city centre and quantifies the challenge. It sets out the scene in terms of the existing context for the city centre (including the existing market, stock quality, current activity, market risk for developers and a lack of representation by national investors/developers) and the historic focus by house builders on suburban greenfield sites. Key issues/barriers are highlighted (including the untested nature of the city centre market, increasing supply in second hand properties, culture/process, conservation requirements, perceptions over parking, viability issues and a lack of sites).
- 3.3.3 Initiatives in other cities to encourage city living are reviewed with conclusions emphasising an *open for business* culture, the importance of leadership, a nuanced approach to parking and the need for direct public sector interventions (such as joint ventures, funding support and application of available powers). Key lessons emerge as follows:

- Direct public sector intervention is required.
- Viability can be a challenge.
- Viability review through the planning process is cumbersome and leads to uncertainty.
- There is a need for a commercial approach.
- 3.3.4 The Strategy concludes that demand for urban living is increasing and that there is a clear opportunity to support and promote city centre living in Aberdeen; if the challenges identified can be overcome. The recommendations seek to address these issues and barriers. It also notes that the city centre is going through a period of significant transformation under the City Centre Masterplan (CCMP), with the potential to make the case for city living is "more compelling".
- 3.3.5 A full copy of the Strategy is provided in Appendix A. Key elements include:

#### 3.4 Demographic Analysis

- 3.4.1 There are 8,521 households¹ within the city centre (8% of households in Aberdeen). There are considerably higher shares of residents aged between 20 and 29 in the city centre than Aberdeen as a whole, similar levels of those aged 30 to 44 and it is only from age 45 onwards that the city centre accounts for a significantly smaller share.
- 3.4.2 Across Aberdeen owner occupation accounts for most households (57%) and the private rented sector a further 17%. Within the city centre owner occupation and private rented households account for 36% and 37% respectively. Notably, owner occupied households are primarily on the periphery of the city centre and rented households within the core.
- 3.4.3 Household growth is primarily going to come from one-person households. The number of one-person households in Aberdeen is set to increase from 43,558 to 58,991 by 2036 15,433 more households (a 35% increase).

#### 3.5 Residential Market Analysis

- 3.5.1 In general, the residential transaction market within the city centre has been consistent and stable with an average of 500 transactions per year at an average value of £152,714 over the past ten years. However, the market has changed over the past two years<sup>2</sup>. In line with wider trends, transactions have fallen by 30%. The average transaction value has fallen by 4% below the long-term average.
- 3.5.3 The number of rental properties within Aberdeen has increased by 6,000 since 2011, with much of this growth taking place within the central area of Aberdeen.

<sup>&</sup>lt;sup>1</sup> 2011 Census

<sup>&</sup>lt;sup>2</sup> As at December 2017.

#### 3.6 Residential Development Analysis

3.6.1 The city centre saw a considerable amount of development during the 1990s. However, this reduced during the 2000s with limited activity taking place since 2011, and there are currently no active significant schemes within the city centre (other than at Triple Kirks)<sup>3</sup>. Consequently, although there is significant modern stock in the city centre; much of it is approaching 20 years old and many developments are beginning to feel dated. There is also limited high quality, contemporary stock currently available in the city centre.

#### 3.7 Vacant Residential Space

3.7.1 As of March 2017, there were 742 empty residential properties in the city centre of which 141 (19%) have been vacant since 2015 or before. Identifying ways to encourage the occupation of these properties would assist in bringing more people into the city centre.

#### 3.8 Public Survey and Workshops

- 3.8.1 Whilst cost, type and availability of housing was an important factor for many survey respondents and workshop participants, many of them focussed on other factors. These included improvements to amenities, access to green space, support for businesses, creation of cafes and a variety of leisure destinations, supportive planning policies, and improvements to parking, traffic and public transport. Improvements to public realm were also viewed as important. The survey findings reinforced the importance of the environment in determining where people choose to live.
- 3.8.2 City centre opportunities and constraints are considered in the Strategy. A property market review concluded:

#### 3.9 Office Market

3.9.1 There is sufficient modern accommodation in the office market. The availability of new Grade A offices in the city centre, combined with increased vacancies in conventional offices, is bringing about a shift to modern facilities. This demand for high quality accommodation is reducing the attractiveness of secondary accommodation, creating potential redevelopment opportunities; particularly of some converted Victorian and Georgian houses in the West End.

#### 3.10 Retail Market

3.10.1 Whilst there are few vacancies within the main shopping centres, there are a higher number of vacancies or occupiers on short term leases or licences on Union Street. Additionally, the Strategy indicates that some of the occupiers are not of the quality expected for a city's primary retail area. Therefore, Union Street faces several challenges that can potentially discourage residential conversion of its upper floors.

<sup>&</sup>lt;sup>3</sup> Proposals at Broadford Works are being actively promoted. Broadford Works is adjacent to the city centre.

#### 3.11 Leisure Market

- 3.11.1 There have been some new leisure openings, primarily in the shopping centres and the west end of Union Street. This provides amenities and services to support city centre living.
- 3.11.2 Other matters considered include:

#### 3.12 Planning Policy

- 3.12.1 The CCMP was adopted in June 2015 and is embedded in the recently adopted Local Development Plan. The focus is establishing Union Street as the heart of the city. This provides a positive basis for redevelopment of the vacant space above shops on Union Street. Further, the CCMP establishes key residential sites at Torry Waterfront and Queen's Square in addition to the redevelopment of Broadford Works.
- 3.12.2 The Local Development Plan also supports the principle of residential development and conversion across the city centre.

#### 3.13 Building Regulations

3.13.1 There are a number of potential challenges when it comes to the conversion of older stock in the city centre. These include structural viability issues, fire regulations, heat loss and accessibility. However, these have successfully been overcome in many towns and cities across the UK.

#### 3.14 Opportunities for Conversion and Development

- 3.14.1 Analysis showed that residential development value was often less than the perceived current value of the asset. This creates limited incentive to redevelop, particularly if the building is listed and therefore does not incur vacant rates. Listed buildings can also require higher levels of expenditure to convert.
- 3.14.2 Regarding comparator cities, case studies were undertaken with regard to city centre living in Edinburgh, Preston and Derby. The main outcomes from these are highlighted in the following paragraphs.

#### 3.15 Edinburgh

- 3.15.1 The City of Edinburgh Council has taken an active role in encouraging residential development in the city centre through promoting development opportunities. The majority of interventions have been implemented under The 'Edinburgh 12' initiative which helps accelerate the delivery of 12 strategically important sites in Edinburgh's central area. Each site was eligible for intensive Council support such as using statutory powers to acquire land, facilitating discussions with public sector bodies, providing advice on historic buildings and forming development working groups.
- 3.15.2 'Edinburgh 12' is a market-based approach focusing on sites that are deliverable relatively quickly. It involves proactive marketing to increase

- awareness of the initiative and attract investment. The 12 sites are all now active, having unlocked significant private sector investment.
- 3.15.3 City of Edinburgh Council has taken a proactive approach to funding working collaboratively with the Scottish Futures Trust in adopting a Growth Accelerator Model (GAM) specifically for the 'Edinburgh St James' development. In addition, the Council are exploring models which are focused on residential projects

#### 3.16 Preston

3.16.1 Preston's strategy focuses on private sector housing with an underlying desire to deliver more aspirational housing stock. It involves a promotional prospectus that markets areas of the city centre to different segments within the housing market. Preston City Council is committed to working with partners to create a pipeline of opportunities and adopting a more flexible approach towards developers' contributions. City Deal funding has helped deliver infrastructure within the city centre to support investment including housing.

#### **3.17 Derby**

- 3.17.1 A target of 1,900 new homes by 2030 has been established through the Derby City Living Initiative that includes designating the city centre as a Housing Zone<sup>4</sup>. This framework allows access to funding to overcome viability issues for housing proposals.
- 3.17.2 Derby City Centre Regeneration identifies twelve strategic projects. A fund of £100m for enabling infrastructure and improvement of the public realm has been established. This has been carried out in partnership with key landowners and developers.
- 3.17.3 There is a £6.5million City Living Loan Fund that encourages the reuse of vacant and underused properties in the city centre.
- 3.17.4 Derby City recognises that taking a proactive approach in promoting development would improve investment opportunities and developer appetite. Therefore, an inward investment unit has been created.

#### 3.18 Strategy Recommendations

- 3.18.1 The Strategy recommendations fall into four topics of:
  - 1. Form a dedicated city living team.
  - 2. Take a lead role in the delivery of transformational projects.
  - 3. Identify and support quick wins.
  - 4. Introduce a moratorium on developer obligations.

The following presents the consultant's recommendations across each topic.

<sup>&</sup>lt;sup>4</sup> A £200 million fund for England aimed at supporting the development of brownfield land for housing.

#### 3.19 Form a Dedicated City Living Team

- 3.19.1 A new city living team be created that reports to the CCMP Board with a focus being placed on regeneration. The team would be responsible for:
  - Leading and co-ordinating the Council's interest in relation to flagship city living projects (including managing a team of external advisors and consultants in relation to, for example site specific due diligence, land assembly strategies, design briefs, exit strategies, viability assessments, etc.).
  - 2. Working in partnership or joint venture with private sector partners if applicable (drawing on the direct experience and lessons learned from the existing ACC JV's).
  - 3. Working with existing ACC officers (Invest Aberdeen) and external advisors to develop and implement an inward investment strategy (consider a collaborative approach with Opportunity North East).
  - 4. Mapping out a pipeline of development opportunities (including cross public sector opportunities) with a detailed understanding of potential site specific constraints and potential solutions. Engage with local property owners, agents and consultants.
- 3.19.2 In the short term this may involve the appointment of one key person who reports into the CCMP Board and is solely responsible for implementing a city living strategy. Ideally the appointed person should have direct experience of residential development and/or investment, partnership working, funding models, and have a commercial outlook with excellent communication, Interpersonal and negotiation skills.

#### 3.20 Take a Lead Role in the Delivery of Transformational Projects

- 3.20.1 The Strategy recommends that ACC take a lead role in delivering as small number of large, transformational city living projects. As there will be funding and capacity issue (together with a fragile market) the Strategy advises that this be limited to three key projects as outlined in Chapter Two and illustrated in page 53 of the Strategy (i.e. Queen's Square<sup>5</sup>, Station Gateway and Castlehill).
- 3.22.2 These projects should each be different in terms of target market, risk profile and delivery methods (build to rent, land assembly and sale of serviced plots to developers, etc.) to avoid concentration risk and to enable concurrent development. The projects are concentrated within the core city centre to deliver a tangible impact. The aspiration should be that the developments are of high quality and make a significant positive contribution to the wider transformation of the city centre.

<sup>&</sup>lt;sup>5</sup> Council resolved on 6 March 2018 to *instruct the Chief Officer – City Growth to bring forward an all options* business case to the Capital Programme Committee in September 2018 on how best to proceed with Queens Square as part of the next phase of the masterplan.

3.22.3 A detailed strategy for each project identified by ACC should be developed and various delivery methods explored. It may be that, for example, each project could be delivered with different funding structures, partners, etc. Alternatively, it may be logical to cluster the projects into one project with one private sector partner, one affordable housing partner and one institutional backer.

#### 3.23 Identify and Support Quick Wins

- 3.23.1 The Strategy recommends that ACC engage proactively with developers. In particular, it advises that officials work and/or continue to work with the developers behind the following projects (in the context of challenging market conditions):
  - Woolmanhill
  - Triple Kirks
  - Broadford Works
- 3.23.2 In addition, ACC should identify and map out a series of development opportunities and work collaboratively with the private sector to breakdown site specific barriers and influence new starts. An underlying 'can do' and 'problem solving' approach to delivery is required.

#### 3.24 Introduce a Moratorium on Developer Obligations

- 3.24.1 The Strategy recommends introducing a two year moratorium on developer obligations and affordable housing requirements in respect of residential development of less than 50 units within the city centre.
- 3.24.2 If necessary, this temporary stimulus provision will be achieved via formal amendment to the Council's Supplementary Guidance on Planning Obligations and Affordable Housing (subject to legal opinion/review).
- 3.24.3 This recommendation will demonstrate to the market that ACC is aware of the existing viability challenge and is willing to introduce a bold policy to drive activity. Imposition of a two-year time horizon will also create a sense of urgency on a 'use it or lose it' basis.
- 3.24.4 On sites of more than 50 units, the Strategy advises that a fast track viability process is agreed and ACC that should consider introducing a cap based on likely needs. The Strategy anticipates that viability will also be a constraint/factor in most projects over 50 units.
- 3.24.5 Justification for the recommendation is provided. For example, the Strategy asserts that it is evident that the majority of new build city centre accommodation is unlikely to be utilised by families. Obligations towards upgrade and/or replacement of education facilities are a significant constraint and usually unwarranted. Viability assessments for developments of over 50 units can consider dwelling size and type, with a sliding scale of impact upon education services.

3.24.6 The Strategy's goal would be that after the initial two-year period, viability across the market will have improved and developer obligations and affordable housing requirements can be reintroduced in-line with pre-existing contribution levels.

#### 3.25 Conclusion and Next Steps

- 3.25.1 The City Centre Living Strategy has made recommendations for overcoming barriers to increasing housing development in the city centre. Further, the Strategy clearly establishes that continuing investment in the city centre's public realm is critical to securing residential investment. This represents a proposed approach for promoting city centre living in Aberdeen that will assist the Council in achieving its target of 1,500 new homes (and 3,000 new residents) in the city centre during the CCMP delivery period.
- 3.25.2 In considering the recommendations the Director of Resources proposes to:
  - 1. Continue officer workshops across relevant services (e.g. CCMP, Housing, Planning, Transport Planning and City Growth) to review the recommendations and develop appropriate responses.
  - 2. Undertake consultation, led by the Chief Officer Corporate Landlord, with the local business community, developers and key stakeholders. This is subject to any comment the Committee may have on the attached strategy document and it is proposed that this be done in conjunction with the current market consultation around the wider Council Housing build programme (with a specific review of the opportunity to potentially convert city housing to Council Housing).
  - 3. Co-ordinate with the Local Housing Strategy, the emerging Strategic City Centre Parking Review and the Local Development Plan.
  - 4. Undertake a full review of all the market consultation that will take place over the coming months with the Extended Corporate Management Team and other key stakeholders including public sector partners.
- 3.25.2 The above approach will allow the full implications of the Strategy and its recommendations to be considered. This would allow officers to recommend appropriate implementation actions to be considered at the City Growth and Resources Committee meeting on 18 September, 2018 based on the feedback from the market consultation.

#### 4. FINANCIAL IMPLICATIONS

4.1 There are no specific financial implications arising from this report. However, implementation of any proposed action plans for the City Living Strategy will

require financial support mechanisms to be identified and put in place. The details and implications of these financial arrangements will be contained within future reports as separate business cases as opportunities are identified.

#### 5. LEGAL IMPLICATIONS

5.1 There are no legal implications arising from this report

#### 6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	None arising from the recommendations		
Legal	None arising from the recommendations		
Employee	None arising from the recommendations		
Customer	None arising from the recommendations		
Environment	None arising from the recommendations		
Technology	None arising from the recommendations		
Reputational	None arising from the recommendations		

#### 7. OUTCOMES

Local Outcome Improvement Plan Themes		
	Impact of Report	
Prosperous Economy	The promotion of City Centre Living will help deliver on CCMP objectives:  • Changing perceptions - Promoting the view of Aberdeen city centre as an energetic, inclusive and fascinating place where people will want to live, work and visit.  • Made in Aberdeen - Building on local distinctiveness and maximising local business opportunities.	

Prosperous People	This supports inclusive economic growth.  The promotion of city centre living will provide more housing choice in Aberdeen that will help people to	
Prosperous Place	be supported to live as independently as possible  City centre living addresses:  • A living city for everyone - Increasing housing in Aberdeen city centre and creating a more liveable place.  • Culturally distinctive - Ensuring Aberdeen city centre reflects its distinctive local culture so it is like no other place.	
Enabling Technology	This will contribute to safe and resilient communities and a people friendly city  City centre living housing can be developed that uses latest technology. This will contribute to a city	
	centre that is:  • Technologically advanced and environmentally responsible - Providing the capacity, quality and reliability of infrastructure required by residents and utilising resources responsibly.	
	In particular digital connectivity and innovation will be supported.	

#### 8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Not required
Privacy Impact Assessment	Not required
Children's Rights Impact Assessment/Duty of Due Regard	Not applicable

#### 9. BACKGROUND PAPERS

Finance, Policy and Resources Committee, 7 December 2016, *Strategic Infrastructure Plan* (CG/16/149)

Council on 24 June 2015 Aberdeen City Centre Masterplan and Delivery Programme (OCE/15/021)

Council 6 March 2018 General Fund Revenue Budget 2018/19 to 2022/23 and General Fund Capital Programme 2018/19 to 2022/23 - CG/18/032

#### 10. APPENDICES

Appendix A – Aberdeen City Centre Living Strategy

#### 11. REPORT AUTHOR CONTACT DETAILS

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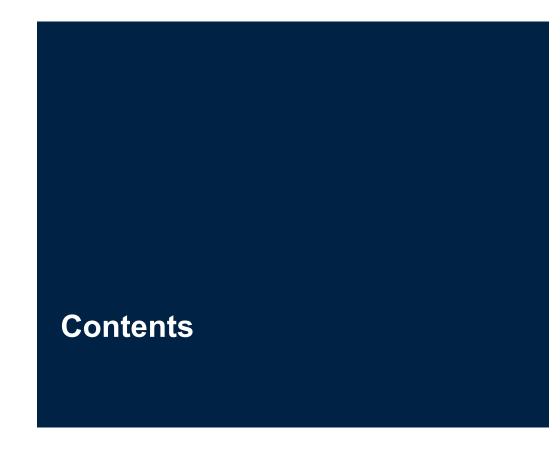
savills

# Aberdeen City Centre Living Strategy Report and Recommendations

December 2017

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Appendix	Title
1	Workstream 1: Quantifying the existing residential market in Aberdeen City Centre
2	Workstream 2: Opportunities and Constraints
3	Workstream 3: Comparable Cities: Policies and Initiatives
4	Savills North East Spotlight (Winter 2017)







#### **Executive Summary**

The Aberdeen City Centre Masterplan (CCMP), prepared by Aberdeen City Council (ACC) and released to the public in 2015, is a plan that intends to transform the city centre and enhance its reputation as a place to live, work and visit.

The masterplan identifies eight key objectives, one of which is to create a "living city for everyone" with the aim of attracting 3,000 more residents to live in the city centre.

The purpose of this study has been to test the appetite for city centre living within Aberdeen and to provide ACC with a residential strategy to support the CCMP. Our report considers the scale, scope, programme and practical actions to enable ACC to deliver on the astration of encouraging 3,000 new residents to the City Centre by 0.

In preparing our report, we have carried out quantitative and qualitative research which included: comprehensive data analysis on the organization of the current residential property market; analysis of the current residential property market; analysis of the commercial property market and vacant commercial property; stakeholder engagement; public engagement through a survey launched on 20th February 2017; working groups with those who have an active interest in city centre development, and; comprehensive analysis of city living initiatives adopted by Edinburgh, Derby and Preston as well as specific examples from other cities across the UK.

We identify that demand for city centre housing in the UK is on the increase with people generally aspiring to live and work in the urban core. This urban tendency is a growing global trend where urban living and lifestyles are increasingly popular among young professional workers, families and downsizers. This is creating new opportunities for property investors and property developers.

Within Aberdeen the demographics and economic profile clearly support a city living strategy if the right product can be delivered at the right price point. There is an obvious gap in the existing residential offering within the city centre, in particular for aspirational Build to Rent (BTR), Build to Sell (BTS) and mixed tenure affordable housing.

We establish that there is a range of development partner profiles that can support delivery across all tenure types and of varying scales: from small single residence conversions through to large scale transformational multi unit projects. ACC should seek to mobilise development activity across all sectors including local property developers and investors; house builders; property companies, and Registered Social Landlords (RSLs).

The CCMP covers a 25 year period and therefore is somewhat overwhelming when all the projects and interventions are grouped together. We feel that there is an opportunity to break this down to ensure a clear short term focus on delivery and to generate maximum short to medium term impact.

We also establish that there is a clear economic rationale for pursing a city living strategy. An increased city living population will create many economic and social benefits for ACC, the Scottish Government and the people of Aberdeen, for example:

- Increased consumer spend in the city centre which in turn will boost retail and leisure businesses' profitability and encourage the occupancy of otherwise vacant space
- Attracting businesses into the city centre through a skilled workforce that will be living in the city centre, resulting in greater demand for Marischal Square as well as increased rateable income
- A greater sense of community and an increased population with a direct stake in the city centre

- Additional Council Tax revenue to help fund the revenue account. Given our demographic and supply analysis we anticipate pressure on public services will be less than the revenue collected, i.e. likely to be fewer family households and so less pressure on, for example, education
- Profit on investment activities or commercial risk-taking to be reinvested into other initiatives or to support the revenue account in the medium to long term
- Less reliance on cars and a safer city centre leading to greater health and wellbeing and more civic pride
- When a functioning market place is created, an ability to collect developer contributions and increase the delivery of affordable housing which is currently not being delivered by the private sector
- Additional Land and Buildings Transaction Tax (LBTT) receipts on property sales where LBTT applies.

However, funding to unlock this economic potential is a challenge for many cities across the country. From our research it is apparent there is a range of potential funding sources available to explore. These include the Public Works Loan Board (PWLB); the bond markets; Growth Accelerator Model Funding (or a variation thereof); the Housing Fund for Scotland; the Hearthstone Residential Fund Two (BTR focused fund made up of five English Pension Funds who are seeking to develop a UK portfolio of BTR schemes); direct or indirect investment from the North East Scotland Pension Fund (subject to them having an appetite), and; potential City Deal two funding. We also believe that there may be merit in exploring funding options with the Scottish Government that are tailored to city living (i.e. ring fencing the first tranche of LBTT receipts generated from a new Build To Sell (BTS) development that has been delivered as a direct result of ACC intervention) or the introduction of a New Homes Bonus or Home Zone initiative similar to England.



Where there is a gap in available funding it may be possible to bridge this gap by entering into a joint venture or partnership agreement with a private sector developer and/or institutional investor. For example the three possible phase 1 flagship interventions highlighted earlier could be wrapped into one delivery vehicle which had a clear business plan and delivery strategy agreed from the outset. This might, for example, include capital receipts from the sale of serviced land parcels; the distribution of profits from BTS development, or the distribution of net operating income from BTR, or Mid Market Rent developments, with ACC underwriting an element of market risk (perhaps in turn mitigated by the Scottish Government Rental Income Guarantee Scheme (RIGS)). ACC could help facilitate development through, for example, the supply of land.

fact that ACC already has experience of public/ private sector privateship working through the Marischal Square and the Shaping Linited Liability Partnership (LLP) projects will help in terms providing confidence to other potential private sector partners and also demonstrating an existing level of sophistication. The Shaping Housing LLP was a joint venture with Places for People that involved the pransfer of ACC land (8 sites) into a new entity. The agreement is supertured so that the land payments are on completion of the developments with an equal share of any profits. The proposal includes the development of 1,000 homes for private sale.

However, the reason that there has been no recent residential development of note within the CCMP boundary for a number of years (market failure) requires addressing if the opportunity is to be harnessed. The following key challenges are identified:

- In the short term, a nil parking provision is considered as a
  weakness as local developers appear to be unwilling to commit
  to projects without a car parking provision. Residents continue to
  be reliant on their cars as the public transport system is ranked
  poorly and the cost is considered to be too high
- The general relationship between the public and private sector has a negative impact on development in the city
- Investors are cautious of the Aberdeen market as a result of its reliance on the oil and gas market and current local market conditions

- Fragmented ownership of land in the city centre requires land assembly and 'problem solving'
- A price gap exists in the market where sellers expectations are, in some cases, significantly higher than a developer is able to offer. This has resulted in sites stalling and an increased number of vacant buildings
- Developer obligations are uncertain and can take a long time to agree adding significant cost to the development process
- Market risk and viability represent the key challenge.

However, these challenges are, with the exception of the reliance on oil and gas, not unique to Aberdeen. We identify numerous examples of the public sector actively engaging in the regeneration process at a project level and a city wide level. Through our research we identify a number of key themes/ initiatives:

- Cities from across the UK are taking a direct approach to regeneration and are much more than just planning authorities.
   A ring fenced regeneration fund is required to support these activities. They are increasingly taking more risks and a commercial approach to regeneration, looking at the economic benefits 'in the round'
- Dedicated regeneration teams with a city living resource help to manage the complexities of regeneration and are needed to implement strategies. They also help to improve public/ private sector relationships and attract inward investment
- In England funding support from central government and the Homes and Communities Agency is providing valuable support.
   In Scotland, the Scottish Futures Trust is working with Local Authorities to explore funding support such as the Growth Accelerator Model
- There are numerous examples of partnership working whereby the public and private sectors share risk and return through innovative structures. There are variety of initiatives, tools, deal and funding structures that can be applied to individual projects and across a city area
- Successful initiatives seek to cover the whole market including small, medium and transformational projects

- · A comprehensive marketing and PR strategy is essential
- Identifying key sites and supporting them through the development process can be an effective delivery tool
- · Strong leadership and political support is critical.

Derby in particular provides a useful insight into a dedicated and comprehensive city living strategy and is approximately five years ahead of Aberdeen in terms of maturity. ACC may wish to engage with Derby City Council directly to gain first hand experience of their approach given the number of similarities to Aberdeen.

Having considered the opportunities, the challenges and what other cities are doing on this issue, we have sought to build upon these themes within our recommendations.

We have identified four key recommendations as follows:

- 1. form a dedicated city living team
- 2. take a lead role in the delivery of transformational projects
- 3. identify and support 'quick wins'
- 4. introduce a two year moratorium on Developer Obligations within the CCMP boundary on developments of up to 50 units

In the page we attempt to demonstrate what a comprehensive strategy within the CCMP boundary might look like should ACC ultimately adopt our recommendations.

Without intervention private sector capital will be drawn to other UK and global cities which are experiencing positive market sentiment and where authorities are actively encouraging investment. Local developers will continue to favour easier and less risky edge of town sites

#### A Dedicated Team

- Agree a business plan
- Commercial approach
- Agree risk/ return appetite
- Economic weight, political support
- Attract investment
- Relationship/ trust building

Strong political support and engagement is fundamental In building short term credibility and long term confidence

#### **Quick Wins**

- Support existing pipeline to break down barriers
- Engaging owners to assess supply side opportunities
- Match demand/ supply

#### **City Living**

- Across all tenures
- Big and small
- Establish a fund
- Exciting, viable
- PR strategy

#### Flagship Projects

- A bold first phase
- Target under supply
- Project specific delivery strategies/ execution
- Direct intervention

Strong Governance and oversight is essential as regeneration, by nature, is risky

#### A Bridge to Viability

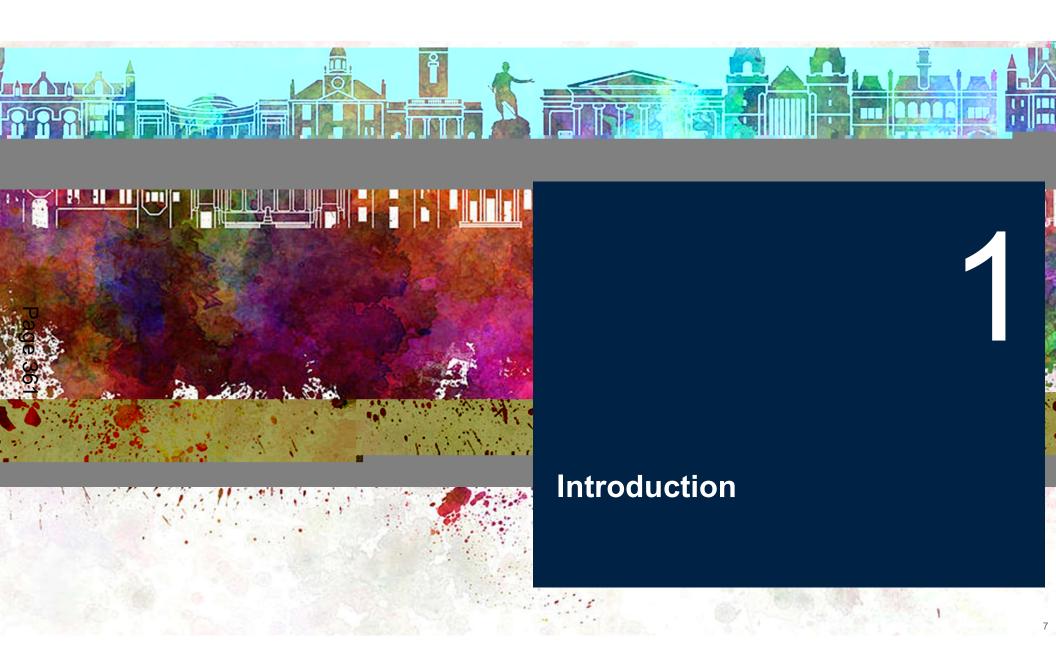
- Cut costs within ACC control to bridge viability gap in the short term
- Encourage development across the market
- Create a sense of urgency/ use it or lose it
- Indirect intervention

Addressing market failure is complex.

Aberdeen is not alone in this respect.

However, while the rest of Scotland and the UK has been experiencing market growth and improving confidence,

Aberdeen has not. This compounds the challenge facing the city centre





#### Introduction

The Aberdeen City Centre Master Plan (CCMP), prepared by Aberdeen City Council and released to the public in 2015, is a plan that intends to transform the city centre and enhance its reputation as a place to live, work and visit.

The masterplan identifies eight key objectives, one of which is to create a "living city for everyone" with the aim of attracting 3,000 more residents to live in the city centre.

Savills has been instructed by Aberdeen City Council (ACC) to carry out a comprehensive review of the property market with the direct intention of making recommendations to encourage the growth of the city centre population.

## What have we been asked to do?

The purpose of this study has been to test the appetite for city centre living within Aberdeen and to provide ACC with a residential chategy to support the CCMP. Our report considers the scale, ope, programme and practical actions to enable ACC to deliver the aspiration of encouraging 3,000 new residents to the City Centre by 2040.

The commission outputs as established in our brief are:

- A series of SMART (specific, measureable, assignable, realistic, time-related) recommendations to help the council develop a new city centre living residential strategy that responds to two key objectives:
  - Increasing the City Centre residential population by approx. 3,000 residents by 2040
  - 2. Finding alternative uses for obsolete property, particularly in former commercial areas or at upper floor level on main shopping streets

- Drafting of any new policies that will be recommended for approval as part of the residential strategy and ultimately for incorporation as future statutory planning guidance
- Consideration of funding opportunities, including public subsidies, to support this strategy, along with a statement on VAT and Tax implications on any resultant proposals, specifically for Private Rented Sector (PRS)/ refurbishment and the impact on particular site proposals
- · A risk assessment on the proposed recommendations.

#### What have we done?

Our study has been structured across four key workstreams with each workstream having a dedicated report.

Workstream one considered and quantified the residential market within the city centre. Workstream two assessed the opportunities and constraints relating to city centre development within Aberdeen while Workstream Three sought to explore what other comparable cities within the UK are doing to tackle this issue and to identify key themes that are emerging and areas of best practice. Within Workstream Three we explore how public and private sector development can be funded and structured to break down barriers.

Finally, this report comprises the fourth workstream where we have sought to summarise our findings and identify key themes. We have then set out our final recommendations to create a framework for ACC to address the various issues identified during our study.

In preparing our report, we have carried out quantitative and qualitative research which has involved the following:

- Comprehensive data analysis on demographics and the existing city centre population focusing on age, tenure, income and employment
- · Analysis of the current residential property market
- Analysis of the commercial property market and vacant commercial property
- · Stakeholder engagement
  - Public engagement survey launched on 20<sup>th</sup> February 2017 through a joint press release by ACC and Savills. The survey was circulated to a list of stakeholders including lawyers, agents, housing associations, RICS, NHS Grampian, Aberdeen & Robert Gordon University, AGCC and many more
  - Working groups held with those who have an active interest in city centre development. A list of questions was prepared to stimulate debate and discussion amongst attendees. For those who were unable to attend, we held one to one discussions using the same questions structure.
- Comprehensive analysis of city living initiatives adopted by Edinburgh, Derby and Preston and specific examples from other cities across the UK.



## **Opportunities**



#### City Living

Demand for city centre housing in the UK is on the increase with people generally aspiring to live and work in the urban core. This urban tendency is a growing global trend where urban living and lifestyles are increasingly popular among young professional workers, families and downsizers. This is creating new opportunities for property investors and property developers.

Increasing numbers of students, graduates and an ageing population are instrumental in generating growing demand for new market sectors in urban locations. A wide range of tenures, types, price points, etc are required to capture this demand. Cities need to embrace this opportunity and offer residents a more exciting unge of housing options in order to retain talent and create less ansient and commuter based populations whilst building ommunities.

Our analysis in workstreams one and two has revealed a chronic oder supply of quality new build housing stock across all egments of the market. Whilst there has been a dramatic increase in housing supply since the oil price crash of 2014, there is a distinct lack of quality product available in the city centre. The more modern stock that does exist appears to perform best, often offering more accommodation and better layouts.

This section explores the opportunity for city living within Aberdeen city centre.

#### **CCMP Initiatives**

The city centre is going through a period of significant transformation through the implementation of a number of significant CCMP projects, including; the £30m redevelopment of Aberdeen Art Gallery; the £7.9m redevelopment of the Music Hall; a £3million investment in cleaning buildings and pavements and upgrading/ removing/ fixing and repainting street furniture on Union Street; a £2m+ fund to improve the fabric of historic buildings, a £3.2m re-design of Broad Street to deliver a new public realm space, and; the £20m revitalisation of Union Terrace Gardens.

"The demand for city centre living has increased considerably in recent years – the populations of the city centres of English and Welsh cities increased by 37 per cent between 2001 and 2011. This is particularly stark when comparing it to the longer term trends in city centre living, where city centres saw declining populations through the 1970s and 1980s." Urban Demographics, 2015

There are also plans to host a number of year round events (Aberdeen 365), a creative lighting initiative (Aberdeen in Colour) and offer support and to promote home grown retail businesses to add to the distinctiveness of the city centre (Independent Aberdeen).

These initiatives will address a number of the negative perceptions that residents identified in our survey and stakeholder sessions. Ultimately they will make the case for city living more compelling and make the city centre a more pleasant place to spend time.

#### **Grade A Office Stock**

Aberdeen city centre until very recently had a limited Grade A office offering. This contributed to the outward migration of businesses to purpose built office parks on the periphery of Aberdeen such as Prime Four in Kingswells and Arnhall Business Park in Westhill.

Thanks to the recent completion of Marischal Square, The Capitol and the Silver Fin office buildings, 385,000. sq.ft of exceptional quality Grade A office is now available in the city centre.

A number of high calibre tenants have already been identified for these developments including PWC, Dentons, Chrysaor and Aberdeen Journals and more will follow as tenants are drawn to the quality offering.



This will create exciting employment opportunities in the heart of the city centre and, in turn, lead to demand for high quality homes.

In addition, much of the older office stock in the city centre is now sitting vacant or is likely to become vacant in the short to medium term. This will create opportunities for conversion of these buildings to residential use and provide a development pipeline to help make city living a reality.

#### Retail and Leisure Offering

In our survey of local residents, shopping and entertainment are ranked particularly positively with 60% of respondents ranking shopping as good or excellent, and 50% of respondents saying the same of entertainment.

With the various CCMP initiatives underway, the completion of Marischal Square and the proposed extension of Hammerson's Union Square development and Land Securities' Bon Accord and St Nicholas centre, the offering is set to improve further.

In July 2017, PMA (Property Market Analysis) reported a vacancy rate in Aberdeen city centre of 8.7%, well below the retail PROMIS (Property Market Information Service) average for the remainder of the UK.

A strong retail and leisure offering is essential for a credible city living proposition and the city centre is providing this.



#### **Economy and workforce**

North East Scotland contributes substantially to both the Scotlish and wider UK economy with Gross Value Added (GVA) of £18bn and 284,000 jobs (2013, source: Opportunity North East)). The region has consistently exceeded its own economic growth target of 2.5% per annum (source: Opportunity North East). Aberdeen's economy is forecast to grow by 7.4% over the next five years (-2.3% over the last five years) according to Oxford Economics.

There is an underlying desire to broaden the economy with evestment in food, drink and agriculture, life sciences and tourism. However, Aberdeen does benefit from two universities; one lege; two innovation centres funded through the city region deal; and world class food and drink production. Aberdeen is also alongside Cambridge as the main cluster in the UK for R&D in biologics and is ranked 5th in the Mercer quality of living index (source: Aberdeen Grampian Chamber of Commerce).

Average weekly earnings in Aberdeen are amongst the highest in the UK at £593.40 (2016, Centre for Cities) and unemployment is 2.1% within Aberdeen City (September 2017, Grampian Chamber of Commerce). 46.5% of the working age population had a qualification at NVQ4 or above in 2015 which is seventh out of the 63 cities in the UK analysed by Centre for Cities.

In addition, the city and wider region houses a maturing population that has benefited from the fortunes Aberdeen has experienced over the last four decades in terms of wealth creation and long term growth in property values.

The local property market is also showing some signs of recovery with an increase in transaction levels and a stabilisation in values (Savills North East Spotlight, Winter 2017). Albeit, the market continues to suffer from an oversupply of second hand stock.

#### Demographics

As people's priorities and needs change throughout their lives, they choose to live in those places that best suit their needs at a particular time. Single people, including graduates and professionals, are more likely to cluster in central areas, where homes are smaller and they are more likely to rent, but where they can easily access jobs, restaurants, and amenities. As with all demographic groups there will be a range of spend and affordability profiles. However, millennials (typically regarded as those born between the early 1980s and early 2000s) are more likely to rent, reflecting a change in consumer habits and strict mortgage criteria. Indeed, millennials priced out of the housing market are boosting rental growth across much of the UK, particularly the large cities.

Married couples, by contrast, are more likely to locate further out, in suburbs and rural hinterlands – reflecting the greater likelihood of these people to have children and to require cheaper housing, larger homes and proximity to schools and green spaces. Within our survey Aberdeenshire is identified as the main destination for those moving out of Aberdeen City with a number of established communities just beyond the border where there has been considerable new build development over the past twenty or so years.

71% of people living in Aberdeenshire who completed our survey had previously lived in the city/ city centre. Of this, 33% stated that they would return to the city. We feel that the city centre has the potential to capture much of this potential demand. Furthermore, with the various CCMP interventions underway we anticipate that this % will increase over time, subject to suitable housing options being available. Within our survey, overall access to amenities and facilities within the city centre was ranked as fair to good. Schools, medical services and the sense of community were primarily ranked well.

The city centre is perceived as a safe place with 50% of respondents ranking it as fair and 30% ranking it as good. These attributes are important in attracting and retaining new residents, particularly families.

Whilst there is limited capacity for new build family housing within the city centre boundary, we believe that larger three bedroom apartments in the city centre and the conversion of period dwellings towards the west end of Aberdeen including within Golden Square and Bon Accord Square could cater well for families. However, family housing is likely to make up a small proportion of overall demand within the CCMP boundary (although consideration could be given to reimagining the waterfront area as family housing to boost demand within this sub sector).

One feature of the current UK and local market is the emergence of the downsizer. The downsizer market is driven by aspiration; the desire for a high quality, mortgage-free lifestyle in desirable areas, often near the family home, family members and good local amenities. CALA's Parklands development, just outside of Aberdeen city centre, featured high specification apartments with lift access and parking and attracted a number of downsizers.

A two-tier approach is required to cater for both downsizers operating at the top end of the market, and also for more modest retirement housing such as WestPoint's Cottage Street development in Paisley which included 30 shared equity apartments, with lift access, for sale to those over 60 who can demonstrate a housing need. The shared equity element is held by Scottish Government and the level of equity varies depending on affordability and level of savings.

ACC are forecasting that the city's population of over-65s will more than double by 2036. These demographics suggest a huge untapped opportunity for the right product for the right buyer/ tenant in the city centre. As sectors such as student housing and Build to Rent mature, investors are becoming increasingly aware of the untapped opportunities in the retirement and assisted living sectors.

There is a compelling case for high quality new development for young people, students, graduates, families and the over-60s. Increasing the delivery of a range of residential properties in the city core will be fundamental in meeting demographic change across all income and affordability levels. The city centre should be able to cater for every life stage.



#### **Rental Stock**

Within the city centre there is a dominance of rental stock (both private and social) in comparison to the wider city region. The core of the city centre is under represented by home owners and this indicates a potential gap in the market. The private rental stock is of mixed quality and ownership is dominated by buy-to-let (BTL) investors. Recent policy restrictions targeted at the sector have affected domestic investors, particularly those dependent on mortgages. Across the country, the number of mortgaged buy-to-let transactions fell by 37% between 2015 and the year to May 2017. Investors in the Savills new homes market outside London fell from being 32% of buyers in 2015 to 19% of buyers in the first half of 2017.

Thilst demand from BTL investors is reducing there remains an active BTL sector in Aberdeen and we expect some demand from his sector going forward. As a general trend we have seen an afflux in overseas investors purchasing apartments within central Office conversions, such as Prosperity House in Derby (below). The developers have been targeting this sector through astute translating techniques such as a 'rental assurance plan' which officially sears rent and void assurance and a predicted yield of the process of the process



#### **Build to Rent**

There is currently no Build to Rent (BTR) product within the city centre and this represents a clear opportunity to deliver a substantial tall building that is consistent with the vision of the CCMP. As its name suggests, these are homes built for renters, but funded and held by long term institutional investors rather than BTL landlords who currently own the vast majority of private rented accommodation in the UK.

As more people in the UK opt, or are forced, to rent and the rented accommodation sector improves in tandem, so does the expectation of a good-quality offer. Family-friendly tenancies that encourage residents to stay make a lot of sense to long-term investors and there is clear evidence that the sector is finally starting to gain some traction, with approaching 48,000 homes now under construction or in planning across the UK. There is a growing pipeline of schemes across the regions and build to rent is no longer just a feature of the London or Manchester markets. There is now a trend of professional build to rent operators such as L&G, LaSalle and M&G widening their geographical focus beyond London and into the regions, including Scotland.

Some of the best BTR accommodation available today boasts a range of amenities, including onsite gyms, concierges, postal and parking facilities, retail, leisure and garden amenity, allowing tenants a quality of lifestyle not previously associated with the rented sector. The standard of purpose-built rental accommodation is shaking off the stigma historically associated with the rental sector. As a result BTR tends to attract premium prices in comparison to BTL rental values.

Above Right: Legal and General's new Slate Yard BTR scheme, near to Spinningfields in Manchester: 80% of occupiers are under the age of 35, 50% under 25. Amenities include high speed Wi-Fi, security, car club membership, and 24/7 concierge, with no fees and the option to bring your pets. From March 2018, residents will also have access to a gym included in their rent.

Left: Prosperity House in Derby which was completed in 16/17 and targets BTL investors



Savills experience of BTR properties in England is that they predominantly cater for young people aged between 18-35 who are usually looking to buy but cannot afford to. Instead they rent for approximately 12-24 months while they continue saving, by which time they have grown accustomed to the amenities and management provided in their rented accommodation (often also as an extension from their time in a purpose build full amenity student development). At the point where they are ready to buy, many renters choose to remain and invest in the same area, which is a testament to the success of new BTR developments.

Savills Scotland currently (Dec 17) have two BTR funding deals under offer to separate UK institutions at a combined value of more than £150m. Our experience of the regional markets is that schemes are most successful when they offer 250 units or more within areas of critical mass and close to good transport links, where the accelerated market absorption leads to faster build-out rates. Funders typically look for an ungeared Internal Rate of Return (IRR) of 7.5% based on a 7 year hold period post completion. Golden brick contracts are preferable to minimise VAT and LBTT costs. A Golden brick contract involves the investor purchasing the land from the developer in this first instance (taking title) and then paying the developer on a staged payment basis as the building works progress.





Above: Dandara delivered the first purpose built Build to Rent scheme in Scotland at Stoneywood in Aberdeen. Now managed Dandara Living and owned by LaSalle Investment Management, Forbes Place offers a mixed community of 292 Capartments and townhouses. The development provides homes for economically mobile professionals who prefer to rent over being tied to a purchase.

consider with more competition from the BTR sector, this is likely to rean BTL landlords across the UK will either have to step up the quality of their offering or, where they are heavily geared, look at exiting the sector. Overall, however, this is an opportunity to increase the range of housing options to younger households who are critical to our economic future.

#### Student Housing

The student housing market (purpose built student accommodation) has come of age and is no longer classed as a specialist or alternative investment. Record levels of institutional activity are testament to its global potential as a mainstream real estate asset, totalling \$13.5 billion in 2015 (Savills UK Research).

According to our local research, Aberdeen already has a very generous supply of approximately 7,000 student bedrooms and is facing renewed competition from the BTL sector. Rents are down by c.15% over the last two years and voids are becoming increasingly common.

In addition, we estimate that there are 1,500 bedrooms in the committed pipeline and a further 1,100 + in the potential pipeline. With a student population of c.22,000 this represents a very generous supply and consequently a cautious approach is now being taken by investors and developers.

However, despite this growing supply, there has been very little development in the city centre core in recent years. Accordingly it is exciting to note that Dandara appear to have made a start on their 342 bedroom Triple Kirks development. This will be a transformational and flagship development that will attract students with disposable incomes to the city centre and provide a pipeline of city centre graduates to occupy any new BTR schemes or Build to Sell schemes. Against a backdrop of challenging viability ACC should seek to support this scheme to ensure its successful completion.



Above: Dandara's 342 bedroom Triple Kirks development will provide luxury student accommodation. We understand that the development, whilst stalled for a number of years, is now underway despite market conditions and a lack of appetite from institutional investors.

#### **Build to Sell**

Despite some recent apartment led developments on the periphery of the CCMP area by builders including Bancon Homes (Union Grove); Barratt Homes (the beach and Berryden), and; CALA Homes, (Cornhill) there has been no similar activity within the CCMP area for a number of years.

Where development has occurred within the city centre in the past and has been of a high quality, including Bancon Homes St Andrews Square development (which was developed during the financial recession of 2008 when market conditions were challenging) it tends to have performed well.

There is currently no new build aspirational housing stock available which is essential to attract and retain skilled graduates within the city whilst also catering for the potentially lucrative aspirational downsizer market.

Whilst there is a notable supply of second hand stock within the market there is also an opportunity to service increased demand through CCMP interventions from first time buyers, single person households and those on more modest mainstream budgets within upper floor conversions and interesting redevelopments of absolute office blocks.

Barratt Homes Ocean development (below) near to Aberdeen beach offers one and two bedroom flats priced up to c. £250k. The commitment was made to develop this site before the oil price slide



# savills

# Interview with Managing Director of a National Developer: "Urbanisation is taking place and there is demand for city centre development"



pove: 255 and 262 Union Street were converted from offices to 13 one, two and three bedroom apartments in 2014/15 – the elevelopment, which was marketed by AC & Co, was targeted wards Buy To Let (BTL) investors and first time buyers.

## Affordable Housing

Whilst we identify in our research that there is a higher proportion of social rented housing within the CCMP area in comparison to Aberdeen as a whole, the quality of affordable offering is noticeably poor and uninspiring in comparison to new affordable schemes in, for example, Countesswells, St Machar Road (above right) or Craiginches (far right).

There is also a notable lack of tenure options for those on incomes that are not quite enough to afford home ownership, or private sector rents. As we revealed in Workstream One, the city centre, which is distinctly attainable when compared to other parts of the city, is out of reach for purchasers on a single median gross income unless they have access to considerable deposits. There is also a projected growth of single household with Aberdeen City which could be well catered for within the city centre. There are opportunities for new social rented developments, mid market rental (MMR) developments and shared equity developments.



Above: Robertson Partnership Homes, in collaboration with Hillcrest Housing Association are in the process of delivering a new community of 138 properties in St Machar.

There is also a notable lack of tenure blind, low cost home ownership options which could help to cater for median or low income aspirational purchasers that are less transient and seeking to put down firm roots in the heart of the city centre.

#### **Demand Drivers**

To summarise, the city centre, particularly as it becomes increasingly attractive and vibrant in years to come, has the potential to cater for all demographics across all tenures and income thresholds. There are particular gaps in the provision of executive housing options, retirement and assisted living options, BTR and tenure blind and attractive affordable housing.

There is likely to be less capacity and demand from families although in order to create a rich tapestry of people into the city centre this market should be encouraged where possible.

It is important that any city living strategy seeks to address the entire market in order to ensure diversity whilst seeking to avoid concentration risk.

#### **Development Partners**

Aberdeen and the wider region benefits from a number of high calibre and well established housebuilding and development companies. Many of these, including privately owned regional businesses and national volume builders have engaged with us through our stakeholder sessions. This group is typically risk averse and require developments to be more than 40 or 50 units in scale to justify an investment and control preliminary costs. They also typically only look at new build proposals given the level of construction risk associated with conversions. The majority of feedback suggested that they would be unlikely to invest in the short term in developments without car parking. However, there is strong interest in the CCMP and one Managing Director (MD) of a significant regional house builder stated "private businesses will be keen to participate in delivery but now more than any other time, developers and their funders are mindful of risk and reward". Another MD of a National developer stated "urbanisation is taking place and there is demand for city centre development".

Below: Sanctuary Housings MMR aspirational development at Craiginches which comprises 106 flats and 18 houses. Mid-market rent is suitable for people on incomes that are not quite enough to afford home ownership, or private sector rents.





#### **Car Parking**

In relation to car parking, where there is an appropriate public transportation offering, there is growing evidence of mainstream city living developments increasingly moving towards a car free model. Savills new homes business in Scotland has considerable experience in marketing reduced car or car free developments including Land Securities Buchanan Gardens development in Glasgow (below).

It is also worth bearing in mind that certain residential development types are likely to be less reliant on cars including BTR, sheltered housing, retirement living, student accommodation and affordable housing.



Above: Buchanan Gardens is a recently completed new build development of 49 one, two and three bedroom apartments in the heart of Glasgow city centre with no onsite car parking. Developed by Land Securities and marketed by Savilis, unit prices ranged from between £149,000 and £325,000. The development was marketed as 'an oasis in the heart of the city' and the developer offered a 3 year NCP lease within the sales price as well as cycle stores. Savills is currently advising clients on a number of projects in Glasgow where there is no or very limited car parking and advising that developers offer: i) NCP car parking for 2/3 years within the price ii) membership for an agreed period in the Glasgow City Car Club (managed by Enterprise Car Club) iii) an Uber or taxi account with a pre agreed budget limit.

## "there is evidence of mainstream city living developments increasingly moving to a car free model"

The CCMP provides an opportunity for Aberdeen to move towards a car free model in the city centre, however this only appears to be successful where there is an appropriate public transportation offering. In other city centres such as Glasgow, developers are offering marketing tools such as car parking in nearby multi-storey car parks for a fixed period, membership of car clubs and taxi account budgets to entice purchasers.

#### Overview of Demand

The interest from the house building industry suggests that if low risk opportunities can be identified that offer the potential for blocks or phases of more than 40 units then there will be demand.

Retirement living specialists such as McCarthy and Stone, who have a requirement for Aberdeen sites and have recently completed successful projects in Cults and Springfield Road, are likely to have an appetite for aspirational projects in the city centre. However as with house builders this markets preference is for new build development rather than conversion.



The last decade or so has seen an increased emergence of entrepreneurial property companies and regeneration specialists who recognise the constraints (i.e. capacity for parking) and opportunities that city living presents. Companies such as Artisan Real Estate (the developer behind the award wining New Waverley development in Edinburgh which Savills is advising on); Inhabit (the purchaser of Broadford Works in Aberdeen); Muse (the developer of Marischal Square in collaboration with ACC); Compendium Living (a key developer in the Derby City Living strategy) and Urban Union are just some examples. Places for People also represents an organisation that thrives on strong public/private sector working and developing models that balance risk/ return and funding requirements.

Through our research we have met with a number of local property developers, investors and entrepreneurs who are actively seeking to enter the city living market at a more modest scale. These developers will take on more risk than house builders and have the potential to play a crucial role in delivering the city living agenda. If this group can overcome current viability constraints and secure redevelopment opportunities at the right price, they have the ability to make an immediate impact on the market. Investors, if they can secure the appropriate income yield, will forgo developer's profit and may, as in the case of the investor who converted the upper floors of 407 Union Street, already own the property.

This group will be critical in the aspiration of bringing the upper floors of Union Street back to life and transforming obsolete office buildings back into economic use. They can also act as pioneers to help establish momentum in a city living initiative (as is currently being experienced in Preston for example) and generate data, case studies and evidence of a city living market place. All things being equal, this could create confidence for a future wave of developments and overcome the existing stalemate in the market.

"we have met with a number of local property developers, investors and entrepreneurs who are actively seeking to enter the city living market at a more modest scale"

Left: McCarthy and Stone's Florence Court assisted living development in Cults sold well and this type of development would suit a high amenity city centre environment.

# savills

# "owner occupiers do not require to extract developers profit"

We also see an opportunity for families and individuals to acquire existing office stock and convert this back into a principle residence. As we explored in Workstream Two, owner occupiers do not require to extract developer's profit and whilst they are likely to experience higher conversion costs, this could help to reduce the viability gap referred to in Chapter Three.

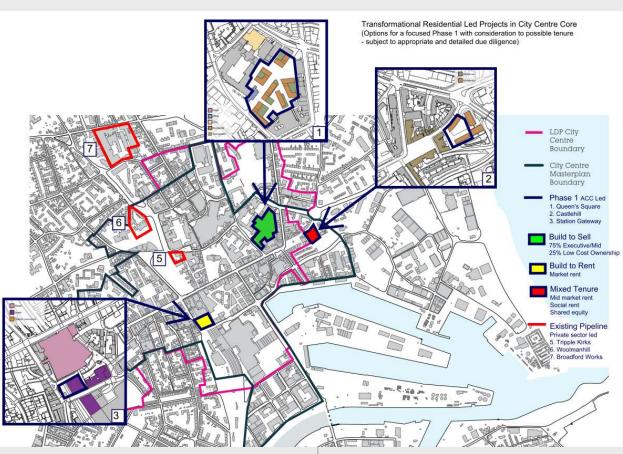
Finally, another trend over the last three or four years has been the emergence of affordable housing developers who work collaboratively with Registered Social Landlords (RSLs) to deliver high quality social housing schemes. Developers, including for example Robertson Partnership Homes, Stewart Milne Homes and Bancon Homes, are attracted by the cash flow benefits and lack of sales risk that affordable developments can offer. With no financing risk or funding cost (developers are typically paid in gaged payments over the course of construction) and no sales with the course of construction of the course of construction. RSLs enefit from the delivery expertise of the private sector and avourable access to private and Government funding. The tenants benefit from high quality, high amenity developments that the course of increasingly tenure blind.

summarise, there are a wide range of private sector evelopment partners to help deliver the ambitions of the CCMP. For any city living in Aberdeen to be successful and deliver across the market with a combination of quick wins and transformational projects, the engagement of all the groups identified above will be required.

Where developers are already pursuing opportunities in the CCMP boundary (on projects such as Broadford Works, Triple Kirks and Woolmanhill: outlined in red on the adjacent plan) the council should work collaboratively with these businesses to drive delivery and help to gain traction in the short term.

#### **Matching Demand and Supply**

The CCMP looks at development potential over a 25 year period. At first glance, the residential development opportunities within the CCMP can be seen as somewhat daunting and overly concentrated in one development type (tall apartment based schemes). This is something which we feel should be addressed in the short term through consideration to phasing and tenure mix.



There is an opportunity to condense the CCMP into a series of deliverable priority projects. Firstly ACC should seek to identify projects where they can actively facilitate transformational, inspirational and flagship development activity (above).

We would suggest that this is focused on three key projects in the city core that can be delivered over a two to ten year time horizon and cater for a range of the demand drivers and gaps in supply that we have identified. This is considered further under recommendations.



Secondly, ACC should identify quick wins at a more modest scale across the CCMP area.

The illustration to the right identifies how a pattern of small to medium sized development activity might reasonably emerge over the course of the next 25 years.

Whilst this illustration is just indicative it is useful in highlighting the potential opportunities that do exist and that can be unlocked at scale, and quickly, if the barriers to development are removed.

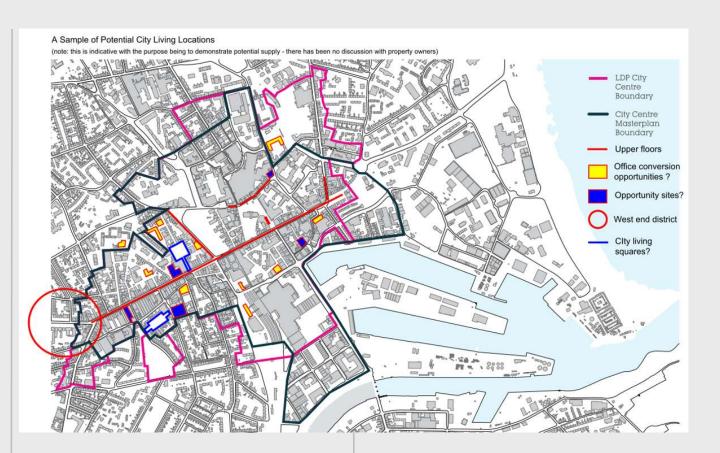
#### **Planning Policy**

Our detailed analysis of existing policy suggests that it is generally favourable and fit for purpose. More could be done to bring all of the policy together and strengthen guidelines/ development briefs and so forth, although policy is favourable for the City Living concept (with the exception of developers contributions and period of the policy in the short term given the stalemate the market is experiencing as we consider in Chapter Three below).

Ational, regional and local planning policy all have a 'town centre fixst' focus, with a recognition that increasing a variety of complementary uses in addition to retail and business builds a vibrant 24 hour economy. The Aberdeen City & Shire Strategic Development Plan (2014) (SDP) highlights that the city centre is an important asset for the region; and its regeneration is vital for the economic future of the area and how potential investors and residents see it. Further, the Aberdeen Local Development Plan (2017) (LDP) reinforces the focus on the city centre.

#### **ACC Interventions**

We identify through our research that small, medium and large local authorities across the UK are taking an active role in the delivery of city living initiatives. ACC can actively help to shape and participate in developments subject to securing appropriate funding and balancing risk relative to other competing priorities.





#### **Economic Case**

Whilst regeneration strategies and interventions, particularly direct interventions, require a substantial short term investment and heightened risk profile, the medium to long term goal should be to secure a return on that investment, reflective of the risk. To an extent, and excluding external market forces outwith one's control, ACC can help influence heightened demand and positive market sentiment through delivery of the CCMP initiatives and the creation of momentum through the implementation of our recommendations and a strong promotional strategy.

An increased city living population will create many economic and social benefits for ACC, Scottish Government and the people of Aberdeen, for example:

Increased consumer spend in the city centre which in turn will boost retail and leisure businesses' profitability and encourage the occupancy of otherwise vacant space

Attracting businesses into the city centre through a skilled workforce that will be living in the city centre, resulting in greater demand for Marischal Square as well as increased rateable income

- Greater sense of community and increased population with a direct stake in the city centre
- Additional Council Tax revenue to help fund the revenue account. Given our demographic and supply analysis we anticipate pressure on public services will be less than the revenue collected, i.e. likely to be fewer family households and so less pressure on, for example, education
- Profit on investment activities or commercial risk-taking to be reinvested into other initiatives or to support the revenue account in the medium to long term
- Less reliance on cars and a safer city centre leading to greater health and wellbeing and more civic pride
- When a functioning market place is created, an ability to collect developer contributions and affordable housing delivery which is currently not being collected/ delivered
- Additional Land and Buildings Transaction Tax (LBTT) receipts on property sales where LBTT applies.

In the short term interventions will inevitably be required by ACC to unlock this economic potential. In the medium to long term ACC may choose to move away from taking a direct approach and adopt more of a guiding and strategic role. Alternatively, ACC may choose to continue to invest directly in the city centre residential market as part of a medium to long term financial strategy in parallel to any short term regeneration requirements. City councils across the UK are increasingly seeking to participate in property development and investment activities through normal course (i.e. not driven by a regeneration agenda) in order to reduce their exposure to the vagaries of central funding. From analysis of our case study cities we note that Edinburgh and Derby in particular are moving towards a more direct approach.

Indeed, we note with some interest that Derby City Council has recently developed an appraisal model that considers not only the financial return of a direct investment in a property or development, but also the total indirect return to include additional Council Tax revenue and New Homes Bonus collected (source: interview with senior regeneration official).

#### Funding

We would highlight through our research in Workstream Three in particular, that there is a range of potential funding sources available to explore including the Public Works Loan Board (PWLB); the bond markets; Growth Accelerator Model Funding (or a variation thereof); the Housing Fund for Scotland; the Hearthstone Residential Fund Two (BTR focused fund made up of five English Pension Funds who are seeking to develop a UK portfolio of BTR schemes); direct or indirect investment from the North East Scotland Pension Fund (subject to them having an appetite); potential City Deal two funding; and a case for exploring funding options with the Scottish Government that are tailored to city living (i.e. ring fencing the first tranche of LBTT receipts generated from a new Build to Sell development that has been delivered as a direct result of ACC intervention) or the introduction of a New Homes Bonus or Home Zone initiative similar to England.

Where there is a gap in available funding it may be possible to bridge this gap by entering into a joint venture or partnership agreement with a private sector developer and institutional investor. For example the three possible phase 1 flagship

interventions highlighted earlier could be wrapped into one delivery vehicle which had a clear business plan and delivery strategy agreed from the outset. This might, for example, include receipts from the sale of serviced land parcels, the distribution of profits from BTS development or the distribution of net operating income from BTR, or MMR developments, with ACC underwriting an element of market risk (perhaps in turn mitigated by the Scottish Government Rental Income Guarantee Scheme (RIGS)); and facilitating development through, for example, the supply of land.

The fact that ACC already has experience of public/ private sector partnership working through the Mariscal Square and the Shaping Housing LLP projects will help in terms of providing confidence to other potential private sector partners and also demonstrating an existing level of sophistication. The Shaping Housing LLP was a 50/50 JV with Places for People called and involved the transfer of ACC land (8 sites) into a new LLP. The agreement is structured so that the land payments are on completion of developments with an equal share of any profits. The proposal includes the development of 1,000 homes for private sale.



Above: the Edinburgh St James redevelopment (currently under construction) has been supported through direct intervention by Edinburgh City Council (ECC) and will include 150 homes. ECC secured GAM funding from the Scottish Government (managed by the Scottish Futures Trust (SFT)). We understand from discussion with SFT that discussions are already underway with The CCMP Board on a similar model in Aberdeen to support public realm interventions. ECC also used the threat of their CPO powers effectively, with the potential cost of any purchase formally underwritten by the private sector partner.



#### **Key Themes and Conclusions**

ACC is already committed to delivering the first phase of CCMP interventions and this is welcomed by the various stakeholders with whom we have engaged.

Within this section we have explored a range of opportunities and strengths which the city already offers and is capable of offering going forward. There are also opportunities available for the council to explore in terms of phasing, funding and delivery structures to bring the city living strategy to life.

The key themes that have emerged during our research are:

- There is a growing trend of urbanisation in the UK
- The demographics and economic profile of Aberdeen clearly support a city living strategy if the right product can be delivered at the right price point

There is an obvious gap in the existing residential offering within the city centre, in particular for aspirational Build to Rent and Build to Sell development and tenure blind affordable housing

There is a range of development partner profiles that can support delivery across all tenure types and of varying scales: from small single residence conversions through to large scale transformational multi unit projects. ACC should seek to mobilise development activity across all sectors including local property developers and investors; house builders, property companies, and; Registered Social Landlords

- There is an opportunity to develop a short to medium term residential strategy that prioritises the delivery of three key flagship sites
- There is a clear economic rationale for pursuing a city living strategy
- There is a range of funding mechanism and structures available for ACC to explore

With a proactive approach to working with the private sector at all levels and with a bold approach to aiding delivery, there is an exciting opportunity to redefine the city centre as a place where people aspire to live.



Above: the proposed Atholl House development: could this become a core city centre BTR led scheme?



Above: the acquisition of Broadford Works by Inhabit earlier this year represents a significant investment in what could be a transformational development of 890 units including 517 mainstream units (source: S75 agreement). ACC should continue (see below) to adopt a proactive and collaborative approach to ensure delivery of this residential led scheme

David Westwater, Inhabit: "In our interactions to date with ACC it has been apparent that the authority recognizes the importance of the Broadford Works site in its own right as well as its imprint on the local community and the wider city. Issues such as provision of affordable housing were considered carefully and in good open dialogue with us which resulted in a successful outcome for all. ACC understands that PRS (BTR) is an emerging use class and is important to the future of housing in Aberdeen. They have already had some experience with the Forbes Place scheme so perhaps they are further ahead in terms of this knowledge than other local authorities. We hope to continue the collaborative partnership with ACC as we progress through the next stages of planning and development of the site"





## Challenges



#### Introduction

There is a growing demand for city centre living throughout the UK as a general change in lifestyle has led to a growing trend for urban living. However, our research has shown that, at the time of the most recent Census (2011), Aberdeen City Centre accounted for approximately 8% of households within the Aberdeen Local Authority area and only 7% of the Aberdeen City population. Aberdeen appears to be falling behind the trend.

The city centre population is dominated by residents aged 20-44, as current housing options meet the requirements of students, graduates and young professionals. Indeed, residents aged between 18 and 29 account for approximately 50% of the residents in the city centre. It is clear from the demographics that families and the older generation a strong preference to live outwith the city centre.

addition to the above, there has been no new build development rojects within the city centre that have provided quality, modern esidential accommodation in recent years. Developers consider city centre developments to be challenging and risky, many prefer to the evelop in out of town locations on greenfield land, of which there is a meater supply.

This chapter considers the challenges of city living for residents in Aberdeen and furthermore, we consider the challenges to developers and why the CCMP area is considered to be high risk.

Below: Aberdeen city centre population by age bracket (Census, 2011)

	All people	0 to 4	5 to 7	8 to 9	10 to 14	15	16 to 17	18 to 19	20 to 24
Aberdeen	16,526	541	176	84	248	47	156	1,442	3,727
City Centre		3%	1%	1%	2%	0%	1%	9%	23%
Aberdeen Local	222,793	11,512	5,633	3,539	9,401	2,050	4,369	8,273	23,207
Authority Area		5%	3%	2%	4%	1%	2%	4%	10%
	All people	25 to 29	30 to 44	45 to 59	60 to 64	65 to 74	75 to 84	85 to 89	90 and over

	All people	25 to 29	30 to 44	45 to 59	60 to 64	65 to 74	75 to 84	85 to 89	90 and over
Aberdeen City	16.526	2999	3657	1830	535	495	445	104	40
Centre	10.520	18%	22%	11%	3%	3%	3%	1%	over
Aberdeen Local	222,793	21,216	46,610	42,498	12,454	16,242	11,680	2,792	1,317
Authority Area	222,193	10%	21%	19%	6%	7%	5%	1%	1%

"It could be argued that city centre development should rule over greenfield in terms of services being readily available, however the remediation and more importantly the planning risk associated with city centre development negates any of these positives"

savills

"The appearance of the city centre in general is poor at present with dirty buildings, and poorly maintained facades. Quality of shops/ bars/ restaurants on Union street does not encourage people to live in the area, when compared to outer parts of the city/shire"

Aberdeen Resident

#### What are the challenges for Residents?

The results of our public survey are analysed in detail in Work Stream 1 and the results are summarised in the chart (right). In relation to public perception of city centre living, the following are the key challenges for residents:

#### **Poor Quality Housing**

Over 40% of respondents consider the quality of housing in the city centre to be 'poor' or 'very poor'. This is largely due to a lack of development taking place within the city centre in recent years and therefore a lack of high quality stock that can compete with the available stock out of the city.

Developments have been focused on edge of city centre locations such as the est End, Cornhill and off King Street.

# ousing Options

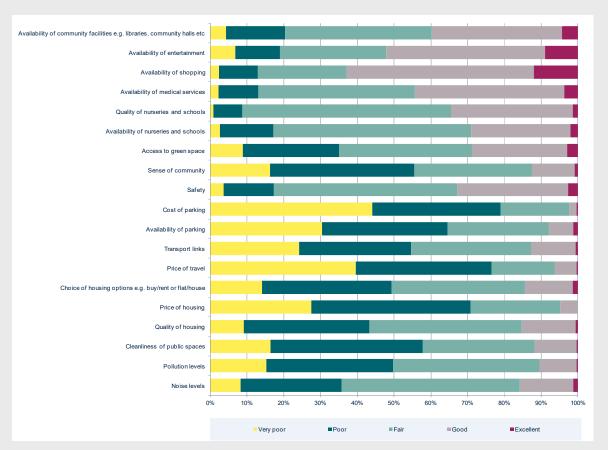
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59% of respondents consider the choice of housing options to be poor or very poor. A number of respondents commented that there is a high proportion of one and two bedroom flats in the city centre and a poor choice of housing options with this sector. The dominance of flats and a lack of modern, flexible accommodation has led to available housing being unsuitable for families and the older generation.

Of those respondents who left the city centre, 57% left due to a lack of housing choice, preferring to move to the suburbs, or most frequently to Aberdeenshire, where there is a wider range of housing options.

#### Public Transport / Car Parking

Car parking and public transport are key issue for residents. Notably, 50% of respondents to our public survey suggested that public transport links are poor or very poor and 80% consider the price of public travel to be poor or very poor. As such, improving the public transport service is considered key to city living.



Above: the results of our public survey where we asked respondents to rank their opinion of various city centre factors.



#### What are the challenges for Developers?

The 'oil price crash' has had a significant impact on Aberdeen's local economy resulting in 30% fewer property transactions and falling prices. For investors and developers, this has highlighted the city's reliance on the oil market and resulted in reduced levels of confidence. The main challenge for developers is market risk and the viability of proposed development schemes during weak market conditions. This is a complex area and we have sought to consider this in detail at pages 27-30. Further, the following challenges were also identified during our stakeholder engagement interviews:

#### Car Parking / Public Transport

Dipporting the public's perception, the stakeholder interviews rew out negative comments on the public transport system and he fact residents have a strong preference to own a car in order to pavel within the city.

the feedback from our interviews suggested that some developers would be unwilling to commit or invest in projects without car parking, particularly in the short term (i.e. while car free mainstream developments remain untested). This is unlikely to change without a commitment to improve public transport and/ or evidence that car free mainstream developments can be successful in the city centre (perhaps by encouraging developers who have undertaken car free developments in other cities).

Area	Greenfield	Brownfield
Aberdeen City	86%	14%
Aberdeenshire (part)	94%	6%
Aberdeen Housing Market Area	89%	11%
Rural Housing Market Area	91%	9%
Strategic Development Plan Area	89%	11%

Above: established housing land supply on greenfield and brownfield land (Aberdeen City and Aberdeenshire Housing Land Audit, 2017)

#### **Relationship With Planners**

It was clear from our stakeholder interviews that there is a generally poor relationship between developers /private sector professionals and ACC planners.

A number of private sector stakeholders commented that they felt planners focused on reasons to reject planning applications rather than reasons to approve them. In addition, stakeholders found that there were inconsistencies between departments in relation to advice on vertical mixed use development, change of use, affordable housing and developers contributions. They consider that a consistent approach and strong leadership is required.

On the other hand, the public sector commented that the private sector often provides insufficient information when making an application and therefore inconsistencies are due to a lack of detail and/ or poor quality proposals.

Regardless of the above, the relationship between the sectors is considered to be a challenge in promoting development within the city centre. Both parties need to be on board and a consistent, collaborative approach would be beneficial to all.

Our discussions with public and private sector stakeholders in Derby, Preston and Edinburgh, identified the importance of strong leadership and support from senior staff as well as the clear articulation of the public sectors expectations from the private sector as being key to improving relationships.

#### Lack of Investor Demand

Out of town investors are cautious of Aberdeen due to its heavy reliance on the oil and gas industry. Even during peak market conditions, many investors were not willing to invest in the market due to concerns over the economy's reliance on a high oil price. This, coupled with political uncertainties, has resulted in investors diverting their attention elsewhere.

Indeed, one developer we spoke to about the prospects of institutional BTR funding in Aberdeen said "Aberdeen is suffering from a triple threat; Brexit; uncertainties over regulatory changes in Scotland and a challenging Aberdeen economy/ market". Investors have no shortage of opportunities where there is currently less risk.

While there are signs of investors beginning to get comfortable with Brexit and the Scottish landscape through activity in Edinburgh and Glasgow, the Aberdeen factor may be one step to far for many.

#### Land Ownership

A key constraint in the city centre is the fragmented ownership of different assets and a lack of comprehensive and accessible data on public sector assets.

For example, Queen's Square is owned by a number of public and private sector parties. Development of this site will involve land assembly, whereby the Council / developer will need to acquire the land (or enter some form of joint venture) prior to bringing development forward.

#### **Preference for Greenfield Development**

There is a significant lack of land supply within the city centre with no greenfield sites available.

We are not aware of any sites that have been cleared for development and therefore the only development opportunities would involve significant pre-construction costs to demolish or convert existing buildings. Developers and potential investors consider such developments to be high risk and therefore prefer to commit to greenfield sites in edge of town locations.

ACC and Aberdeenshire Council's 2017 Land Audit 2017 states that 86% of the established housing land supply in Aberdeen City comprises greenfield sites. Allocated and now effective greenfield sites on the edge of Aberdeen City include Grandhome (up to 7,000 homes), Countesswells (up to 3,000 homes) and Maidencraig (up to 750 homes). These sites, and other emerging sites, will be critical to the future success of Aberdeen City and are very effective at offering high quality new build housing stock to cater for the family market in particular. They will also satisfy many housebuilders land requirements over the coming years.

## "The obvious choice is to develop in the peripheral city sites or the shire"

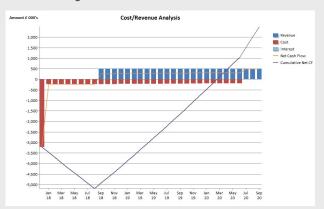
Managing Director of a local housebuilder

The development of new homes on greenfield land is more attractive to housebuilders as it allows them to phase a development to suit market conditions and their business model. While there are significant pre-construction costs to prepare the land for development and to carry out initial infrastructure works, their cash flow turns positive much earlier in the development cycle as the first dwelling can generally be completed within 10 – 12 months of land purchase.

On the other hand, development of a brownfield city centre site is likely to comprise the conversion of an existing building or demolition and construction of a block of flats / apartments. This involves a significant cost outlay from the outset and, depending on the size and scale of the site, the development will require to be completed before the cash flow turns positive. This is considered be riskier from a developer / housebuilders perspective. Ourther, it is also riskier for lenders as it will take longer for their control to be repaid (they are therefore more likely to lend on greenfield sites in comparison to brownfield sites).

It is common for lenders to insist on phasing within residential thevelopments. With the exception of loan availability to the largest busebuilders, lenders are unlikely to support large speculative hemes that are not phased. Banks have a strong preference to fund in phases of 6-18 units which allows the cashflow to turn positive far earlier and also provides a natural review point where the lender can assess if they want to continue to support the project. This funding model works well for greenfield development where planning can take account of phasing, and often the developer interests are aligned to manage their own risk/ exposure. However, this model creates real challenges when it comes to brownfield developments/ conversions where a disproportionate amount of development cost is spent early meaning phasing is far less effective, if possible at all. As a result, only a small proportion of the developer community can feasibly consider city centre brownfield development/ conversion of any scale

#### Greenfield 'edge of town' site



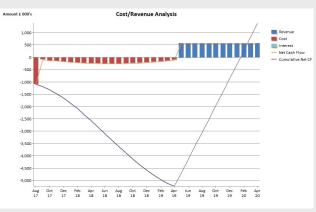
Above: a hypothetical cash flow for a 50 unit development scheme on greenfield land. The cash flow assumes that the housebuilder would phase the construction works over a two year period and we have adopted a sales absorption rate of two units per month.

In this case the cash flow shows income from an early stage in the cycle, as construction of the initial dwellings is completed and sales can conclude. The cash flow allows for a three month overlap from the completion of construction works to the final sale being concluded.

The Cumulative Net Cash Flow shows that the cash flow turns positive after 12 months, with the scheme becoming profitable after approximately 27 months.

This method of housebuilding means that a developer can be flexible with phasing, timescale and house mix in order to meet market demands.

#### Brownfield 'city centre' site



Above: the cash flow for a brownfield city centre site is very different as the developer must incur all construction costs before they can receive any income.

The above example is based on a hypothetical 50 unit apartment scheme in the city centre where by the developer is converting an existing building.

In comparison to the greenfield site, the development timescale is shorter. However the cash flow does not turn positive until April 2019, some 20 months after the site is purchased. The developer must seek to fund 100% of the development cost from the outset with no income to offset interest costs etc. Lenders will consider this method of development to be higher risk as they will not see a return on their investment until much later in the development. Interest costs will be higher which further impacts total development costs.

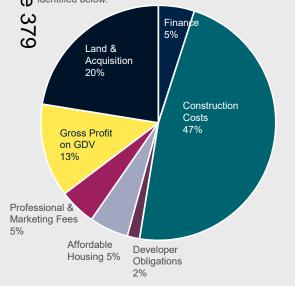


#### Viability & Market Risk

The current economic context and challenges facing the local market in Aberdeen adds to the immediate challenge for developers and investors. Many feel there is too much market risk to develop speculatively in what they see as an untested and volatile market and, as discussed above, it is their preference to build on out of town greenfield sites which is less risky and allows them to phase the development to suit the changes in the market.

The business case for investing in residential development in the city centre today is marginal. Many projects are unviable and development activity is stalling.

In order to address the viability challenge, it is important to understand the various costs involved beyond construction work alone. A developer typically determines the purchase price for a site by estimating the sale price which could be achieved for the completed development and thereafter deducting the costs identified below.



The pie chart has been prepared based on a live city centre conversion opportunity where a vacant office has the potential to be converted to residential. The report assumes a fixed land price which results in a Profit on Gross Development Value of 13%.

#### Gross Development Value (GDV)

The anticipated selling price of the residential units following completion.

The average price for a residential property in Aberdeen has fallen by 3.5% from Q32016 to Q32017, as the supply / demand dynamic in the market has continued to impact pricing. In addition, there is very little evidence of modern / new build flatted accommodation in the city centre to provide any concrete evidence to support developers appraisals.

In relation to BTR, market value is derived based on the level of net rental income generated by development which is then capitalised using an investment yield. The yield is influenced by the underlying income stream and the level of risk associated with the project. The lower the perceived risk, the higher the value and visa versa. Investors who have appetite to fund BTR projects will perceive Aberdeen to be of a higher risk in comparison to opportunities in cities such as Glasgow, Manchester and London. Therefore, the value will ultimately be lower.

#### **Land and Acquisition Costs**

The cost relates to the purchase of land and the associated legal and professional fees (including LBTT).

In the majority of city centre and brownfield development cases, the price a developer is willing to pay is lower than the existing land and building owner's expectations on price. This is curtailing supply.

In Aberdeen this issue is magnified as the city experienced a period of extraordinary growth followed by a significant decline which resulted in volatile pricing for both residential and commercial property. In particular, vacant west end office buildings were achieving c. £400 - £450 per sq.ft at the height of the market, however the most recent deals have achieved £200 - £250 per sq.ft. Even at this level, purchasing for development purposes would be marginal.

Over time sellers' price expectations may reduce (indeed this is starting to happen in some cases) but this may take a number of years to occur if there is no direct intervention by ACC. Examples of the types of direct intervention that ACC can implement are explored in Chapter Four.

If Gross Development Value remains the same and development costs reduce then land price will increase. This will narrow or eliminate the gap and encourage development activity.

Should the Gross Development Value increases over time (this may take a number of years) and development costs are reduced then this is likely to result in a significant upturn in activity. At this stage it may be possible to withdraw any financial intervention partially or completely and the expectation would then be that the market was functioning and well balanced. Indeed, it would be important to ensure at this stage that there was a sufficient pipeline of new supply coming through to avoid any potential overheating in the market.

#### Construction Costs

This accounts for 47% of the total cost in our example. This relates to build costs and an allowance for contingencies.

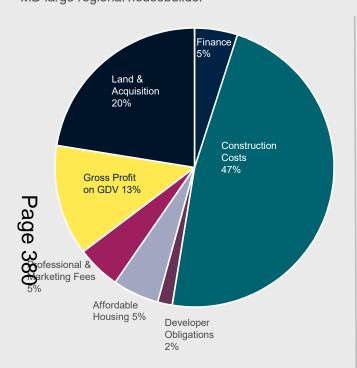
As we identified in Chapter 2 of this report, there are a large number of conversion and brownfield opportunities within Aberdeen city centre and these tend to carry relatively high construction costs (through abnormal works or conversion costs) and therefore additional risks for developers. For example, Atholl House has been identified as a potential transformational 'flagship' site. However, the existing building is over a railway line which will significantly increase demolition and construction costs. We also understand there is a ground lease over part of the site.

We understand that there is also an additional 5% non-recoverable VAT cost for conversion opportunities (where the use prior to development was also residential) which directly impacts viability.

"Strong leadership is required (from ACC) to deliver a plan which sets out how they will encourage and support private investment through such matters as relaxation of planning gain"

MD large regional housebuilder





#### **Developers Fees / Costs**

This includes developers obligations, professional fees and affordable housing, assuming that a commuted sum is payable for affordable housing.

Developer obligations and affordable housing requirements have featured extensively in our conversations with local consultants and developers and is an area where intervention could be key.

During our stakeholder interviews a number of national, regional and local housebuilders stated that there needs to be a relaxation in developer obligations in order to improve viability and encourage city centre development. A number of professionals stated that they have projects in the pipeline which would go ahead if developer obligations were waived.

The World Bank highlights in their Urban Regeneration Decision Tool that Developer Obligations (Exactions) are "subject to the volatility of land markets in that the amount of exaction a project investor can afford to pay varies according to land value" and "with the exception of some robust real estate markets imposing an extra levy can at times have the effect of discouraging, rather than incentivizing, private sector investment".

Developer obligations are uncertain and are described as somewhat of a lottery by developers. The length of time it can take to agree and finalise an agreement can add significant cost and uncertainty to the development process.

ACC have already demonstrated an ability to be flexible in negotiating on the grounds of viability (for example, Broadford Works). This has been well received by the development community.

The reality of the city centre today is that the market is not robust and therefore ACC will repeatedly be asked to waive developer obligations and affordable housing requirements on the grounds of viability.

#### Finance

In our example, this equates to 5% of the total cost. The actual % will vary by project depending on the timescale, spend profile and level of risk. This is essentially the cost of obtaining funding to carry out a development. A small proportion of the total cost in our example but one of the most important factors in delivery.

As density increases the amount of capital required (peak debt) increases and funding becomes more challenging for many smaller developers to secure. Accordingly any large scale

development is more likely to attract Plc Housebuilders, large property companies and institutional investors. At this level Aberdeen will be competing with other cities across the UK, and indeed globally to attract capital.

The ability of the private sector to secure finance has not been raised as a significant constraint by the local development community.

#### **Gross Profit Margin**

Our example is based on a speculative BTS conversion opportunity where a fixed land price is required by the seller.

This results in the developer achieving a low margin of 13%. While 13% may appear to be a healthy profit margin to some, this is a gross profit before deduction of a housebuilders internal overhead costs, such as staff and office costs. In addition development carries significant risk including the risk of unforeseen cost overruns and reduced selling prices between the date of purchase and the date of completion/ sale. Within our example, in the event that costs increased by 10% (i.e. as a result of the discovery of unexpected structural issues) and sales prices fell (or the untested target pricing proved to be unattainable) by 10% then the project would be loss making.

The necessity to achieve a certain level of profit is driven by market practice, lender requirements and/ or shareholder requirements. The level of profit required is assessed relative to the risk involved in a project. The lower the risk the greater the target return and visa versa.

Developers target margins' for mainstream housing developments typically range from between 17.5% of GDV (in a very strong market) to 25% of GDV (in a riskier market). This will depend on the type of housing being delivered, market conditions, the target market and the scale of development.

In short, a developer is unlikely to proceed with a projected profit of 13% when they can achieve a full margin in out of town, greenfield development sites or in other market areas (where there is less construction and/ or market risk). Valuation surveyors (including Savilla valuation team) are generally applying target profit margins in the region of 20% when assessing greenfield land values within the Aberdeen Housing Market Area.



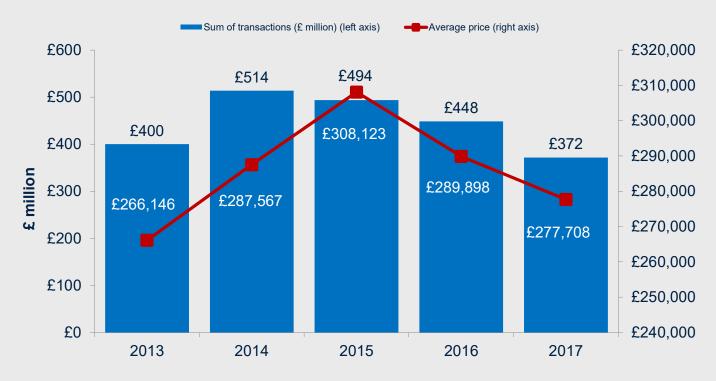
A 5% reduction in the target margin can increase land value by as much as 20% (and visa versa) and hence land is a very volatile asset class. Market sentiment can play a significant role therefore in driving viability.

In addition, by taking steps to reduce risk (for example, buying a pump primed site or having access to a detailed technical pack on a building) a developer may reduce their target margin requirements.

We highlight that since the 'oil price crash' the housebuilders active within the Aberdeen Housing Market Area (AHMA) have had to adjust to falling consumer demand, reduced pricing and a much solver rate of sale. Further information on the local market can be only in our 'North East Residential Market Spotlight' at Appendix Therefore, the development of greenfield sites (let alone of which is the proposed of the site of the proposed of the site of the same proposed of the site of t

chart (right), identifies the level of new build sales volume within the AHMA (including Aberdeen City Local Authority Area or those areas within a c.20 mile radius of Aberdeen) and average pricing achieved over the last 5 years.

Falling demand and activity, coupled with an increase in supply of second hand stock across the market and increased competition between new build developers, has led to house builders having to react by offering numerous incentives and discounted prices. Ultimately, this has resulted in developers generating less profit and has affected their appetite for new projects and at the same time heightening their aversion to risk.



Above: Registers of Scotland data shows that the sum of transactions within the Aberdeen Housing Market Area (within c. 20 miles of Aberdeen City) have fallen back by c.27% since 2014. Average prices have also fallen back by c.10% since 2015.



#### **Key Themes and Conclusions**

This chapter has considered the key challenges and constraints for city living. The key themes are:

- A need to address the quality of housing and the range of housing options in the city centre in order to attract residents in to the city centre
- Residents continue to be reliant on their cars as the public transport system is ranked poorly and the cost is considered to be too high
- The relationship between the public and private sector has a negative impact on development in the city
- Aberdeen's reliance on the oil and gas market and local market conditions makes investors cautious
- Tagmented ownership of land in the city centre requires land obsembly and 'problem solving'
- price gap exists in the market where sellers expectations are, in mome cases, significantly higher than a developer is able to offer. This has resulted in developments stalling and an increase in vacant wildings/ sites
- Market risk and viability are the key challenges to the market
- Developer obligations are uncertain and the length of the agreement period can add significant costs to the development process

"Market risk and viability are the key challenges to the market"





**City Living Examples and Case Studies** 



#### Introduction

The benefits of city living outlined in Chapter 2 are becoming increasingly apparent to the public sector within the UK and globally. There are numerous examples of the public sector actively engaging in the regeneration process at a project level and a city wide level.

This involvement ranges from direct intervention through public sector financing and the development of mainstream and affordable housing through to public/ private sector partnerships. The introduction of policies and specific resources that help to break down the barriers of development and/ or unlock the opportunities are unique to every city. Although every city and every project is unique we have found an interesting pattern of interventions that seem to be making a difference at both city and project level. We have sought to detail these in Workstream Three and summarise them in this report.

Ve selected Edinburgh, Derby and Preston as our three key case study cities (see map to right) and further information on each city of our findings on each can be found in Workstream Three. We we purposefully avoided large cities such as London, Manchester and Glasgow which are of a different scale to Aberdeen and the selected cities have all adopted strategically planned initiatives. Within this section we have focused our commentary on Derby. Derby is similar to Aberdeen in terms of economic profile, population and challenges and it is also at an interesting stage in its five year city living strategy and its wider nine year regeneration journey. This provides useful context in terms of timing and key learning that has directly influenced our recommendations.

We have also looked at specific initiatives that have been implemented across the UK at a project level where we think these are relevant to Aberdeen.

#### Derby

Derby shares a number of similarities to Aberdeen:

 It is similar in terms of population (250k compared with 230k) and average weekly earnings (£579 compared with £593 -both cities were in the top 10 in the UK in 2016 according to the Centre for Cities)



Above: Edinburgh, Derby and Preston were selected as our key case study cities to establish what other cities are doing to support city living and city centre development. However, we have not limited our research to these cities in isolation and have highlighted key examples where we think they provide valuable insight (source: Centre for Cities)

- It is a University town with a large student population, similar to Aberdeen in numbers (22,000). There is a skilled and high earning workforce that creates the potential for a strong city living proposition
- The city centre has been and is going through a period of regeneration with investment in place making as well as the retail, leisure and office sectors (although unlike Aberdeen, Derby has struggled to attract the same level of Grade A office development and lags behind in terms of student residential development)
- The wider city region housing market has been relatively robust whilst the city centre has underperformed. Prior to 2014 there had been a noticeable gap in the provision of high quality residential development and the new build market was untested
- Residents have been drawn out of the city centre into greenfield housing sites on the edge of town or in the wider region
- Viability within the city centre has been challenging, particularly in relation to brownfield or conversion projects
- There has not yet been any institutional grade BTR development and interest in the city from national developers and investors was notably lacking before 2012
- There are a number of obsolete 70's and period office buildings within the city centre
- There is a real desire by Derby City Council (DCC) to attract more aspirational and exciting housing stock in the context of budget constraints and a long list of competing priorities
- DCC are seeking to attract 2,200 new homes into the city by 2028.

However, despite the similarities, there is a noticeable difference. The Derby economy is in no way related to the vagaries of the oil and gas sector. This is important as, like much of the rest of the UK, the current economic context and property market fundamentals are favourable. The wind has been behind the Derby market since 2012 and this has undoubtedly aided the city living agenda. The challenges within Aberdeen are therefore greater in a viability context.

## A Simple Understanding

In 2012, Derby City Council (DCC) identified the benefits of city

- creating a more sustainable local economy
- supporting the night time economy
- capturing investment that would otherwise leak to other
- enhance the built environment and vitality of the city centre
- to attract and retain young professionals with a high level of disposable income who have traditionally had to live outside of Derby

to increase the Council Tax base for the city as well as attracting the New Homes bonus payment

 $oldsymbol{Q}_{ ext{omment:}}$  this created a strong sense of political and officer (Jevel buy in from the outset and increased private sector onfidence. Due economic weight was given to the strategy. S

## A Comprehensive Approach

In the period 2007-2012 DCC invested £50m on public realm and highway improvements and restored 64 historic shop fronts through the Shopfront and Building Repair Scheme.

The first phase of regeneration was retail and leisure based with the catalyst being a £340m investment in 2007 by an Australian investor. There was subsequently additional investment in infrastructure, hotels, leisure, place making. The city living initiative was rolled out in 2012.

Comment: regeneration is complex and requires investment on many fronts and across many levels.

#### **Patience**

Our research has revealed that the initial building blocks for the residential projects were laid as early as 2005 and it has taken a number of years to deliver a step change in the city living market.

Comment: it takes time to see tangible results, particularly for large scale and complex housing sites (involving land assembly, etc) where a partnership approach is taken with the private sector (i.e. Castleward where there was a competitive tendering process and a complex development agreement). The developer we spoke to on one key project was not aware of the extent of the foresight and vision the council had shown in making the development a reality.

## PR and Marketing

Marketing Derby (MD) has been crucial in creating a sense of momentum by promoting the city in order to attract and support investment. The Board is made up of non-executive directors who provide governance and strategic oversight. Board Members include the Managing Director of Compendium Living. (the developer behind an 800 unit residential development), the Editorin-Chief of the Derby Telegraph, the Deputy Leader at DCC, the Director of Regeneration, Property, and Housing at DCC and the Pro Vice-Chancellor, External Affairs at University of Derby.

MD is supported by a group of Bondholders, a collection of businesses that financially support the objective of attracting inward investment activity.

Comments: an initiative such as MD, which straddles the public and private sectors, helps to showcase the publicprivate partnership approach that the city takes. However, the website could do more to showcase specific case studies.









































Top: extract from the Marketing Derby website

Bottom: a selection of the private sector 'bondholders' who support the Marketing Derby initiative



#### **A Dedicated Team**

DCC have a dedicated Regenerations Project team. The service "promotes Derby's physical regeneration and economic development by supporting job creation, encouraging investment and promoting city centre vibrancy. They do this in four ways:

- Leading and co-ordinating the Council's interest in relation to major strategic projects
- 2. Working in partnership or joint ventures with private sector partners
- 3. Providing loans through the Derby Regeneration Investment Fund and City Living Initiative

Undertaking community regeneration

addition, the regeneration team carries out informal discussions with a number of owners of secondary office buildings and gap the secondary office buildings and gap of secondary of secon

Comment: regeneration requires resources and crucially the right expertise. The feedback we received from the private sector developers we interacted with was that the team were very effective at breaking down some of the frustrations that had previously existed between the private sector and development management officers (particularly planning and transportation officers). The team helps to 'smooth' the process for the private sector and were commended for their "excellent communication skills". We had in depth discussions with a number of team members during our research and they demonstrated a clear understanding of their specific projects and wider objectives.

We understand that the team has recently recruited, with financial support from the Homes and Communities Agency, a surveyor with direct experience in the private sector. The Head of Regeneration Projects recognised the need for a diverse team with a range of skills and crucially a commercial outlook.

## Creation of a 'Housing Zone'

The Derby City Centre Housing Zone (HZ) was approved in January 2015. The purpose of the HZ was to "help unlock brownfield land and provide viable sites for housing developments" and "to deliver 2,200 new homes in the city centre by 2028 including 230 homes through the conversion of empty buildings and 300 homes through small sites for new build activity".

In 2016 DCC secured £213,616 in Capacity Funding from the Homes and Communities Agency to provide consultancy monies to help address some of the barriers that the sites within the Housing Zone need to overcome and to fund a dedicated resource to the delivery of the Housing Zone. In 2016 there was a formal launch of the Housing Zone initiative which included representatives from the Council and over 50 local and national developers and agents. A new web page was also created.

Comment: the introduction of a HZ has reinforced the message to the private sector that DCC are 'open for business'. There is no doubt that DCC has benefited from the direct support of the Homes & Communities Agency.

## A Regeneration Fund

In 2015 DCC allocated £38.1m (over a three year period) to "enable the Council's direct investment and intervention to support the delivery of projects".

Comments: we note that "a fundamental principle of the Regeneration Fund is that it is recycled, i.e. projects are supported by a mechanism that generates a financial return to the Fund, which can then be used to support further projects in the future".

## **Relaxation of Planning in Home Zone**

The relaxation of planning requirements in respect of change of use from offices to residential within the HZ has accelerated the opportunity to refurbish obsolete office buildings and create new flats and houses to meet demand.

The Housing Zone also offers DCC access to the Homes and Communities' Agency, ATLAS (Advisory Team for Large Planning Applications) to assist with overcoming planning hurdles on large development sites (including helping to facilitate processing agreements).

Comment: this initiative has helped to bring a number of conversion projects forward including Prosperity House and Heritage Gate and therefore has been successful in bringing obsolete buildings back into economic use whilst boosting the city living population.

There has been concern expressed by some commentators that the office supply is being adversely impacted due to the success of the city living strategy (both in terms of attracting talent to the city that is attractive to businesses and by reducing office supply). However, the counter argument to this is that increased demand and reduced supply is making the case for speculative Grade A office development stronger. A key lesson is therefore that it is necessary to monitor the demand and supply equation across the various sectors on a regular basis and adapt policies to any changes in market conditions.

"to help unlock brownfield land and provide viable sites for housing developments and to deliver 2,200 new homes in the city centre by 2028 including 230 homes through the conversion of empty buildings and 300 homes through small sites for new build activity" DCC in relation to the purpose their Housing Zones



## A. Priority Projects

Priority projects are the 'top twelve' emerging projects (not in any priority order) that are anticipated to start within the next five years. These projects include:

- Major strategic sites with identified developers;
- Large scale site with planning permission granted;
- Key projects with significant regeneration benefits;
- Proposals under consideration for the Regeneration Fund;
- Strategic priorities for Derby City Council in terms of location, size, benefits and problem solving.





## A Focused Approach on Key Sites

#### Left: an extract from DCC's Development Framework

This is a very useful tool in clearly identifying large sale transformational sites where development would result in significant regeneration benefits. These projects relate to both commercial and residential projects rather than specifically addressing city living opportunities.

The development framework also set out key design and development principles including guidance on "tall buildings" while the DCC website has a section dedicated to Urban Design providing both information and advice.

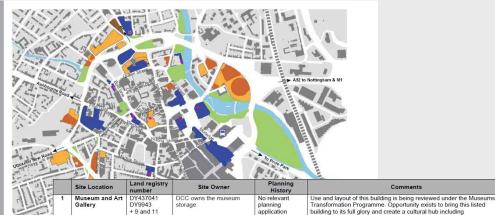
Comment: we would highlight that priority sites include those that require 'problem solving' – not just the 'quick wins'.



## B. Investment **Opportunities**

Note: The development schedule in Appendix B provides more detailed information for each site including site location, landowners, area, planning history and constraints.

Development Framework



Gallery

DY9943 + 9 and 11

Chapel Street

DY36378 (19-

Morledge), DY23156 (7

Morledge), DY7572 (11

Morledge), DY360727 &

DY142883

DY421691 (13 Morledge), DY144902 (15

	James Yard	Street) DY88189 (2-8 The Strand), DY14028, DY167998, DY26243, DY26244, DY27396, DY282204, DY340066		retail units with central piazza and creation of accesses from Sadler Gate and Strand (13/07/2010)	(1307/2007) by further three years Rear of properties used as several private car parks and buildings occupied as retail on ground floor.
3	Corn Market	DY439234	DCC	No relevant planning application exists	The market has been partly vacant for a long time. Five years lease is left on the market stalls. Opportunity exists to regenerate this listed building and create a niche luxury market venue in the Cathedral Quarter.
4	The Morledge	DY36810 (3 Morledge), DY332438 (5	Ringine Property Developments (3 Morledge), Comrie Leisure	No relevant planning application	This site is an assembly of many small properties. A development brief for this site exists, prepared by the former Derby Cityscape. With the completion of Riverlights and the refurbishment of the Council House,

Clowes Developments (UK) Listed building consent for 17

(5 Morledge), Mohammed Fazal (7 Morledge),

Jagdaman Kataria (11 Morledge), John Gains (13

Morledge), Ian Trackman (15 Morledge), Gas and Electric Showrooms 2000 (17-19 Morledge), Rihana

Bi (21 Morledge), Eginaville Ltd (1-6 East Street & 27 Morledge), NBC Apparel (8 East Street), Punch

Morledge), Taverns (Thorntree Lane), DY333917 (21 Central Midlands Estates

Comments

Application is extension of the limit of previously approved application

this side of the Morledge provides opportunity for change

mprovements to the Museums Square.

Listed building consent conditional permission.

## **Understand Supply**

Derby City Council stated in 2012 that "A continuing dialogue with owners and agents will be encouraged to identify any future funding opportunities or potential occupiers to attract inward investment and facilitate private sector led regeneration".

The images to the left illustrate, very clearly, where there may be potential for future development across the city centre. Sites identified included derelict or vacant land in strategic locations; sites ready for development with planning; sites with owners or developers who have come forward with an interest in development or where preapplication discussions are in progress, and; sites in strategic locations that will be vacant in the near future. The idea was to make it simple as possible to match investors/ developers with opportunities (with an implied suggestion that the Council would look favourably on development).

Left (top): extract from DCC's Development Framework that identifies opportunity sites; and

Left (bottom): table showing more detailed information on each site including ownership - Appendix B in the Development Framework.



## **City Living Fund**

In October 2014 a £6.5m recoverable loan fund in support of the city living initiative was set up to encourage reuse of vacant and under-used properties in the city centre. Through the Housing Zone, DCC is able to take advantage of discounted loan rates from the Public Works Loan Board (PWLB) to fund this offering.

Wilson Bowden's Number One Cathedral Green mixed use development included 46 apartments was completed in 2016 and supported by the City Living Fund. Radleigh Homes Weavers Point development was also supported by the fund.

mment: the Wilson Bowden and Radleigh Homes schemes elped to demonstrate a positive attitude towards residential evelopment in the city centre from both a developer's and a purchaser's perspective.





Above: the Number One Cathedral Green development of 46 apartments was supported by the City Living Fund and helped to establish a city living market.

Left: Weavers Point in Derby (now sold out), a prime city centre residential scheme offering 35 apartments, was supported by the Derby City Living Fund in 2016. Tom Finnegan, Joint Managing Director of Radeleigh Homes, said at the time: "Weavers Point is set to contribute to the vitality of the city centre and provide a housing choice to people in the city centre that is currently limited." Councillor Martin Rawson, Deputy Leader of DCC, said: "Besides the physical regeneration of Derby, these homes will also bring new people, and a new vitality to our city centre"

## A Recognition of Viability

Derby also recognises the financial viability challenge for "most residential schemes" and that there is a need to consider the approach to Section 106 contributions on a "scheme by scheme" basis to encourage new investment.

Comment: we understand from discussions with a development consultant active in the Derby market that the District Valuer is "under resourced and can take in excess of 12 months to determine a viability assessment on a single project which is resulting in some frustration within the private sector" and ultimately delaying the delivery of city living.

## **An All Encompassing Financial Model**

Following a discussion with a senior regeneration official, we understand that DCC has introduced a new model that considers the total return that a direct investment will generate for the Council. As well as looking at the financial return that a direct commercial investment will make (i.e. in the case of the purchase of a completed BTR block, the net rental yield or IRR) and also the return generated form additional Council Tax revenue and the New Homes Bonus\*.

Comment: this is a logical step towards looking at the total return a local authority will make from an investment 'in the round'. An element of adjustment would inevitably be required to predict the likely net Council Tax revenue after an allowance for costs.

<sup>\*</sup> The New Homes Bonus does not apply in Scotland

### **Castleward: A Flagship Site**

The Castleward development in Derby was the first regeneration project of scale (30 acres) in Derby city centre. All of the land within phase 1 (c. 4 acres) was in DCC ownership and an adjacent former car park was acquired by the council.

We understand from a DCC Cabinet Minute in April 2008, that, in recognition of a "significant funding gap" the intent was to defer any land receipt until the end of the project in order to reduce the impact on cash flow with land payment being taken as overage "as and when the project breaks even".

Th 2011 Compendium Living were appointed, following a competitive tendering process, as DCC's preferred development partner for the £108 million scheme. Dave Bullock, Managing Director of Compendium Living, said: "we believe Castleward Jrban Village will provide a great new residential neighbourhood and be a perfect environment for people who want to enjoy the penefits of city centre living with the comfort and amenity of high quality family housing".

The development proved extremely popular from the start, with the first 20 homes sold and occupied in 2014. The development will be carried out over a number of phases over a 15-20 year period. We understand that additional Compulsory Purchase Orders will be required to complete the wider development and that "funding of such compulsory purchase orders will be recovered from the developer".

Comment: DCC recognised the need to take a direct approach in a large scale project that could transform the city centre. We understand that third party land issues have posed a challenge to delivery of the site demonstrating the need to have a robust land assembly strategy in place from the outset.



Above: a visualisation of the Castleward scheme which has been instrumental in the success of the City Living strategy

Compendium Living: "the location of the site means the Castleward redevelopment will significantly improve an important gateway to the city, providing a wider benefit to all residents and visitors to Derby."

Right: the actual
Castleward sales
& marketing suite





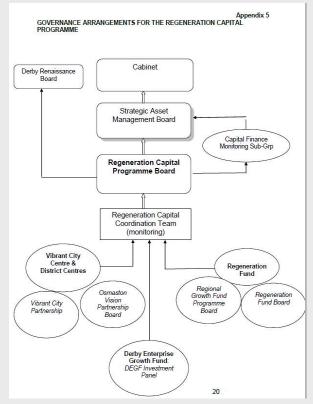
### **Governance and Delivery**

In terms of Governance and Delivery, a Vibrant City Group was created to steer and monitor the delivery of the Action Plan and the priority projects. The Group includes representatives from partners such as Business Improvement Districts (BIDs), Westfield and Marketing Derby along with Derby City Council's internal departments such as the Regeneration Projects Team, Streetpride, Derby Live and Derby City and Neighbourhood Partnership.

Beyond this, the Regeneration and Capital Programme Board monitors the wider activities (including of the Regeneration Fund) on turn report into the Regeneration Capital Programme Board and ultimately the Cabinet.

comment: Strong Governance and monitoring of delivery is essential given the complex nature of regeneration and the evel of investment involved.





Above: the governance and monitoring arrangements within DCC (Source: DCC Cabinet minutes)

Right: Heritage Gate in the city centre is being converted by Regency Residential who bought the site in 2015

Left: DCC recently approved Agard Court development which will provide 244 student rooms over a nine storeys tall building

## **Overall Impact**

There is a sense of momentum in Derby city centre and the regeneration strategy and specifically the City Living strategy is delivering tangible results. In 2005 the city centre lacked any vibrancy or residential development with most activity taking place in greenfield land. Today there are a number of examples of small, medium and large developments that are complete, under construction or are progressing through planning. According to Marketing Derby, 1,000 residential units have been built or converted to date with a further 2,394 units in the immediate pipeline (Marketing Derby, Dec 17).

For example, Heritage Gate (a former DCC office complex) in the city centre is being converted by Regency Residential, part of the MCR Property Group, who bought the site in 2015. With prices starting at £85,000 the developer has experienced 'high demand' for its three phase city living development which is targeted at first time buyers and buy to let investors offering a projected annual yield of up to 8%. Phase One sold out in two months bringing 86 newly converted apartments to Derby and the next phase of development is due to be released early in 2018.



# **Other Key Examples**



We highlight the following key regeneration examples that emerged from our research into urban regeneration initiatives:

	<u></u>				
Land Acquisition or Use of Publically Owned Land	<ul> <li>Local authorities (LA's) across the UK are purchasing and/or using the existing asset base to pump-prime development that will support economic growth.</li> <li>Sunderland LA acquired strategically significant sites in the city centre (including Gillbridge Police Station) as part of a more strategic asset management and investment approach. We understand that this would not have taken place without the strong support from the council's executives and the political leadership</li> </ul>	Forward Commit or Offer a "Guaranteed Purchase"	<ul> <li>• In order to reduce a developer's sales risk it is possible to guarantee a purchase at a certain level should they not sell on the open market.</li> <li>• We understand through our research that Eastleigh Borough Council (EBC) offered developers a "guaranteed purchase" to mitigate their market risk. EBC provided a letter of guarantee that the council would buy the property if it failed to sell on the open market. We understand that under this arrangement the developer had an agreed period to sell, and the flats were all sold on the open market to private buyers.</li> </ul>		
Due Diligence Packs	<ul> <li>LA's are funding due diligence packs to assess or mitigate the key risks or uncertainties associated with a specific opportunity which provide a low cost solution to bring a land supply forward</li> </ul>	Lease Wraps or Income Guarantee	<ul> <li>Not aware of any examples in the BTR sector although the principles are similar to the office sector where lease wraps have been used by ACC (Marischal Square), Bournemouth and Newcastle LA's. We are aware that a number of other LA's, including Dundee, are exploring this approach on new projects.</li> <li>Lease wrap deals essentially use the financial covenant of a LA to guarantee the future income stream of a completed development and the LA is exposed to market risk, in return for a profit rent element and some form of profit share or retention of the asset at the end of the lease period.</li> </ul>		
Land Assembly	•There are examples of LA's carrying out enabling works to help to reduce abnormal development costs (for example, demolition and site clearance or remediation). This approach helps to increase the supply of development sites whilst also reducing a developers level of project specific risk therefore making the case for development more compelling. It is also less costly than participating in full construction and development risk	Flexibility on Developers Contributions	<ul> <li>There are many example of developments across the UK where LA's have taken a pragmatic view towards developers obligations and affordable housing requirement on viability.</li> <li>However there is a period of uncertainty before the outcome of any negotiations are known and this is often a costly and time consuming exercise that can increase market risk (due to delays) and lead to frustration.</li> <li>We have reviewed a number of confidential S106 agreements that seek to introduce claw back provisions. These are complicated agreements and in once case: "the developer hates it because it is creating uncertainty about costs when they are seeking funding".</li> </ul>		

#### **Joint Ventures**

- Enter into Joint Ventures (JV's) with landowners, developers or investors to unlock opportunities whilst sharing market risk and therefore return: this could take many different forms depending on the circumstances and the nature of a specific opportunity. ACC has experience of JV's as is discussed in Workstream Three.
- Local Asset Backed Vehicles are increasingly popular tools allowing public and private sector partners to pool finance, land, planning powers and expertise whilst sharing risk. They often operate on a bundle of projects of different expected returns in order to spread risk.

#### Build to Sell

•There is a growing trend across the UK of LA's acting as developers of residential and commercial property. We note that Edinburgh Council are actively exploring the creation of an 'Edinburgh Homes' business. Savills new homes team in London are currently marketing Camden Council's (CC) new Maiden Lane Estate development of 273 apartments for private sale. Proceeds from the private sales are to be reinvested in the form of new low-cost housing, better public and green space, new shops and community facilities.

#### **Build to Rent**

- We understand that CC are exploring a direct investment BTR model to reduce some of their sales risk exposure and to develop a long term income model that can help fund local services. Many LA's have invested in commercial income producing portfolios over recent years (e.g. Eastleigh Borough Council) to manage their revenue accounts, and BTR investment represents a logical extension of this trend. Five local authorities in England have very recently launched an indirect BTR investment fund with the goal of investing in BTR projects across England and Scotland.
- We note that Salford LA have recently created a new company called Derive (Salford) Ltd to become BTR landlord.



Above: Camden Council made its debut as a house builder, launching new homes for sale on the open market under its own name. Savils is marketing this development on behalf of the Council. The timing of development in Camden was interesting as the site was acquired during the economic downturn which provided a good opportunity to be more proactive during what was a quieter time in the market. However we note that it is Becoming harder for the LA to continue to act as a developer due to rising costs and the comparative advantage that larger established developers and house builders enjoy.



#### Understanding Land Ownership

- •The Greater Manchester Combined Authority developed a comprehensive cross-public sector property register. This was suggested in our stakeholder session by a ACC employee and would be a logical step to ensuring and influencing an effective land supply pipeline within the city centre
- In Bournemouth, extensive mapping of council-owned public sector assets was carried out in 1996 which enabled them to take a strategic and comprehensive (rather than piecemeal) approach to development





Above: Dundee City Council (DCC) are marketing and promoting a number of development blocks which they have remediated and serviced. To assist developers with their diligence, DCC provides a series of supporting documents online that offer detailed technical, design and planning guidance including; development briefs; site specific infrastructure information; community benefit agreements, and; active ground floor development guidance. DCC has sought to combine commercial and residential uses within the same development blocks and some residential developers we have interviewed have found this off putting.

Left: Savills Bristol office advised the public sector (the South West RDA and Bristol City Council) on the sale of this site which had been assembled and 'pump primed'. The site was ultimately brought forward through a JV with a private sector developer.



#### **Innovatory LLP Structures**

Savills are advising Birmingham City Council and Canal & River Trust in the delivery of a major inner urban area brownfield residentially led mixed use regeneration development through an innovatory LLP structure.

Icknield Port Loop is a nationally significant brownfield development regeneration site accessible to the central high value areas of central Birmingham and Edgbaston, but currently in a low value area. It benefits from an existing planning consent for up to 1,150 new homes and up to 6,960 sq.m. of retail, service, employment, leisure and non-residential institutional uses.

Pe-recession Savills provided a detailed and project specific options report which considered the alternative delivery open chanisms, including Governance and Board structures. We plso considered the relevant strengths and weaknesses of each option, based on the underlying assumption that all landowning arties needed to be aligned in their objectives and that there was requirement for an equalisation agreement. A separate allowance against individual landowners for abnormal costs was required, and the site needed to be delivered and developed out comprehensively.

The site has since been consolidated from three to two ownerships. Savills was re-appointed in September 2014 and provided an initial report on the delivery of the scheme to the market. A pre-requisite was that the landowners' objectives were agreed and aligned.

That report looked at the timing of marketing in general but in particular at the concept of selling a share in an LLP structure (the LLP having cast iron options to drawdown the land) to a private sector development partner on the basis that:

 the partners would "stay in" thereby sharing in the benefit of an uplift in values over time through placemaking without necessarily having to take development risk

- the landowners establish a base value through the development partner procurement process
- the partner is responsible for delivery but the landowning partners can choose to invest alongside
- the initial phases (with key infrastructure) are to be undertaken by the development partner to establish a benchmark of quality and value
- certain future phases are exposed to the open market

Savills established those key elements which would have an impact on securing a development partner and on delivery of the landowners' objectives, and worked closely with the landowners and their legal advisors to develop the LLP functionality and transparency.

Whilst not needing to be OJEU compliant we utilised a similar two stage process to procure a private sector partner competitively; Stage 1 being Expressions of Interest (EOI) to deliver a shortlist based on an agreed scoring matrix; and Stage 2 being the formal bid stage which was undertaken against agreed legal documentation, and key financial criteria. Submissions were scored against:

- acceptance of LLP structure and mark-up of documentation
- financial and business plan
- development management services
- due diligence completed
- financial proposal

The financial proposals were modelled to properly evaluate the varying approaches to the application and timing of debt and equity.

A Joint Venture between Places for People and Urban Splash were appointed and became LLP partners in April 2016.



#### **Progress**

Since the preferred private sector partner was signed up in 2016 they have been working on the masterplan, scheme layout, unit mix and specification.

Planning consent for the first phase has recently been secured with the private sector partners carrying out delivery of the initial 77 units of Phase1. They are due to start on site in January 2018 with early phases delivering upfront investment in the public realm.

"Both partners are delighted to be named as partner for this major regeneration scheme. We formed our joint venture with Urban Splash to bring together our combined strength in designing and delivering great places and look forward to working with Birmingham Council and the Canal & River Trust to create a truly memorable development and a vibrant new neighbourhood." Group Director, Places for People



#### **Key Themes and Conclusions**

Every city is different and as a result what works in one city cannot be guaranteed to work in another.

However, our analysis of other cities and projects across the UK demonstrates the following key themes:

- Cities from across the UK are taking a direct approach to regeneration and are much more than just planning authorities.
   A ring fenced regeneration fund is required to support these activities
- Dedicated regeneration teams with a city living resource help to manage the complexities of regeneration and are needed to implement strategies
- Local authorities are absorbing an element of market risk to drive change
- In England funding support from central government and the
   Homes and Communities Agency is providing valuable support.
   In Scotland, the Scotlish Futures Trust is working with LAs to explore funding support such as the Growth Accelerator Model
- Cities need to proactively attract investment
- Cities are increasingly taking more risk and a commercial approach to development, looking at the economic benefits 'in the round'
- There are numerous examples of partnership working whereby the public and private sectors share risk and return through innovative structures
- Successful area based initiatives seek to cover the whole market including small, medium and transformational projects
- A comprehensive marketing and PR strategy is essential

- There are a variety of initiatives, tools, deal structures and funding structures that can be applied to individual projects and across cities
- Identifying key sites and supporting them through the development process is an effective strategy
- Strong leadership and political support is critical

Derby provides a useful insight into a dedicated and comprehensive city living strategy and is approximately five years ahead of Aberdeen in terms of maturity.

Preston City Council is also adopting a comprehensive city living agenda although is less advanced than Derby in terms of implementation. We highlight as identified in Workstream Three that Preston is adopting a very effective PR strategy. We understand through an interview with a senior regeneration specialist in Preston that the Welsh Assembly recently carried out a field trip to Preston to explore the Housing Zone approach.

ACC may wish to engage with Derby to gain first hand experience of their approach given the number of similarities to Aberdeen.





The Risk of Doing Nothing



#### Introduction

This short chapter considers the risk to Aberdeen, and Aberdeen City Council, if action is not taken to address the challenges facing the city centre.

Aberdeen City Council has a great opportunity to improve the public realm and to attract residents to live, work and play in the city centre, thereby ultimately improving the perception of the city. A successful city living strategy coupled with ongoing initiatives to attract more activity in the city will enhance the national perception of the City.

### pmpetition

here is growing cynicism from developers that the Council will not when this opportunity to implement a strategy to improve the city centre and attract city living. This has led private sector developers and housebuilders to look elsewhere, locally and nationally.

Ocally, there are a wide range of greenfield sites identified in the Local Development Plan (LDP). The plan on the far right is the existing allocated land supply in the LDP. The housing land is coloured orange and is clearly a far more obtainable option. As discussed in Chapter 3, this is also a safer option for house builders.

Nationally, there is competition from other cities who have City Living strategies and city centre initiatives, where developers are being welcomed and processes are being streamlined in order to make it easy for developers to do business. We have discussed this in detail in Workstream Three but in particular cities such as Derby and Edinburgh are great examples where initiatives have been put in place to attract investment such as 'Marketing Derby' and the 'Edinburgh 12' initiative.

#### Rising to the Challenge

Our research suggests that the quality of housing and the options available are considered to be poor and this is impacting the number of residents living in the city centre.

Not acting will lead to further decline in the quality of housing available to residents and, ultimately, a further reduction in the city centre population as residents choose to move outwith the city centre for a better standard of living.

#### **CCMP** Initiatives

A failure to capitalise on other City Centre Masterplan Initiatives such as the Music Hall, Aberdeen Art Gallery (below) and the recently formed Invest Aberdeen programme, would be frustrating to Aberdeen residents and wasteful.



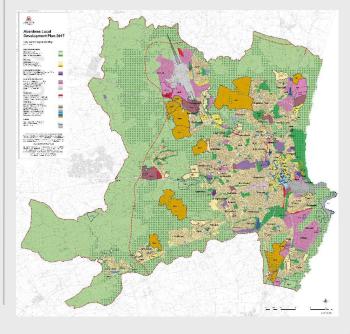
Above: Artist's impression of Aberdeen Art Gallery and its completed extension.

Right: Proposals Map from the adopted Aberdeenshire Local Development Plan (2017).

#### Revenue

Improving the quality of residential accommodation in the city and ultimately increasing the volume of units, will result in additional Council Tax revenue. Naturally, as the population of an area increases, the amenities and facilities in the surrounding area improve. The Council will further benefit from additional revenue on business rates.

Not delivering a city living strategy would lead to a loss of this income, with it potentially being lost to neighbouring authorities. For example, housebuilders will continue to seek greenfield sites in Aberdeenshire locations where development is less risky.





Conclusion



#### Conclusion

Urbanisation is taking place across the UK, particularly in larger cities. Within Aberdeen we feel that there is an excellent opportunity to implement a credible and practical city living strategy that harnesses and builds on the good work already done by ACC.

We established through our research that all the ingredients for a city living market exist: there are opportunity sites; there are demand drivers and clear gaps in product offering; there is private sector appetite, and the retail, leisure and business space offering is already strong and is set to improve further. We expect that the case for city living will become stronger as the CCMP initiatives pain further traction.

Owever, we also established that there are a number of very grificant constraints to development and that market failure exists within the city centre residential development market.

Divate/ public sector working and this skill set and knowledge base/ track record will help in the implementation of a city living strategy, particularly at a project level.

We looked at examples of initiatives taken by LAs across the UK to deal with similar constraints and challenges. Our research into the Derby market proved to be particularly insightful and highlighted that a comprehensive approach to regeneration is required and that regeneration takes time.

The majority of other cities across the UK, including our case study cities, have experienced a gradual improvement in market sentiment and economic conditions since 2008 and this has supported their regeneration initiatives. Aberdeen, in contrast, has operated in a counter-cyclical manner and is currently exposed to negative market sentiment and therefore an additional constraint to delivery, compared to many other UK cities.

However, with a bold approach and implementation of a multilayered strategy, Aberdeen city centre has the potential to become a very desirable place to live whilst offering a variety of housing options that are notably absent today.



Above: 'Poised' sculpture by Andy Scott at Marischal Square

#### **Key Themes**

- Market failure for residential development exists within the city centre
- Cities from across the UK are taking a direct approach to regeneration and are much more than just planning authorities. Local authorities are absorbing an element of market risk to drive change and they are also leveraging funding support from central government and the Homes and Communities Agency is providing valuable support in England
- Regeneration and city living strategies are complicated and interventions are becoming increasingly sophisticated. LAs need to have the skills and resources in place to address the issues and drive best value
- Strong communication skills between the public and private sector across the UK are starting to improve. PR strategies can build a sense of momentum and change market sentiment
- Large flagship projects are an extremely effective tool in driving change and acting as a catalyst for transformation whilst offering the potential to generate financial returns and economic benefits for the public sector
- A comprehensive approach across the whole market within a regeneration area is required to ensure a variety of product types come forward within different timescales
- Viability is the main blocker to many projects and there is a recognition at a UK level that where viability is constrained, developers obligations and affordable housing requirements should be relaxed. If a project or market is not viable, or too challenging, the private sector will divert capital to other opportunities
- Strong senior leadership, empowered and experienced officers and long term political support are crucial.

We have sought to build upon these themes within our recommendations. In the next page we attempt to demonstrate what a comprehensive strategy within the city centre might look like before going onto summarise our recommendations.

Without intervention private sector capital will be drawn to other UK and global cities which are experiencing positive market sentiment and where authorities are actively encouraging investment. Local developers will continue to favour easier and less risky edge of town sites

#### A Dedicated Team

- Agree a business plan
- Commercial approach
- Agree risk/ return appetite
- Economic weight, political support
- Attract investment
- Relationship/ trust building

Strong political support and engagement is fundamental In building short term credibility and long term confidence

#### **Quick Wins**

- Support existing pipeline to break down barriers
- Engaging owners to assess supply side opportunities
- Match demand/ supply

#### **City Living**

- Across all tenures
- Big and small
- Establish a fund
- Exciting, viable
- PR strategy

#### Flagship Projects

- A bold first phase
- Target under supply
- Project specific delivery strategies/ execution
- Direct intervention

Strong Governance and oversight is essential as regeneration, by nature, is risky

#### A Bridge to Viability

- Cut costs within ACC control to bridge viability gap in the short term
- Encourage development across the market
- Create a sense of urgency/ use it or lose it
- Indirect intervention

Addressing market failure is complex.

Aberdeen is not alone in this respect.

However, while the rest of Scotland and the UK has been experiencing market growth and improving confidence,

Aberdeen has not. This compounds the challenge facing the city centre





# Recommendations

## Recommendation 1: form a dedicated city living team



We recommend the creation of a new city living team that reports onto the CCMP Board with a focus being placed on regeneration.

The team would be responsible for:

- Leading and co-ordinating the Councils interest in relation to flagship city living projects (including managing a team of external advisors and consultants in relation to, for example site specific due diligence, land assembly strategies, design briefs, exit strategies, viability assessments, etc.)
- Working in partnership or joint venture with private sector partners if applicable (drawing on the direct experience and lessons learned from the existing ACC JV's)
- 3. Working with existing ACC officers (Invest Aberdeen) and external advisors to develop and implement an inward investment strategy (consider a collaborative approach with Opportunity North East)

Mapping out a pipeline of development opportunities (including cross public sector opportunities) with a detailed understanding of potential site specific constraints and potential solutions. Engage with local property owners, agents and consultants

In the short term this may involve the appointment of one key person who reports into the CCMP Board and is solely responsible for implementing a city living strategy.

Ideally the appointed person should have direct experience of residential development and/ or investment, partnership working, funding models, and have a commercial outlook with excellent communication, inter personal and negotiation skills.

#### **Outline Programme**

We would advise that an individual is identified and appointed as a priority in the short term (within 6 months) in order to create ownership and buy in from the outset.

#### **Key Themes Being Addressed**

- An acknowledgment of the complexity and extent of resources that are required to deliver successful results
- A recognition of the need to work across all levels of the market (small, medium and large) to drive activity
- Making it easier for the private sector to do business
- The need to attract inward investment in a competitive market
- The need to match demand with supply whilst 'problem solving' and to identify the right (most cost effective) tools/ interventions that might assist on a project by project basis
- A recognition that the economic benefits of regeneration need to be given more weight and that a commercial approach is required to drive value and ultimately deliver returns to and/or long term income for ACC
- A recognition that the opportunities identified with the CCMP will require a clear and robust execution strategy to ensure delivery
- A dedicated team can help in smoothing public and private sector relationships by acting as an intermediary between developers and front line development management officials

#### Evidence

Derby and Preston both have dedicated regeneration teams and Edinburgh has gone some way towards trying to achieve this through a champion role. We note that both Derby and Preston have recently appointed dedicated city living officers who report into the existing regeneration teams. Our research across all three cities, particularly Derby and Preston, clearly supports this approach.

Risk	Commentary
Attracting the right person	Failure to attract the right person could undermine the success of the wider initiative. A careful approach to recruitment and an appropriate remuneration package would be required to attract the right calibre of individual.
Resource	Any individual (short term) or team (medium term) will require the support of external consultants (architectural, development consultancy, scheme specific viability assessments, etc.) and access to internal resources (access to finance teams, PR, planning, estates, etc.). Accordingly a sufficient budget would need to be set from the outset and sufficient weight given to the importance of the role internally.
Political Support	To be successful the individual will need to feel that they have strong political and senior level support within ACC and can therefore operate within a confident and bold framework. Realistic goals should be set from the outset in order to maintain credibility within the Council and externally.
Governance	A clear strategy and regular monitoring framework will be required given the nature, complexity and sophistication of the work being done by the team.

Note: we have presented these as individual recommendations although the complexity of market failure, property development and regeneration is such that all of our recommendations are interlinked and, as Derby has demonstrated, should be implemented in tandem

# **SMART Analysis: A Dedicated City Living Team**



Specific	This recommendation specifically relates to the formation of a new regeneration team/ role in the short term with a dedicated focus on city living.
Measurable	<ul> <li>The success of this team will be measured in the short term by its ability to develop a credible business plan (within say 6 months) whilst developing strong relationship with internal and external stakeholders (measured within say 12 months). The team should be highly visible within the market place (within say 3 months) and begin to develop momentum in terms of bringing short term projects forward and laying the foundations for the delivery of large scale sites (within say 12 months).</li> <li>Housing starts (including conversions) and completions should be recorded and reported on a quarterly basis as should city living planning applications defined based on tenure and target market.</li> </ul>
Achievable	• This is a proven approach that has been adopted in two of our three case study cities and is achievable (with strong leadership and political support being a prerequisite). Edinburgh introduced a 'project champion' for their 'Edinburgh 12' initiative although we do not think that this was sufficient and instead would advise that a dedicated resource is created.
Relevant	•This team/ role would be focused on city living delivery and would therefore be relevant.
Time-oriented	• An individual should be appointed within 6 months of the city living strategy being supported.

## Recommendation 2: take a lead role in the delivery of transformational projects



We recommend that ACC take a lead role in delivering a small number of large, transformational city living projects. As there will be a funding and capacity issue (together with a fragile market) we would advise that this be limited to say three key projects as outlined in Chapter Two and illustrated in page 53.

These projects should each be different in terms of target market, risk profile and delivery methods (BTR, land assembly and sale of serviced plots to developers, etc.) to avoid concentration risk and to enable concurrent development. The projects should be concentrated within the core city centre area to deliver a tangible impact. The aspiration should be that the developments are of high quality and make a significant positive contribution to the wider transformation of the city centre.

A detailed strategy for each project identified by ACC should be well-ped and various delivery methods explored. It may be that, per example, each project could be delivered with different funding tructures, partners, etc. Alternatively, it may be logical to cluster projects into one project with one private sector partner, one affordable housing partner and one institutional backer.

#### **D**utline Programme

These projects will inevitably be complex and require engagement with multiple stakeholders and existing property/ land owners in particular. The programme will be heavily influenced by the chosen funding structures and preferred method of delivery/ procurement.

So far as we are aware, none of the CCMP projects are sufficiently advanced to enable a detailed programme to be developed by ACC. We would estimate that delivery could take between two and ten years albeit this will influenced by a wide range of variables.

Note: we have presented these as individual recommendations although the complexity of market failure, property development and regeneration is such that all of our recommendations are interlinked and, as Derby has demonstrated, should be implemented in tandem

#### **Key Themes Being Addressed**

- An acknowledgment that market failure exists within the city centre
- The CCMP sets out a long term vision and is dominated by tall apartment led buildings. This recommendation acknowledges that a narrower and more focused approach is required (whilst in no way preventing third parties from bring other CCMP projects forward)
- There is a lack of new build development opportunities that can deliver parcels of 40-50 + units (a potential land sale approach at Queens Square)
- There is a lack of high quality tenure blind affordable housing that can be incorporated as explored in Chapter two
- A recognition that large scale flagship projects can have a transformational impact on a market
- A recognition that the opportunities identified with the CCMP are likely to require an element of problem solving and a clear and robust execution strategy to ensure delivery
- There is potential for ACC to secure development profits and/or long term income by taking a lead role

#### **Evidence**

As we identify in Chapter three, cities from all across the UK are taking a lead role in delivery of large scale regeneration projects from carrying out enabling works and selling serviced plots (Dundee City Council) through to creating house building companies (Camden).

ACC already have direct experience of large scale transformational projects through the development of Marischal Square.

#### Commentary

#### Risk Market

Where market failure exists and direct intervention is required there is inevitably heightened market risk. A 5% drop in the sales value of a completed development can reduce land value by as much as 20% or more. Land is a volatile asset class that is heavily influenced by sentiment.

The long development and implementation period of an urban regeneration project faces commercial risks that are difficult to mitigate, particularly those related to changes in the market cycle that affect demand, rate of sale, and pricing. When markets weaken, developers often slow delivery, delaying implementation of projects under preparation.

This type of risk is difficult to contain although projects where there is certainty of income (i.e. where income is guaranteed by ACC) are less exposed to the vagaries of the market. Developers and ACC can conduct realistic market studies to try to minimise risk. The analysis of different growth scenarios and their impact on the commercial aspects of a programme allows developers to fine tune the size and phasing of their investment. This helps to minimize the adverse effects of changes in the economic cycle.

ACC can look to invest in a variety of sub markets (i.e. land sales, BTR, BTS, affordable housing) to minimise concentration risk and take advice from external consultants on project specific market risk.

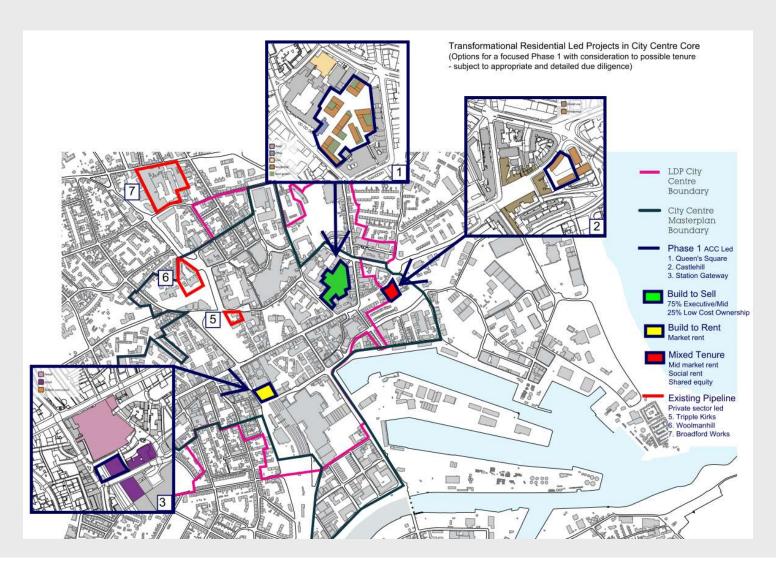
Each project should be sensitised individually and then collectively through a business plan to consider most likely case (management case), best case and base case assumptions.



Project	It is crucial to think through all of the ways in which a project or initiative might stall or not succeed. Consideration needs to be given to counterparty risk (including financial and track record analysis), construction risk, probability of cost over-runs, etc ACC cannot regulate for all these outcomes, as it would create a legal barrier to executing any contract and may preclude private sector participation. However, it is important that key protections are in place, such as phasing and performance conditions for the transfer of land ownership and protecting against land-banking; claw-backs of funding if not utilised; clear allocation of profits and when and how the public will participate; adherence to financial covenants and so forth.	Public interest	When public/ private contracts are developed and negotiated, transparency is vital so that all interests are clear (for example, we note the volume of freedom of information requests on Marischal Square). Contracts should not be subject to allegations of corruption or "soft deals."  It is important for the public sector to ensure transparency regarding the financial proposals, funding capacity, and company financial status. In doing so, the public sector will help to guarantee that proper and thorough due diligence is carried out to ensure the appropriateness of the proposed terms of private sector participation.
Page 406	It is critical that a competitive process be instituted and rigorously followed for negotiating contracts and selecting development partners.  Choosing the right partners is crucial to a projects success.	Fiduciary	There should be a comprehensive and credible budget linked to the project. This requires sound procurement law and practices as well as good contract management.  A clearly defined budget, well-planned procurement and a clear plan for implementation are key to managing this
Land	Land ownership (including the impact of long leases, including ground leases, i.e. from Network Rail or the Harbour Board, on residential development in Scotland) and title conditions, can bring with them a number of problems. If a site is in private or mixed ownership, the owners might change their minds during the process,		risk.  In addition ACC will need to ensure compliance with State Aid requirements.
	bringing the redevelopment to a halt or delaying it.  Similarly, an incoherent legal framework can hamper	VAT/ Tax	Project specific VAT and Tax advice (including on LBTT) should be taken on a case by case basis.
	redevelopment goals and can push costs beyond initial assessments.	Political	To be successful there will need to be strong and unwavering political support and regeneration should not be used as a 'political football'.
	To mitigate ownership and legal covenant hurdles, good legal specialists should be hired by ACC. Solid contracts should be signed with all vested parties before commencing any promotion or development activities.	Governance	A clear strategy and regular monitoring framework will be required given the nature, complexity and sophistication of likely intervention requirements.

# Potential phase 1 transformational/ flagship projects







# SMART Analysis: take a lead role in the delivery of transformational projects

Specific	<ul> <li>Identify and progress three strategically significant projects.</li> <li>Progress should be monitored on a monthly basis to the CCMP Board (or equivalent). At this stage we are unable to be specific about particular projects and this is something which ACC need to explore with a team of external advisors on a case by case basis.</li> </ul>
Measurable	<ul> <li>The CCMP board will monitor and review progress on a monthly basis.</li> <li>External visibility will be less noticeable in the short term as projects progress through the commercially sensitive land assembly, planning, and pre delivery stage (albeit key milestones should be promoted to help build a sense of momentum externally and demonstrate a proactive approach by ACC).</li> </ul>
Achievable	This is complex but achievable. There are many examples from across the UK including within Aberdeen city centre.
Relevant	<ul> <li>As we identified in our analysis of the Castleward scheme in Derby, flagship projects are critical in building confidence, changing perceptions and transforming an area. This is a established and well recognised principle in urban regeneration.</li> <li>ACC can take a lead role in re balancing the city centre market and filling gaps in both the land and housing mix supply.</li> </ul>
Time-oriented	•This will take time given the complex nature of the sites. The expectation would be that at least one project would be delivered within five years and two or more within ten years.

# Recommendation 3: identify and support 'quick wins'



We recommend that ACC (the regeneration team in particular) engage proactively with developers. In particular we would advise that officials work and/or continue to work with the developers behind the following projects (in the context of challenging market conditions):

- Woolmanhill
- Triple Kirks
- Broadford Works

In addition, ACC should identify and map out a series of the velopment opportunities and work collaboratively with the private sector to break down site specific barriers and influence lew starts.

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Mn underlying 'can do' and 'problem solving' approach to delivery required.

#### **Outline Programme**

We would advise that this process commences with immediate effect. The expectation would be that development within existing sites would start within 12 months (recognising that this is ultimately dependent on private sector appetite and viability) and that a base line opportunities map (also identifying publically owned sites) could be completed within 12 months.

#### **Key Themes Being Addressed**

- Market failure
- The need to create a diverse pipeline of development opportunities across the CCMP that can cater for various groups of individuals and developers
- The need to create short term momentum and success stories and to create positive market sentiment
- The need to leverage private sector investment and make it easy to do business

#### **Evidence**

Preston and Derby have both recognised the need to interact with the private sector at a project specific level and to introduce policies that cater for the whole market. Preston has engaged with individual property owners and worked collaboratively on speculative jobs with local developers.

In Edinburgh there was some negative feedback from elements of the private sector that there was too much focus on just the large 'flagship' sites and that all developers should receive "gold service". However, Edinburgh did introduce a 'developers forum' to generate a formal platform of discussion with the private sector including agents and consultants.

Derby included an opportunity map and detailed schedule within their Development Framework.

Note: we have presented these as individual recommendations although the complexity of market failure, property development and regeneration is such that all of our recommendations are interlinked and, as Derby has demonstrated, should be implemented in tandem

Risk	Commentary
Market/ Project/ Public/ Political Support/ Governance	Per recommendation two where direct interventions are being made.
Quality and diversity	There is a risk that new developments do not provide a varied mix of product and tenure to cater for the various groups identified in Chapter Two. There is a risk that the private sector does not deliver exciting, bold and aspirational stock.
	Where possible and practical/ viable, steps should be taken to drive quality. In addition projects which are clearly capable of supporting a diverse mix where there is a gap in provision or tenure should be identified and supported as a priority (i.e. Woolmanhill or Golden Square).
	In the short term much of the market is likely to gravitate towards the middle of the market as a) this carries less market risk/ is easier to benchmark and b) many of the development opportunities are secondary, i.e. 80's office stock. While there is an underlying goal, rightly, to vastly improve quality, there needs to be an element of practical pragmatism on a case by case basis. Some opportunities (or elements thereof) may be constrained (i.e. poor views from back lying flats) although ultimately developers and investors will need to be confident of saleability/ pricing before bringing a proposal forward.
	Ultimately the re-development of absolute office stock is likely to enhance the city centre offering, create more vibrancy and cater for elements of the market identified in Chapter two.

# SMART Analysis: identify and support 'quick wins'



Specific	<ul> <li>ACC should work collaboratively with the private sector to support existing pipeline projects.</li> <li>ACC should work across the public and private sector to develop an emerging supply of deliverable sites and map these out.</li> </ul>
Measurable	<ul> <li>This will be measured by existing pipeline sites progressing towards a site start in the next 12 months.</li> <li>Within 12 months (ideally much earlier) there should be a map of potential opportunity sites with commentary on ownership, status, etc</li> </ul>
Achievable	This can be done and has been/ is being done by authorities across the UK.
Relevant	This is relevant to provide an effective land supply and help match up land supply with developer appetite. Where sites are undeliverable an action plan can be created to break down any barriers using direct interventions (if possible and where there is sufficient merit). Once a comprehensive land supply is established ACC can adopt a more strategic approach and prioritise those sites that will deliver the greatest benefits to the city living agenda.
Time-oriented	This should be implemented with immediate effect and results should be evident within 12 months.

## Recommendation 4: introduce a two year moratorium on Developer Obligations within the city centre



We recommend that ACC introduce a two year moratorium on developer obligations and affordable housing requirements in respect of residential development of less than 50 units within the city centre.

If necessary, this temporary stimulus provision will be achieved via formal amendment to the Council's Supplementary Guidance on Planning Obligations and Affordable Housing (subject to legal opinion/ review).

This will demonstrate to the market that ACC is aware of the existing viability challenge and is willing to introduce a bold policy to drive activity. Imposition of a two-year time horizon will also create a sense of urgency on a 'use it or lose it' basis.

On sites of more than 50 units we advise that a fast track viability process is agreed and ACC should consider introducing a cap based on likely needs. We anticipate that viability will also be a constraint/ factor in most projects over 50 units.

For example, it is evident that the majority of new-build city centre accommodation is unlikely to be utilised by families. Obligations towards upgrade and/or replacement of education facilities are a significant constraint and usually unwarranted. Viability assessments for developments of over 50 units can consider dwelling size and type, with a sliding scale of impact upon education services.

The goal would be that after the initial two year period, viability across the market will have improved and developer obligations and affordable housing requirements can be reintroduced in line with pre-existing contribution levels.

#### **Outline Programme**

We advise that this is implemented as soon as possible in order to create an element of urgency and encourage developers and landowners to come forward.

#### **Key Themes Being Addressed**

- Market failure
- Viability challenges across the market driven by uncertainty, abnormal development costs and a high number of conversion opportunities (which carry high construction risk)
- Cost uncertainty for developers
- Timing/ delay/ resource in negotiating and finalising S75 agreements
- Frustrations experienced by the private sector with the existing
- S75 agreements represent a development cost that can be directly influenced by ACC
- Aberdeen is experiencing not only a 'city living' challenge but also an economic and market headwind as a result of negative market sentiment and a rapid reduction in asset values. This is in contrast to our case study cities (and much of the rest of the UK) which have been experiencing positive growth since the economic downturn of 2008. This suggests that Aberdeen requires to adopt an even bolder approach in order to drive short term activity.

#### **Evidence**

We have been unable to find any evidence of area wide moratoriums on developer obligations and affordable housing requirements. We are however aware of numerous examples from across the UK of exemptions being made on a case by case basis on grounds of viability (including Broadford Works in Aberdeen in relation to affordable housing). We also note that Moray Council has very recently introduced a financial cap on developer obligations of £6.5k per unit across the region.

"With the exception of some robust real estate markets (for example, Hong Kong SAR, China), imposing an extra levy (developers exactions) can at times have the effect of discouraging, rather than incentivizing, private sector investment." World Bank

Risk	Commentary		
RISK	Commentary		
Land banking	There is a risk that landowners and developers simply secure a consent to enhance value with no intention of developing the site in the short term.		
	Accordingly we propose a two year 'use it or lose it' mechanism so that if a material start on development has not been made (i.e. substantially under construction) then the exemption would fall.		
Displacement	There is a risk that this policy will create a two-tier market that results in less development activity outwith the CCMP boundary.		
	This should be monitored at a strategic level by ACC through the recording of consents issued utilising this mechanism as well as start and completion notices.		
Pressure on existing services	There is a risk that by not contributing towards public services and infrastructure that are at capacity, new development will put these services under increasing pressure. This in turn may result in more people moving away from the city centre. Accordingly we advise that the scale of development be limited to no more than 50 units and that the policy is only in place for a two-year period (limiting the overall number of units that are likely to be delivered).  We also advise that ACC review the existing capacity of services at a strategic level across the		
	capacity of services at a strategic level across the city centre: where are the pressure points and can these be alleviated some other way or through some separate fund? Will, for example, more single person households living in apartments create an additional burden? Will additional residents reverse under capacity issues?  Can support be secured from Scottish Government in the form of a new homes bonus?		

Affordable	We have already identified in Chapter two that there
housing	is a shortage of good quality affordable housing
delivery	stock in the city centre boundary. To introduce
	policy that essentially stops one in every four new
	homes from being affordable therefore seems
	counter-intuitive

However, the reality of the current market is that no new affordable housing is being delivered because no new mainstream housing is being delivered. Where development is happening (i.e.. Broadford Works) there has been an acceptance that viability is a constraint in any event.

Beyond the two-year period the goal would be that viability has been restored and that a 25% affordable housing requirement can be reintroduced. With the market now functioning and delivering mainstream housing the net number of new affordable homes will increase dramatically over the course of the anticipated 20 year lifespan of the CCMP.

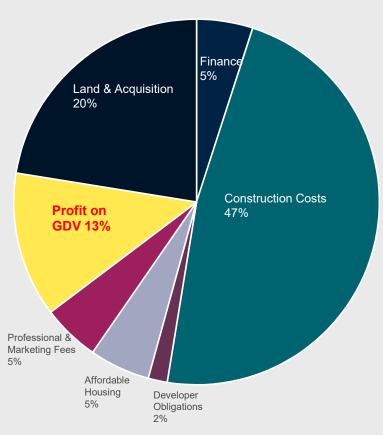
ACC should seek to bring forward high quality tenure blind schemes as part of Recommendation Two

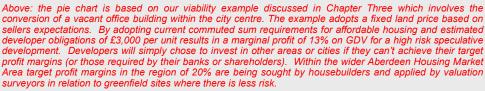
For developments of more than 50 units, a range of alternative options could be considered including; off-site affordable housing delivery in partnership with a RSL; commuted payments (or reduced levels of financial payments), or; some form of claw back arrangement whereby if a development performs better than expected then a top up payment is made to ACC.

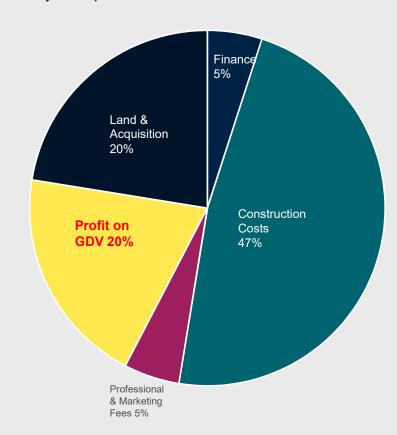
Untested	An area-based approach to the removal, temporary or otherwise of developer's obligations is untested.		
	We have sought to mitigate this by setting a threshold of 50 units and a defined boundary, set out in the CCMP, or as otherwise agreed.		
	For developments of more than 50 units a range of options could be explored before waiving any obligations including deferring all payments until after the developer has sold the final unit, or some form of claw-back arrangement (per affordable above) whereby if a development performs better than expected then a top up payment is made to ACC.		
	Through our research we have reviewed a number of S106 agreements that adopt a claw-back structure and these are complex legal documents and have received a mixed reaction from developers. In order to simplify the process, we recommend that this is done through amendment of existing supplementary guidance.		
Political support	We recognise that this is a bold initiative that may seem counter-intuitive. However the positive development momentum that this policy would generate would deliver significant social and economic benefits to ACC in the long term.		
	However it is essential that this policy is supported at both a senior leadership level and politically within ACC.		

Note: we have presented these as individual recommendations although the complexity of market failure, property development and regeneration is such that all of our recommendations are interlinked and, as Derby has demonstrated, should be implemented in tandem









Above: adopting the same example but excluding affordable housing and developer obligations increases the profit to 20% on GDV. Given the high risk of a project of this nature, we consider that this would be a sufficient margin to encourage a developer to commit to development.

While a 13% return on sales may appear to be a healthy profit margin to some, this is a gross profit before deduction of overhead costs, such as staff and office costs. Further, development is risky: particularly in relation to brownfield sites in city centres where abnormal costs exist (with a higher than average risk of cost overruns compared with greenfield sites and detached family housing) and there is heightened market risk.

**SMART Analysis: Developer obligations** 

# savills

# · Introduce a two-year moratorium on developer's obligations and affordable housing requirements in respect of Specific residential development of less than 50 units within the CCMP boundary. • This will be adopted as policy. · We would advise that this is introduced asap for applications validated within two-years of the date of commencement; and expires after two-years. Measurable · We recommend that ACC review the usage of the moratorium mechanism after 18-months, with a view to potentially extending the period if there remains a need for such intervention. • Exemptions from developers obligations and/or affordable housing requirements have been introduced on a case Achievable by case basis across the UK and by ACC. Whilst an area-based policy is untested we believe that it is achievable and actionable by ACC (although we advise that this is reviewed by legal counsel). • This would be similar to the introduction of Simplified Development Zones set out in the recent Planning Bill. • This is relevant because our research clearly identifies a viability challenge across various case study Relevant developments within the CCMP. We believe that introducing this policy will stimulate development activity and encourage purchasers and sellers of development sites into action. Time-oriented · This policy will expire within the two-years of being introduced (unless otherwise agreed following review of the impact of the moratorium).





#### VAT on new build

Value Added Tax (VAT) on new build properties is zero rated (with the exception of certain goods, such as whitegoods) and therefore there are no cash flow or viability implications for developers.

#### VAT on conversions

However, as we established in Chapter Three, VAT is chargeable in relation to converted properties.

According to Moore Stephens accountants:

"The conversion of a non-residential building into a house or flats will usually qualify for the 5% VAT rate. For example, if an office duilding is converted into a house at a cost of £500,000, the VAT harged would be just £25,000 rather than £100,000.

The 5% rate also applies to conversions that change the number dwellings, for example, converting flats into one house, or a single property into multiple apartments. Furthermore, if a sidential building has been empty for two or more years, the 5% is also available for most renovation and alteration works.

Following discussions with developers and legal professionals we understand that a 5% irrecoverable VAT charge applies where an existing development opportunity in residential use is being redeveloped to form more (or fewer) residential units.

#### VAT on Build to Rent

New Build to Rent (BTR) developments, benefit from zero-rating on the construction costs although when a completed development switches to being operational (income producing), it is likely that there will be a irrecoverable VAT cost because the landlord makes the last supply in the chain as an exempt letting to tenants. Ultimately this irrecoverable charge impact the net operating income of a BTR scheme.

Earlier this year Savills completed a study on behalf of The British Property Federation (BPF) recommended zero-rating of residential leases to enable the VAT to be recovered. It recognised that to achieve this we would need Brexit to happen to free the UK from the European rules which would prevent such a change.

The Government would also need to be motivated to accept a reduction of VAT moving to the Exchequer as a result of the change and this would be linked to underlying housing policy.

#### Additional Dwelling Supplement in BTR

Professional landlords in Scotland (i.e. those who acquire six or more dwellings, whether in a single transaction or linked transactions in Scotland) will not be subject to the Additional Dwelling Supplement 3% surcharge if the relief is claimed.

# Early land sale to Registered Social Landlords and 'Golden Brick' schemes

It often makes sense for a developer to sell a plot of land to a Registered Social Landlord (RSL) at an early stage in the development process and then get paid on a phased basis through the construction of the development. This approach significantly helps a developer's cash flow and therefore funding costs.

"A so-called "golden brick" scheme is where land is transferred by a developer to a RSL, after the sub-structure, and one level of "golden" brickwork above, has been constructed, but before completion of the housing units. The developer then stays on-site to complete the construction.

The situation arises where a developer has opted to tax land so that VAT on its development costs can be recovered. A sale of land in that circumstance would ordinarily attract a VAT charge at the standard rate of 20%." (Morton Fraser, 2016)

Note: Savills is not expert in matters of taxation and VAT and we would advise that ACC secure project specific advice from a Chartered Accountant at the appropriate stage. We are unaware of any detailed or specific site proposals and therefore are unable to comment further.

#### Important Note

In accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way quaranteed.

# **Disclaimer**

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# **Aberdeen City Centre Residential Strategy**

**Work stream 1: Quantifying the existing residential market in Aberdeen City Centre** 

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Work stream 1: Quantifying the existing residential market Aberdeen city centre



Aberdeen City Centre's biggest challenge is, and will continue to be, competing with the desirable areas immediately beyond its boundary. The city centre therefore needs to create and command its own identify as a vibrant place to live, work and spend time.

Our analysis shows an area dominated by those aged 20-44, a flat residential market, no residential development under construction and whilst there is a pipeline of new sites, more will be needed to deliver the vision of more people living in the city centre. Our stakeholder engagement reinforced the importance of public realm when deciding where to spend time and ultimately live.

# **Executive Summary**

#### **Demographic Analysis**

At the time of 2011 census there were 8,521 households within Aberdeen City Centre which is just over 8% of all households within the local authority area. This equates to 16,526 people accounting for 7% of all Aberdeen City Local Authority residents (222,793).

The city centre deviates from the local authority with its age composition. There are considerably higher shares of residents aged between 20 and 29 in the city centre, similar levels of those aged 30 to 44 and it is only from age 45 onwards that the city centre accounts for a significantly smaller share.

The city centre also varies with its tenure composition. Across Aberdeen owner occupation accounts for the majority of households (57%) and the private rented sector a further 17%. Within the city centre owner occupation and private rented households account for 36% and 37% respectively.

Within the city centre there is some variation with owner occupied households primarily on the periphery of the city centre and rented households within the core, around the heart of Union Street.

Household growth is primarily going to come from one person households. The number of one person households is set to increase from 43,558 to 58,991 by 2036 or 15,433 more households. This growth will be led by households headed up by someone aged between 35 and 60, with particularly strong growth in the 45 to 49 age bracket.

#### Residential Market Analysis

There have been an average of 499 transactions per year and an average transaction value of £152,714 over the past ten years. During 2016 there were 349 transactions and the average transaction value was £146,990.

The market across the city has changed over the past two years. The number of transactions in the city centre has fallen back 30% yet the average transaction value has only fallen by 4% below the long term average.

This reflects the lower value nature of the city centre where the yearly average value has remained reasonably constant over the last 10 years, which contrasts sharply with the growth witnessed across Aberdeen City.

Work stream 1: Quantifying the existing residential market Aberdeen city centre



The number of rental properties within Aberdeen City has increased by 6,000 since the 2011 census.

The majority of this growth is within the four postcode areas which contribute to the city centre boundary. There have also been considerable increases in the amount of stock available for rent, following the fall in the oil price, which is having a downward impact on rental values.

#### **Residential Development Analysis**

We divided the city centre into four areas; Union Street, Mounthooly/ Gallowgate, Hardgate and towards the Harbour. Across all areas there was a considerable amount of development during the 1990s, which tailed off in the 2000s with very little development since 2011, and there are currently no active schemes within the city centre.

Consequently there is a lot of "modern" stock within Aberdeen City Centre but much of it is approaching 20 years old, if not older, and many developments are dated in design. Of this stock the smaller, relatively affordable units are reselling reasonably well, but some of the larger or more expensive properties do not appear to perform as well.

The most modern stock appears to perform best due to often offering larger flats and better layouts. Ultimately there is very little high quality, truly modern stock within the city centre.

#### **Planning Analysis**

National, regional and local planning policy all have a 'town centre first' focus, with a recognition that increasing a variety of complimentary uses in addition to retail and business builds a vibrant 24 hour economy. <u>The Aberdeen City & Shire Strategic Development Plan (2014) (SDP)</u> highlights that the city centre is an important asset for the region; and its regeneration is vital for the economic future of the area and how potential investors and residents see it. Further, the <u>Aberdeen Local Development Plan (2017) (LDP)</u> reinforces the focus on the city centre.

#### **Vacant Residential Space**

As of March 2017 across Aberdeen City there are 3,924 empty residential properties, of these 82% were council tax bands A-D. The majority of these are within the central area of the city and there are a number of clusters.

Within the city centre there are 742 empty residential properties of which 95% are within council tax bands A-D. The majority (68%) of properties became vacant in 2016 but 19% have been vacant since 2015 or before.

Identifying ways to encourage the occupation of these properties would assist in bringing more people into the city centre.

Work stream 1: Quantifying the existing residential market Aberdeen city centre



#### Stakeholder Engagement

Whilst cost, type and availability of housing was an important factor for many of the respondents to our survey and participants in our workshops, many of them focussed on other factors.

These included improvements to amenities, access to green space, support for businesses, creation of cafes and a variety of leisure destinations, supportive planning policies, and improvements to parking, traffic and public transport. Ultimately improvements to public realm were viewed as imperative. Overall they were supportive of more residential development and would like policies to support this.

Our survey findings reinforce the importance of the environment in determining where people choose to live. Taking a neighbourhood approach to the city centre can ensure that different areas can appeal to different groups and provide them with everything they require.

#### **SWOT**

Market uncertainty, both regional and national, is a key factor influencing all development sites across the city. Positively, there are some clear signs of local economic recovery.

The majority of the city centre sites which would or could be residential would be flatted developments and these represent considerable commitment and risk for developers as they cannot be sold on a unit by unit basis like greenfield development and consequently require significant up front capital. Furthermore the significant acquisition, demolition and site preparation costs, which would be a feature of most city centre redevelopment opportunities, would represent a risk profile too high for most developers.

This presents an opportunity for public sector intervention to encourage private sector investment which could be considered on a site by site basis through initiatives such as collaborative development models, pump priming, assisting with access to capital, supportive planning policies and providing guarantees on incomes.

Work stream 1: Quantifying the existing residential market Aberdeen city centre



# Introduction

#### 1.1. Purpose of the study

Savills have been instructed by Aberdeen City Council to carry out a comprehensive review of the property market with the direct intention of introducing policies to encourage growth of the city centre population.

The purpose of this report is to gather information and perceptions about the city centre. The outcomes of this report will inform the next work streams along with ultimately informing our strategic recommendations for the council to consider.

#### 1.2. Approach

In order to build a comprehensive insight into the city centre we have considered six topics. Firstly, demographics including a focus on age, tenure, income and employment. This allowed us to understand who lives there currently.

Secondly, we considered the residential market which encompassed an analysis of the residential for Sale, rental and affordable housing markets. We connected this into our analysis of incomes and affordability.

Thirdly, we considered the type, location and performance of historic development within the city centre. This gave us insight into the city centre development market from which we considered the planning context of development in the city centre and surrounding areas. We then considered some case studies of potential developments and carried out SWOT analysis of these in order to assess their positions within the market and development cycle.

Fourthly, we considered vacant residential space within Aberdeen and within the city centre. This allowed an assessment of how well existing stock is being used and if there is room for improvement.

Fifthly, we carried out stakeholder engagement. This included consulting both public and professional stakeholders through surveys and workshops and gathered both quantitative and qualitative data as a result. We then sought to understand how those with a stake in the city perceive the city centre, and within the workshops considered the challenges and opportunities within the city centre from a development perspective.

Finally we will provide SMART recommendations by way of a conclusion. These initial suggestions will prove some key topics we would like to be considered going forward.

#### 1.3. Next stages

As this is the first of four work streams, its intention is to provide context for our final recommendations, provided in the final and fourth work stream. The second and third work streams will also be contributing to the final report. The second work stream will focus on the commercial market trends with a focus on what trends within the commercial market could mean for residential development. The third work stream will consider policy and initiatives from other cities in order to assess what Aberdeen can learn. Finally, in the fourth work stream we will provide our recommendations for the council to take forward.

February 2017 6



Work stream 1: Quantifying the existing residential market Aberdeen city centre

1. Demographic Analysis

Work stream 1: Quantifying the existing residential market Aberdeen city centre



### 1.1. Households Analysis

The maps below show that there are a number of existing residential clusters within Aberdeen City Centre. We have considered this data on an output area basis, the smallest geographic unit available within the census in order to be able to consider local areas.

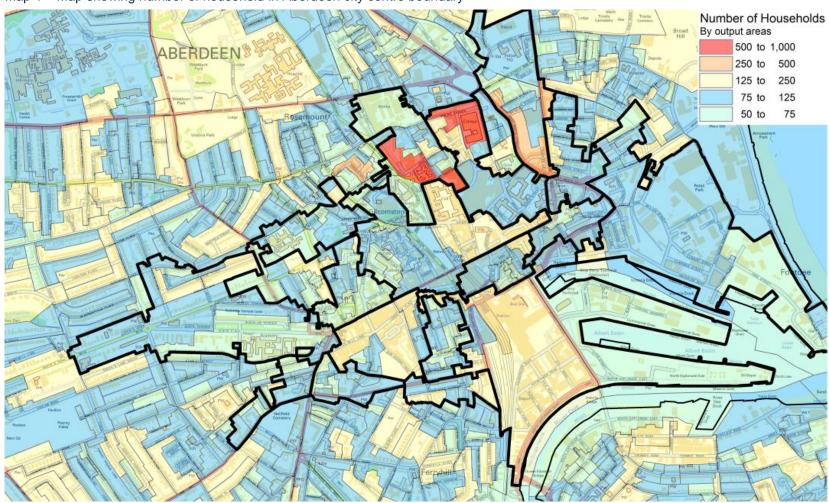
These residential clusters are primarily notable in the area around the station, Hardgate and around university and college campuses, where there are student residences. As a result of new development, since this data was collected in 2011, there could be some changes, particularly in wider Aberdeen. However, with little new development within the city centre, it is unlikely to have changed drastically.

Savills Consultancy Report to Aberdeen City Council





Map 1 – Map showing number of household in Aberdeen city centre boundary

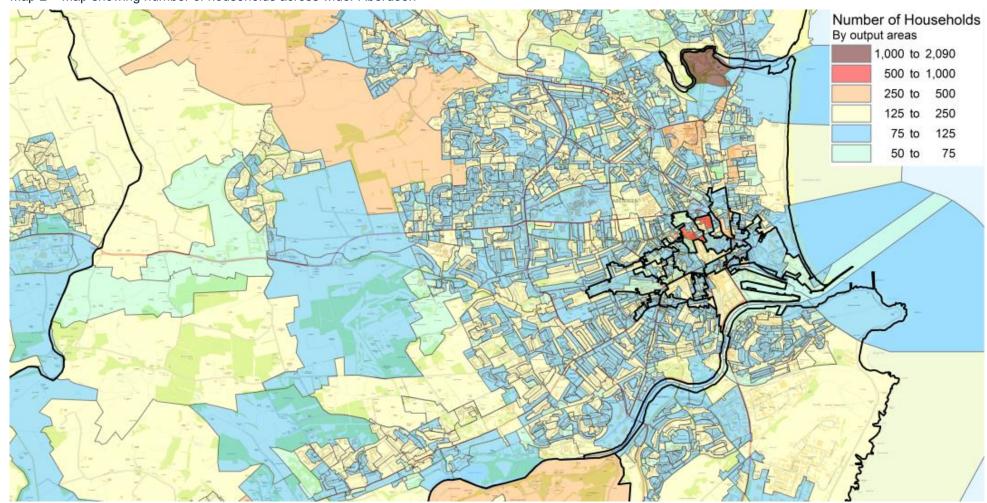


Source: 2011 Census/ Savills Research/OS\_Opensource

Work stream 1: Quantifying the existing residential market Aberdeen city centre



Map 2 – Map showing number of households across wider Aberdeen



Source: 2011 Census/ Savills Research/OS\_Opensource

#### Work stream 1: Quantifying the existing residential market Aberdeen city centre



#### 1.1.1. Tenure

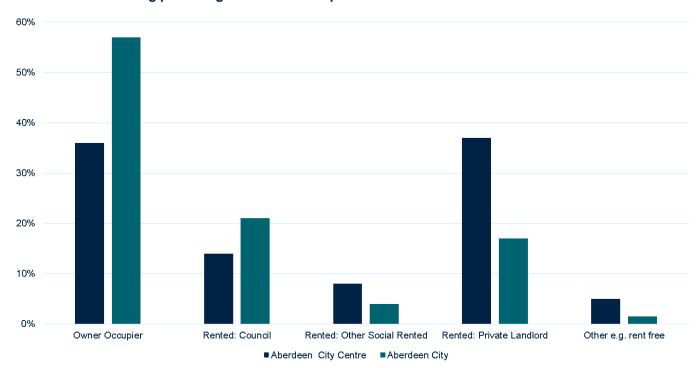
Owner occupation accounts for the largest share (57%) of all households within the Aberdeen City, and the private rented sector accounts for just 17% of all households. In contrast, within the city centre, owner occupation and the private rental tenures account for similar shares; 36% and 37% respectively. There are slightly lower levels of households within council owned or registered social landlord stock within the city centre than the city as a whole.

Table 1 -Tenure structure in Aberdeen city centre alongside Aberdeen City

Area:	Total Households	Owner Occupier	Rented: Council (Local authority)	Rented: Other social rented	Rented: Private landlord	Other e.g. Rent Free
Aberdeen	8,521	3,103	1,171	663	3,133	451
city centre		36%	14%	8%	37%	5%
Aberdeen City	103,371	59,232	20,984	4,238	17,573	1,447
Aberdeen City		57%	21%	4%	17%	1.5%

Source: 2011 Census/ Savills Research

Chart 1- Chart showing percentage of households per tenure



Source: 2011 Census/ Savills Research

#### Work stream 1: Quantifying the existing residential market Aberdeen city centre



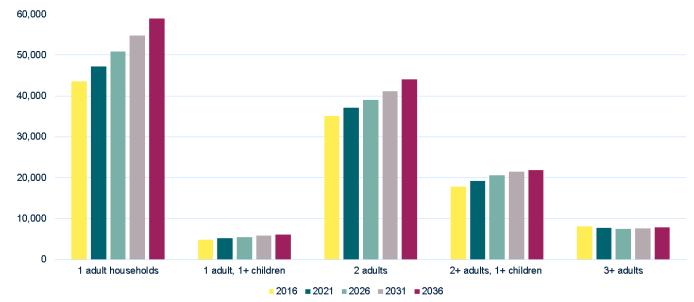
#### 1.1.2. Household Type Projections

Household projections suggest increasing numbers of one person households, headed by both males and females. This growth is primarily going to come from households headed up by someone aged between 35 and 60, with particularly strong growth in the 45 to 49 age bracket. This will increase the number of one person households within Aberdeen City from 43,558 to 58,991 by 2036 or 15,433 more households.

#### There will be 15,433 more one person households by 2036, a 17% increase.

Households with children are forecast to grow within Aberdeen city, although not to the same extent as one person households. The largest growth is going to come from more established households, with two adults and one or more children headed by someone 45 and over. Overall the number of households with children are forecast to increase by 6,000 to 27,924.

Chart 2 - Chart showing household projections for Aberdeen City

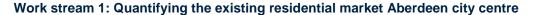


Source: National Records for Scotland/ Savills Research

Table 2 - Table showing the number of households in Aberdeen City projections by type (2016 to 2036)

	2016	2021	2026	2031	2036
1 adult	43,558	47,229	50,844	54,731	58,991
1 adult, 1+ children	4,847	5,129	5,482	5,850	6,067
2 adults	35,047	37,158	38,946	41,175	43,988
2+ adults, 1+ children	17,848	19,220	20,537	21,418	21,802
3+ adults	8,128	7,714	7,469	7,562	7,860
All households	109,428	116,449	123,277	130,736	138,708

Source: National Records of Scotland

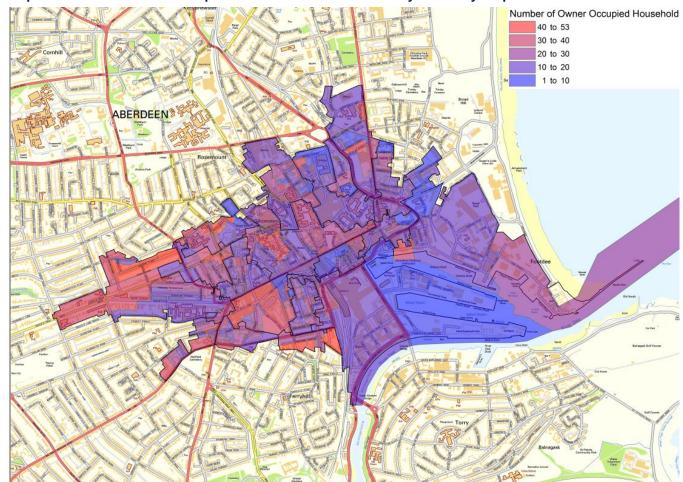




### 1.1.3. Owner Occupation Households

Owner occupied households are found across the city centre. There are clusters towards the West End and around Hardgate. Considering the small number of owner occupied households in the city centre we can infer that where we see high number of owner occupied households that they account for the majority of households within that output area.

Some of the strongest clusters of owner occupation are within areas where there have been relatively recent residential development for example around Dee Village near the train station.



Map 3 - Number of owner occupier households in Aberdeen city centre by output area

Source: 2011 Census/ Savills Research/OS\_Opensource

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#### 1.1.4. Private Rented Households

In contrast to the owner occupied households the private rented households are primarily located around the centre of Union Street. There are relatively strong shares around Hardgate too as there are a number of dense modern developments here which will be attractive to investors and tenants alike.

ABERDEEN

ABERDE

Map 4 - Number of private rented households in Aberdeen city centre by output area

Source: 2011 Census/ Savills Research/OS\_Opensource

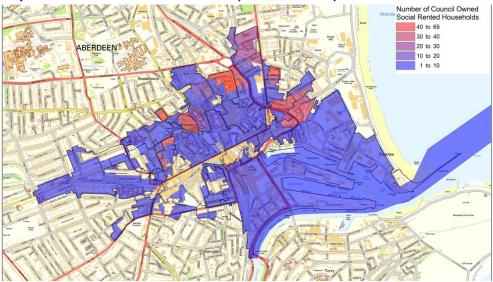
#### Work stream 1: Quantifying the existing residential market Aberdeen city centre



#### 1.1.5. Affordable Rented households

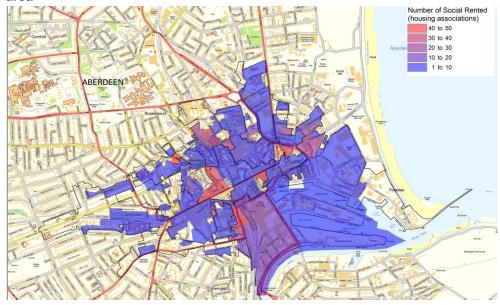
The affordable housing properties within Aberdeen City Centre are generally found in clusters representing the nature of the stock. Despite these clusters, it is uncommon for entire areas to be entirely within council or housing association control as a result of Right to Buy policies alongside varying stock acquisition and disposal strategies. For example at three of the multi storey blocks in the city centre, 9/108 units at Marischal Court, 13/48 at Virginia Court and 40/120 at Denburn Court, are within private ownership according to the City Council.

Map 5 – Number of affordable rented (council owned) households in Aberdeen city centre by output area



Source: 2011 Census/ Savills Research/OS\_Opensource

Map 6 – Number of affordable rented (housing association) households in Aberdeen city centre by output area



Source: 2011 Census/ Savills Research/OS\_Opensource

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### 1.2. Age Structure

Children, those aged 17 and under, account for 8% of the population in the city centre. This compared to 16% for Aberdeen City. In contrast those aged between 18 and 24 account for 31% of residents in the city centre, in contrast to 14% in the local authority area, reflecting the role of colleges within the city. This trend continues with notably larger shares of those aged 25 to 29 and equitable shares of those aged between 30 and 44. From 45 onwards the dynamic shifts with Aberdeen City having much larger shares.

Table 3 – Age Structure in city centre boundary

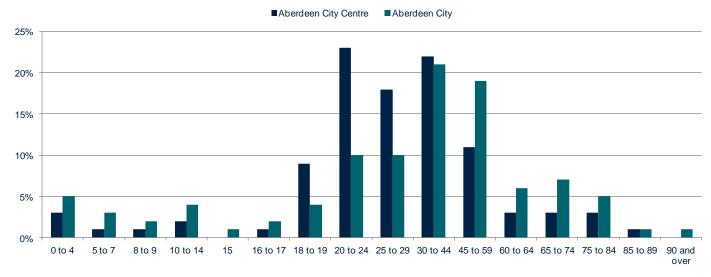
	All people	0 to 4	5 to 7	8 to 9	10 to 14	15	16 to 17	18 to 19	20 to 24
Aberdeen	40.500	541	176	84	248	47	156	1,442	3,727
City Centre	16,526	3%	1%	1%	2%	0%	1%	9%	23%
Aberdeen City	000 700	11,512	5,633	3,539	9,401	2,050	4,369	8,273	23,207
	222,793	5%	3%	2%	4%	1%	2%	4%	10%

	All people	25 to 29	30 to 44	45 to 59	60 to 64	65 to 74	75 to 84	85 to 89	90 and over
Aberdeen City	16 506	2999	3657	1830	535	495	445	104	40
Centre Boundary	16.526	18%	22%	11%	3%	3%	3%	1%	0%
Aberdeen Local	7	21,216	46,610	42,498	12,454	16,242	11,680	2,792	1,317
Authority Area	222,793	10%	21%	19%	6%	7%	5%	1%	1%

Source: 2011 Census/ Savills Research

Residents between 18 and 29 account for 50% of residents in the city centre with those aged between 30 and 44 account for a further 22%. After this point the share drops significantly.

Chart 3 - Chart showing percentage of residents by age band in Aberdeen City Centre and Aberdeen City



Source: 2011 Census/ Savills Research

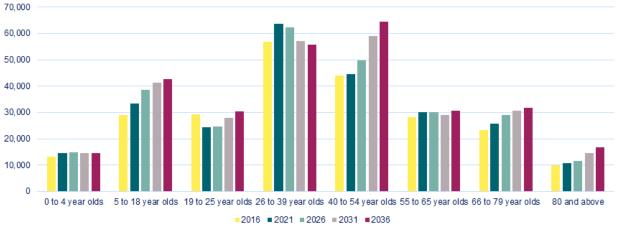
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### 1.3. Population Projections

The population of Aberdeen City is forecast to grow by 52,418 between 2016 and 2036. The most notable increase are going to be of school age children and those aged between 40 and 54. This reflects the demographic shift for those currently aged between 26 and 39 which account for a significant share of the population currently within the city centre. Therefore the city should aim to maintain as many of this group as possible within the city and this will require a variety of products and price points.

Chart 4 – Chart showing population projections for Aberdeen City Local Authority Area



Source: National Records of Scotland





# 2. Residential Market Analysis

Work stream 1: Quantifying the existing residential market Aberdeen city centre

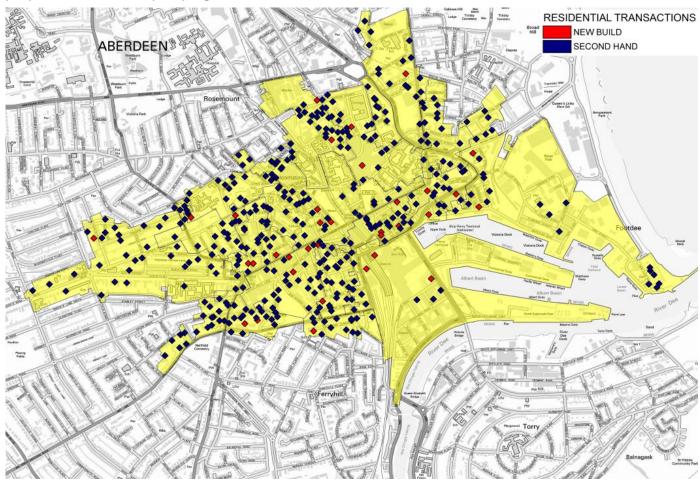


### 2.1. City Centre Residential Sales Market

#### 2.1.1. Geographies

We have filtered residential transactions within the Aberdeen City Centre and analysed these on an annual basis. The map below shows the boundary alongside the location of these sales categorized by new build and second hand sales. New transactions include conversions. There are some clear clusters of transactions and the largest share appear to be around Hardgate and some heading towards the harbour.

Map 7 – Map showing residential transactions within the city centre and this area, classified by new build (red) and second hand (blue) registered between 2007 and 2016



Source: Registers of Scotland/ Aberdeen City Council/Savills Research/ OS\_Opensource

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#### 2.1.2. Number of Transactions

During 2016 there were 349 residential transactions within the Aberdeen City Centre. This equates to 30% below the long term average of 499 and 19% below the previous year. The largest number of residential transactions to take place within the city centre happened during 2007 when 779 transactions took place. The global economic crash which took place the following year, had a downward impact on the amount of activity and since then transactions have levelled out around 500.

During 2016 there were 349 residential transactions within the Aberdeen City Centre. This equates to 30% below the long term average of 499 and 19% below the previous year. The average transaction value in the City Centre during 2016 was £146,990 which is 4% below the long term average and 10% below the previous year.

Number of Transactions Average Transaction Values 900 £170,000 800 £165,000 700 £160,000 600 £155,000 500 £150,000 400 £145,000 584 300 538 517 493 446 430 432 422 £140,000 200 349 £135,000 100

Chart 5 - Chart showing number of transactions and average transaction value in Aberdeen City Centre

Source: MyHousePrice.com/ Savills Research

2009

2008

2007

New build transactions have accounted for on average 48 transactions per year within this area. Whilst the majority of these have been residential development schemes developed by the likes of Stewart Milne, Barratt and Bancon delivered between 2009 and 2010, others have been the sale of portfolios and rental properties which had been held by developers and therefore when they first transact they count as new build sales, we identified 33 properties where this is definitely the case but there are a further 25 where this is potentially the case.

2012

2013

2014

2011

2010

2015

£130,000

2016

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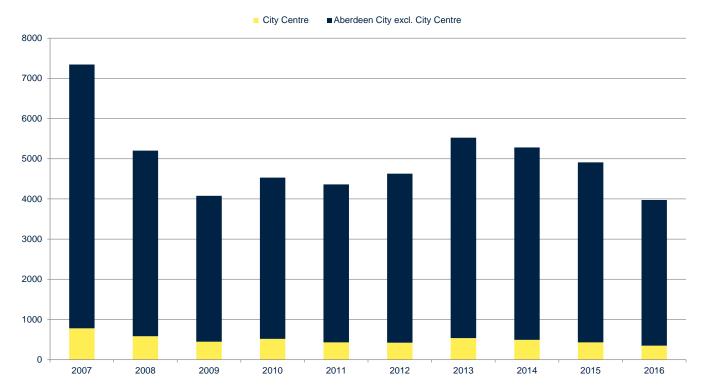
Ultimately new build transactions are only a small part of the residential market within the city centre.

The City Centre accounts for around 10% of all transactions within Aberdeen City. This has been maintained over the past ten years, despite varying levels in development in both areas, therefore the city centre tends to follow the same trends as the rest of the local authority area.

However there has been a slight downward shift over the past three years with the city centre only accounting for 9% of sales. This is not a drastic change but reflects increasing focus on the markets outside of the city centre.

The city centre market is a second hand market with no new supply to boost transactions. As a result both purchasers and developers have increasingly been focussed on the markets out with the city centre.

Chart 6 - Number of transactions within the City Centre and Aberdeen City excluding the city centre

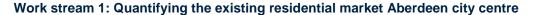


Source: MyHousePrice.com/Registers of Scotland/Savills Research

Table 4 - Number of transactions in Aberdeen City Local Authority Area, Aberdeen City Centre Boundary

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Aberdeen City	7,344	5,202	4,078	4,531	4,361	4,629	5,524	5,280	4,909	3,973
City Centre	779	584	446	517	430	422	538	493	432	349
% Share	11%	11%	11%	11%	10%	9%	10%	9%	9%	9%

Source: Registers of Scotland/MyHousePrice.com/Savills Research





### 2.1.3. Average Transaction Values

The average transaction value in Aberdeen City Centre during 2016 was £146,990 which is 4% below the long term average and 10% below the previous year. The highest average transaction value was recorded during 2014 when it reached £166,662, but with the exception of 2014 and 2015, the city centre's average transaction value has mostly been in the region of £145,000 to £155,000.

Chart 7 - Chart showing the average transaction value in Aberdeen City and City Centre 2007 - 2016



Source: MyHousePrice.com/Registers of Scotland/Savills Research

Table 5 - Average transaction value in Aberdeen City and City Centre

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Aberdeen City	£172,279	£173,132	£169,997	£181,313	£185,501	£187,739	£198,747	£213,684	£220,796	£203,556
City Centre	£146,307	£153,000	£145,312	£156,354	£149,832	£148,431	£152,523	£166,662	£163,655	£146,990
Difference	£25,972	£20,132	£24,685	£24,959	£35,669	£39,308	£46,224	£47,022	£57,141	£56,566

Source: Registers of Scotland/MyHousePrice.com/Savills Research

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The residential value within the city centre has remained relatively static, with a 1% fall when we compare 2011 and 2016, and no change when we compare to 2007. In contrast across the Aberdeen City Local Authority area there has been substantial growth; 8% growth over the past five years and 18% over the past ten. Values within both areas have fallen back over the past two years yet the city centre remains consistent with the ten year performance.

Despite the average transaction value falling back slightly recently, the differential between the wider local authority area and city centre has widened further and now stands at £56,566.

This suggests an increasing divergence between the desirability of the city centre when compared to Aberdeen City as a whole and that the city centre market hasn't matured to the same extent as the rest of the city.

In part this can be attributed to two factors. Firstly, the dominance of smaller flats in the city centre compared to typically larger flats and houses across the city. Secondly, the role of new build development within the city which has been primarily focused on areas outside of the city centre. Despite these factors the city centre has not witnessed even a share of the value growth experienced across the rest of the city.

#### 2.1.4. Price Band Distribution

Whilst the total number of transactions taking place have varied, so too have the share of transactions per price band.

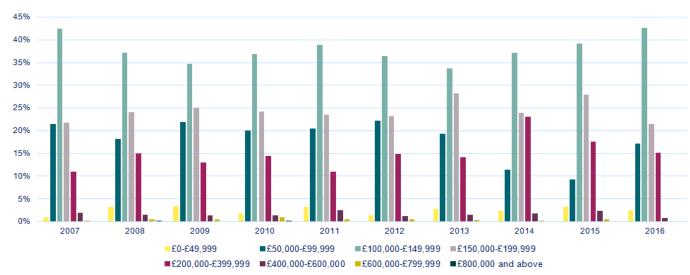
The most active price band has consistently been that between £100,000 and £149,999 accounting for on average 38% of transactions over the past ten years although in 2016 it accounted for 43%. This is at the expense of the £150,000 to £199,999 price band which has reduced from an average share of 24% to 21%. Therefore we can infer that there have likely been some price falls.

Prior to the oil downturn the share within the next two higher price brackets had begun to increase their share. For example in 2014 sales between £200,000 and £399,999 accounted for 23% compared to an average of 15%. This reflects the heat within the market at the time which will have pushed prices higher. However, this market has not fallen completely suggesting that quality properties are still achieving a premium, just not to the same degree as before.





Chart 8 - Chart showing percentage share of transactions within the Aberdeen City Centre Boundary



Source: Myhouseprice.com/Savills Research

Work stream 1: Quantifying the existing residential market Aberdeen city centre



### 2.2. Residential market in areas immediately beyond the city centre

As map 8 below shows, the residential market within the city centre is very similar with average values between £100,000 and £200,000. In contrast the areas on the vicinity of the city centre are much more varied, particularly the slightly lower value markets to the south of the city centre, around Torry and the higher value markets in Ferryhill alongside the West End and Rosemount to the West.

When we consider Map 9 we can see that the areas where the average transaction values have increased the most have been in the areas where the transaction values currently stand between £150,000 and £250,000. These areas have experienced considerable new build development over the past couple of years. Particularly notable is the area around Froghall where Barratt developed out 130 units between 2014 and 2016. This has brought about a 54% increase in the average value from £126,862 to £194,951 and increased the number of transactions tenfold, from 4 to in excess of 40 per year. This is likely to level out as the development is now complete but reflects the impact that the availability of new, high quality development can have on a market.

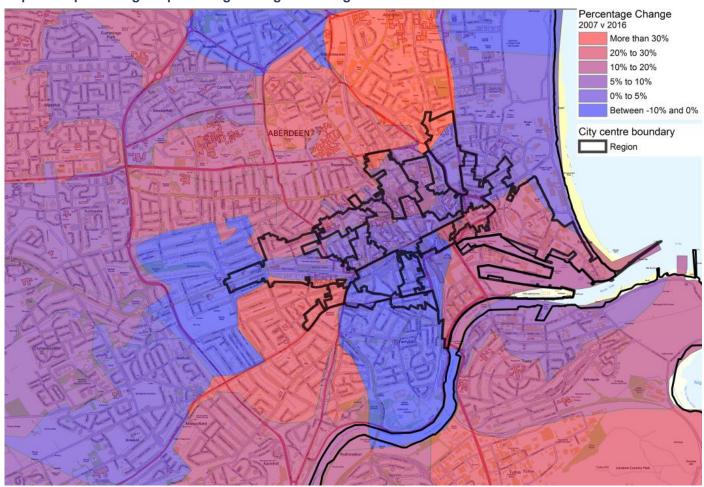
Map 8 - Map showing the average transaction value by postcode sector during 2016

Source: MyHousePrice.com/ Savills Research/ OS\_opensource

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Source: MyHousePrice.com/ Savills Research/ OS\_opensource

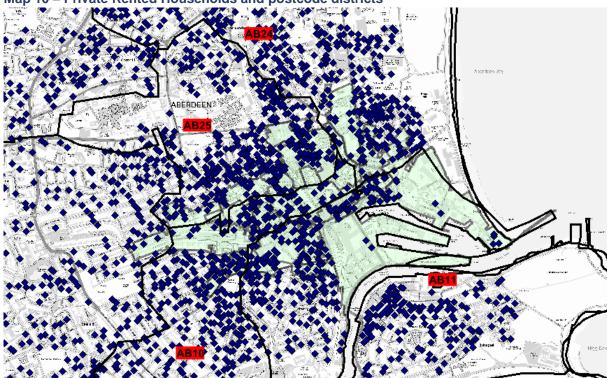
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#### 2.3. Private Rental Market

Map 10 below shows the locations of private rented households across Aberdeen using Aberdeen City Council data. There are large concentrations within the city centre. We have considered how these areas have performed between 2013 and 2016 in respect of the number of properties listed on rightmove for sale and the median rent. Rightmove data is poor quality prior to this year and therefore we have used average rents from 2011 sourced from citylets to provide 2011 figures. This information is available on a postcode district basis and therefore we have considered the postcode sectors; AB24, AB25, AB11 and AB10 which cover the city centre and where growth has been strongest.

There are 23,000 private rented households across the city which is approximately 6,000 higher than recorded in 2011. The tenure has grown substantially over the past five years.



Map 10 – Private Rented Households and postcode districts

Source: Aberdeen City Council/ Savills Research

Table 6 - Table showing change in number of households 2011(census) v 2016 (Aberdeen City Council)

	2011	2016
AB10	2,849	4,113
AB11	2,930	3,952
AB24	3,452	5,185
AB25	2,834	3,863
	12,065	17,113
Cha	5,048	

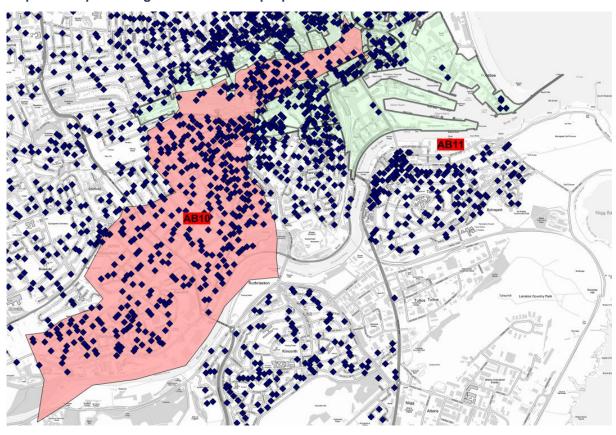
Source: 2011 Census/ Aberdeen City Council

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### 2.3.1. AB10

Map 11 - Map showing AB10 and rental properties



Source: OS\_opensource/ Aberdeen City Council

The number of rental properties recorded has increased by 1,264 over the past five years. The number of listings have increased by 46% within AB10 over the past three with just over 1,000 listings during 2016. Most notable is the increase in one bedroom properties. Rents have fallen in this area by an average of 8%, with one bedroom properties seeing the largest falls.

Table 7 - AB10 Rental Market

	2011 (citylets)	2013 (Rightmove) 2016(Rightmove)				2016(Rightmove)	ightmove)	
AB10	Average Rent		Number of Listings	Share	Median Rent	Number of Listings	Share	
Studio		£486	12	2%	£450	2	1%	
1 Bed	£559	£609	235	32%	£558	432	40%	
2 Bed	£798	£787	367	50%	£768	507	47%	
3 Bed	£1,141	£1,043	81	11%	£1,080	106	10%	
4 Bed		£1,632	29	4%	£1,550	34	3%	
Total	£753	£755	738		£698	1,084		

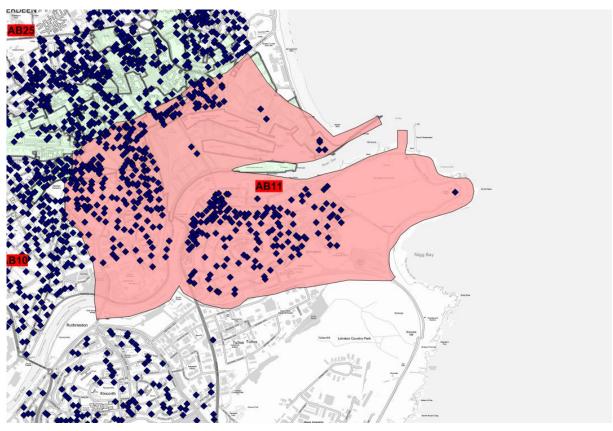
Source: Citylets/ Rightmove.com/ Savills Research

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#### 2.3.2. AB11

Map 12 - Map showing AB11 and rental properties



Source: OS\_opensource/ Aberdeen City Council

The number of rental properties have increased by 1,020 over the past five years and the number of properties listed on rightmove have increased by 45% over the past three years, particularly notable is the increase in one bedroom properties. Rents have fallen by an average of 10% with four bedroom properties seeing the largest fall. The number of listings suggests a 21% turnover in stock.

Table 8 - AB11 Rental Market

	2011 (citylets)	2013			2016			
AB11	Average Rent	Median Rent	Number of Listings	Share	Median Rent	Number of Listings	Share	
Studio		£450	4	1%	£508	7	1%	
1 Bed	£559	£585	143	25%	£547	304	36%	
2 Bed	£812	£794	333	58%	£765	436	52%	
3 Bed	£1,149	£1,075	67	12%	£1,005	69	8%	
4 Bed		£1,825	25	4%	£1,275	19	2%	
Total	£755	£770	579		£690	844		

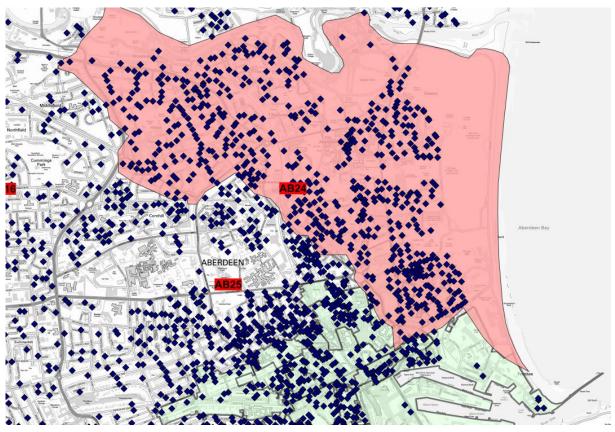
Source: Citylets/ Rightmove.com/ Savills Research

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#### 2.3.3. AB24

Map 13 - Map showing AB24 and rental properties



Source: OS\_opensource/ Aberdeen City Council

The number of properties recorded in the private rented sector has increased by 1,733 between 2011 and 2016. The number of properties listed has increased by 785 to 934, despite which the share of listings has remained the same. The median rent has fallen by 3% here, boosted by student developments providing premium studios. These numbers suggest an 18% turnover in properties.

Table 9 - AB24 Rental Market

	2011 (citylets)	2013			2016			
AB24	Average Rent	Median Rent	Number of Listings	Share	Median Rent	Number of Listings	Share	
Studio		£550	4	1%	£825	9	1%	
1 Bed	£570	£584	156	30%	£542	293	31%	
2 Bed	£776	£785	279	53%	£768	505	54%	
3 Bed	£1,039	£1,025	47	9%	£1,070	78	8%	
4 Bed		£1,338	30	6%	£1,350	38	4%	
Total	£744	£755	524		£729	934		

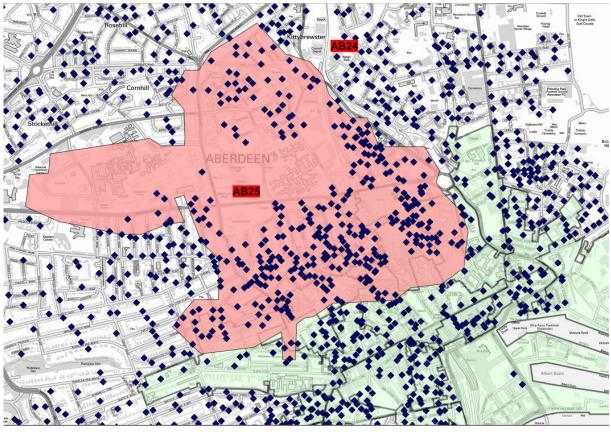
Source: Rightmove.com/ Savills Research

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#### 2.3.4. AB25

Map 14 - Map showing AB25 and rental properties



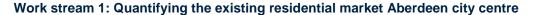
Source: OS\_opensource/ Aberdeen City Council

The number of properties recorded as within the private rented sector have increased by 1,029. The number of properties listed for rent have increased by 87% from 484 in 2013 to 879 in 2016. This equates to a turnover of around 23%. Rents meanwhile have fallen by an average of 5% with studios providing a boost and four bedroom properties seeing falls in rent, despite stock levels remaining similar.

Table 10 - AB25 Rental Market

	2011 (citylets)		2013			2016			
AB25	Average Rent	Median Rent	Number of Listings	Share	Median Rent	Number of Listings	Share		
Studio		£400	2	0%	£480	8	1%		
1 Bed	£561	£591	176	36%	£544	364	41%		
2 Bed	£780	£773	236	49%	£746	432	49%		
3 Bed	£1,170	£1,217	40	8%	£1,117	50	6%		
4 Bed		£1,811	23	5%	£1,575	21	2%		
Total	£728	£703	484		£667	879			

Source: Rightmove.com/ Savills Research

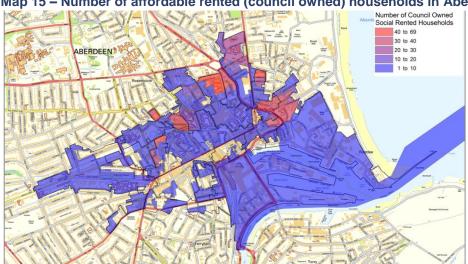




#### 2.4. Affordable Rented Market

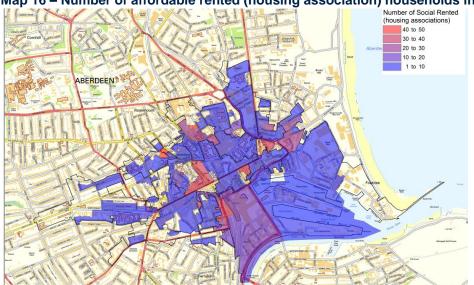
Affordable rented housing plays a pivotal role within any city in providing affordable and secure housing for both vulnerable households, and those on low incomes. Within Aberdeen City Centre 22% of households are within the affordable rented sector which equates to 1,834 households divided between local authorities owned properties and housing association owned stock.

There is considerable new supply of affordable housing planned, although not in the city centre, through the Shaping Aberdeen Housing LLP which is delivering a considerable number of new homes.



Map 15 - Number of affordable rented (council owned) households in Aberdeen city centre

Source: 2011 Census/ Savills Research/OS\_Opensource



Map 16 - Number of affordable rented (housing association) households in Aberdeen city centre

Source: 2011 Census/ Savills Research/OS\_Opensource

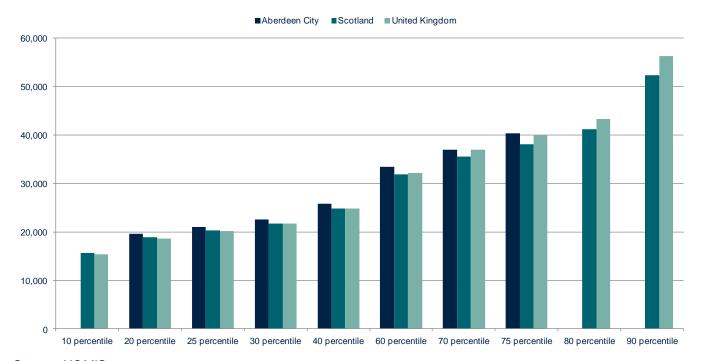




### 2.5. Income and Earnings

When we consider earnings and income data for the local authority area, residents distinctly, across all price bands, earn more than the Scottish and overall British equivalents, sadly there was not sufficient quality data on the 10<sup>th</sup> percentile nor the 80<sup>th</sup> and 90<sup>th</sup>.

Chart 9 - Chart showing percentile earnings for City of Aberdeen, Scotland and United Kingdom



Source: NOMIS

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### 2.6. Earnings and Housings

Despite the apparent premium on incomes within the city, due to the premium prices for both rental and owner occupation the city's housing can be unattainable for many.

For example taking AB24 for those earning in the 10<sup>th</sup> to 30<sup>th</sup> percentile the private rental of an average one bedroom property would account for around 30% of a single gross full time income and two bedroom property equated to in excess of 40% gross income.

Furthermore the city centre, which is distinctly attainable, when compared to other parts of the city, is out of reach of purchasers on a single median gross income unless they have access to considerable deposits.

As the number of one person households is forecast to grow, single income affordability will be increasingly on the agenda for those not within the top fifty percent of earners, this could create a number of challenges and new development will need to take this into consideration.

Table 11 – table showing median income in relation to property prices and rents.

Median Income	£29,249
Single person borrowing potential (3.5 income multiplier)	£102,371 +deposit
Average city centre transaction value:	£146,990
Average local authority transaction value:	£203,556
Average one bedroom property rent:	£542 per month, £6,504 per year (AB24)
Average two bedroom property rent:	£768 per month, £9,216 per year (AB24)

Source: NOMIS/ Registers of Scotland/ Rightmove/ Savills Research





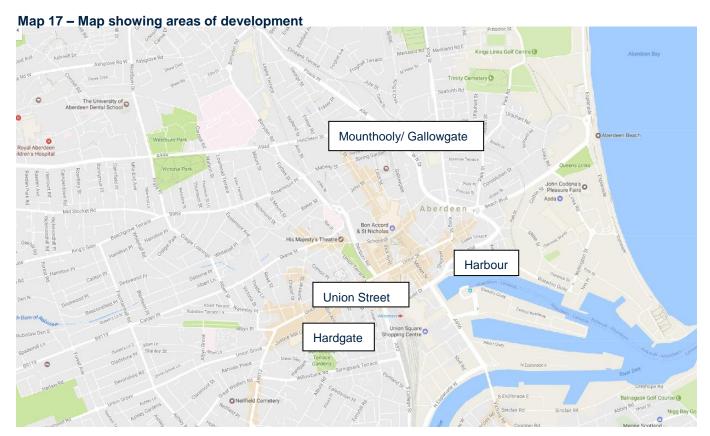
3. Residential Development Analysis





There are four clusters of residential developments within Aberdeen City Centre; Union Street, Mounthooly/ Gallowgate area, Hardgate and towards the Harbour. We are going to consider each of these geographies and their respective developments in turn in order to assess the status and role of residential development within the city centre.

Across all areas there was a considerable amount of development during the 1990s, which tailed off in the 2000s with very little development since 2011. There are currently no active schemes within the city centre. Consequently there is a lot of "modern" stock within Aberdeen City Centre but much of it is approaching, if not older, 20 years old and many developments are dated in design.



Source: Google Maps

Work stream 1: Quantifying the existing residential market Aberdeen city centre



#### 3.1. Union Street

#### **On Union Street**

There has been little in the way of new build development within this area. However, over the past few years there have been a number of conversions of space above retail units. This has included the development of 343 Union Street and 262 Union Street. The development at 262 happened most recently and provided one and two bedroom flats with quite quirky layouts. Prices ranged from £135,000 to £215,000, the overall average £ per square metre £2,731.

The development at 343 Union Street was developed in 2013 and there have not been any recent resales but two, two bedroom flats are available for sale for offers over £182,000 which is higher than their original sales prices. For the properties for which we have the square footage the average cost was £2,203 per square metre.

These developments benefitted from existing separate entrances which facilitated the development.

#### **Just off Union Street**

One of the few new built developments was that by Drumrossie Homes at the Flourmills at Netherkirkgate, built out in 2013 this development replaced an existing shop with residential above and a retail unit below. Prices ranged from £135,000 for a one bedroom property to £215,000 for the largest two bedroom. The retail under this development has struggled and there have been no resales.

There have been some conversions within Golden Square. These include conversions at one, eleven and eighteen Golden Square. Whilst these are heritage buildings, the conversions of these units could have created high quality properties yet the flats appear to be lacking features and relatively small in size. For example the most recent sale at eleven Golden Square a 70 square metre two bedroom flat sold for £185,000, £2,643 per square metre.

There are also a number of developments around Thistle Street, Chapel Street and Rose Street including Chapel Mews and Picardy Court. These were all developed in the 1990s and offer basic, functional properties. The exceptions to this rule are Scotia Home's development on Thistle Lane which was located on a corner site and therefore had unusual floor plates and Melville Court which was a conversion, yet the flats are of a similar small size to the standard developments. Also a conversion was The Old Post Office development which was converted by Stewart Milne Homes.

Table 12 - Table showing new build conversion developments on and around Union Street



Source: Savills Research/ Rightmove/ ASPC

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### 3.2. Mounthooly/ Gallowgate

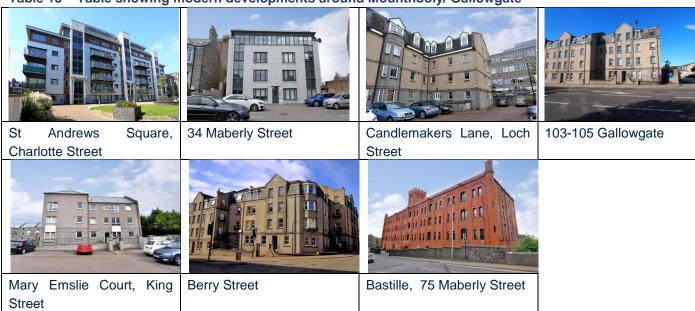
This area has had a number of student developments in recent years. However, historically there were a number of residential developments within this area, all of which were typically quite small products. These developments included St Andrews Square by Bancon homes which was developed and sold during 2010. This flatted development achieved a price per metre in the region of £2,661. There have been a handful of resales with the most recent, a reasonably sized (77sqm) two bedroom flat which sold at £235,000, a small excess over the initial selling price.

There has also been development on Maberly Street by Grampian Developments Limited which, for the properties for which we have the measurements the price per square metre was approximately £2,823 and the average selling price was £182,782. This scheme was active in 2013 and appears to offer a high specification and modern design, distinct from some of the older, yet modern flatted schemes.

There was considerable development in this area during the 1990s with a number of trademark Aberdeen style low rise flatted blocks being developed. These include development at 103 to 105 Gallowgate, Candlemakers Lane, Mary Elmslie Court on King Street and the development on Berry Street. These developments offered similar products and are generally similarly priced as a result.

The Bastille Development was the redevelopment of a historic building. The development offered New York style apartments with large windows.

Table 13 - Table showing modern developments around Mounthooly/ Gallowgate



Source: Savills Research/ Rightmove/ ASPC

Work stream 1: Quantifying the existing residential market Aberdeen city centre



### 3.3. Hardgate/ Ferryhilll

On the very southern edge of the city centre boundary sits Hardgate. Stewart Milne built out a considerable development here between 2007 and 2010. The Abeleven development sits on Portland Street and there are a number of generously sized one and two bedroom flats, along with a handful of three bedroom properties. The initial selling price per square foot/metre was £261/ £2,811. There have been a number of resales during 2015 and 2016 with the properties which were resold having maintained their original values. For example a two bedroom flat at 71sqm resold for £170,000 having sold previously for £165,000. Larger two and three bedrooms have been the exception with the most recent resale of a 99sm flat at £240,000 being 19% lower than its original 2009 selling price.

There was also considerable historic development by Stewart Milne nearby at Strawberry Bank Parade in the 1990s which is located around a courtyard offering car parking. The units here are small and most recently it appears to have been the smaller, cheaper units which have resold but a number have achieved in excess of their previous 2008/2009 sales values. For example 9 Strawberry Bank Parade a one bedroom flat at 40sqm resold for £137,000 in 2016 compared to its previous sale value of £120,000 in 2009. It is back on the market for fixed priced £129,995.

Built at a similar time were the developments at Union Glen Court, Glendale Mews, Albany Court, Rosebank Gardens, and Cherrybank Gardens all of which were developed in a similar style and offering similar, fairly functional products. There have been a handful of resales with the most recent 9 West Glendale Mews a 57sqm two bedroom flat selling for £155,000 in 2016 Q1 which equates to in excess of £30,000 higher than the previous sale in 2009.

Also developed around the same time was the Ogilvie Building on Dee Street, this part conversion and part new build offer slightly more quirky flats and interesting layouts. The most recent resales are on par with 2011 values and above 2009. Yet again it is lower value units, both sales in 2016 were under £130,000, which appear to be selling well.

Table 14 - Table showing new build developments in Hardgate



Source: Savills Research/ Rightmove/ ASPC

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#### 3.4. Harbour

Barratt Homes have developed two schemes near the Harbour; Indigo between 2010 and 2011 on Mearns Street and Regentside Housing Development on James Street during 2008 and 2009. These developments reflect the changing process of the city centre market. During 2008 Regentside Housing achieved prices per square foot/ metre of £292/ £3,148. In contrast despite being immediately around the corner the Indigo development during 2010 achieved £217/ £2,331. This is in part reflects a move towards larger units with more two bedroom properties in the Indigo development.

Despite this resales at Indigo have been strong over the past two years. They have been well designed with car parking and balconies yet the area around the development continues to be isolated and lacks a residential feel with a number of industrial units surrounding the site.

In a slightly more accessible location is the Martin's Lane by Stewart Milne homes which is located just off The Green. Again built in a similar style to many developments across the city this development offers car parking and a central locations next to the train station and Union Square shopping centre. A recent resale at this development sold for £180,000, a price of £184 per square foot / £1,978 per square metre having been previously sold for £175,000 in 2010.

Table 15 - Table showing new build developments at the Quay







James Street

Mearns Street

Martins Lane, The Green

Source: Savills Research/ Rightmove/ ASPC

#### 3.5. Concluding Comments

To conclude many of the areas which have witnessed development continue to lack neighbourhood vibes. For those around the Harbour and around Union Street these developments have been piecemeal and continue to be surrounded by commercial space.

Meanwhile around Mounthooly and Hardgate development has primarily delivered relatively low quality, small flats which do not anticipate progression and therefore struggle to cater to a variety of ages and life stages.

Therefore any development going forward should aim to improve the calibre of development within the city. Starter properties are well catered to but other groups are not catered for. The creation of balanced communities should be a priority.





# 4. Planning Application Analysis

Work stream 1: Quantifying the existing residential market Aberdeen city centre



#### 4.1. Aberdeen Residential Strategy: Planning Context

National, regional and local planning policy all have a 'town centre first' focus, with a recognition that increasing a variety of complimentary uses in addition to retail and business builds a vibrant 24 hour economy.

#### 4.1.1. Strategic Planning Policy

The Aberdeen City & Shire Strategic Development Plan (2014) (SDP) sets a clear direction for the future development of the North East and provides the framework for Aberdeen City and Aberdeenshire's Local Development Plans (LDP). The SDP acknowledges that whilst the region already has an enviable reputation as an attractive place to live and work, with a high-quality environment, above-average incomes, low unemployment and among the happiest people in the UK; there is no room for complacency. The effects of climate change, the need to use resources more efficiently, changes in North Sea oil and gas production and differences in wealth and opportunity between some of the region's communities will threaten everyone's wellbeing if no action is taken.

The strategy highlights that the city centre is an important asset for the region; and its regeneration is vital for the economic future of the area and how potential investors and residents see it.

The SDP classes Aberdeen as a Strategic Growth Area and its spatial strategy for the city centre identifies a requirement for a strong focus on improving the quality of the city centre's shopping, leisure, commercial and residential environment.

It cites the city centre as a Regeneration Priority Area and highlights the importance of supporting its vitality.

#### 4.1.2. **Local Planning Policy**

The Aberdeen Local Development Plan (2017) (LDP) was adopted in January 2017 and whilst the Aberdeen City Centre Masterplan (CCMP) and Delivery Programme are not yet formal Supplementary Guidance, the intention is clearly stated in the plan; and frequent reference to the documents in the LDP embeds them into planning policy.

It is vital for the future prosperity of Aberdeen that the city centre is enhanced and promoted as a resilient, safe, attractive, accessible and well-connected place which contributes to an improved quality of life. The Plan supports the delivery of this vision within a framework of securing sustainable development. This will be achieved through applying policies which positively promote what can happen, and where, in tandem with the CCMP and Delivery Programme.

Policies such as Policy D3 (Big Buildings), Policy D1 (Quality Place Making and Design), Policy D4 (Historic Environment) aim to provide a context to stimulate the regeneration of the city centre into a modern city, with exciting architecture and opportunity, alongside the preservation and enhancement of its historic assets.

The majority of the city centre is classed as either city centre retail core or mixed use areas. Retail, leisure and other significant footfall generating uses are directed to the retail core; and the plan specifies that this is the most appropriate location for major retail development.

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Changes of use within these areas require to maintain the viability and amenity of the primary and proposed uses; and contribute to the wider aims of the CCMP and Delivery Programme, of which increasing residential development is one.

#### 4.1.3. Policy H2 - Mixed Use Areas

Applications for development or change of use within Mixed Use Areas must take into account the existing uses and character of the surrounding area and avoid undue conflict with the adjacent land uses and amenity. Where new housing is proposed, a satisfactory residential environment should be created which should not impinge upon the viability or operation of existing businesses in the vicinity.

#### 4.1.4. Policy NC2 - City Centre Retail Core and Union Street

The City Centre Retail Core is the preferred location for major retail developments as defined in Policy NC1. Where sites are not available in the City Centre Retail Core, then sites elsewhere in the city centre may be appropriate.

#### 4.1.5. Policy H5 – Affordable Housing

Developments of over 5 units are required to contribute a minimum of 25% of their units as affordable housing.

In the case of development with abnormal conversion or site clearance costs, a developer must demonstrate any negative impact on development viability through negotiation with the Council.

In relation to residential development there is no automatic reduction or exception for brownfield development and conversions from contributing to policy H5 Affordable Housing.

A raft of Supplementary Guidance provides more detail on the implementation of these policies and it is through this detail that the planning context can be engineered to greater effect.





### 4.2. Planning Application Analysis

We have primarily focused on the George Street/ Harbour ward as this covers the majority of the city centre boundary. However, we have also focused on the Hazlehead/ Ashley/ Queens Cross ward, Midstocket/ Rosemount Ward and the Torry/ Ferryhill Wards as these all cross into the city centre.

We sourced this data in March 2017 and as with the nature of planning applications it may now be out of date so this should be taken as a snapshot. Further, as we sourced this from the council website ourselves it might not match exactly with other searches but we have endeavoured to be as comprehensive as possible. We have considered applications for developments above five units since 2010 which have not yet completed.

#### 4.2.1. George Street/ Harbour Ward

This area is key to delivering more residential within the city centre and for the 25 sites identified, we are only aware of five being under construction and all of these are student residences. This could in part be attributed to market condition but there were a number of applications awaiting response and a number had been refused. This is contributing to the lack of development within the city.

Development here has primarily been student development and there are a number of student residence developments under construction including those by Dandara and Downing Students. A further number of student residence applications were either awaiting a response or had been refused for example the BT Engineering Depot at Froghall Terrace.

In respect of delivering mainstream residential the majority of planning applications were for small scale development including a handful of above retail conversions. We have considered one of these within our case studies section. The only site within this area which is in for planning which could deliver large quantities of residential is the Broadford Works site. <sup>1</sup>

#### 4.2.2. Other Wards

The Hazlehead/ Ashley/ Queens Cross has also had a number of planning applications. Of the 13 planning applications included in our analysis there are a number of large residential applications but these include a number of developments at the land release at Countesswells which is primarily detached family housing and located outwith the city centre boundary. The remainder of applications are within the west end and only a handful are under construction.

Within Rosemont/ Midstocket we analysed three applications all of which for residential development, of which two had been refused. With the Cornhill Hospital Site being the only one to be approved which is under construction. Similarly within Torry/ Ferryhill with Sanctuary's redevelopment of Craiginches Prison under construction but Barratt's Victoria Road Primary redevelopment refused.

This analysis reflects the continued focus of residential developers in areas out with the city centre. This might change once the many student developments are completed yet those sites with residential permissions are not proceeding in the city centre and understanding why is important. Therefore we have considered a couple of differing applications and reviewed them in more detail.

<sup>1</sup> This development has since received planning permission in principle.

Work stream 1: Quantifying the existing residential market Aberdeen city centre



#### 4.3. Conversion of Properties above Union Street - Case Studies

We undertook case studies of several applications for conversion of the vacant upper floors, or of vacant buildings either on or adjacent to Union Street. The case studies were selected based on the case characteristics of either approval, refusal, significant delay or refusal and subsequent approval. Often the architect/ agent for a selected application had experience of multiple conversions in this area and therefore the common themes below include examples from wider discussion where appropriate.

Initial review of the planning portal was augmented through interviews with the agent and case officer where available. A matrix of findings is enclosed as appendix 3.

#### 4.3.1. **Common Themes**

#### **Developer Contributions**

It is clear that there are a range of abnormal costs to be taken into account that are difficult to predict at the outset of a project.

Where a site is located in the catchment area of a primary or secondary school that is over capacity, education contributions are levied on all units with multiple bedrooms. The amount depends on the severity of the capacity issue at the school(s), i.e. whether the calculation is based on the costs of extending or reconfiguring a school; and the amount of excess capacity that is required. Current reconfiguration levels are £19,184 per pupil for primary and £24,750 for secondary education. In addition school roll forecasts are updated annually, so this can change from time to time.

On this basis the requirement for education contributions varies amongst catchment areas throughout the city centre. For instance in two similar locations within 500m of each other:

Bon Accord Crescent: Ferryhill Primary School has excess capacityHarlaw Academy is over capacity. Golden Square: Gilcomstoun Primary is over capacity Aberdeen Grammar has capacity.

Whilst less onerous, contributions to the Core Path network and open space are not consistently applied across all applications. These contributions amount to unquantifiable outlays and unforeseen risks.

#### Legal Agreement

Similarly, where developer contributions can be agreed without the use of a legal agreement, this speeds up the issue of planning permission and reduces legal fees.

#### Historic Environment

Where a building is listed, several of the case studies have highlighted issues with the retention and reinstatement of aspects of the building. Particularly where a building has been insensitively reconfigured in the past, reinstatement of damaged features, or retention of features that compromise the future use can significantly impact development cost.





Particularly where there has been insensitive conversion in the past, there can be a reluctance to add additional cost to reinstate features. The principle of a conversion is that there will be character in the property that is lacking in a new-build, however purchasers increasingly seek energy efficiencies in converted properties that can be at odds with strict preservation of the historic fabric.

Energy efficiency and noise can impact upon historic features, a judgement call has to be made in such circumstances on the main attributes of a listed building and its special interest. Without suggesting façade retention, compromises such as the replacement of windows to the rear, that do not have their principle elevation to Union Street, etc. could be a compromised solution.

#### Title Issues

Particularly where there have been multiple ownerships and subdivisions in the past, or where a proposal comprises two adjacent buildings, resolution of historic title issues can be a delay in time and an impact on cost. These need to be resolved prior to planning and can consequently delay applications.

#### **Market Forces**

Market forces can impact significantly upon the viability of a conversion. Where buildings were purchased at the height of the market, there may be a lack of demand for their current use, reducing overall value and return. This can make a conversion to alternative use more attractive, however additional and unexpected costs can impact on this viability, particularly where the viability of further investment to enable a building to remain functional is already marginal.



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5. Site SWOT



Work stream 1: Quantifying the existing residential market Aberdeen city centre

We have considered a number of potential development opportunities within the city centre. We have researched the details of these sites such as their existing use, ownership, planning position and tenancy status. We then carried out a SWOT style analysis to understand the development context of these sites.





### 5.1. City Centre Master Plan Zone: Heart of the city

### 5.1.1. Project: Aberdeen Indoor Market

Aberdeen Market is a purpose building indoor market occupying a prime location off Union Street and The Green. The Market was recently introduced to the market on a For Sale basis and is considered a catalyst project for the Aberdeen City Centre Master Plan as a result of the size and scale of the project.



Site Area	c. 0.32 ha (0.80 ac)
Existing Use	Purpose Built Indoor Market – Within Retail Core of LDP
Potential Uses	Mixed use – retail / residential / leisure
Listed Building	No
Conservation Area	Union Street Conservation Area
Masterplan Status	Project CM06 Aberdeen Indoor Market
Ownership Status	Rockspring
Tenancy Status	Multi-tenanted, mostly kiosk operations

TRENGTHS		WEAKNESSES	
L.	Important central location	L.	Purpose built therefore limited scope for
II.	Stigmatised asset. If redeveloped could be		conversion of existing asset
	symbolic for both public and private investment in	II.	Scale and redevelopment costs
	the city centre	III.	Vacant possession timescale
III.	Highly visible and potential gateway link between Union Square / Station / Merchant Quarter and	IV.	Location in an untested in market
	Union Street		
IV.	Single ownership		
V.	Motivated seller willing to consider		
	redevelopment options		

OPPORTUNITIES		THREATS	
1.	Place making / improvement to public realm	I.	Market Uncertainty - Acting as a barrier to
H.	Acting as a catalyst to encourage further		investment on a wider scale
	investment (Value Added Impact)	H.	Current market perception of Aberdeen
III.	Potential to create a mixed use development	III.	Reduced Aberdeen appetite from lenders /
IV.	Opportunity to show the Council's intent /		institutions / developers
	commitment to the City Centre Masterplan	IV.	Developers' preferred / optimal solutions may not meet with the aspirations of the Masterplan



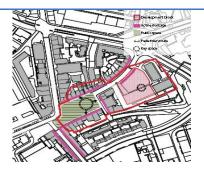


#### **5.2.** City Centre Master Plan Zone: Castlegate / Castlehill

#### 5.2.1. **Project: Castlegate**

Castlegate is a public square located at the eastern edge of Union Street. Despite offering the city with public open space, it attracts low footfall and is considered an 'unfriendly pedestrian zone'. As a result there is limited occupier demand and there has been limited development occurring at the square in recent years, with the exception of The Citadel.







**Existing Use:** Public Open Space, Retail, Upper floor Residential

Potential Uses: Mixed Use - Retail / Leisure / Residential / Public Open Space Listed Building: Mercat Cross in the centre of Castlegate is Category A Listed

Conservation Status: Union Street Conservation Area Project EN08 Castlegate Masterplan Status:

Ownership Status: Multi-tenure

Tenancy Status: Ground floor retail: Multi-tenanted

STR	<b>ENG</b>	THS
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#### Public open space owned by ACC II. Proximity to Marischal Square Ш

Public transport links

IV. Strategic location linking city centre with beach front

#### WEAKNESSES

Obtaining vacant possession / owner buy-in T.

II. Unfriendly pedestrian zone

III. Location adjacent to the local courthouse

#### **OPPORTUNITIES**

Improvement and re-development of the I. upper floors to provide a mix of residential accommodation including housing associations, student accommodation & private ownership

II. Enhance shop fronts at ground floor to attract local businesses

III. Reimagine public open space

IV. Options to demolish existing residential tower block to improve amenity and replace with mixed-tenure community

#### **THREATS**

Private owners unwilling to co-operate with Ι. re-development

Market perception of Castlegate being off-II.

III. Appetite from lenders to fund improvement / re-development works

IV. Market Uncertainty

Perceived value of historic Castlegate to the ٧.

Work stream 1: Quantifying the existing residential market Aberdeen city centre



### 5.3. City Centre Master Plan Zone: Union Street West

#### 5.3.1. Project: Golden Square

Golden Square comprises a range of former townhouses with a central car park lying to the rear of The Music Hall and accessed off Union Street. The square has a mix of uses ranging from offices to residential. The Master Plan has identified the site as an opportunity for a 'civic square' for outdoor festivals to complement the refurbishment of The Music Hall, however a number of the buildings have been purchased for conversion back to their existing use of residential and we consider this to be an excellent opportunity to create a high quality, residential area within the city centre.







Site Area	c. 1.5 Ha (3.71 ac)	
Existing Use	Office and Leisure	
Potential Uses	High quality residential	
Listed Building	Grade A & B Listed Buildings	
Conservation Area	Union Street Conservation Area	
Masterplan Status	Project EN09 Golden Square	
Ownership Status	Private and multi-tenure	
Tenancy Status	Multi-tenanted	

STRENGTH	HS .	WEAKNES	SES
I. II.	Central location Well maintained and attractive Listed	I.	Ability to gain vacant possession for redevelopment or owner buy-in
11.	Buildings	II.	Noise and crowds from Music Hall
III.	Located adjacent to Music Hall and Union Street	III.	Requirement to gain Listed Building consent for flatted subdivisions.
IV.	Formerly residential townhouses	IV.	Master Plan proposals to provide outdoor
V.	Within walking distance of HMT, Rail and		entertainment
	Bus stations		
OPPORTU	NITIES	THREATS	
I.	Remove central car parking zone and	I.	Relatively untested market on any scale
	reimagine public open space	II.	Funding appetite for small developments
II.	Opportunities for small developers to get involved with City Centre Masterplan	III.	Value gap between office use and residential
III.	Place-making	IV.	Conversion cost due to listed status
IV.	Conversion back to residential use		
V.	Suitable for small developer buy-in		
VI.	Suitable for families and 'self builders'		

Work stream 1: Quantifying the existing residential market Aberdeen city centre



#### 5.4. City Centre Master Plan Zone: Station Gateway

#### 5.4.1. Project: Atholl House

Atholl House is a landmark, eight floor office building extending to 53,625 sq ft in total with 33 parking spaces within an onsite car park. A planning application was submitted for the re-development of the building to comprise a hotel, retail units and student accommodation, however the potential developer recently pulled out due to market and cost uncertainties.



**Site Area:** c. 0.15 Ha (0.37 ac)

Existing Use Office

Potential Uses Residential / Hotel / Leisure. In city centre retail core.

Listed Building N/A

**Conservation Status** Union Street Conservation Area

Masterplan Status Redevelopment of Atholl House and Trinity Centre entrance is a main development

objective of the Station Gateway Master Plan Zone

Ownership Status: CLS Holdings / Network Rail

Tenancy Status: Vacant





#### **STRENGTHS**

- I. Prominent gateway site
- II. Location adjacent to Aberdeen Train/ Bus Stations
- III. Poor public perception of Atholl House is a driver for re-development
- IV. Recent planning application submitted for development of 413 student accommodation units and a 192 room hotel
- V. Single Ownership over most
- VI. Motivated seller willing to consider redevelopment options

#### **WEAKNESSES**

- I. Limited scope for conversion of existing asset
- II. Limited to institutional investors / funds
- III. Limitations of development due to location of Railway Line (beneath the site) and partially held on ground lease

OPPORTU	NITIES	THREATS	
I.	Place making	I.	Scope / Cost of Redevelopment
II.	Opportunity to improve the image of Aberdeen for	II.	Market Uncertainty
	tourists travelling by train – important gateway	III.	Lack of appetite from lenders / institutions
III.	Will act as a catalyst to encourage further	IV.	Developer's preferred / optimal solution may not
	investment in the Station Gateway zone (Value		meet with the aspirations of the master plan
	Added Impact)	V.	Partial ground lease/airspace lease make
IV.	Potential to create a high quality development and		residential development more challenging
	show the council's intent / commitment to the city		
	centre masterplan		

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### 5.5. City Centre Master Plan Zone: Denburn Valley

#### 5.5.1. Project: Woolmanhill and Denburn Car Park

The Denburn Car Park and Woolmanhill hospital have been a catalyst for development for some time as a result of the lack of activity in the surrounding area and the public ownership of the majority of the buildings. There is significant potential to re-develop the entire area and create a city centre community with public open space.







Site Area:	c. 2.5 Ha (6.18 a	o)
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Existing Use: Hospital, health centre, residential tower block and existing car park

Potential Uses: Public open space and residential

Listed Building Status: Woolmanhill - Grade A

Conservation Status: Union Street & Rosemount Conservation Areas

Masterplan Status: Project CM05: Woolmanhill

Ownership Status: Aberdeen City Council NHS Grampian

Tenancy Status: None

#### STRENGTHS

- I. Public ownership (Council / NHS)
- II. Iconic exterior of Woolmanhill Hospital
- III. Denburn car park and health centre of poor quality and poor design
- IV. Within walking distance of all city centre amenities and transport
- V. Identified developer with significant experience of residential development

#### WEAKNESSES

- Lack of activity and footfall within the immediate area
- II. High volume of traffic on Woolmanhill / Skene St
- III. Existing car park unfriendly to pedestrians
- IV. Lack of demand from hotel operators

#### **OPPORTUNITIES**

- I. Unique opportunity to create a community of mixed-tenure residential accommodation together with public open space in the city centre
- II. Enhance green space in city centre
- III. Create suitable setting for Woolmanhill building

#### **THREATS**

- I. High cost for conversion / re-development of the existing Woolmanhill buildings
- II. High demolition and site preparation costs for other buildings on site
- III. Requirement for car parking for Her Majesty's Theatre may limit opportunity for development



Work stream 1: Quantifying the existing residential market Aberdeen city centre

6. Vacant Residential Space

#### Work stream 1: Quantifying the existing residential market Aberdeen city centre



Using council tax data we have identified the number of units which are vacant within the city centre. We have then analysed these in respect of council tax band and the amount of time they have been empty. The data set does not give us information about the size and type of occupier. Initially we will consider the entire city in order to compare the city centre with the wider area.

#### 6.1. Aberdeen City

Across the city there are 3,924 empty properties. Of these 51% were council tax A or B and bands C and D account for a further 31%. The majority of properties on the register have become vacant since 2015 with 2016 showing a spike in vacancy. Only 7% of properties have been vacant since before 2014 and these properties are primarily in council tax bands A and B.

The largest numbers of vacant properties are within AB10, AB11 and AB24 which all have established residential populations. There seem to be some clusters within each of the postcodes for example at Union Grove Court there are 14 properties listed as vacant of which 7 have been vacant since prior to 2010. Along the remainder of Union Grove there are a further 76 empty properties recorded as vacant, the majority of which became vacant during 2015 and 2016. There are also cluster along the key road links for example Cults and Banchory.

AB32

AB32

AB15

AB10

AB12

Map 18 - Map showing the location of vacant residential properties in Aberdeen City Council

Source: Aberdeen City Council/ Savills Research





Table 16 - Vacant residential properties with Aberdeen City Local Authority by band and by postcode district

	AB10	AB11	AB12	AB13	AB14	AB15	AB16	AB21	AB22	AB23	AB24	AB25	Total	% Share
Α	195	236	8		5	8	56	30	18	3	269	225	1053	27%
В	156	119	30		13	27	195	44	21	10	212	112	939	24%
С	129	111	29		10	25	31	60	11	8	101	77	592	15%
D	142	106	9	1	2	51	1	31	34	8	130	113	628	16%
Е	80	38	18	3	10	128	4	10	14	6	38	37	386	10%
F	28	8	7	4	6	72		4	8	2	6	7	152	4%
G	14	10	2	7	3	90	1	4		3	1	14	149	4%
Н				5	1	19							25	1%
Total	744	628	103	20	50	420	288	183	106	40	757	585	3924	100%
% Share	19%	16%	3%	1%	1%	11%	7%	5%	3%	1%	19%	15%	100%	

Source: Aberdeen City Council/ Savills Research

Table 17 - Vacant residential properties within Aberdeen City Local Authority by band and year become vacant

	Prior to 2000	Between 2000 and 2005	Between 2006 and 2010	Between 2011 and 2014	2015	2016	2017	Total
Α	10	6	18	35	137	705	142	1,053
В	17	5	7	40	159	590	121	939
С	0	6	7	27	75	427	50	592
D	4	1	8	25	58	455	77	628
E	0	2	9	28	68	248	31	386
F	1	0	4	11	31	97	8	152
G	0	0	2	14	37	85	11	149
Н	0	0	0	5	8	12		25
Total	32	20	55	185	573	2619	440	3,924

Source: Aberdeen City Council/ Savills Research

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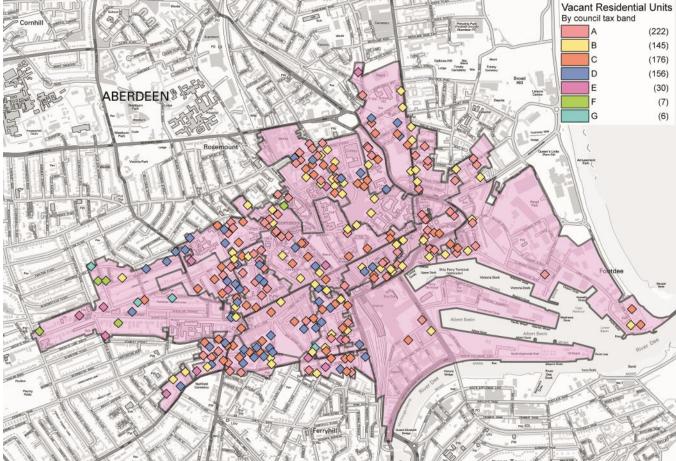
#### 6.2. **Aberdeen City Centre**

Within the city centre there are 742 properties which are recorded as vacant. Of those properties 50% are within bands A and B and a further 45% are within bands C and D.

There are more C and D band properties vacant in the city centre than in the city as a whole. There are some obvious clusters for example around Union Grove corner with Holburn Street and around Thistle and Rose Street. There are also clusters in Hardgate, for example there are eight vacant units on Exchange Street and around Gallowgate with 9 flats empty on Candlemakers Lane. The majority of these units have been vacant since 2015 or 2016.

Assisting owners in ensuring that these 742 properties are occupied could assist towards increasing the population as this would facilitate more residents. Owners might require assistance with their financial or legal situation to enable the properties to be let out. Potentially there is a risk of negative equity with the performance and perception of the Aberdeen residential market since 2014.

Map 19 - Map showing vacant residential properties within the City Centre by council tax band



Source: OS Open Source/ Aberdeen City Council/ Savills Research





Chart 10 - Vacant residential properties with Aberdeen City Centre by band and by postcode district

	AB10	AB11	AB15	AB24	AB25	Total	% Share
А	63	69		43	47	222	30%
В	36	56		18	35	145	20%
С	46	76		31	23	176	24%
D	62	60		6	28	156	21%
Е	14	6	2	1	7	30	4%
F	2	1	1		3	7	1%
G	3	1			2	6	1%
Total	226	269	3	99	145	742	100%
% Share	30%	36%	0%	13%	20%	100%	

Source: Aberdeen City Council/ Savills Research

Chart 11 - Vacant residential properties within Aberdeen City Centre by band and year become vacant

	Prior to 2000	Between 2000 and 2005	Between 2006 and 2010	Between 2011 and 2014	2015	2016	2017	Total	% Share
Α	2	1	3	12	19	152	33	222	30%
В			2	6	19	95	23	145	20%
С		1	0	10	22	120	23	176	24%
D	1		3	10	10	112	18	156	21%
E			1	1	5	19	4	30	4%
F			0	2	3	2		7	1%
G			0	0	4	2		6	1%
Total	3	2	9	41	82	502	101	742	
% Share	0%	0%	1%	6%	11%	68%	14%		

Source: Aberdeen City Council/ Savills Research



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7. Stakeholder Engagement

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#### 7.1. **Stakeholder Engagement Process**

A copy of the public engagement survey is attached as an appendix to this report, appendix 1. We launched the survey on Monday 20 February through a joint press release by Aberdeen City Council and Savills where it was picked up by local and commercial press.

We circulated it to an identified list of stakeholders including lawyers, agents, housing associations and developers. We also used contacts at major representation groups and they circulated it amongst their members. These included Aberdeen Civic Society, RICS. M&E Engineers, Burgess Guild, NHS Grampian, Aberdeen University, Robert Gordon University, ASPC lawyers, Aberdeen and Grampian Chamber of Commerce, Homes for Scotland, Aberdeen Society of Architects, Aberdeen Inspired; and a number of locally based charities.

In order to gather more detailed perspectives we held a number of working groups where we used a set list of questions, appendix 2, to stimulate debate and discussion amongst attendees. We invited those who have active interest in city centre development.

For those unable to attend the group slots, we held one to one discussions in order to ensure their opinions were included. The same question structure was used to ensure continuity.

We also contacted community councils across the local authority area regarding the survey and we understand that there are a number of the councils circulated the survey among their members. In addition to this we invited community council members to a community council specific working group where we had two attendees and we hosted a one on one with another community council.

In order to report our survey findings we considered our respondents in respect of demographics, where they live, where they work and how they travel to work. Bearing this initial context in mind, we considered the rating question at the end of survey where we asked respondents to rank city centre attributes including comments on housing and amenities. This provided the basis for our thematic analysis of responses to the other questions.

For each of the key headings we considered the survey and workshop comments on that topic alongside providing comment on proposed key ideas to take forward. This will allow us to break down the comments gathered and provide summary ideas to take forward.

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### 7.2. Demographics

#### 7.2.1. Age and local authority profile

The majority of our respondents came from within Aberdeen City and this is consistent across all age groups. The 30 to 44 age group accounted for in excess of a third of respondents across all age groups, and consequently accounted for the largest share, with those aged between 45 and 59 accounting for the second largest group.

250 200 150 100 50 0 18 - 29 30 - 44 45 - 59 60 ■ Aberdeen City ■Aberdeenshire ■Argyll and Bute ■City of Edinburgh ■Angus East Renfrewshire ■ East Lothian ■Falkirk ■Glasgow City Highland ■Midlothian Moray ■North Lanarkshire Other (please specify) Perth and Kinross Renfrewshire ■South Ayrshire South Lanarkshire ■West Dunbartonshire

Chart 12 - Chart showing age and local authority profile of respondents

Source: Savills Research

Rosemount, Ferryhill, Queen's Cross, Bridge of Don and Midstocket were the top five locations in which to live, accounting for 35% of respondents. Of those within Aberdeenshire the areas of Stonehaven, Inverurie, Westhill, Ellon and Banchory were the most popular locations, accounting for in excess of 50% of respondents reflecting the popularity of these suburban commuter locations.





#### 7.3. **Living Arrangements and Tenure**

Of those who responded saying that they lived in either Aberdeen City or Aberdeenshire, we then enquired about their living arrangements and tenure. Across both areas owner occupation responses dominated with 79% of Aberdeen City respondents owner occupying and 95% of Aberdeenshire occupants owner occupying.

Within the remaining share within Aberdeen City there was more variety. 12% of respondents lived within the private rented sector and 8% lived within the affordable rented sector.

This reflects the proportionally higher number of responses from those living in Aberdeen City in contrast to those within Aberdeenshire, making it statistically more likely yet there are some clear trends across both tenure and living arrangements.

■Owner occupation ■Private Rented ■Social Rented 200 180 160 140 120 100 80 60 40 20 0 adult children Household with children adult childrer children with with Household Household Aberdeen City Aberdeenshire

Chart 13 - Chart showing living arrangements and tenure of respondents

Source: Savills Research

As would be anticipated, households with children account for double the share in Aberdeenshire (44%) than in Aberdeen City (20%). The majority of households are within the owner occupied tenure. However, within Aberdeen City there is a notable share within the affordable and private rented tenures.

Likewise the number of flat shares is higher in Aberdeen City (5%) than Aberdeenshire (1%). These are almost entirely within the private rented sector. There are also significantly more single person households in Aberdeen City (20%) compared to Aberdeenshire (6%). This group is spread across tenures but owner occupation continues to dominate.

Couples within children accounted for the largest share of respondents in Aberdeenshire and this group are primarily located within the owner occupied tenure.

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### 7.4. Travel and Employment

We allowed those completing mode of transport to employment to choose more than one category and therefore the sum might exceed the number of responses. We will consider each distance travelled alongside the location of employments.

Chart 14 - Chart showing the location of employment and distance travelled to work

Source: Savills Research

Up to 3 miles

For those travelling up to one mile, 19% of respondents, there was a significant share of those working in central Aberdeen. Walking accounts for the main mode of transport but surprisingly, considering the short distance, there are also a significant share of those driving to work. Within Aberdeenshire half of those of travelling up to one mile, travel by car with the remaining travel by foot.

Up to 10 miles

Up to 5 miles

This trend continues for those travelling up to three miles, 31% of respondents, but the difference stands in that those living in Aberdeenshire rarely travel this distance. Car continues to be a major mode of transport to reach employment across those working in central Aberdeen, Aberdeen City and Aberdeenshire. Bus also emerges as an important form of transport alongside walking at this point.

Up to five, 17% respondents, and up to ten, 15% respondents, miles are also both dominated by car travel, regardless of where people work. Once again this does not seem as popular a distance to travel but there are a handful of people using the bus.

For those travelling up to twenty miles, 11% respondents, and more than twenty, 6% respondents, miles the train makes an appearance as a mode of transport yet the car continues again to dominate, particularly for those coming in from Aberdeenshire.

Up to 20 miles

More than 20 miles

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### 7.5. Rating Questions

### 7.5.1. Amenities and facilities

Overall access to amenities and facilities ranked fair and good. Specifically schools, medical services and community were primarily ranked as fair to good. Likewise the perception of a sense of community.

Shopping and entertainment are ranked particularly highly with 60% of respondents ranking shopping as good or excellent, and 50% or respondents saying the same of entertainment.

Availability of community facilities e.g. libraries, community halls etc Availability of entertainment Availability of shopping Availability of medical services Quality of nurseries and schools Availability of nurseries and schools Access to green space Sense of community Cost of parking Availability of parking Transport links Price of travel Choice of housing options e.g. buy/rent or flat/house Price of housing Quality of housing Cleanliness of public spaces Pollution levels Noise levels 20% Very poor ■Poor ■ Good ■ Excellent ■ Fair

Chart 15 - Chart showing the scoring of factors in respect of Aberdeen city centre

Source: Savills Research

Positively the city centre is perceived as a safe place with 50% of respondents ranking it as fair and 30% ranking it as good. However, in respect of noise levels the city centre performs less positively with 48% ranking it as fair, 27% ranking it as poor and 8% ranking it as very poor. Pollution and cleanliness of public spaces also received a negative perception with in excess of 50% respondents ranking these factors as poor or very poor.





Parking and public transport achieved the most very poor responses with cost of parking and price of travel receiving 80% of respondents marking as poor or very poor. Perceptions of transport links and availability of parking was also predominately poor or very poor.

The perception of housing in the city centre was overwhelmingly fair to poor in respect of quality, price and choice of housing including tenure and type of housing. Price of housing was perceived particularly poorly.

#### 7.6. Aberdeenshire Leavers

Aberdeenshire is identified as the main destination for those moving out of Aberdeen City and with a number of established communities just beyond the border alongside a considerable amount of historic new build, family development over the past twenty years.

Of our 126 respondents from Aberdeenshire, 71% had previously lived in Aberdeen City, local authority not just city centre. We asked our respondents why they left and housing was cited as the reason mentioned by 57% of answers, followed by lifestyle 23% and outside space 9%. The majority of respondents relocated to Aberdeenshire to move up the property ladder and to purchase a larger, family orientated home with some citing lack of this type of property within Aberdeen City at a similar price.

Asked if they would return to Aberdeen City, local authority not just city centre, 44% of residents said no, 33% said yes and 19% said maybe. Others did not comment on whether they would consider it although for those who mentioned motivators- housing accounted for the majority of mentions, and in particular the cost and type of properties.

#### 7.7. Professional Stakeholders

Of the over 600 responses we received, 244 of respondents had a professional stake in the city centre. These included architects, planners, residential agents, business owners and lawyers. Of these respondents 60% said that either they or their client had invested in Aberdeen in the last year and 55% said they or their clients planned to invest over the next year.

We asked them a series of professional interest specific questions. The first question focused on their views on residential development in Aberdeen and 28% thought it was a positive thing but that much of what had been delivered had been too expensive, poor design and lacked a variety. Many acknowledged the under supply of housing in the city over the past few years, particularly in relation to affordable housing for young people and families. There was also an acknowledgment of the focus on greenfield development and suggestion that brownfield development or redevelopment would be good but was harder to develop due to remediation costs, VAT costs and surround area challenges and therefore could be helped through planning policy.

In respect of what could help overcome the challenges the lack of residential development is a clear goal and direction supported by central investment and supportive planning policies were identified as major drivers. For some it needed to be entirely council driven but for others it needed to be more of a partnership with key stakeholders.

Furthermore improving the environment and amenity offering, particularly in respect to communities, public realm and public transport was mentioned. Supporting business and shops along key routes was considered positive and reducing business rates and providing incentives were viewed as a means to achieve this.

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### 7.8. Amenities, Community and Green Space

#### 7.8.1. Public Survey

Access to, alongside investment in, community amenities to ensure that they were high quality was felt by many as a key factor to making the city centre attractive.

Many people pointed to the strength of communities and neighbourhoods on the periphery of the city centre and the need to develop this in the city centre, to help overcome the perception of city centre living being insular.

One respondent, currently living in Ferryhill, noted that when they initially went to sign up to a GP practice they were told it did not cover their area. The practice which did, was only open during standard working hours which made it difficult to attend appointments.

Many of those responding felt that the city centre was not particularly child friendly with little in the way of children's amenities to attract families in. Schooling was mentioned a handful of times.

Outside amenity space was mentioned regularly with a clear desire for more and higher quality outside space. There were demand for more green spaces, more open spaces and to ensure safety and accessibility to these places. Union Terrace Gardens was suggested by many as a key area for such improvements, meanwhile others mentioned better links to the beach front.

#### 7.8.2. Workshop Comments

Development contributions go towards the NHS but with Denburn House closing where will service the city centre for this level of medical care and do schools have capacity? A number have been closed recently for redevelopment e.g. Causewayend School as the original populations have not been maintained. Additionally there is a need for community facilities for the community to gather e.g. classes, groups, and birthdays.

The closure of Bon Accord leisure centre has been a loss, now city centre residents need to travel out for local authority sports facilities, or pay for private club membership.

Aberdeen city centre already has a number of established residential communities and therefore the focus should be supporting these and thinking strategically about making them walk-able neighbourhoods in their own right with amenities on hand e.g. Rosemount is an excellent example of walk-able neighbourhood well served by amenities.

People like having access to their own outside space and need to think about ways to provide this e.g. balconies and roof terraces. Additionally build upon, improve and promote existing green space for residents use. Conflict arises when it becomes event space e.g. Union Terrace Gardens recently hosted an event which closed it to the public.

#### **Areas of Focus:**

- Use place making to provide focus and build upon the residential communities which exist. Ensure they are well serviced by amenities for all ages e.g. medical, community, and amenities for all ages.
- Increase footfall and awareness to existing green space through ensuring safety through lighting and considering installations such as gym equipment, events and community uses.

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#### 7.9. **Business Rates, Conversion to Residential**

#### 7.9.1. **Public Survey**

Union Street, particularly the vacant residential units and empty space above them was a source for concern for many respondents.

Business rates and reduced rent were felt to be a means through which small business and independent cafes, restaurants and shops could be encouraged. These were features that many mentioned they would like to see more of in the city centre alongside a desire for more continental style cafes with outside space.

Similarly support for start-ups and creative industries through rate reductions, and making space available. For others support for existing business was a key factor to be considered with the same methods mentioned.

There was a degree of division between respondents, some felt that office space should continue to be located out of town meanwhile others felt businesses should be encouraged into the city centre.

#### 7.9.2. **Workshop Comments**

Historic family houses are now offices as a result they are tied up in commercial lease and ownership structures. Consequently, redevelopment is likely to be piecemeal. At the moment relative values between residential and other uses requires adjustment. Differences in calculating values and areas might be obscuring the true difference.

Value of a retail unit is in ground floor retail and on Union Street the majority of buildings are listed and therefore if they are empty they are not liable for empty rates. Empty rates incentive is absent.

Additionally the cost of conversion can be expensive due to 20% VAT, listed building issues and building regulations, particularly access issues.

Union Street should not be encouraged to turn into a residential area with rows of doors.

Other underutilised commercial buildings could be more easily redeveloped with less of the issues of converting upper floors; Union Terrace, Golden Square, West End/ Bon Accord would be straight forward, as they are houses and therefore potentially easier wins.

#### Areas of focus:

- Identify, fund and support the first few projects to create the market and set standards and expectations, use local developers and architects. Maybe consider running design competition for targeted buildings.
- Run appraisals to identify potential deficits between values and redevelopment cost and consider incentives.
- Need to balance the redevelopment of commercial space with the development of new modern office space to lure people into modern, well designed space in the city centre. This has been in demand for 20 years but only in supply out of town, could North Dee (behind Union Square shopping centre/ Harbour assist).

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#### 7.10. Central Investment/ Promotion/ Tourism/ Leisure

#### 7.10.1. Survey

Overall many respondents thought that more could be done to promote the city centre. Events and culture were mentioned as important ways in which to bring people in.

Improving the cultural offering was mentioned as a desirable feature by many. Recent initiatives and events were quoted as positive, likewise investment in the Art Gallery. There was a general feeling that there should be more events which were suitable for a range of budgets and age groups e.g. families, markets, concerts in parks.

A key thread of this cultural offering was a desire to promote architecture and historic assets such as Back Wynd, Correction Wynd, The Green etc. and subsidise their maintenance when appropriate as part of public realm improvements. Some felt not all buildings should be protected if they could be strategically important to facilitate better wider change.

Late night entertainment was cause of division. Some people commented that late night drinking should be curbed, particularly to target the noise and mess associated with it. Meanwhile others wanted more places to go including more heated outdoor bars, restaurants and an increased cafe culture.

Others mentioned a need for more choice of things to do in respect of playing sport with only a handful of private operated gyms available.

#### 7.10.2. Workshop Comments

Creation of pleasant, safe, well-lit routes around the city centre to direct footfall. For example the route from the station, between the two shopping centres and around the city's heritage and key buildings. In doing so ensuring clarity for visitors and acknowledge the 90 degree shift Union Square Shopping Centre has created in the structure of the city.

Want to see bold thinking, and bold decisions from the council alongside action bringing plans forward. Whether that be in the form of a strategy or masterplan to agree the destination and route and stick to it resolutely.

Part of this is ensuring the right development at the right density happens in the right place, through working as an investment partner the council may be able to remove some of obstacles to achieving this e.g. viability issues, high risk profile of brownfield sites or lack of incentive for listed, vacant buildings.

This strategy should extend to some buildings are being protected which do not merit the status and could be redeveloped either entirely or through facade retention to overcome some of the challenges or facilitate other developments.

Maintaining Pittodrie within the city centre alongside promoting in town office, residential and retail - a truly mixed use area- is key. This can help overcome the recent historic focus on out of town development.

The city needs to embrace its diversity and become more cultural with it. Opportunity to create a cultural triangle with art gallery, theatre, proposed hotel at Woolmanhill and Triplekirks. A Michelin starred restaurant would complete this area.





The city needs to work on its leisure destinations beyond Union Square. The Green is nice but not yet its own destination and the other offerings are spread out but by encouraging them together then hubs can be created appealing to different groups. This may also reduce the issue about late night noise as they more centralised.

Aberdeen Inspired have done an excellent job. Festivals and events promoted through social media were identified as a positive way to encourage people to reengage with their city centre. These events could include promoting the city's heritage, pop up shops and exhibitions.

The harbour is a major and unique asset for the city, blows away visitors. Yet cafes and restaurants can't sustain themselves at the moment and are not helped by design with shops looking towards the car park with a major road blocking direct access. This area has some of the most potential for more residential development but yards remain highly valuable due to their proximity to the harbour.

#### Areas of focus:

- Use of lighting and way finding to create routes and direction to the city's assets and features to support a variety of different city centre users at different times of day and evening.
- Use social media to help residents reconnect with their city centre through well promoted and planned events and initiatives. Consider district websites where people can find out information relating to their neighbourhoods.
- Bold thinking and bold decisions, backed by a clear strategy and plan which is followed resolutely by a council actively facilitating the development they want to see. Make things happen.

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### 7.11. Planning Policy

#### 7.11.1. Survey

Respondents to the survey looked for a cohesive strategy by all parties with a vested interest rather than piecemeal development and an important component of this was listening to public comments.

There seemed to be a little bit of division with some people looking for planning to protect listed buildings to stop them "drowning in modernity" meanwhile others thought development should be more design led and move away from granite.

Redevelopment of brownfield sites and refurbishments were viewed positively alongside promoting more residential, more employment, PRS development, affordable housing and to allow developments without parking.

#### 7.11.2. Workshop Comments

Perception that planning focuses on reason not to allow an application rather than reason to, can potentially make people think twice about starting.

### **Consultancy Process**

Planning consultation has to be meaningful. At the moment there appears to be a perception of a disconnect, between consultation process and what comes forward. This was supported by community council comments alongside architects. The former were unsure which consultations were important and the latter commented that good design can be a good way to drive positive change, but only if comments are taken on board.

#### **Listed Buildings**

Whilst having respect for existing architecture is important, the best way of preserving heritage is for it to have an active use. Redevelopments must be considered on a case by case basis. In some buildings there might be little left to preserve.

#### **Clarity**

Lack of clarity over planning cited as a source of development risk. Therefore gaining clarity on key factors was considered important and the below factors were raised:

- Supplementary guidance
- Statutory guidance
- Position on vertical mixed use
- Building requirements/ consistency
- Position on change of use
- Affordable housing contribution for developments over 8/9 units
- Design requirements e.g. dual aspect
- Section 75s (agree before committee, rather than at it where wild cards appear)
- Car parking requirements

#### **Master planning**

Gap sites are not always the best option, need to master plan their context and as part of this identifying the best density for each site and within that the parts of the site. Furthermore stop using single use zoning for whole areas. Aberdeen is small and therefore need to be encouraged. For example the port area could be more mixed use.

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#### Areas of focus:

- Planning was viewed as the key to achieving increasing the residential population. Initially perceptions need to be changed and this will be achieved through consistency and positive PR.
- Improve consultation process. Ask communities what they would like to see and make the community consultancy process clearer meanwhile give architects meaningful input through the architects review panel.
- Fast track planning for sites fulfilling and complimenting the vision for the city centre supported by a clear and consistent framework for requirements such as those mentioned previously to mitigate development risk.

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### 7.12. Parking, Public Transport and Traffic

#### 7.12.1. Public Survey

#### **Parking**

Parking was mentioned by a lot of participants. For many the focus was on the experience of those visiting the city centre. There was a demand for more safe, accessible and cheaper car parking within the city centre. Parking charges continuing until 8pm in the centre of town was viewed as detrimental when Union Square offers cheap parking. Solutions included stopping parking charges earlier, offering first thirty minutes free and reintroducing parking on Union Street to support local businesses.

Of those considering it from a residents perception. The cost of on street parking permits, particularly for a two car households alongside the lack of parking were viewed negatively. Solutions included residents only parking either on street or car parks alongside including the cost of parking permits within council tax bill.

#### **Traffic**

Many respondents felt that the urban realm would be improved through the removal of cars and the creation of more pedestrian areas. Suggestions included turning roads into parks/ gardens. Union Street was mentioned as key place for pedestrianisation, only allowing buses and taxis, reducing lanes, increasing pavement size and improving traffic flow.

#### **Public Transport**

Overall comments on the public transport system were negative. The service is viewed an expensive, inefficient lacking bus lanes and not servicing the community. Many people felt that First Bus have a monopoly and were not motivated to improve the service.

Respondents would like the see greener models of bus, cheaper cost, more reliable service to all parts of the city and shire, a transport hub, active bus lanes, a better night service alongside clear signposting of routes and service.

Cycle infrastructure such as cycle paths and routes was mentioned regularly as something people would like to see more of.

#### 7.12.2. Workshop Comments

#### **Parking**

Need to factor in car parking into proposals and therefore need to factor in adequate and secure parking solutions. Parking charges impact on local businesses. Contrast first 45 minutes free in Rosemount with the cheap parking at Union Square and the heavily charged parking around Union Street.

#### **Traffic**

**Public Transport** 

Nothing runs exactly parallel to Union Street creating challenges when directing traffic away from this major street yet some people thought that this street would benefit from pedestrianised or at least widening pavements and using zebra crossings to make it a place for people. At the moment it somewhat of a bus depot with many major routes running along it.

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The current perception is that driving is cheaper, more pleasurable and more reliable than taking the bus. This is particularly relevant in relation to late night services which are limited and they are inhibiting people coming into the city at night which is in part a reflection of the new lower drink drive limits.

Connectivity is key and therefore should be strategically considering rail halts and bus routes. The 727 bus route which connects the bus station and airport has proved to be a popular commuter route as it passes through a number of out of town business parks. This fast service runs every 15 minutes, costs £3.50 return and has proved that when the right service is there, commuters will use it.

#### Areas of focus:

- Initiate reliable, affordable park and ride services along key routes into and out of the city
- Create bus lanes which allow the buses not to get caught in traffic
- Create a night time strategy encompassing reducing some parking charges after 6pm, affordable and reliable night safe routes.

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#### 7.13. Public Realm

#### 7.13.1. Public Survey

The appearance of Union Street in particular was frequently commented on regularly by respondents with the majority of those commenting negatively.

The streetscape in respect of pavements, signage and colours was identified as could be improved and there were a number of comments about the street's cleanliness and litter levels. Seagulls were also mentioned as source of pest due to their presence in the city centre.

The buildings were commented on as needing improvement as many commented that they were showing signs of neglect and being run down. Support should be given to enforce property maintenance through owners and tenants.

The public realm around the harbour was also mentioned as an area which would benefit from improvements to the public realm, making it a nicer place to spend time.

Seagulls were viewed negatively. Suggestions included plastic eggs to reduce numbers alongside changing waste removal strategies.

#### 7.13.2. Workshop Comments

People want to live somewhere attractive and there have been a number of positive improvements thus far including floral displays and street furniture.

Currently the city centre is not considered a nice place to spend time and struggles to compete with more attractive areas just beyond the city centre periphery which have more pleasant public realms.

Getting the environment right is imperative and key component of this is safety and lighting. Many of the stairwells and underpasses in the city centre are dingy.

Pedestrianisation of some parts might make it a nicer place to live but this can make it feel like a commercial rather than residential area and therefore potentially less safe.

Need to take a holistic approach and be aware that these things take time but with patience and cash can happen.

#### Areas of focus:

- A waste removal strategy for example set collection times and publishing this so that residents know it is happening.
- Consider improving key routes through lighting, path improvements
- View Union Street like a shopping centre with facility management operating in zones in order to communicate with tenants and owners and bring about change and improvements.

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### 7.14. Housing

#### 7.14.1. Public Survey

The type of product available is something that many respondents commented that they would improve. Currently, there is little differentiation between products, and a lack of variation in the size of product available and there is a lack of family housing.

It was also felt that there was little correlation between the quality of the product and rent or value being sought. This meant there was little motivation to upgrade and landlords in particular should be encouraged to improve the quality of products available without increasing the cost. Many also commented that existing stock was inefficient in respect of heating and insulation. This extended to the building fabric and was commented that more could be done to enforce building maintenance for example grants and loans for communal area improvements.

Many people commented that they would like to see the cost of housing reduced so that it was more aligned to those not earning the oil and gas industry premium. Many commented on the need for affordable both in the social housing context and regular housing context.

Encourage affordable and high quality management of residential building whether in the form of support for factoring services and Wardens. Any new build housing should be encouraged and should be quality, efficient and affordable.

Ultimately by making it so good for existing residents they will stay and you will attract more.

#### 7.14.2. Workshop

Biggest challenge is a lack of culture for city centre living. Historically the city centre was lived in and it has only been in the last 25 years ago that the perception has changed.

During this time the markets in the area around the city centre have strengthened and become increasingly popular. These areas have a variety of properties and strong amenity offering and therefore attract a variety of occupiers including young professionals, downsizers and families.

Family and professional quality products are not available in the city centre. There is an oversupply of two bedroom flats and the historic family housing is used as offices.

Quality housing would encourage people to move into the city centre, but need to think about who is being targeted. Ensuring that there are a range of tenures and affordability across the city led many to conclude that different sites could be used to provide for different points in the market.

There are a number of sites available which could deliver landmark level of scale but need to think about design and quality of what is built based on the market. Young and affordable markets need quality but not at the expensive of attainability.

Affordable housing needs to be a component of city centre development. Some commentators suggested that affordable housing contributions from across the city should be concentrated in certain locations, for example the city centre. Meanwhile others commented that affordable housing should be delivered first rather than as an afterthought.





Grow grant used in other places in the past and could give up to 20% in construction costs based upon the internal rate of return for products that were developed at an affordable market value where construction costs higher and the grant covered the deficit. However, it favours large developers who can manipulate the figures rather than SME so should be viewed with caution.

#### Areas of focus:

- Work to redevelop a city living culture through creation and promotion of benefits to help the city centre compete with the strong markets on its periphery.
- Encourage high quality development to encourage improvements across all tenures.
- Consider systems to encourage landlords and owners to maintain and improve their property to reduce the lack of correlation between quality of stock and rent/ asking value.

Savills Consultancy Report to Aberdeen City Council



Work stream 1: Quantifying the existing residential market Aberdeen city centre

8. Workstream One Recommendations





The objective of this first of four reports is to provide insight into the current residential offering within the city centre. This has encompassed both analysis of demographics, the residential markets, potential development opportunities and public and stakeholder engagement.

We are aware that there are strategies and separate surveys underway by Aberdeen City Council and its partners to assess traffic, parking and public transport alongside investment in lighting and wayfinding. These were key areas of feedback we received in our survey and we welcome the council's proactive approach to finding solutions and therefore comments on these will not form part of our work stream one recommendations.

#### 8.1. Bold Strategy and inspirational leadership

Continuing to commit to a vision of Aberdeen City Centre as a vibrant place in which to live, work and invest achieved through inspirational leadership and joined up strategic thinking.

Measured through the number of people living in the city centre, improving the breadth of residents and quality and diversity housing alongside increased private investment in the city. This will be achieved through a combination of positive promotion, council leadership, pump priming, supportive policy and innovative development models.

Take inspiration from initiatives used successfully elsewhere to create an Aberdeen specific strategy. This will not be a short term project but will be achieved incrementally through commitment to a vision for the city

#### 8.2. Build upon existing neighbourhoods

Create a strategy to identify, support and improve upon existing neighbourhoods. Measured through the maintenance and growth of residential populations of all ages and life stages within the city centre e.g. products suitable for downsizers are missing and thinking about what would draw them in to the centre.

Achieved through ensuring that these neighbourhoods are fully functioning, walkable neighbourhoods in their own right with shops, amenities and a variety of residential offering. This will involve a strategic analysis of public realm, green space and existing stock to identify where investment and policy would be best placed in order to maintain and attract people into these neighbourhoods.

Neighbourhoods exist already within the city centre and initiatives should be considered which enhance the brand identity of each. Some initiatives will be relatively easy to achieve quickly such as public realm improvements meanwhile others will take a longer, more comprehensive approach.

#### 8.3. Creating a destinations

Continue to encourage people to spend more time in the city centre through creating destinations for different aspirations. Increase the number and variety of leisure offers within the city centre.

Strategic licensing, support for events and local businesses to create clusters of activity and consequently creating distinct destinations and mitigating potential issues surrounding shared public space.

Build upon initiatives such as Inspire Aberdeen and investment in existing destinations such as The Green, Belmont Street and the art gallery through support for cafe culture and independent restaurants. Elements of this will be short term but will require a consistent approach.

Work stream 1: Quantifying the existing residential market Aberdeen city centre



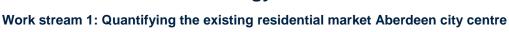
# Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.

Savills Consultancy Report to Aberdeen City Council





Appendix 1: Public Engagement Survey





Appendix 2: Professional Engagement Workshop Questions



Work stream 1: Quantifying the existing residential market Aberdeen city centre

Appendix 3: Union Street Conversion Case Study Findings





Union Row (1st and 2nd Floor, 222 and 228 Union Street)	
Reason for Selection:	Current Application
Proposal:	Change of Use from Class 2 (Financial, Professional & Other Services to 8 Flats (Sui Generis) Including Minor External Alterations to Rear
Valid Date:	09/03/17
Approval Date:	N/A
Issues/ Actions:	Roads: eligible for 1 parking permit per flat, compensates for zero parking provision onsite.  CCMP: Support  EH: Noise NIA required (NMA, pub and ventilation); AQ – Closed windows
	to Union Street, notify EH is CPS are provided (AQ impact of cars) Waste: Provide dedicated bin store; £ for bins.
<b>Comments/ Actions:</b>	No issues
Application Ref:	170194/DPP

133 Union Street	
Reason for Selection:	Delayed
Proposal:	Change of Use of upper floors from vacant offices to six flatted properties with associated cycle parking at rear ground floor and alterations to the window layout on the rear elevation
Valid Date:	21/04/15
Approval Date:	N/A
Issues/ Actions:	Air quality and noise mitigation required – stated in supporting reports. 6 secure cycle parking spaces required.
Comments/ Actions:	Legal agreement has taken around 2 years to agree heads of terms and disentangle the complicated historic title deeds.
	Disproportionate education contribution (circa. £45k) sought; alongside car club membership and money for waste facilities.
	No s75 would speed up planning, but title issue would still be an issue at sale.
Application Ref:	<u>150562</u>





Triple Kirks, 69-71 Schoolhill	
Reason for Selection:	Committee Determination
Proposal:	342 units of student accommodation and ancillary facilities
Valid Date:	3 August 2015
Approval Date:	12 February 2016 (Committee date 10 December 2015)
Issues/ Actions:	HES preferred student housing scheme to offices that had permission.
	Developer obligations sought for provision of open space and towards Sport Aberdeen.
	Initial delay with design issues that could have been front-loaded.
	Long delay between committee approval and issue of decision – case officer on sick leave, committee report delegated, but no delegation after committee decision.
Comments/ Actions:	Initial delay due to lack of communication at pre-application stage; subsequent delay due to management in the absence of the case officer.
Application Ref:	<u>151239</u>
6 Golden Square	
Reason for Selection:	Refused then Approved
Proposal:	<ul> <li>2015: Change of use/ internal alterations of office to 13 residential flats, replace windows and over clad of rear of building.</li> <li>2016: Change of use of office / internal alterations to form 13 residential flats, replacement window and enlargement of lightwell</li> </ul>
Valid Date:	2015: 08/07/15 2016: 09/03/16
Approval Date:	N/A 20/06/16
Issues/ Actions:	<ul> <li>2015: No detailed drawings of proposed windows, replacement not justified; Trespa cladding for rear extension of insufficient quality for a B-listed building and Union St Conservation Area; unacceptable amenity for all units - outlook and amount of natural light severely restricted for units 1 and 6 (below pavement level), bedroom 2 of units 6, 8, 10 and 12 would look out over an internal lightwell, which would unacceptably limit their outlook and natural light; failed to provide sufficient secure and covered cycle spaces.</li> <li>2016: Community Council support; cycle store provided; redesigned so that</li> </ul>
	the kitchens front the lightwell; window replacement justified; Trespa cladding removed.
Comments/ Actions:	<ul> <li>2015: Both applications refused; decisions upheld by the Local Review Body and Scottish Ministers upon appeal.</li> <li>2016: Listed Building Consent Application, Planning Permission awaiting decision - s75 required.</li> </ul>
Application Ref:	151103 PP 151104 LBC 160291 PP 160293 LBC





Woolmanhill Hospital, Skene Street			
Reason for Selection: Market Demand			
Proposal:	<ul> <li>PP: Proposed change of use to create 40 residential apartments (including10 affordable housing units), a 52 bedroom boutique hotel and 27 separate hotel suites, with associated car parking and landscaping.</li> <li>LBC: The conversion, including demolitions, alterations and extensions etc, of the former Woolmanhill Hospital site to create 40 residential apartments (including 10 Affordable Housing Units), a 52 bedroom hotel and 27 separate hotel suites, together with undercroft car parking</li> </ul>		
Valid Date:	24/06/16		
Approval Date:	N/A – Case officer on long term sick leave, case not delegated.		
Issues/ Actions:	Environmental Health request contamination survey condition.		
Comments/ Actions:	Onerous level of upfront conservation detail required – time consuming and not related to the principle of the development – could have been conditioned.  Regular update meetings to head off issues.		
	There were some resourcing issues within the planning department during the planning application process for the development. The case officer responsible was suddenly taken unwell. The reassignment of cases took some time and once the case was reassigned it proceeded.		
Application Ref:	160802 PP 160801 LBC		





Atholl House, 84-88 Guild Street		
Reason for Selection:	Market Demand	
Proposal:	<ul> <li>PP: Mixed use development: student accommodation and ancillary uses; hotel; retail; food and drink; public space; improved linkages; and demolition of the existing building.</li> <li>LBC: Proposed partial demolition of the northern parapet on the Guild Street Bridge, extension to former Ticket Office building, and formation of slab to create a plaza which will contain the former Ticket Office building and Guild Street Bridge.</li> <li>CAC: Demolition of Existing Office Block and Associated Facilities.</li> </ul>	
Valid Date:	PP: 24/06/16 LBC: 26/08/16 CAC: 12/08/16	
Approval Date:	N/A	
Issues/ Actions:	SEPA: Withdrew Flood and structural objection Roads: Support - 22 cycle spaces; 5 car parking spaces (3 Disabled/ 2 regular); Travel Plan HES: No adverse comment HES: Does not object	
Comments/ Actions:	Market circumstances. Large development, and upfront investment, uncertain returns.	
Application Ref:	160792 PP 160178/LBC 161077/CAC	

Aberdeen Resident	ential Strategy Policy Constraint/Viability		
Reason for	Policy Constraint/ Viability		- 11
	ying the existing residential I	market Aberdeen city centre	savills
Proposal:	Conversion		
Cimmon Bun		Fuelly Dennier	
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**Work stream 2: Opportunities and Constraints** 

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**Work stream 2: Opportunities and Constraints** 



### Introduction

### 1.1. Purpose

This report is the second in a four part research programme. Its purpose is to consider trends within the commercial property market and how these are interacting, and potentially creating opportunities for residential development in the city centre.

### 1.2. Approach

We will comment on the local commercial property market, both historic and current. In doing so, we will consider occupier trends, and ultimately identify vacant properties and development opportunities within this context.

We will then consider these opportunities in respect of the policy framework in which they operate; planning and building regulations.

This will help form the basis of our site analysis and appraisals. We intend to take a number of existing or potential development opportunities across the city and run appraisals on these opportunities to assess their viability. This will help us understand where the market is on these products.

Finally, we will provide key recommendations for consideration by Aberdeen City Council.

### 1.3. Next Steps

There are two further reports to come forward as part of this instruction. The next report will consider how comparable cities have grown their populations and encouraged city centre development. This will encompass analysis of demographics and policies. The final workstream will provide our considered recommendations for the Council to take forward.

**Work stream 2: Opportunities and Constraints** 



Economic circumstances are changing the city's development dynamics and creating a considerable number of development opportunities. These include converting upper floors and finding new uses for buildings which are no longer in demand for their current use.

However, many of these development opportunities are very challenging and our analysis of example appraisals shows that some are also unviable or unprofitable, which will make them access development finance for.

Therefore we recommend that Aberdeen City Council consider our recommendations to support, and actively encourage, the development of these opportunities to support the city centre strategy. Failing to do so might risk these buildings remaining vacant and falling into disrepair. Meanwhile supporting development will create a more vibrant city centre and the bonus of additional council tax receipts.

### **Executive Summary**

#### **Commercial Market and Oil and Gas**

The performance of the Aberdeen commercial property market is inextricably linked to activity in the North Sea Oil and Gas Exploration and Production Sector, and there is a clear correlation between demand for commercial property and the price per barrel of Brent Crude Oil.

As is much publicised, the cost of Brent Crude Oil declined significantly from its peak at \$120 in Summer 2014, bottoming out at \$30 per barrel in January 2016. It has stabilised recently at between \$50 and \$55.

#### **Office Market**

The drop in oil price has created a correlated drop in demand form energy sector occupiers. This has been met by a significant increase in supply as occupiers introduce excess accommodation to the market at a time when speculative office developments are nearing completion. As a result, the market is witnessing an over supply of accommodation.

Recently, the availability of new Grade A stock in the city centre combined with increased vacancies elsewhere is bringing about a 'flight to quality'. The demand for high quality accommodation is reducing the attractiveness of some of the city's older stock, creating potential redevelopment opportunities.

#### **Industrial Market**

The industrial market has not suffered to the same extent as the office market in Aberdeen, largely due to a lack of industrial development over the past ten years. As a result, headline rental values have remained relatively stable following the oil price crash, however demand has undoubtedly fallen.

**Work stream 2: Opportunities and Constraints** 



While office development halts, industrial development is considered more attractive and profitable. Indeed, we have seen a number of key deals struck in the City which renews focus on industrial development.

#### **Retail Market**

Whilst there are few vacancies within the shopping centres there are a high number of vacancies or occupiers on short term leases or licenses on Union Street, particularly to the east and west most areas of the street.

Additionally, many of the occupiers are not of the quality you would expect for a city's major shopping parade and therefore the street is facing a number of challenges with the retail core consolidating to a north south axis.

#### Leisure

The economic performance in Aberdeen has led to a decline in discretionary spend within the city. As a result a number of restaurants and bars have closed. Further, historically high levels of corporate demand has led to a considerable amount of hotel development catering to this market. Recently, hotels have started to diversify to attract tourist and conference visitors.

There have been some new leisure openings, primarily in the shopping centres and the west end of Union Street. The shopping centre focus is forecast to continue with the extension of Bon Accord shopping centre to include a cinema and restaurants.

#### **Planning Policy**

The Aberdeen City Centre Masterplan was adopted in June 2015 and identifies 7 intervention areas and 49 projects to define the masterplan's focus. The masterplan is embedded in the recently adopted Local Development Plan as the Council's agreed vision for the regeneration of the city centre. The Council is commencing development briefs and regeneration frameworks for the regeneration of each the intervention areas.

One such focus is the re-establishing Union Street as the heart of the city which includes stronger north/south linkages, creating a destination and refurbishing and remodelling buildings on Union Street. This provides a positive basis for redevelopment of the vacant space above shops on Union Street.

### **Building Regulations**

Although the City Council is looking to actively encourage city centre development and redevelopment, there are a number of challenges when it comes to older stock. These include structural viability issues, fire regulations, heat loss, and accessibility and viability challenges.

#### **Work stream 2: Opportunities and Constraints**



The best means to maintaining the city's built heritage is for the buildings to have a viable, sustainable and practical re-use and a close working relationships between developers, planners, building control, building standard officers and conservation officers can help everyone come to a positive way forward for the building.

### **Opportunities for Conversion and Development**

Our analysis showed that for many of the developments, the residential development value was less than the perceived current value of the asset. This creates little incentive to redevelop, particularly if the building is listed and therefore does not incur vacant rates. Listed buildings can also require higher levels of expenditure to convert or offer sub-optimal reconfiguration options.

### Recommendations

### 1.4. Recommendation 1 - Be 'Open for Business'

Make life easy for developers and investors to do business by streamlining legislation and reducing the financial obligations which impact the viability of development projects.

This would be measured by market activity. The number of conversions and re-developments in the city centre and the number of developers actively seeking opportunities.

In order to achieve this goal, we would recommend the following initiatives:

- 1. Work with developers to identify solutions to deal with complicated Building and Listed Building Regulations.
- 2. Consider exercising statutory powers and CPO's to assemble land.
- 3. Introduce a Development Manager or regeneration team within the Council who can deal directly with the applicant/ private sector. Must be someone who understands the viability of development projects and the impact changes to consents and construction programmes can have on profitability (i.e be commercially minded). While the Council can subsidise this in the first instance, developers would be willing to pay for this service if it is successful.

We have been advised by a wide range of developers traversing the whole market that the existing planning and building control capacity, particularly in relation to Listed Buildings, make developments and conversions difficult and expensive. Most acknowledged that streamlining the system and having the Council as a support, rather than a barrier, to development would encourage them to actively develop. This will be demonstrated by making information clearly accessible so that developers can clearly understand what is expected of them.

The initiatives will be easy to implement relatively quickly and would be long standing initiatives. The introduction of CPO rights may take longer to implement and should be restricted to key projects only.

**Work stream 2: Opportunities and Constraints** 



#### 1.5. Recommendation 2 - Act as a Catalyst For Development & Investment

As discussed in detail throughout this report, market risk is a key issue impacting development and investment in Aberdeen centre as there is a lack of appetite from developers, institutional investors and lenders to fund and enable development in the city. In order to increase activity, Aberdeen City Council need to demonstrate their confidence in the market and act as a catalyst for investment.

This can be measured through activity in the market and the demand from developers / investors that follows.

In order to achieve this, we would advise the following initiatives:

- 1. Covenant Play -The Council's covenant will attract funding and investment to allow projects to commence speculatively. Financial mechanisms was adopted with Muse for the development of Marischal Square.
- 2. ACC Development Company Demonstrate confidence in the market by committing to the development of a key masterplan project, such as re-development of Queen's Square.
- 3. ACC Land Trader For large development sites, commit to carrying out site clearance and preparation work and introduce smaller, manageable areas of land to the market which would suit requirements. Such a framework, set up by the council, allows a wider mix of developers and increase rates of delivery.
- 4. Assist to fund a development through financial mechanisms.

This is a bold initiative and can have financial implications to the Council if not carefully considered. The initiatives must be subject to certain criteria, and likely restricted to larger scale projects.

This will not be a short term project and will require significant consideration and financial modelling in order to ensure the right projects are chosen.

**Work stream 2: Opportunities and Constraints** 



### 1.6. Recommendation 3 - Plug the gap

Encourage investment and development by considering where the Council can intervene to assist with viability issue...

Can be achieved through the following initiatives:

- Consider removing or reducing developer obligations and requirement for affordable housing within a blanket
  area of the city, particularly on brownfield land or conversion opportunities. During our stakeholder interviews, a
  number of developers and architects advised of a number of city centre projects in the pipeline which would
  commence imminently if there was no, or very little, requirement for developer obligations and affordable
  housing.
- Introduction of grants / funds similar to Rural Housing Fund and Scottish Infrastructure Fund with similar timescale and value restrictions to assist with build costs, VAT requirements for conversions, site preparation work and feasibility testing.
- 3. A publically available and highly advertised website which allows potential developers to identify if they are a small, medium or large developer and submit a short business case confirming their debt requirement. Thereafter, the website can confirm the grants and funds available to them.

There is a wide range of grants available for the development of larger scale projects and affordable housing which have been introduced to meet Scottish Government targets for more housing throughout the Council. Altering these initiatives to make them suitable for brownfield land and adopting a multi-pronged approach where by the grants can assist at all levels of the market would help to address the price and land value gaps that have been described throughout our report.

The grants should be available for a restricted period of time in order to maximise their potential and encourage development.

Savills Consultancy Report to Aberdeen City Council

**Work stream 2: Opportunities and Constraints** 



Aberdeen Commercial Property 1. **Market Overview** 

### **Work stream 2: Opportunities and Constraints**



### 1.1. Market Overview

Demand for residential and commercial property in Aberdeen is inextricably linked to activity in the North Sea Oil and Gas Exploration and Production sector. The vast majority of occupiers in Aberdeen have a link, either direct or indirect, with the energy sector. As a consequence there is a correlation between the price per barrel of Brent Crude Oil, and demand for commercial property in the city and surrounding areas.

The price per barrel of Brent Crude Oil has seen significant decline from its peak at c. \$120 in late summer 2014 to its current level of around \$50. Oil price "bottomed out" at sub \$30 per barrel in January 2016, recovering slightly to \$50 - \$55 per barrel and has remained stable in this range over the last 12 months. General sentiment appears to suggest that global economic factors will ensure that the oil price will remain at, or around, the current level, at least in the short to medium term.

Crude Oil Price \$ per barrel) Take up (sq ft) 1,200,000 120 100 1,000,000 Crude Oil Price (\$ per barrel 800,000 80 Take up (sq ft) 600,000 60 40 400,000 200,000 20

Figure 1 – Aberdeen Office take up and crude oil price (\$per barrel)

Source: Savills, Bloomberg

The drop in oil price has seen a significant tail off in activity from energy sector occupiers, with many companies in the sector having been through, or still going through, a staff rationalisation and redundancy process. This has had a significant and adverse effect on the demand for commercial property across the city. The supply and demand equation is now heavily weighted in favour of the occupier.

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 Q1

2017

#### **Work stream 2: Opportunities and Constraints**



#### 1.2. Office Market

#### 1.2.1. Take Up and Supply

The office market in Aberdeen is currently characterised by huge oversupply, and very little in the way of noteworthy occupational demand.

In 2014, office take up in Aberdeen reached a high of 1.05 million Sqft, driven primarily by an extremely buoyant energy sector, huge pent up demand and a distinct lack of available stock. Office supply in the city at that time was at an unprecedented low, and many occupiers struggled to find suitable accommodation. At one point, it was well documented that there was less than 10,000 Sqft of available Grade A office space across the city.

This lack of availability led to occupiers committing to poorly specified space, often in undesirable locations, simply to satisfy their immediate operational requirements. This shortage of stock, coupled with significant levels of demand, landlord friendly lease terms, and substantial returns, led (somewhat inevitably) to a flurry of pre-let office transactions.

Take up (sq ft) Forecast —Average (sq ft)

1,200,000

800,000

400,000

200,000

2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016Q12017

Figure 2 - Office take up in Aberdeen 2005-2017

Source: Savills, PMA, Trading Economics

Many of these pre-lets were in the periphery of the city, where the majority of the city's development land was found. Much of this land was zoned for Classes 4, 5 & 6 (Office, Industrial and Storage Uses). Developers would often neglect lower value Industrial and Storage uses in favour of chasing the higher value office deals.

In 2014, investor confidence in Aberdeen was at an all-time high, and institutional funds recognised that far higher returns could be made in Aberdeen than other provincial markets. The weight of money coming into the city saw many new buildings built, and forward commitment to three large speculative city centre office developments, bringing some 380,000 Sqft to the city centre. The Capitol (c.80,000 Sqft) and The Silver Fin (c. 135,000 sqft) are now complete. Marischal Square (c.175,000 Sqft) is set to complete shortly.

### **Work stream 2: Opportunities and Constraints**



The drop in oil price and fall in demand from the energy sector came at precisely the wrong time for Aberdeen. Just as unprecedented levels of supply were being delivered, office take up dropped over 50% to 403,000 Sqft in 2015, and reduced again to 230,000 Sqft last year. This is the lowest level of take up experienced for many years, and is significantly below the 10 year average of approximately 700,000 Sqft.

As a result of the fall in demand, office supply in the city has reached an unprecedented high. There is in excess of 2.5 million Sqft of available office space across the city, circa 4 years supply, based on 10 year average take-up. Much of this space is poor quality, effectively obsolete accommodation, which will require to go to alternative use.

The increase in supply of Grade A accommodation has resulted in a "migration to quality" with occupiers trading up the quality of their office space and taking advantage of rental incentives. Their former poor quality accommodation is lying vacant or being put to alternative use.

The growing recognition of the benefits derived from flexible open-plan accommodation may also lead to a reexamination of former period town houses in terms of change of use back to residential accommodation.

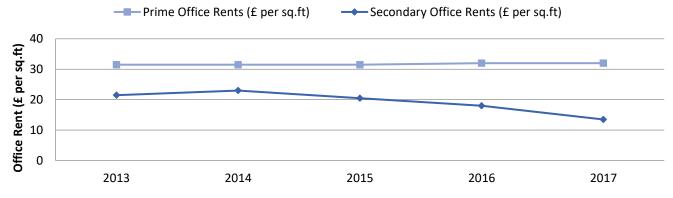
Notable office lettings in 2017 have been by Total with 108,000sqft at Westhill; Marathon Oil with 32,000sqft on Hill of Rubislaw and most recently Chrysaor who have taken 48,000sqft at the Capitol on Union Street leaving only c.10,000sqft remaining in this Grade A building. This last letting is perhaps also a portent of things to come as it is the first sizeable office letting in Aberdeen city centre for many years.

As more occupiers see the benefit of both Grade A accommodation and the benefits of a city centre location for their staff, there may be a requirement for additional Grade A stock in the city centre. The market will, of course, dictate.

#### 1.2.2. Rents

In line with a high level of demand and distinct lack of stock, rents for prime Grade A stock in 2013/2014 hit an all time high for the city at £32 per sq ft. While the high rent reflected peak market conditions, it further reflected the quality of accommodation that had not been seen in Aberdeen for quite some time.

Figure 3 – Chart showing Office Rents (£per sq.ft) (2013 -2017)



Source: Savills

### **Work stream 2: Opportunities and Constraints**



Since the drop in oil, and the subsequent fall in demand for office space, prime headline rents have remained stable, partly due to occupiers now demanding high specification, open plan, Grade A offices that they were unable to obtain at the latter stages of the bull market. However, the inclusion of rent free periods and premiums have increased significantly which has impacted net effective rents. Indeed, at the height of the market, an occupier was considered to have achieved a good deal if any rent free incentives was offered for 10 year lease agreements, where as 18 – 24 month incentives are now common place within the market.

Headline secondary rents have been impacted to a greater extent having decreased from their peak of £23 per sq ft in 2014 to a current value (Summer 2017) of less than £15 per sq ft as landlords seek to cut rents to avoid vacant rates and holding costs.

#### 1.2.3. Yields

Prime office yields have remained relatively static over the last 12 years fluctuating within a window of 6.0% and 7.5%. There continues to be demand from investors for prime investments with long leases of 10 to 15 years, incorporating fixed rental increases, to strong covenants. For example, the 100,000 sq ft Grade A office let to Lloyd's Register for 15 years was sold earlier this year for £41.28m reflecting a net initial yield of 6.85%.

However, investments that fall short of this strict criteria attract very limited demand. In recent years, when demand for office investments was at its peak, there was a very small gap between prime and secondary yields. However, this gap has widened significantly as investors attitude towards Aberdeen has changed and there is generally less demand for secondary investments. 'Vulture' funds have emerged in the market who are taking advantage of vendors who need to sell in a weak economy and will accept offers at less than market value in order to secure a sale.

Savills Consultancy Report to Aberdeen City Council

#### **Work stream 2: Opportunities and Constraints**

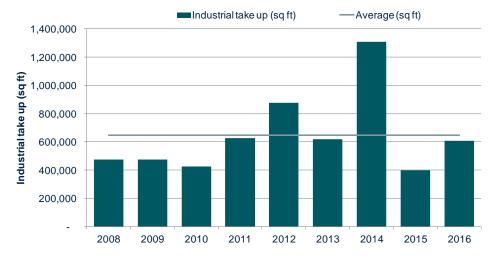


### 1.3. Aberdeen Industrial Market

#### 1.3.1. Take up and Supply

Take up in the industrial market has been less volatile than the office market, with take-up in the city at approximately 600,000 Sqft, very close to the 10 year average.

Figure 4 – Industrial take up 2008-2016



Source: Savills

Demand remains comparatively strong for new build high specification industrial stock and there are only a handful of high quality industrial buildings across the city which are available for immediate occupation – 7A International Avenue at ABZ Business Park, Core 3 at The Core Business Park, Pavilion 2 at Kingshill Commercial Park and H2 at Aberdeen Energy and Innovation Parks.

In addition to the above, we have witnessed a number of occupiers who do not require to be based within Aberdeen city, relocating to areas out with the city in order to benefit from the lower land prices and cheaper rents. Industrial estates in areas on the periphery of Aberdeen such as Inverurie, Kintore, and Blackburn have grown over the last few years as a consequence. This has left some older industrial buildings within the city's industrial estates looking for occupiers and needing considerable reinvestment or redevelopment. Those which are economically and functionally redundant may require change of use.

Supply has increased over the course of the last 24 months, currently standing at c. 2m Sqft which is in excess of 3 years take up, based on a 10 year average. However, we have not seen the same number of surplus industrial facilities come to the market in comparison to the office market, as energy sector occupiers still need to retain industrial accommodation for operational and storage purposes, despite reducing headcount.

Of the supply in the market, approximately 600,000 Sqft (30%) is located in Dyce with the remainder on peripheral industrial estates. There is a very marginal market for industrial buildings within the city centre due to archaic constructions, layouts, absence of yards and congested access.

### **Work stream 2: Opportunities and Constraints**

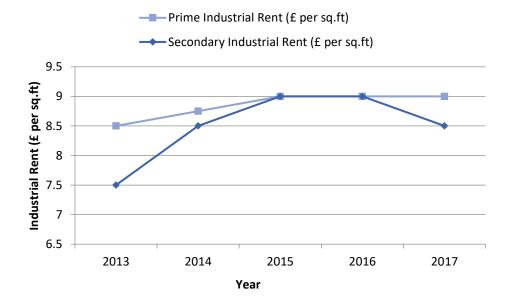


### 1.3.2. Rents

Headline rental values for prime industrial accommodation have also proved to be resilient despite current market conditions, with deals continuing to achieve headline rents in line with those experienced prior to the market downturn. Similar to offices, incentives have been introduced in order to attract longer lease terms however we have been involved in recent lettings at ABZ Business Park in Dyce and Kingshill Commercial Park in Westhill where, aside from incentives and in some cases lease length, the deals have mirrored those achieved pre oil price fall.

However, when the market was buoyant there was only a marginal difference in rents between second hand and prime/new build industrial accommodation, largely due to a low level of supply. We are now witnessing a gap between the two markets with second hand stock having to be appropriately priced in order to attract occupiers.

Figure 5 - Chart showing Industrial Rents (£persq.ft) (2013 to 2017)



Source: Savills

### **Work stream 2: Opportunities and Constraints**



### 1.4. Vacant Office and Industrial Space

We analysed the number of vacant office and industrial units within the Aberdeen City Centre boundary. There were 295 vacant office spaces identified. Of these, 4 had become vacant between January and March 2017, 23 became vacant in 2016 of which 14 were units at 1 Thistle Street which is the Blue Sky Serviced Office Space. A further 19 units have been vacant since 2015 and a further 36 since 2014, the 17 of which were at Regent Road and Regent Quay.

Units around the Harbour have typically been vacant for longer. For example Regent Quay, Blackie's Quay and Poynernook Road account for a large number of the vacant space. Furthermore 92 vacant units are within AB11 5 postcode sector, the area covering the harbour.

There are 59 vacant office units on Union Street with many of them in clusters around key buildings. For example there at 18 vacant units at 210-14 Union Street and 6 units at 46a Union Street which covers the Union Chambers building.

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Map 1 - Map showing vacant office space in Aberdeen City Centre

Source: Aberdeen City Council/ Savills Research/ OS

### **Work stream 2: Opportunities and Constraints**



When we consider the location of the vacant office stock in relation to listed buildings it becomes apparent that there is a degree of correlation between listed buildings and vacancy. This is particularly the case along Union Street and Union Terrace where the majority of stock, and therefore vacant stock, is located within B, and occasionally C listed buildings.

There are a handful of vacant units within A listed buildings including at Woolmanhill Hospital which is proposed for new hotel and residential development.

Listed Building
By Listing Category

By Cont

Co

Map 2 - Map showing vacant office space with listed building layer in Aberdeen City Centre

Source: Aberdeen City Council/ Savills Research/ OS

**Work stream 2: Opportunities and Constraints** 



### 1.5. Retail Market

### 1.5.1. City Centre Retail Provision

Total retail floor space in Aberdeen city centre is estimated at 2.21m Sqft. The core retail area in the city centre, as defined by PMA, includes part of the historic prime pitch of Union Street, which stretches east to west, and the city's four main shopping centres - Bon Accord Centre, St Nicholas Centre, Trinity Centre and, more recently, Union Square – all of which are situated in a linear formation north to south. In addition, there are two small specialist shopping centres, The Academy and The Galleria, with the latter occupied by local/independent retailers and bars.

This differs from the area identified as the retail core in the Local Development Plan, which identifies Union Street between its junctions with Bon Accord Street and Huntly Street in the west; and Broad Street and Shiprow in the east.

OP80
OP91
OP95
OP96
OP96
OP96

Map 3a - Map showing the Retail Core (light blue) defined in the Aberdeen Local Development Plan

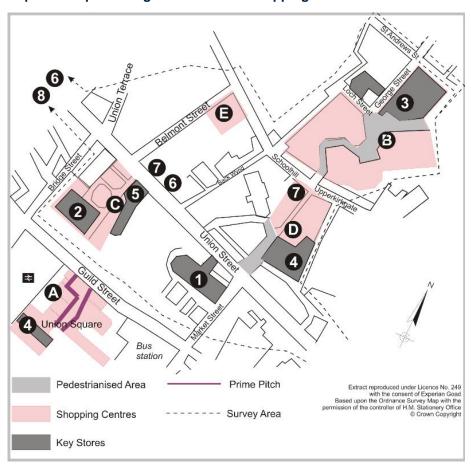
Source: Aberdeen City Council

### Work stream 2: Opportunities and Constraints



The plan below shows the layout of the city's prime retail offer as per PROMIS, the UK Property Marketing Information Service:

Map 4b - Map showing the location of shopping centres in Aberdeen



Source: PROMIS

Α	Union Square	1	Former BHS (now closed) and Aberdeen Market
В	Bon Accord Centre	2	Debenhams
С	Trinity Shopping Centre	3	John Lewis
D	St Nicholas Centre	4	Marks & Spencer
Е	The Academy Shopping Centre	5	Primark
		6-8	Convenience Stores

#### **Work stream 2: Opportunities and Constraints**



### 1.5.2. Aberdeen Retail Position

Aberdeen is a regionally dominant retail centre with few, if any, competing centres. The city undoubtedly serves the majority of the shopping needs of the population of north-east Scotland. The city's major competitors, Dundee and Inverness, are well over an hour's drive away. While the regional centres of Edinburgh and Glasgow both enjoy a superior retail offer to that of Aberdeen, they are around 2.5 to 3 hours distant and so are unlikely to attract any more than very occasional, special shopping trips.

As per PROMIS, Aberdeen ranks 15 on the basis of its PMA Retail Score and 15 on the PMA Fashion Score; the city ranks 17 on the PMA Anchor Score. Aberdeen has broadly the expected volume and quality of retail provision relative to the size and affluence of the shopping population.

#### 1.5.3. Availability

In July 2017, PMA reported a vacancy rate in Aberdeen city centre of 8.7%, well below the Retail PROMIS average for the remainder of the UK.

The majority of vacant units are located on Union Street which has become less popular among retailers following the completion of Union Square and the change in the flow of pedestrian footfall. Many occupiers have relocated to either Bon Accord / St Nicholas or Union Square and we expect this trend to continue, to the detriment of retailing on Union Street.

There is a growing trend for the conversion of retail units at the West End of Union Street, where retail demand is low, to be redeveloped for leisure or office use. For example, the former Bruce Millers store has been demolished in part and is otherwise being converted to a Hotel with rooftop restaurant. Dr Noodles converted a former retail unit for use as a restaurant / takeaway and the former Waterstones on the corner of Union Street and Bon Accord Street is now occupied by Café Andaluz and local operator So....

#### 1.5.4. Retailer Demand

Aberdeen has a relatively high level of demand for a city of its size and status. The number of active requirements for Aberdeen has fallen slightly in recent years because pent-up demand was temporarily satisfied by the opening of Union Square but remains higher than the Retail PROMIS average.

Demand for units in Bon Accord, St Nicholas or Union Square is likely to continue from existing retailers who are seeking to relocate from Union Street and retailers seeking to gain representation in the city when a suitable unit becomes available. Retailers, such as Whistles, Ted Baker, Timberland and Space.NK, are conspicuous by their absence in the city.

As discussed earlier, Aberdeen is a sufficiently strong retail centre for some of the larger fashion retailers to trade from more than one store in the city, although we would expect some retailers to be re-assessing their requirements for new stores in the city on account of the micro-economic conditions currently affecting the city.

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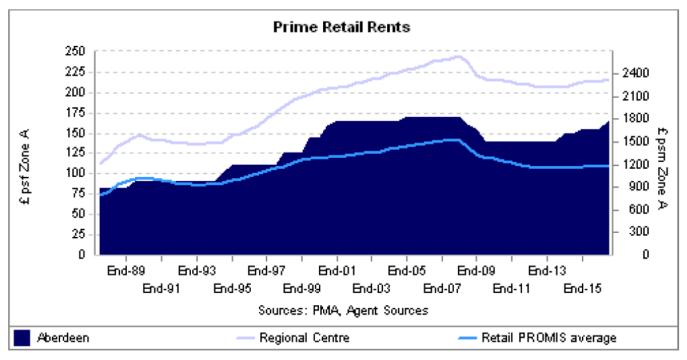
#### **Work stream 2: Opportunities and Constraints**



### 1.5.5. Rental Levels

According to PROMIS, Prime Zone A rents in Aberdeen remained relatively stable at around £160 - £170 per Sqft Zone A during the 2000s before starting to decline in 2009 in-line with market trends and in response to the significant increase in supply following completion of Union Square, since then prime rents have recovered to around £165 per sq ft Zone A, as illustrated in the following chart:

Figure 6 - Chart showing rental levels in Aberdeen



Source: PROMIS

Prime rents in Aberdeen compare favourably to the Retail PROMIS 200 centres average of £110 per sq ft but falls behind Edinburgh (£250 per sq ft) and Glasgow (£315 per sq ft). The closest retail centres to Aberdeen are Dundee and Inverness which achieve £85 per sq ft and £70 per sq ft respectively.

Rents in Union Square command the highest levels at an estimated £165 psf Zone A. In comparison rents on the main ground floor mall of Bon Accord are at £140-£150 psf Zone A, with St Nicholas Centre slightly less at £110 psf Zone A, and Trinity Centre lesser still at £80 psf Zone A.

The best stretch of Union Street remains the eastern half near the intersection with St Nicholas Centre up to Trinity Centre, where footfall is at its highest. Rents within the most prime pitch have fallen to approximately £80 - £90 psf Zone A. Rents fall away sharply the further west and east along Union Street, dropping to around £30-45 psf Zone A.

### **Work stream 2: Opportunities and Constraints**



### 1.6. Leisure Market

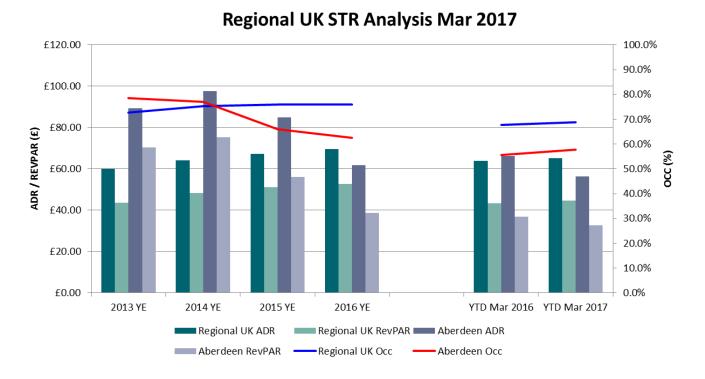
#### 1.6.1. Hotels

Aberdeen's hotel sector has traditionally catered for the corporate market, receiving a steady stream of business from those working in the oil and gas industry. Recent development has primarily focused on out of town especially around the Airport in Dyce, in preference to the City Centre, in order to cater to this market. As result the performance of the city's hotel sector is closely linked to the price of oil and as a result Aberdeen's REvPAR growth has fallen back.

Since the shift in oil price Aberdeen has gained a reputation for an over-supply of hotel bed spaces and this is likely to continue for the medium term and with 366 bedrooms recently added in 2016/17 and 863 bedrooms in the active pipeline, the current imbalance between supply and demand in Aberdeen is likely to become further accentuated. This may improve in the long run as the North East aims to improve its tourist industry and current infrastructure improvements will allow the City to act as a gateway to the rest of the North East, however this will be measured in time.

The below graph shows the context of Aberdeen performance against regional UK:

Figure 7 - Chart showing Aberdeen and Regional UK cities RevPAR and Occupancy



However, there are a number of new trends emerging.

### **Work stream 2: Opportunities and Constraints**



Firstly, conferencing facilities. In the past two years two hotels offering conference facilities have opened in the city and recently the Sandman Hotel Group, a Canadian private hotel chainwill shortly complete the construction of a 217 bed hotel with three on-site restaurants, conference and business centres and associated leisure provision. The development of the Aberdeen Exhibition and Conference Centre will further contribute to the conference reputation of the city and will hopefully attract a new guest profile.

Secondly, increasing development of the tourist industry focusing on golf, outdoor sports, whisky distilleries and art tourism. With over 50 golf courses located in and around Aberdeen, the city is a popular venue for golf holidays and weekend breaks. Donald Trump opened the Trump International golf course in July 2012 bringing fresh awareness of the area's golfing heritage. In addition, Aberdeenshire is a popular location for outdoor sports and whisky distilleries and there is an opportunity to attract tourists to stay in the city, rather than the surrounding areas.

Despite efforts to broaden its offering, Aberdeen's performance is still heavily reliant on trends in the global oil market. The substantial issues highlighted above are not likely to be resolved in the short term and, as such, we expect hotel performance trends to decline further before recovering. Sandman Hotel Group's recent development is a notable and very welcome exception.

#### 1.6.2. Restaurant

The local economic situation in Aberdeen has seen a reduction in discretionary spend with consequential impacts on bars and restaurants in particular. In Union Street and the surrounding area we have seen the closure of a number of restaurants (Jamie Oliver and Cue BBQ) to add to the closure of a number of standard retailers such as Office, Shuropody, Santander and British Home Stores.

Restauranteurs who do not wish to be located in the shopping centres are focusing on the west end of Union Street, with Topolabamba and Bonobo recently opening. Local businesses such as Melt and Grain & Grape have opened stores in the West End and Food Story have shown commitment by extending their café to the first floor.

Fortunately the popularity of coffee outlets continues to appeal and the letting of major office buildings (The Capitol is now 85% let) will anchor daytime and early evening spend from office occupiers which will be strengthened when tenants are found for The Silver Fin, now completed, and Marischal Square office developments, nearing completion.

Extension of the Bon Accord Centre is at the planning stage and is to include some leisure elements, including hotel. There is demand from national bar / restaurant operators and chains but it tends to be for Union Square and The Academy (following change of use from retail for the majority of units). For example, Filling Station closed their restaurant on Union Street but opened a Coast to Coast restaurant, who are a sister company and of the same chain, in Union Square. As a result Union Square is now approaching 100% let for the first time, thanks to this move and those by others.

Gym operators have also been looking at the city with Pure Gym committed to take space within the building H1 office block on Hill of Rubislaw.

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#### **Work stream 2: Opportunities and Constraints**



#### 1.7. Vacant Retail and Leisure Units

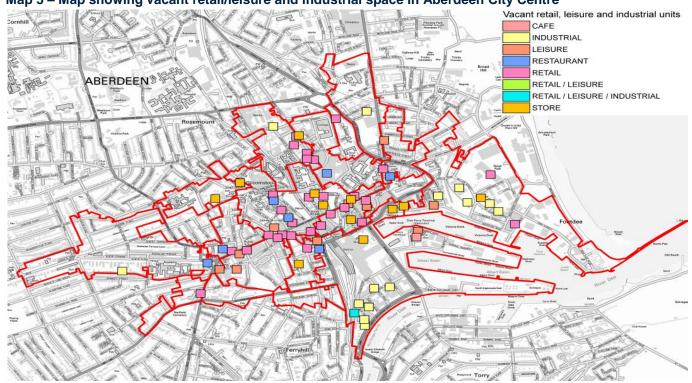
There are 110 vacant retail and leisure units within the city centre. Recent vacant spaces have been within the Bon Accord and Union Square shopping centres. More historic vacant space is spread out across the city centre. There was a substantial increase in vacant properties in 2010 with 66 vacant spaces being vacant since then likely as a result of changes in rateable values.

Once again the AB11 5 area around the Harbour accounts for a significant number of the vacant spaces with 36 vacant spaces in this area. The majority of these are at 7 Weighhouse Square, Aberdeen which is an industrial storage space saved in the harbour and others are arches retail and leisure units on Palmerston Road.

A further 19 units are vacant on Union Street and a number also vacant on Golden Square (2 units), Union Terrace (2 units) and Belmont Street (6units). The Bon Accord Shopping Centre was also recorded as having 10 vacant units.

The vacant units reflective of the shifting axis of retail trends within Aberdeen City Centre. The development of Union Square Shopping Centre has shifted the focus from an East/ West Axis to a North/ South axis and consequently retail and leisure premises out with this new route are more likely to be vacant. The area around the Harbour is particularly lacking focus and direction.

Within the retail core of the city centre, as identified by Aberdeen City Council, there are 42 vacant retail and leisure units. A number of these units have been vacant for a number of years and include units in the Trinity Centre and The Academy. There are also 47 vacant office spaces within this area, primarily on upper floors of Union Street.



Map 5 - Map showing vacant retail/leisure and industrial space in Aberdeen City Centre

Source: Aberdeen City Council/ Savills Research/ OS

# Work stream 2: Opportunities and Constraints



# 2. Policy Framework

#### **Work stream 2: Opportunities and Constraints**



### 2.1. Planning Policy

### 2.1.1. Local Development Plan

The Aberdeen Local Development Plan (LDP) was adopted in January 2017. It identifies distinct districts based on predominant land uses and a range of policies tailored to promote appropriate development in these areas. These include the City Centre Retail Core, West End Shops and Cafes, West End Office Area, and Mixed Use Areas and City Centre Development – Regional Centre.

Policy NC1 City Centre Development – Regional Centre requires all development to contribute towards the delivery of the vision for the city centre as a major regional centre as expressed in the City Centre Masterplan and Delivery Programme. Citing the city centre as the preferred location for retail, office, hotel, commercial leisure, community, cultural and other significant footfall generating development serving a city-wide or regional market. In this respect, proposals for new retail, office, hotel, commercial leisure, community, cultural and other significant footfall generating development on sites that are not specifically allocated for that use shall be located in accordance with a sequential approach.

#### 2.1.2. Aberdeen City Centre Masterplan

The Aberdeen City Centre Masterplan (CCMP) was approved in June 2015. It identifies 7 intervention areas and 49 projects (and growing) to define the Masterplan's focus, the Council have commenced preparation of development briefs and frameworks for the regeneration of each area.

The intervention areas are:

1	Denburn Valley	Redevelopment of the Denburn Health Centre / car park and refurbishment of the historic Woolmanhill Hospital to provide a new mixed use neighbourhood, set within an attractive green setting, leading to a revitalised Union Terrace Gardens.
2	Heart of the City	Reinstating the central role of Union Street in the life of the city, establishing stronger retail linkages north and south and creating a destination not just for shopping but for many city activities. Refurbishment and remodelling of buildings on Union Street. Negligible increase in overall accommodation but increased utilisation of existing floor space. Remodelling of the St Nicholas Centre, Mitherkirk and Aberdeen Indoor Market.
3	Queen's Square	There is potential to redevelop the Town House extension and former Grampian Police headquarters along with other buildings and under used spaces within the Queen Street to create a new city centre neighbourhood with a strong urban character. This could include consolidation of public service provision in the
4	Union Street West	eastern annexe of Maricshal College, presently vacant.  A focus for the wider business sector, from new businesses with a Made in Aberdeen focus, to spin-outs from the energy sector. Union Street West emerges as a much stronger business address.

### **Work stream 2: Opportunities and Constraints**



5 Station Gateway The critical remodelling of the key gateway to the city centre, with new business

> and commercial developments, providing city centre users and visitors with a radically transformed arrival experience, leading seamlessly northwards to

Union Street.

6 Castlegate /Castlehill A focus for visitors and tourists, taking in the best of Aberdeen's townscape,

including Castlegate, Union Street and links to the harbour to the south and the

beach to the east.

7 North Dee / Torry Waterfront New riverside quarters connected by a pedestrian bridge and a much improved

> riverside park and promenade. To the north, an urban business district; to the south, a residential neighbourhood that maximises its relationship to the river.

#### 2.1.3. National planning changes/ Planning Consultation Paper

In September 2015, the Scottish Government appointed an independent panel to undertake a review of the planning system in Scotland, with the aim of achieving a quicker, more accessible and efficient planning process in order to build investor and community confidence in the system.

In January 2017, The Scottish Government published a consultation paper on potential reforms to the planning system entitled 'Places, People and Planning'. The document identified 20 potential reforms most notable among which are a drive to improve public consultation and participation in the planning process, lengthening the timescales for Local Development Plans from 5 years to 10 years, reducing the role of Supplementary Guidance and the potential for an infrastructure levy on development.

There were also proposals to strengthen the role of local communities through requiring development plans to take account of Community Planning Partnerships. This would further empower communities and seek to establish measures to ensure community interests are taken account of and to encourage wider public participation in the planning process. Proposed new fees (e.g. pre-app, appeals and fast track) present a real opportunity for delivering improved performance through providing much needed additional resources for planning departments.

It is unlikely that legislation will be brought forward until 2018, key issues for the regeneration of the City Centre will be how planning policy can remain flexible enough to adapt to changing requirements and allow for development frameworks and strategies to retain a statutory status so they are material considerations in the determination of planning applications and appeals.

#### 2.2. **Planning and City Centre Development**

#### 2.2.1. Planning constraints to city centre development

Aberdeen's city centre is the public transport hub for the north east, with bus and rail stations south of Union Street and most bus services running along this main artery. With the advent of the Aberdeen Western Peripheral Route (AWPR), the Council are formulating a strategy for revising access to the city centre by private car, potentially redesignating main roads, to provide arterial routes which direct traffic from the main AWPR junctions, avoiding and reducing unnecessary cross-centre journeys. In order to implement the majority of the traffic-related projects in the CCMP the Council aim to cut cross-city car journeys by 30%.

### **Work stream 2: Opportunities and Constraints**



The opening of the AWPR will go a long way to achieving this goal. Nil car parking provision for new development is another Masterplan objective, which supports the conversion of upper floors along Union Street and its side streets to residential properties. The dense pattern of development in these areas has proved difficult in the past where spaces for private car parking was sought. Initiatives like the Car Club have allowed relaxation of this in recent years. Access and servicing of development by vehicles is also a key drawback to some new build developments.

Research of recent cases has confirmed that factors such as noise from licensed venues, extraction odour from restaurants and air quality can be successfully mitigated through means of glazing and sound proofing. The main constraint to conversion of historic properties to alternative, viable uses appears to be preservation of the historic aspects of the building itself; and a conflict between modern design and materials and defining the important characteristics of the building's fabric.

#### 2.2.2. Variation between districts

The recently adopted Aberdeen LDP contains a policy for tall and bulky building developments named *Big Buildings*, to ensure that these are appropriately located - within the city centre or its immediate periphery; and provides guidelines to ensure that high standards of design and materials ensure that they provide a positive impact on the surrounding streetscape. Where buildings detract from their context or interfere with an established vista however, they will not be supported.

Examples are the Capitol and Silver Fin office developments on the west end of Union Street. Concentrating appropriate development within the city centre provides a clear long-term vision for growth and reinforces the role of the centre as a destination, well connected by public transport rather than sites outwith the city centre whose likely development impacts will displace and dilute the role of the city centre.

#### 2.2.3. Infrastructure Delivery and Planning Obligations

The LDP identifies eight Masterplan Zones for strategic greenfield development; and through supplementary guidance and the LDP Action Programme it sets out infrastructure requirements for within these areas. Requirements for non-allocated and brownfield sites aren't discussed, but the Action Programme sets out key infrastructure, related to the city centre, this includes South College Street Rail and Road Improvements. Whilst the requirements for windfall sites, such as infill, conversion and redevelopment are not explicitly addressed, developments will require to address deficiencies in infrastructure provision where identified and as set out in supplementary guidance on planning obligations.

With regard to the city centre, contributions to community infrastructure such as schools, doctors' surgeries, leisure and community facilities are sought on the basis of the capacity of the existing facilities within the catchment area and may not always be necessary; however issues such as improvement of the urban realm would not currently meet the six tests for planning conditions, as evidenced by the recent ruling on the Strategic Transport Fund.

Should the Council take forward a comprehensive strategy to increase the city centre population the provision of new facilities will need to be considered.

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**Work stream 2: Opportunities and Constraints** 



### 2.3. Building Regulations

### 2.3.1. The Adaptive Re-Use of Aberdeen's Historic Buildings



The key to retaining the city's built heritage is identifying a viable, sustainable and practical re-use, to preserve as much of the building fabric as possible, to conserve the sense of place that the property instils and creates within its setting. Preserving period buildings for future generations to enjoy is the central philosophy of conservation. This is supported by Historic Environment Scotland, their *Policy Statement* (June 2016) acknowledges that listed buildings will 'like other buildings, require alteration and adaptation from time to time if they are to remain in beneficial use, and will be at risk if such alteration and adaptation is unduly constrained' (para. 3.39). This is interpreted locally thorough policy D4 *Historic Environment* of the Local Development Plan which presumes 'in favour of (their) retention and reuse'.

Aberdeen has a plethora of architectural gems; quintessentially local in style and design that gives the city its identity and uniqueness. The influence of renowned Scottish architect Archibald Simpson (in addition to John Smith, Charles Abercrombie etc) has created the Granite City backdrop and detail in the streetscapes, all of which anchor Aberdeen's wonderful sense of place.

Balancing the dichotomy of current building regulation requirements with retaining as much of the property fabric is a difficult balance to manage successfully. Working with the local authorities and conservation officers during the initial feasibility and inception stage is vital in gaining support throughout the development process.

Assessing the property whether an old town house in a conservation area or listed public building, the challenges are similar. Whether converting into residential units or alternative commercial use, the areas of concern will be the same:

- Structural viability
- Fire regulations
- Heat loss

- Accessibility
- Viability/Cost
- Market Demand

### **Work stream 2: Opportunities and Constraints**



A building survey will establish the condition of the structure and fabric and which elements need to be addressed, whether the specific re-use is yet to be identified or pre-determined through a Local Development Plan and/or City Master Plan.

Structural performance can be enhanced with the introduction of additional support, sensitively hidden within the existing structure or juxtaposed as a crisp modern addition, easily identified and removed in the future if the use changes.

Fire Regulations dictate travel distances, separation and protected areas, all of which can be managed through sensitive layout design, sub-division, material choice and/or the introduction of sprinkler systems.

Heat loss addressed by insulation must be specified to achieve the current standards without creating condensation or cold bridging, material choice and installation is crucial to the long term re-use. Original windows and glazing, essential in preserving a streetscape detail, can be enhanced by refurbishment and draught proofing with the introduction of secondary glazing if necessary.

Accessibility in conversion can be achieved through sub-division and vertical access where possible, identifying the least intrusive compromise through the initial stages of design in consultation with the local Conservation Officer and Building Standards.

Cost control and quality must be balanced to create a viable option for any developer. Aberdeen's built heritage will only survive if the re-use is carefully costed to address all of the design and regulatory restrictions, whilst retaining the character of the property. Conservation advice early in the project combined with cost analysis is a crucial factor in achieving a successful solution for both developer and the community in retaining their precious built history.

And proving demand in a non-functioning market might be the biggest challenge of all.

**Work stream 2: Opportunities and Constraints** 



3. Opportunities for Conversion

### **Work stream 2: Opportunities and Constraints**



We have chosen a number of potential development sites from across the city centre for review. Whilst we have not made their details public we hope in doing so we will bring to light the challenges facing the development market within the city. There are three main areas which we have identified which could be suitable for residential development:

#### 1. Upper Floors of Union Street

The upper floors of Union Street present a wide range of opportunities for development due to the high volume of vacant accommodation, which does not meet the needs of occupier requirements and is therefore not suitable for commercial occupation.

While this space presents an excellent opportunity for creating a vibrant Union Street, increasing footfall and improving the atmosphere and vitality of the area, there are significant challenges associated with development of these floors relating to planning consent, cost and uncertainties surrounding the conversion of a Listed Building and the wider build costs to meet current building regulations. These are all covered in our case study of a recent development carried out on Union Street.

#### 2. West End Townhouse Conversion

As occupier demand moves away from offices within West End townhouses towards modern, high quality and open plan accommodation, there is an opportunity to create prime residential accommodation in Aberdeen's most sought after location. Returning these properties to their original use should be relatively straight forward, yet there are a number of challenges associated with this type of development including satisfying building regulations and Listed Building requirements but, more importantly, dealing with viability issues. Many west end townhouses were valued for office use at the peak of the office market which has skewed vendors expectations on pricing. Developers and private individuals cannot meet these expectations in bringing forward residential conversion and properties are lying vacant as a result.

#### 3. Large Conversion Opportunity

In order to consider the impact affordable housing requirements and planning gain contributions can have on the viability of a project, we have also sought to consider a larger scheme where there is an opportunity to convert a c. 19,000 sq ft office block to residential. The challenges facing a development of this nature largely relate to viability as a result of the build costs and developer's obligations, but also the significant cost and time that has to be incurred before any income, or profit, is made. Demand for these opportunities is at an all time low due to limited funding opportunities and market uncertainty.

Please note any advice contained or attached in this pricing exercise is informal and given purely as guidance to highlight the challenges facing the development market in the city centre. Our views on price are not intended as a formal valuation and should not be relied upon as such.

No liability is given to any third party and the figures suggested are in accordance with Valuation Standard 6.1 and 6.2 of RICS Valuation Standards – Global and UK, effective from January 2014. Any advice attached is not a formal ("Red Book") valuation, and neither Savills nor the author can accept any responsibility to any third party who may seek to rely upon it, as a whole or any part as such.

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### **Work stream 2: Opportunities and Constraints**



### 3.1. Upper Floor of Union Street



The upper floors of Union Street currently comprise a high volume of vacant commercial accommodation which no longer meets the requirements of modern occupiers. The majority of the stock is of poor quality and despite efforts from some landlords to refurbish the existing accommodation, occupiers are no longer seeking the cellular accommodation that is on offer. This presents a range of conversion opportunities to increase the volume of residential accommodation within the main thoroughfare of the city centre and, in turn, increasing activity and footfall on Union Street.

However, re-development or conversion of the upper floors of Union Street is very risky for a developer and there are a number of challenges facing them. Indeed, demand for these opportunities tends to be from small local developers as the national / mainstream house builders disregard conversion opportunities due to the uncertainty of cost.

We have been made aware of a recently completed conversion where the developer converted a former commercial property at the first and second floors of Union Street, to three residential apartments.

### 3.1.1. Development Appraisal

Based on the information provided by the developer, we have carried out a development appraisal to investigate the viability and profitability of this project. Our appraisal is calculated as follows:

	AMOUNT
Projected Sales Income	£455,000
Build Cost including Professional Fees (inclusive of VAT)	-£294,000
Sales & Legal Fees	-£7,000
Planning and Building Warrant Fees	-£3,267
Total	£150,733
Profit	Say £150,000
Profit % of GDV	33%
Profit % of Costs	51%

### **Work stream 2: Opportunities and Constraints**



While on simple terms, this would appear to be a reasonable profit, it should be noted that the developer owned the property prior to commencement of development and therefore incurred no additional cost at the outset for the purchase of the subjects. Had the developer been required to purchase the property we anticipate that they would have carried out a residual calculation as follows:

	AMOUNT
Projected Sales Income	£455,000
Build Costs Including Professional Fees (inclusive of VAT)	-£294,000
Sales & Legal Fees	-£7,000
Planning & Building Warrant Fees	-£3,267
Finance / Interest @ 6%	-£10,662
Total Costs	£314,929
Projected Income less costs	£140,071
Less Profit @ 20% of Projected Sales Income	<u>£91,000</u>
Sub-Total	£49,071
Less Acquisition Costs	£3,000
Total	£46,071 Say £45,000

Based on an estimated net internal area of the building at 2,102 sq ft, the equates to approximately £21 per sq ft. We anticipate that vendor's expectations would be significantly higher than this in the region of £100 per sq ft equating to approximately £200,000. In this case, if a purchaser / developer was to meet vendor's expectations, the development would have incurred a loss.

It should be noted that we have included finance / interest costs within our calculations, however the developer in this instance did not require external funding. Obtaining funding for projects of this nature would be extremely difficult and while we have sought to include a modest cost, we would caution that this will vary significantly depending on the lender involved. We have sought to consider development funding, and the challenges involved, in more detail later in this report.

### **Work stream 2: Opportunities and Constraints**



### 3.1.2. SWOT

### **Strengths**

- Range of opportunities on Union Street for small and medium developers
- Support of wider community to improve Union Street and, in particular, re-establish the upper floors for alternative uses.

### Weaknesses

- High build costs to meet current building regulations, particularly for listed buildings
- Timescale for planning consent
- Feeling of discouragement for development by small developers from public bodies
- Lack of collaborative approach to identifying solutions
- Lack of funding opportunities

### **Opportunities**

- Introduction of planning policy to permit development of the upper floors of Union Street and reduce timescale for developers
- Offer of grants to assist with cost of conversion to meet Council expectations and make projects more viable
- Introduce a 'Development Manager' as a Council Resource in order to assist developers through the process, particularly first time developers
- Ease restrictions to Listed Buildings on Union Street to promote development
- Provide a funding pot to support smaller developers and provide capital to cover the cost of feasibility and construction
- Carry out land assembly's to create development opportunities for large scale development

### **Threats**

- Rising build costs
- Market uncertainty / risk
- Ability of the planning team to work collaboratively/ be flexible to encourage development rather than deter
- Lack of awareness in the Building Standards and Planning teams of commercial aspects of developments and the impact their comments and delay in the planning process can have on cost and development timescale
- Lack of funding opportunities from mainstream lenders

**Work stream 2: Opportunities and Constraints** 



### 3.2. West End Townhouse Conversion







The West End of Aberdeen is considered to be the prime office location within the city. However, the townhouses located at Rubislaw Place, Rubislaw Terrace, Albyn Terrace etc. no longer meet the requirements of the majority of office occupiers who now seek open plan, modern accommodation. As a result, a number of townhouses are lying vacant following recent lease expiries.

This presents an opportunity for the townhouses to be converted to their former use. Conversion of the townhouses will meet the same challenges as those identified above in terms of planning, Listed Building/ Building Regulations and lack of consideration for the viability of projects. However, in this case, we have sought to consider the challenges a developer will face in purchasing a west end townhouse where vendor expectations on pricing become a wider issue.

In doing so, we have considered a townhouse which Savills are currently marketing for office use but which has great potential for conversion to residential.

### 3.2.1. Existing Use

Assuming that the property is in good condition, with no major repair works required, we would estimate the value of the property to be calculated as follows:

Net Internal Area 1,990 sq ft @ £200 per sq ft	£398,000
Say	£400,000

This is significantly lower than pricing that was achieved at the height of the market in 2014, when West End properties were achieving approximately £350 - £450 per sq ft. We anticipate that vendors will expect to achieve pricing at this level at a minimum.

### **Work stream 2: Opportunities and Constraints**



### 3.2.2. Conversion / Development

If the property was purchased for conversion back to residential, the achievable pricing would depend on the type of purchaser and intended conversion.

Firstly, if the property was converted to a single townhouse, purchasers are likely to be owner occupiers who would be unlikely to seek a profit. We would anticipate that owner occupiers would consider the value of the property as follows:

	AMOUNT		
Projected Sales Income	£600,000		
Estimated Conversion Costs GIA 255.32 sq m @ £1,000 per sq m	C275 400		
Contingency @ 3%	£275,400		
Professional Fees @ 5%			
Interest/finance @ 6.0%		£1,943	
	£277,343		
Projected	£322,657		
	Say £325,0	00	

We anticipate that an owner occupier would purchase the property 'subject to change of use' so that, when it is purchased, it is done so as a residential property and therefore the vendor can remove VAT from the sale price and instead pay Land Building Transaction Tax (LBTT).

If the property was converted to two residential apartments, purchasers would likely be developers who would seek a profit margin in the region of 20% of projected sales income. We would anticipate developers would consider the value of the property as follows:

		AMOUNT			
Projected Sales Income	£690,000				
Estimated Conversion Costs GIA 255.32 sq m @ £1,000 per sq m	£275,400				
Contingency @ 3%	£7,660	2273,400			
Professional Fees @ 5%					
Interest/finance at 6.0%	Interest/finance at 6.0%				
	£6,900				
	Total Costs	£297,038			
Projected	Sales Income Less Costs	£392,962			
	Profit @ 20% of GDV				
	£4,617				
	£250,345				
	Say £250,000				

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### **Work stream 2: Opportunities and Constraints**



To summarise, vendor's expectations on pricing based on office use would be in the region of £400,000, however there will, due to reasons of configuration and oversupply, be reduced demand for its existing use as an office. The cost of converting properties of this nature, in order to meet current building regulations is high and, as a result, purchasers, even those who do not have a necessity to turn a profit, cannot bridge the gap between the cost of conversion and vendors expectations.

Until there is a reduction in build costs, or vendors begin to reduce their expectations on sale price, the number of empty properties will continue to rise. As the majority of buildings are Listed, there are no vacant rates to pay and therefore vendors have minimal holding costs until such time as the office market picks up and a price closer to their expectations can potentially be achieved.

### 3.2.3. SWOT

### Strengths Weaknesses Popular West End location High conversion costs to meet building regulations Car parking available at the majority of properties Surrounding area generally in office use at present Suitable for conversion to single townhouses or Former garden ground surfaced in tarmac for car duplex, opportunities for mews development in parking gardens. Vendor expectations **Opportunities Threats** Provide grants to existing owners seeking to Local plan identifies area as West End Office convert empty properties for alternative uses Identify 'approved list' of lenders who would Planning and Building Control require to be consider small development opportunities of this committed to conversion of offices that are no longer viable nature Attract families into the city centre High conversion costs deterring Owner occupiers do not require developers profit investors/developers Funding gap

**Work stream 2: Opportunities and Constraints** 



### 3.3. Large Conversion Opportunity

The developments described above take into account small conversion opportunities where planning gain and affordable housing contributions would not be considered. There has been a lack of large conversions or redevelopments in the City Centre in recent years with the majority of mainstream or larger developers quoting the uncertainty of cost as the main barrier to development.

Below we have considered the re-development of a former office on King Street. The building was sold to a developer who intends to convert the property to residential. We have been advised that the project is currently on hold until such time as there is more clarity regarding development in the surrounding area. Our appraisal below highlights the challenges.

### **Work stream 2: Opportunities and Constraints**



### 3.3.1. Development Appraisal

We have been provided with a proposed scheme of development which includes six 1 bedroom flats, eight 2 bedrooms flats and a large 2 bedroom duplex, in addition to retaining the two retail units at ground / lower ground floor which extend to 797 sq ft and 4,618 sq ft respectively.

Aberdeen City Council require 25% of the development to be 'affordable units' which, in this case, would equate to 3.75 units. In this case, we have assumed that the affordable housing would be dealt with by means of a commuted sum, reflecting £38,000 per unit (in accordance with Aberdeen City Council guidelines). In reality, there are a number of ways a developer can deal with affordable housing, however all impacts the profitability and viability of a scheme.

Based on the above scheme, we have prepared our own development appraisal however we have adopted build costs obtained by the developer.

		AMOUNT			
Estimated Projected Sales Income - Residential	£2,260,000				
Estimated Projected Sales Income - Commercia	Estimated Projected Sales Income - Commercial				
	Total GDV	£2,430,000			
Conversion Costs					
Residential 950 sq m @ £1,300 per sq m	£1,227,120				
Retail	£216,600				
		£1,746,714			
Total	£1,443,720	21,110,111			
Contingency @ 3%	£43,311				
Planning Gain @ £3,000 per unit	Planning Gain @ £3,000 per unit £45,000				
Affordable Housing @ £38,000 per unit					
Professional Fees @ 5%	£72,183				
Interest/finance @ 6.0%		£71,452			
	£1,818,166				
Projected S	ales Income Less Costs	£611,834			
Sales, Legal & Ago	ency Fees - Commercial	£6,975			
Marketing & Cost of Sales Residential (2.75	5% of Mainstream GDV)	£62,150			
Resid	Residential Sales Legal Fees				
	£486,000				
	£45,459				
L	ess Purchasers Costs	£5,000			
	Total	£40,459			
	I Otal	Say £40,000			

### **Work stream 2: Opportunities and Constraints**



Current market conditions are undoubtedly affecting our pricing exercise as developers are more risk averse and, therefore seeking higher returns, and a heavy over supply of flats within the residential market is affecting potential end values (GDV). However, the build cost that has been provided by the purchaser is very high and this reflects the cost to convert a building of this nature to meet building regulations and standards and complete a high quality product.

In addition, a developer would be required to pay in excess of £180,000 for planning gain/developers obligations and affordable housing. This adds an additional c. 12% to the conversion cost and impacts the viability and profitability of the scheme.

### 3.3.2. SWOT

### **Strengths**

- Site identified as development opportunity by outof-town investors
- Located on edge of Castlegate which is intended to become Aberdeen's main civic square
- Proximity to Marischal Square and the proposed Queen's Square
- Public transport links
- Zoned for Mixed Use within the ALDP
- Suitable for a variety of uses including residential

### **Opportunities**

- Conversion to a range of uses including residential at upper floors and retail at ground floor
- Enhance shop front to attract local businesses
- Improve amenity of surrounding area
- Encourage development in Castlegate area
- Provide grants to developers seeking to convert empty and run down properties to alternative uses to bridge the value / cost gap

### Weaknesses

- Cost to convert Listed Buildings makes projects unviable
- Planning gain and affordable housing contributions increase viability challenges.
- Bad perception of Castlegate and Union Street West from businesses and residents
- Potential for building to lay vacant if profitable scheme can not be identified

### **Threats**

- Planning and Building Control to be committed to assisting developers
- High conversion costs deterring investors/developers
- Market perception of Castlegate
- Market uncertainty
- Developer's poor perception of city centre development

### **Work stream 2: Opportunities and Constraints**



### 3.4. Prime Development Opportunities

Prime development opportunities in Aberdeen are restricted by a lack of appetite from lenders, limited demand from major mixed-use developers and the unknown costs involved in brownfield development coupled with a period of weak market conditions and falling property prices.

Without the availability of proposed schemes it is impossible to prepare residual appraisals or financial models for large development projects and therefore we have not considered pricing for potential sites. However, we have outlined below the challenges facing this sector in Aberdeen and have discussed how they relate to two key Prime development opportunities in the city centre.

The main challenges are outlined in detail below:

### 3.4.1. Funding appetite

Following the banking crisis in 2007/2008, high street banks have enforced very strict lending criteria to meet regulators requirements. Development projects are considered to be expensive and very high risk which significantly limits their facilities.

For commercial or mixed use projects, the High Street banks will only release funds if there is a secure pre-let agreement to a low risk, preferably institutional, tenant and the contractor is well known to them or has an excellent reputation. It is important that the customer has experience of successful developments as very few banks will consider lending to a new developer. This restricts lending to a small proportion of the market who are generally 'cash rich'.

The high street banks can ease their lending criteria if a deal involves additional equity from grants or private investors or institutions to whom they have experience with in the past. The second tier lenders may be softer in their approach to mixed use development and may take the risk of lending where the building is pre-let in part. However, they will still seek an experienced developer and will require the proposed tenant to offer a strong covenant.

Residential development is funded differently with some High Street banks only providing revolving credit facilities where by they lend against the developers balance sheet and there is no facility for single developments. Customers must meet a strict criteria based on the number of units per year, spread of location of sites and security of the balance sheet. Other High Street banks will offer development facilities but they are restricted to lending to experienced developers who have a good track record and whom have a range of sites across the country spreading the risk across a range of locations.

Restrictions to lending has impacted the volume of development across the country and is not a problem specific to Aberdeen. As a means of attracting debt and improving lending criteria, developers and institutions have considered a range of financial models and means of providing lenders with the security they require to satisfy their credit teams.

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### **Work stream 2: Opportunities and Constraints**



### 3.4.2. Site Clearance and Preparation Costs

The cost to demolish existing buildings and clear and prepare a brownfield site for development can significantly impact the viability and profitability of a project at any scale, particularly in an urban area / city centre where there is a higher density of development. Developers will seek to obtain as much information as possible prior to committing to purchase, however the true cost of demolition / enabling works will only be realised upon commencement of construction.

As a result, it is important that vendors seek to remove any barriers to development before introducing a site to the market and in order to generate the optimum value of the sites. There has been evidence of Greenfield sites adopting a Land Trader model, where by infrastructure and servicing works is carried out by the landowner which allows a developer to 'plug and play' and commence development on the day of purchase. This incurs up front costs to the land owner but generates an optimum end value.

A similar approach to city centre brownfield sites can be adopted to include demolition of existing buildings and site preparation in order to give the purchaser the certainty that the site is developable within known timescales and to enable smaller pockets of development land to generate higher land values.

Similar to the above, this is not an Aberdeen specific constraint and other city's have adopted land trader models and financial incentives in order to encourage development in brownfield land. This is considered in more detail in Workstream 3.

### 3.4.3. Market Risk

As a result of current local market conditions, and a sustained low oil price, major developers and institutional investors have a lack of confidence in Aberdeen and, therefore, have limited appetite to be involved in major projects in the city. This, coupled with a lack of appetite from banks and restricted lending criteria, is impacting the volume of development that can take place in the city. Larger projects require buy-in from institutional investors who are nervous of the city's reliance on the oil price and the uncertainty that is brought to the whole market, either directly or indirectly, by the volatility of the price of Brent Crude Oil.

While this is impacting development in Aberdeen at the current time, we are aware of financial models that have been used in the past to provide investors and banks with the security and comfort required to fund a development. For example, we understand a model was agreed for the development of Marischal Square where by Aberdeen City Council guaranteed the rental income of the project upon completion if tenant's were not secured.

Introducing models of this nature would assist to provide developers, institutions and banks the security they need and encourage development.

In order to address how these challenges can be overcome we have sought to consider two prime development opportunities in Aberdeen city centre and a means to which the Council can encourage development.

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### **Work stream 2: Opportunities and Constraints**



### 3.4.4. Queen's Square

Queen's Square has been highlighted by Aberdeen City Council as a potential anchor site for the Aberdeen City Centre Master Plan. The identified site incorporates the buildings on Queen Street including the Courts, Police Scotland NE headquarters and University / Council owned buildings which are all under public ownership. The various buildings included within the proposed boundary are highlighted in blue and purple below:



In order to promote and encourage development of this site, we would propose the following strategy and mix:

- Agree a development brief / design guide with appointed architects to include a strategy for relocating Police Scotland and the Courts to occupy less accommodation and utilise the buildings in a more strategic manner.
- From the limited information available on the site, our initial thoughts would be to provide blocks of between 40-80 units and target house builders / developers to deliver a mix of high quality apartments. Careful consideration should be given to retaining and reusing the existing car parking on site and treatment of the ground floor / street level areas including pedestrian access and pathways through the site.
- The site would be suited to an element of build to rent and it would be appropriate for the architects to consider integration of a PRS scheme in part of the site, subject to identifying investor appetite
- In order to accommodate a range of developers and tenures, the layout should enable disposals of
  individual phases of land. Such a framework, set up by the council acting as 'Land Trader', allows a wider
  mix of housebuilders to participate and increases the rate of delivery.

### **Work stream 2: Opportunities and Constraints**



Introducing parcels of land to the market which are based around a common development brief benefits all parties. This is a long term goal but delivers higher land values which justifies the higher initial investment. Public sector support allows more investment in placemaking as all parties can work together to deliver a common goal of creating better places and building more homes with a quicker rate of delivery.

Consideration must be given to the viability of this process to ensure the net land receipts after disposal sufficiently compensate the cost of delivering cleared sites to the required standard.

### 3.5. Woolmanhill Hospital



Woolmanhill Hospital is identified within the ACC Master plan as being a key development site within the Denburn Valley intervention area. The plan identifies the property as being suitable for Use Class 7 (Hotels and Hostels) or Use Class 9 (Houses) which is in line with the current planning application for 40 residential apartments, 52 bedroom boutique hotel and 27 hotel suites.

We anticipate that the costs to develop this site, in order to comply with current building and Listed Building regulations, coupled with weak demand for hotels and deteriorating market conditions since the site was originally marketed will make delivery challenging.

In order to promote and encourage development of this site, Aberdeen City Council can consider initiatives such as relaxing building / listed building regulations in order to reduce the build costs of conversion. In addition, consideration should be given to removing the requirement for affordable housing and developers obligations in order to ensure viability and encourage development, potentially with a greater emphasis on residential use. The Council should work in collaboration with the developer to help bring this key site forward.

**Work stream 2: Opportunities and Constraints** 



### **SMART** Recommendations 4.

### **Work stream 2: Opportunities and Constraints**



### 4.1. Recommendation 1 - Be 'Open for Business'

Make life easy for developers and investors to do business by streamlining legislation and reducing the financial obligations which impact the viability of development projects.

This would be measured by market activity. The number of conversions and re-developments in the city centre and the number of developers actively seeking opportunities.

In order to achieve this goal, we would recommend the following initiatives:

- 4. Work with developers to identify solutions to deal with complicated Building and Listed Building Regulations.
- 5. Consider exercising statutory powers and CPO's to assemble land.
- 6. Introduce a Development Manager or regeneration team within the Council who can deal directly with the applicant/ private sector. Must be someone who understands the viability of development projects and the impact changes to consents and construction programmes can have on profitability (i.e be commercially minded). While the Council can subsidise this in the first instance, developers would be willing to pay for this service if it is successful.

We have been advised by a wide range of developers traversing the whole market that the existing planning and building control capacity, particularly in relation to Listed Buildings, make developments and conversions difficult and expensive. Most acknowledged that streamlining the system and having the Council as a support, rather than a barrier, to development would encourage them to actively develop. This will be demonstrated by making information clearly accessible so that developers can clearly understand what is expected of them.

The initiatives will be easy to implement relatively quickly and would be long standing initiatives. The introduction of CPO rights may take longer to implement and should be restricted to key projects only.

**Work stream 2: Opportunities and Constraints** 



### 4.2. Recommendation 2 - Act as a Catalyst For Development & Investment

As discussed in detail throughout this report, market risk is a key issue impacting development and investment in Aberdeen centre as there is a lack of appetite from developers, institutional investors and lenders to fund and enable development in the city. In order to increase activity, Aberdeen City Council need to demonstrate their confidence in the market and act as a catalyst for investment.

This can be measured through activity in the market and the demand from developers / investors that follows.

In order to achieve this, we would advise the following initiatives:

- 5. Covenant Play –The Council's covenant will attract funding and investment to allow projects to commence speculatively. Financial mechanisms was adopted with Muse for the development of Marischal Square.
- 6. ACC Development Company Demonstrate confidence in the market by committing to the development of a key masterplan project, such as re-development of Queen's Square.
- 7. ACC Land Trader For large development sites, commit to carrying out site clearance and preparation work and introduce smaller, manageable areas of land to the market which would suit requirements. Such a framework, set up by the council, allows a wider mix of developers and increase rates of delivery.
- 8. Assist to fund a development through financial mechanisms.

This is a bold initiative and can have financial implications to the Council if not carefully considered. The initiatives must be subject to certain criteria, and likely restricted to larger scale projects.

This will not be a short term project and will require significant consideration and financial modelling in order to ensure the right projects are chosen.

**Work stream 2: Opportunities and Constraints** 



### 4.3. Recommendation 3 - Plug the gap

Encourage investment and development by considering where the Council can intervene to assist with viability issue...

Can be achieved through the following initiatives:

- 4. Consider removing or reducing developer obligations and requirement for affordable housing within a blanket area of the city, particularly on brownfield land or conversion opportunities. During our stakeholder interviews, a number of developers and architects advised of a number of city centre projects in the pipeline which would commence imminently if there was no, or very little, requirement for developer obligations and affordable housing.
- 5. Introduction of grants / funds similar to Rural Housing Fund and Scottish Infrastructure Fund with similar timescale and value restrictions to assist with build costs, VAT requirements for conversions, site preparation work and feasibility testing.
- 6. A publically available and highly advertised website which allows potential developers to identify if they are a small, medium or large developer and submit a short business case confirming their debt requirement. Thereafter, the website can confirm the grants and funds available to them.

There is a wide range of grants available for the development of larger scale projects and affordable housing which have been introduced to meet Scottish Government targets for more housing throughout the Council. Altering these initiatives to make them suitable for brownfield land and adopting a multi-pronged approach where by the grants can assist at all levels of the market would help to address the price and land value gaps that have been described throughout our report.

The grants should be available for a restricted period of time in order to maximise their potential and encourage development.

**Work stream 2: Opportunities and Constraints** 



# Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.

**Work stream 3: Comparable Cities: Policies and Initiatives** 

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# Work stream 3: Comparable Cities



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**Work stream 3: Comparable Cities** 



# Introduction

### 1.1. Purpose

This is the third of four work streams to be delivered under the Aberdeen City Living research programme The topic of this report is to analyse city living initiatives that have been adopted in other cities, particularly focusing on the success of the initiatives and any lessons that can be learned.

### 1.2. Approach

We have engaged with individuals and businesses active in City Living initiatives across the UK, particularly focusing on Edinburgh, Preston and Derby. We choose these cities as a result of the following factors;

- The aim of their initiatives has been to focus on city centre development and therefore they offer good, and relevant, insight in to a range of strategies for promoting and encouraging development;
- There initiatives have taken place in the past ten years, and consequently after the economic downturn and therefore reflect current market conditions rather than those prior to 2007. For example risk adverse access to finance for both developers and purchasers.
- They are of a similar scale to Aberdeen and therefore not large cities with heavy industrial heritage such as Manchester and Glasgow, which have and continue to encounter a different set of challenges.
- Their initiatives have been strategically planned initiatives with accompanying materials and identified, desired outcomes.

We have engaged with key public and private sector stakeholders who are active in City Living initiatives in these three cities in order to get first hand commentary on what has been successful and where the issues continue to exist. Our research has been primary qualitative, involving numerous discussions with key stakeholders from the private and public sectors in each City. It is difficult, given the complexity of cities and market dynamics to secure quantitative data which would allow us to draw significant, meaningful conclusions.

We have outlined the findings of our research and discussions within Section 2 of this report.

Thereafter, we have looked specifically at funding streams and structures that have been adopted by the public and private sectors throughout the UK to help break down barriers and drive development activity.

Finally, we have then provided SMART recommendations for consideration by Aberdeen City Council.

### 1.3. Next Steps

The final workstream to be completed as part of this instruction will provide a summary of our findings to date, along with a number of recommendations for Aberdeen City Council to consider as they move forward with the masterplan. We will provide a risk profile for these recommendations.

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**Work stream 3: Comparable Cities** 



# **Executive Summary**

Every city is different and as a result what works in one city cannot be guaranteed to work in another.

However, our analysis of other cities clearly demonstrates the benefits of a number of initiatives in delivering city centre development and residential populations;

- · Attracting investment through prospectuses and marketing the city
- Identifying key sites and supporting them through the development process
- Strong leadership to ensure that delivering the strategy is a priority is delivering success for other

# **Comparables Cities- Context**

Aberdeen is the smallest of the cites compared and it has also not experienced the same level of growth as the others. Edinburgh and Derby's populations have grown by 12% in twenty years, Preston's by 10% and Aberdeen's by 5%. Some of the city's potential growth has likely taken place in Aberdeenshire which has been growing steadily since the 1990s.

Since 2011 Preston and Derby have increased the number of people and number of households in their city centre wards by 2,008 and 1,066 respectively reflecting a 27% and 5% increase. Statistics for Edinburgh suggest that growth has not been significant during this period but they already had a large city centre population, which has been maintained.

# **Comparables Cities - Policy- Edinburgh**

The City of Edinburgh Council have taken an active role in seeking to encourage both residential and commercial development within their city centre through identifying and promoting development opportunities and where necessary taking direct intervention.

Edinburgh is currently benefiting from significant investor and developer appetite with a number of large scale projects underway, many of which have benefited from the Council's change in approach, as well as favourable market sentiment.

Their initiatives have included; identification of key development sites (Edinburgh 12), introducing a single point of contact or project champion for these sites, strong leadership and prioritisation of development from within the council, attracted investment, invested in place making, compulsory purchase, funding and the Edinburgh Homes/EDI group.

Our analysis shows that some aspects of these initiatives such as the Edinburgh 12 initiative have been very successful and the council are now looking to identify the "next 12". Likewise the use of compulsory purchase and new funding models in order to assist in bringing sites forward. It is understood that the single point of contact did not necessarily have intended outcome but this was a result of resourcing issues within the council.

**Work stream 3: Comparable Cities** 



# **Comparables Cities - Policy- Preston**

Unlike Edinburgh, Preston's strategy has been entirely focused on private sector housing with an underlying desire to deliver more aspirational housing stock to attract postgraduate and young professionals to the market. Similar to Aberdeen, Preston has seen a high volume of 'out of town' development which has been at the detriment of the city centre.

The City Living strategy was launched in April 2017, with the slogan 'The time is right to invest in Preston'. As the initiative has only recently been introduced, it is difficult to fully analyse the success of the initiatives however we have discussed the various strategies with key stakeholders, including private sector developers and key public sector personnel.

Their initiatives have included; promotional prospectus, identification of quarters, identifying land and building for development, designating the city centre a housing zone and have benefitted from strong leadership and prioritisation for development within the Council.

The creation of a modern, well designed prospectus has been well received by the private sector and the designation of a housing zone which has been supported by funding for due diligence from the Homes and Communities Agency has helped a number of local, small developers to bring forward sites. Further strong leadership has helped improve relationships and in some instances section 106s(developer obligations) have been scrapped in order to overcome viability challenges for existing buildings. In contrast the identification of quarters has essentially been a branding initiative and developers did not yet feel like it had had significant impact.

# **Comparables Cities - Policy- Derby**

Derby has much in common with Aberdeen in terms of population, scale and outward migration of commercial and residential development, at the detriment to the city centre. The city centre now suffers from a shortage of Grade A offices and a lack of demand from occupiers which has limited appetite for city living.

Similar to Aberdeen, Derby has also suffered from viability issues with low house prices and rising building costs resulting in limited development in the city centre. A high volume of redundant, vacant upper floor office accommodation which no longer meets occupier requirements with development constrained by viability issues.

Their initiatives have included; Derby City Centre Regeneration project, funding initiatives, attracting inward investment, marketing Derby, preparation of prospectus and encouraging development of redundant offices.

The regeneration team at council formed through the regeneration project have been acknowledged as helping to smooth the development process and have relaxed planning requirements for the development of upper floors. However, we understand that there are still some challenges with sites not coming forward quickly enough. Positively, the council has been identified as being very good at attracting investment alongside identifying and overcoming viability challenges through flexibility on section 106 costs (developers obligations).

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### **Work stream 3: Comparable Cities**



The funding available has supported a number of developments in the city centre and the prospectus and marketing materials have been well received and are viewed as a positive means through which to improve communication between the public and private sector.

## **Comparable Cities – Financial Mechanisms**

In addition to the Council's statutory role as planning, housing and roads authority and its statutory powers such as Stopping Up Orders and Compulsory Purchase Orders, there are a number of financial tools and mechanisms available to them. These range from taxes to policies to financial structures some of which are higher or lower risk than others.

We do not have sufficient insight into Council's risk/ return appetite or funding capacity/ constraints to make recommendations. However, it is clear form our research, that there are a wide number of options available for consideration and discussion. Within each option there are ways to identify and mitigate risk to come up with a tailored model that balances risk and return.

What is very encouraging to see (and is likely to resonate with private and public sector partners going forward) is the initiative and bold decisions that have already been taken by the Council to date. With further discussion and engagement with Scottish and National Governments (on perhaps seeking to establish a GAM model for residential development or secure assistance similar to what the Homes And Communities Agency in England is offering) alongside engagement in the Private Sector and the Third Sector, it is believed that further innovation can help the Council to deliver on the wider desire to create a vibrant, living, city centre.

### Recommendations

### **Recommendation 1: Attract investment**

Promote the success stories, such as Broadfold Works, in addition to Aberdeen's strong property dynamics to attract developer and investor demand at a local, UK-wide and global level. Create a prospectus, supported by a website and focus on promoting this initiative via a road show to build up momentum. The Council should take a lead role and work with the likes of SCDI, Department of Trade and Industry and Cities Alliance, all of whom are actively seeking inward investment.

The UK market for city regeneration is very competitive with many city regions competing against each other for UK and Global investment. Aberdeen needs to be competitive, flexible and alert to opportunities.

There is a financial risk to the Council as this initiative will involve early investment and resource to prepare literature with no guarantee of a successful outcome. However marketing Aberdeen as a City that is open for business and willing to be flexible to meet investor and developer requirements will assist to drive attention to the positive dynamics of Aberdeen.

**Work stream 3: Comparable Cities** 



# **Recommendation 2: Identify Key Sites**

In order to attract investment, the Council should identify key masterplan projects, such as Queen's Square, that they consider to be of strategic importance to the City and the masterplan. A clear strategy on phasing, timing and release of such sites should be implemented to ensure the market is not flooded and to protect land values. The Council should consider their ability to support developers with planning, viability, land assembly, funding and construction.

The risk profile will be dependent on the depth of intervention the Council take with projects of this scale.

The Council should be careful not to focus only on large scale projects. The nature of Aberdeen City centre is such that small developments play an important role in delivering new supply to the market.

## **Recommendation 3: Strong Leadership**

Our discussions with public and private sector stakeholders involved in the Derby, Preston and Edinburgh initiatives all identified the importance of strong leadership and support for the city living initiative from senior staff and elected members of the Council. Dedicated regeneration teams and staff members within the Council to support the initiative have also been hailed a success. Aberdeen should consider their internal structure and resource to establish if creation of such a team would be possible.





1. Comparable Cities- Context

### **Work stream 3: Comparable Cities**



In this section we focus specifically on other city living initiatives which are at varying stages of implementation across the UK. Our goal has been to engage with individuals and businesses who are active in those cities to get first hand commentary on what initiatives have been successful and where issues still exist. Our research has been primarily qualitative involving numerous discussions with key stakeholders in each city rather than gathering facts and figures.

We have specifically chosen Edinburgh, Derby and Preston as our case studies as they are or have been specifically focused on city centre development and as a result they offer relevant insight into working initiatives.

### 1.1. **Demographic and Residential Market City Analysis**

In order to provide context for our analysis of the policies adopted by Edinburgh, Derby and Preston we have considered the demographic structure of each city in respect of size, growth and tenure. We will then provide comment on the city centre population and household numbers. We will then compare the residential market in each of the city from transactional and rental perspective.

### 1.1.1. Size of the population

Using the most recent figures available, which are based on a blend between census, household projections and government statistics we can see from figure 1 that Aberdeen is the smallest city of all those considered, that said Derby is not far ahead. Preston and Edinburgh are notably larger.

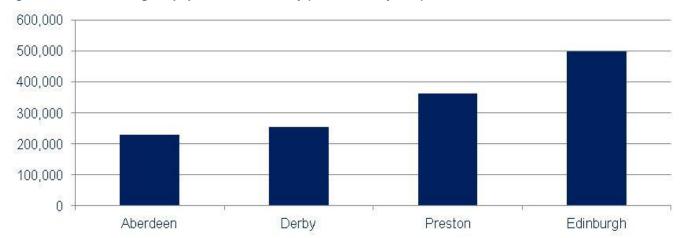


Figure 1 - Chart showing the population of each city (local authority area) in 2015

Source: ONS Census

When we consider figure 2, we can see that Aberdeen has not witnessed the same population growth as the other cities. For example Edinburgh and Derby's populations have grown by 12% in twenty years, Preston's by 10% and Aberdeen's by 5%.

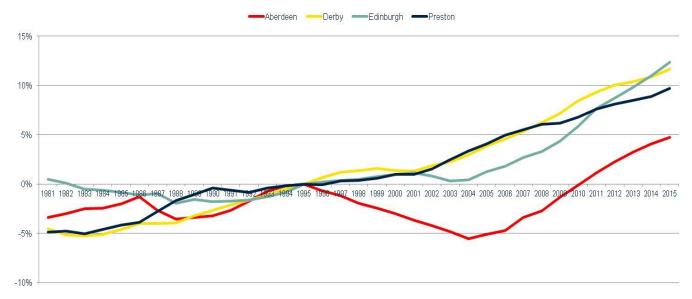
There is some debate as to whether Aberdeen's recent growth has actually taken place, due to the economic conditions in the city, and updated statistics are eagerly awaited. Regardless of whether the city has grown between 2013 and 2015, the city is behind its comparables. Some of it's potential growth has likely been absorbed by Aberdeenshire which has been growing steadily since the 1990s and now stands at 261,960.

Savills Research Report to Aberdeen City Council

### **Work stream 3: Comparable Cities**



Figure 2 - chart showing population change 1981 to 2015 (benchmarked to 1995 for 20Y change)



Source: ONS Census/ Savills Research

### 1.1.2. Tenure

Broadly, each of the cities has a similar tenure structure. Aberdeen's notable difference is the comparatively high share of affordable housing compared to the other cities. Meanwhile Edinburgh has the largest private rental sector, and more recent figures for the city suggest it has grown larger but these figures are not available for all of the local authorities analysed.

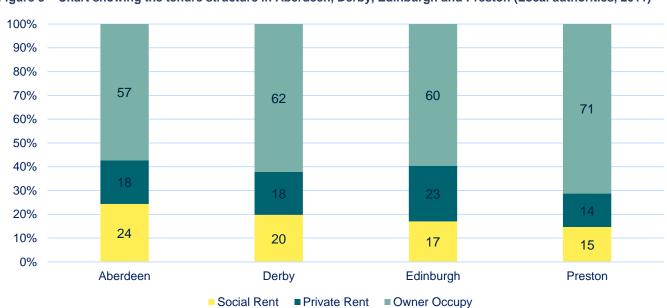


Figure 3 – Chart showing the tenure structure in Aberdeen, Derby, Edinburgh and Preston (Local authorities, 2011)

Source: ONS Census/ Savills Research

### **Work stream 3: Comparable Cities**



### 1.1.3. City Centre Populations

# Aberdeen City Centre

Aberdeen's city centre population stood at 14,150 in 2001 and by 2011 had reached 16,526 which equates to a 16% growth. Meanwhile the number of households increased from 7,901 to 8,521, a 7% growth.

Forecast data is not available for this area as it is not a ward and therefore it is difficult to establish how this population has changed since 2011.

### Derby



Derby's city centre ward, Arboretum, increased its population from 15,378 in 2001 to 18,590 in 2011. This equates to a 20.1% increase in the population or 3,212 more people.

2015 mid year estimates suggest the population is now 19,656 which is a 5% increase since 2011 and equates to 1,066 more households in four years.

### **Preston**



Preston's town centre ward increased its population from 6,871 in 2001 to 7,380 in 2011. This is a 7% increase or 509 more people. The number of households increased by 900 in this time from 3,023 to 3,902 which suggests that smaller households were formed.

Between 2011 and 2015 the population is estimated to have reached 9,388 which equate to a 27% increase or 2,008 more people. Data on the number of households is not available.

### **Edinburgh**



Edinburgh's City Centre Ward, Ward 11, increased its population from 22,340 to 24,150 in 2011. This is an 8% increase or 1,810 more people. The number of households increased from 11,000 to 11,833.

The most recent population counts suggest that this number has been maintained but focus had been beyond this area recently. For example Quartermile is beyond its boundary.

Work stream 3: Comparable Cities



### 1.1.4. Residential Markets

The chart below benchmarks the residential markets in each of the cities to January 2015. This allows us to asses how they have performed over the past two and a half years alongside the 12 years prior to this. Of all the cities analysed it is clearly apparent that Aberdeen experienced the strongest growth between January 2004 and January 2015. Whilst the fortunes of Aberdeen have changed since January 2015, the other cities have powered ahead demonstrating the strength of their markets.

Figure 4 - Chart showing the residential transaction values (indexed to January 2015)

Source: Registers of Scotland/Land Registry/ Savills Research

Despite this apparent change in fortunes for Aberdeen City the average transaction value in the year to June 2017 was still 7% higher than it was in 2008. Derby has witnessed the strongest growth at 17%; Preston has experienced 10% and Edinburgh 9%. These figures are for the whole local authority area and therefore do not provide insight into the city centre markets alone.

Table 1 - Table showing average transaction value in the comparable cities

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	12 months to June-17
Aberdeen City	£102,720	£116,801	£138,397	£180,532	£184,035	£173,066	£183,922	£189,314	£191,050	£200,463	£219,901	£219,735	£201,861	£197,605
Derby	£128,941	£136,854	£145,936	£150,589	£142,712	£139,553	£141,670	£136,287	£141,663	£147,381	£153,160	£159,323	£164,914	£167,324
Edinburgh	£169,025	£180,297	£198,192	£222,550	£225,821	£208,795	£227,299	£222,751	£222,000	£222,629	£231,604	£245,695	£242,209	£246,285
Preston	£115,148	£132,907	£142,236	£149,854	£137,845	£142,141	£139,788	£132,584	£139,155	£145,723	£142,342	£150,346	£155,471	£151,386

Source: Registers of Scotland/ Land Registry/ Savills Research

**Work stream 3: Comparable Cities** 



### 1.1.5. Rental Markets

The rental markets across the centres of each of the cities vary. Edinburgh is by far the most expensive city in which to rent, in its centre, and rents have increased year on year by on average 8%. Meanwhile properties available are down 30% from 274 to 193. Aberdeen has the second most expensive rental market of the comparable cities despite annual falls in rents. Derby and Preston are broadly similar but both areas analysed are much larger and consequently have many more properties available, at 655 and 1,085 respectively.

£1,800 £1,600 £1,400 £1,200 £1,000 £800 £600 £400 £200 £0 1 Bed 2 Bed 3 Bed Total ■ Preston CC (PR1) Derby CC (DE1) ■ Edinburgh CC (EH1 and EH2) ■ Aberdeen CC (AB10 and AB11)

Figure 5 - Chart showing rents in Derby, Preston, Edinburgh and Aberdeen (2017 h1)

Source: Rightmove/ Savills Research

Work stream 3: Comparable Cities



2. Comparable Cities- Policies

**Work stream 3: Comparable Cities** 



### 2.1. Edinburgh

The City of Edinburgh Council have taken an active role in seeking to encourage both residential and commercial development within their city centre through identifying and promoting development opportunities and where necessary taking direct intervention. Edinburgh is currently benefiting from significant investor and developer appetite with a number of large scale projects underway, many of which have benefited from the Council's change in approach, as well as favourable market sentiment.

The majority of interventions have been implemented under The Edinburgh 12 initiative which was created to help accelerate the delivery of 12 strategically important gap sites in Edinburgh city centre at a time when the economic downturn and property market slump had resulted in stagnated development. The 12 key sites are identified on the map below.

Figure 1 - The Edinburgh 12 gap sites



- New Waverley
- 2. Dewar Place
- 3. Donaldson's College
- 4. Fountainbridge
- 5. The Haymarket Edinburgh
- 6. India Buildings
- Source: InvestinEdinbrugh.com

- 7. 8-20 King's Stables Road
- 8. Quartermile
- Former Royal High School
- 10. 3-8 St Andrew Square
- 11. Edinburgh St James
- 12. 1 & 7 Shrub Place

### **Work stream 3: Comparable Cities**



Since 2013, the property market has improved significantly in Edinburgh with a combination of positive market sentiment, greater developer / investor activity and therefore, much improved financial viability and rationale for development. This has undoubtedly assisted the success of the initiatives adopted by the City of Edinburgh Council and the private sector have commended the City of Edinburgh Council for their direct intervention and proactive approach to these sites and consider the initiative to be a success.

Following our interaction with key stakeholders including private sector developers and key public sector personnel, we make the following observations in relation to the ongoing initiatives:

Initiative	Purpose & Progress	Lessons Learned
Identification of key	In 2013, The City of Edinburgh Counci	Market based approach to site selection focusing on sites
development sites (The	commissioned a report to identify the most significan	that were deliverable relatively quickly.
Edinburgh 12)	gap sites in the city centre that could be delivered	1
	within the next 5 years and what steps should be	Proactive marketing strategy by organising events and
	taken to drive deliverability.	preparing supporting literature to increase awareness of
		the initiative and attract investment.
	The report, which was prepared by a trio of property	
	advisors, identified 12 flagship sites which had the	One key developer advised that the Council's help to
	potential to deliver, amongst other benefits, 1,590	publicise the area has been paramount to the project's
	residential units.	success. The Council also assisted in linking the
		developer up with other initiatives that were ongoing to
	Each site was eligible for intensive Council suppor	tcreate marriage value.
	such as using statutory powers to acquire land	,
	facilitating discussions with public sector bodies	The 12 sites are all now active having unlocked significant
	providing advice on historic buildings and forming	private sector investment. The initiative acted as a
	development working groups.	catalyst for identification of additional sites which are now
		in the pipeline.
		We understand there are plans to adopt 'The Edinburgh
		Premium' for the 'Next 12' which would offer developers of
		these sites augmented services, in return for a fee. This
		may include reduced determination times for applications
		and warrants.
Single point of contact or	A Council resource who provides a point of contact	tFeedback from the private sector has been mixed. It is felt
project champion for		that whilst there is some merit in the initiative, the level of
Edinburgh 12 sites	Edinburgh 12 sites.	service should exist for each and every application
		regardless of scale. In addition, whilst at a senior level
	This initiative is intended to streamline the process	there had been positive engagement and a willingness to
	and accelerate delivery of the projects, making i	tdo business, 'choke points' were still relatively common
	'easier to do business'.	place at officer level. Possible reasons given for this were
		that officers were generally over worked and/or sceptical
	Recognising that it is important to be welcoming to	of the initiative.
	attract inward investment, particularly given the	
	competitive nature across UK cities and, indeed	It was noted by a developer of a significant project that the
	globally.	approach from the Council was not necessarily pro-active





Strong leadership and prioritisation of development within the Council		In June 2017, elected members of the City of Edinburgh Council agreed to strategic development as a new addition to the executive committee remit.  This allows the Local Development Plan to be considered under the housing economy committee which some believe will streamline the decision making process with more weight given to the economic benefits of development.  We would also note that there has been significant public support from Councillors who have stood behind the strategy, actively encouraging investment.
Attracting investment		We would encourage Aberdeen to review both the website and the support pack (brochure) which are considered to be effective branding tools.
Investment in place making	the public realm.  Collaboration between the Council and the developer behind 'New Waverley', one of the 12 identified sites, resulted in a fund of £200,000 being made available	The Council and developer have no control over how the money is utilised as it is controlled by the NWCF and so the real benefit is to the wider community.

# **Work stream 3: Comparable Cities**



Compulsory Purchase	the principal of using their statutory powers to facilitate development of The Edinburgh 12 sites.  Indeed, we understand that the Council raised at CPO for St James Place; however the threat of at CPO resulted in a settlement being made without having to enforce it.	The developer of St James Place had undertaken formally to cover the cost of compensation claims, associated fees and expenses associated with the implementation of a Compulsory Purchase Order before the Council exercised their statutory powers. A Minute of Agreement was drawn up to ensure that the Council did not legally commit to any acquisitions until the estimated compensation figures were agreed with the Developer and the Council were either in funds, or provided with a bond to cover the costs.  This significantly reduced the Council's financial exposure to the project. The Council are comfortable with the principal of using their statutory powers moving forward to take a more active role in facilitating development.
Funding	proactive approach when it comes to funding and has worked collaboratively with the Scottish Government / Scottish Futures Trust in developing new models. Indeed, they have adopted the Growth Accelerator Model (GAM) specifically for the Str James Centre. GAM is a partnership between the Scottish Government, The City of Edinburgh Council and the Developer. Council borrowing costs will ultimately be completely offset by new income streams, subject to proposed targets being achieved.	It is encouraging to see that the Council are thinking innovatively about funding models which would be tailored towards residential development.
Edinburgh Homes / EDI Group	are currently considering the development of an Edinburgh Homes initiative. Edinburgh Homes would	The Council has a large estates team and is a significant housing and commercial property landlord in its own right. They have been active participants in the development market for a number of years through EDI Group and therefore have a track record in delivery.





EDI Group are an arm's length part of Edinburgh City
The Council's vision is increasingly moving away
Council who have over the past thirty years built and
from selling public assets to generate capital receipts
developed a number of key sites within Edinburgh. We
and towards generating longer term income through
investment in housing and commercial property.

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understand that there was often a lack of clarity on the
objectives of EDI Group and whether it was responsible
for generating dividends or should be focused on
For example we understand that the Council are
regeneration. In addition, EDI Group lacked autonomy
currently considering a mixed tenure development often having to secure committee consent to take projects
model which would involve 30% social rent, 40%
forward. Accordingly, it is anticipated that any new
mid-market rent and 30% private sale. They intend to
'Edinburgh Homes' initiative would have more autonomy.
However we understand that the exact structure of
Edinburgh Homes is still to be determined.

It should be acknowledged that the market fundamentals within Edinburgh are currently more favourable than Aberdeen and therefore the success of the above initiatives should take this into account. In addition, the initiatives focus on large scale development, ignoring small scale projects.

**Work stream 3: Comparable Cities** 



#### 2.2. Preston

Unlike Edinburgh, Preston's strategy has been entirely focused on private sector housing with an underlying desire to deliver more aspirational housing stock to attract postgraduate and young professionals to the market. Similar to Aberdeen, Preston has seen a high volume of 'out of town' development which has been at the detriment of the city centre. In the last 12 months, Preston City Council have acknowledged that they need to be involved to encourage and support development in the city.

The City Living strategy was launched in April 2017, with the slogan 'The time is right to invest in Preston'. As the initiative has only recently been introduced, it is difficult to fully analyse the success of the initiatives however we have discussed the various strategies with key stakeholders, including private sector developers and key public sector personnel, and make the following observations:

Initiative	Purpose	Lessons learned
Promotional prospectus	Preston City Council commissioned a property adviso	The creation of a modern and well designed document
	to prepare a promotional prospectus with the goal o	fhas been well received by the private sector and has
	articulating the city centre's living proposition. This was	assisted to promote the availability of the City Deal and
	supported by a dedicated website	Lancashire County Pension Fund.
	www.prestonguildcity.co.uk	
		The Council are keen to use case studies to emphasise
	The prospectus considers the opportunity, the marke	thow the scheme can work. The public and private sector
	fundamentals, the spatial strategy, investments and	have worked together to create an effective PR strategy
	initiatives that are ongoing and makes the case fo	relating to specific developments which are either
	investment whilst illustrating how the public sector car	underway or imminent.
	help.	
Identification of Quarters	The City Living strategy identifies six quarters within the	The identification of 'quarters' has been more of a
	city centre where they are actively seeking to promote	emarketing / branding exercise rather than providing
	residential development.	guidance from a planning perspective. This may result in
		confusion and frustration between the private sector and
	Within each quarter they identified the character of the	planning officers.
	area, potential opportunities, key priorities and a	
	potential target market(s).	The Council are at the early stage of developing an
		affordable housing fund where they may consider
		subsidising affordable elements of a mainstream
		sdevelopment by plugging any viability gap, through a cash
	currently neglected in the city centre. However, the	
	Council are very much aware of the need to delive affordable housing and are actively identifying	
	neighbourhoods where this can be done in tandem with	
	mainstream development.	•
	The Council are also looking at areas in which they car	
	deliver family housing and are currently looking at a	
	potential urban village initiative within the Stoneygate	
	quarter.	

Savills Research Report to Aberdeen City Council

#### **Work stream 3: Comparable Cities**



Land & Buildings	Preston City Council are committed to setting out the	eOne party we spoke to expressed some concern that by
Ŭ		kbeing overly flexible on design / density the product being
	, , ,	ndelivered was relatively poor and not enhancing the city
		ecentre offering. In addition, one example was given of a
	seeking to be more flexible in design and density.	high density scheme where by the development was sold
	occining to 20 more normals in accign and across,	off plan to overseas investors who were looking to invest
	The Council are committed to using their statutor	yin UK property as a means of preserving capital. With this
	powers to unlock stalled sides, where required.	approach there is a risk that the properties will ultimately
	A least developed in compatible and in a control of the	not translate into more people living in the city centre.
	A local developer is currently engaging, speculatively	·
	with the local authority on a transformational proposa	al We understand that engaging with smaller local / regional
		edevelopers has been critical for the initiative and resulted
	city centre. The developer specifically targeter	din good levels of interest. Also developing key relationships with local professionals, in particular
	buildings which are in disrepair as property owners are	e
	more willing to have reasonable discussions on price.	architects who have been very successful in encouraging
		their clients to invest and develop in the city.
	Office conversion back to residential has been	a One of the challenges has been that the larger developers
	popular approach.	have been prioritising greenfield development to the north
		and aren't interested in city centre development.
		and aren't interested in only define development.
Housing Zone	The Housing Zone proposition offers support with sit	eWe have spoken to a key small scale local developer who
lousing Zone		gis embracing the opportunities that this initiative offers.
		elndeed, the developer is now working on ambitious plans
		hto deliver a number of units across multiple sites in the
	only agency.	city centre using this initiative.
		Preston City Council secured £300,000 of revenue
		funding from HCA to carry out general due diligence on
		opportunity sites, promote the initiative and secure a
		dedicated member of staff. We understand that a
		'Housing Zone' project manager will be joining the Council
		imminently to drive the developments forward.
		and the description of the descr
		The Housing Zone has underpinned the City Living
		strategy and the authority has developed a strong working
		relationship with the HCA. We understand that Preston
		City Council officials have recently been presenting to the
		Welsh Assembly on the benefits that the Housing Zone
		initiative can bring. The Council have indicated that they
		would be happy to discuss their experience with Aberdeen
		City Council.
Strong leadership a	ndThere has been a lack of development activity within	nNigel Roberts, responsible for City Development, and
prioritisation of developme	entPreston over the last 10 years and the Council have	eChris Hayward, Director of Development have been
within the Council		eproactive in creating a strong team and promoting delivery
	and attract development / investment.	of projects. Both have had regular contact with local
	• • • • • • • • • • • • • • • • • • • •	. ,
		developers to improve relationships.

#### **Work stream 3: Comparable Cities**



The Council are hoping to improve the antagonistic relationship between the private sector and localWe understand that through proactive engagement with officials, by working more collaboratively and adopting private sector companies where the Council has an a more flexible approach towards developer's existing relationship, or has collaborated with in the past, obligations. they hope to encourage the 'right development'.

Recognising the viability challenge, the Council has We understand that there has been a distinct change in requirements 106 commercial properties to apartments.

In addition, the Council are looking to use some of their City Deal funding to help deliver any necessary infrastructure / public services within the city centre. their financial position in the long term.

(developer attitude from the existing personnel within the Council and obligation's) for the conversion of existing, vacant stakeholders as a result of the Chief Executive taking an active role in the initiative and showing strong leadership.

Viability is extremely challenging in Preston to the point where, relying purely on existing values, it would be Furthermore, the Council recognises that the additional difficult to justify development. Waiving Section 106 housing numbers will result in additional Council Tax obligations has been critical in facilitating two key projects revenue going forward which will ultimately improve in the city centre, including a 17 unit conversion and a 100 unit development. The requirement for public services is instead funded through Community Infrastructure Levy (CIL) a payment which raises money from housing development particularly in edge of town, greenfield development. CIL is not project specific, where as Section 106 is tailored to specific developments meaning that that the Council is able to divert funds where it feels there is the greatest need (i.e. city centre regeneration).

> The 17 unit conversion is a development of loft style aspirational apartments, the first of its kind in the city, and is consented for the conversion of a derelict warehouse in a Conservation Area. The Council took a light touch to their viability assessment and we understand that no Section 106 obligations are being sought and there is no requirement for affordable housing. We also understand that the developer has managed to secure funding through a heritage grant which further improves viability.

> One of the main challenges has been vendor expectation on price. The Council have been carrying out diligence with a view to educating property owners on the realisable price of their assets. The Council are also very keen to use their statutory CPO powers to help deliver the supply of new sites that is required to generate the level of activity they are seeking. In addition, there is an underlying expectation that as property values increase over time, the viability gap will narrow and there will be more willing sellers.

#### **Work stream 3: Comparable Cities**



It is interesting to note the challenges that exist within Preston in terms of underlying viability and the comparison that can be drawn with Aberdeen city centre. It is also interesting to note the number of success stories emerging through the press following the implementation of a dedicated PR strategy.

Whilst the City Living strategy is relatively immature the Council have been encouraged by the level of interest shown and aim to measure the success of the scheme based on the number of units delivered, the quality of design and they will be retaining their property advisor to look at underlying market fundamental and house price inflation.

**Work stream 3: Comparable Cities** 



#### 2.3. Derby

Derby has much in common with Aberdeen in terms of population, scale and outward migration of commercial and residential development, at the detriment to the city centre. The city centre now suffers from a shortage of Grade A offices and a lack of demand from occupiers which has limited appetite for city living.

Similar to Aberdeen, Derby has also suffered from viability issues with low house prices and rising building costs resulting in limited development in the city centre. A high volume of redundant, vacant upper floor office accommodation which no longer meets occupier requirements with development constrained by viability issues.

A £2bn regeneration scheme, spearheaded by the preparation of Derby Cityscape Masterplan was prepared to provide a clear vision for the city centre and, ultimately, encourage the delivery of over 5,000 new homes, 1.4m Sqft of office space, substantial improvements to leisure and tourist facilities and, the implementation of major mixed use projects. Derby City Living Initiative falls under this scheme which included designating the city centre as a housing zone.

We understand that Derby are targeting the completion of 1900 units by 2030. The City Living initiative was launched in 2016, and in the last year they have achieved almost 1/3<sup>rd</sup> in the city centre masterplan area, albeit this includes student accommodation.

We have spoken with key stakeholders in both the private and public sectors and have discussed the following initiatives:

Initiativ	е		Purpose							Lesso	ons Lea	arned						
Derby	City	Centre	In 2012,	Derby	introduced	the I	Derby	City	Centre	DCC	have	created	а	regenera	ation	team	who	are
Regene	ration		Regenerat	ion sche	eme, a £2bi	lion pro	oject wl	hich i	nvolved	respoi	nsible f	or collabo	oratin	g with the	e priva	ate sec	tor and	d the
			the creatio	n of Der	by City Scar	e Mast	terplan	2030	and the	variou	ıs divisi	ons withi	in the	Council.	A lea	ding d	evelop	er in
			creation of	the Der	by City Livin	g Initiat	tive in 2	014.		the pr	ivate se	ector ack	nowle	edged tha	t the t	team h	ave he	elped
										to smo	ooth the	process	and	help add	ress n	narket	ailure	
			The Coun	cil identi	fied twelve	emergi	ng proj	ects 1	that are									
			anticipated	to start	within the n	ext 5 y	ears. Tl	nese	projects	We u	ndersta	ind that	there	are still	l issu	es with	sites	s not
			included n	najor str	ategic sites	with ic	dentified	dev	elopers,	comin	g throu	gh quick	ly en	ough, pa	rticula	rly tho	se out	with
			large scale	e sites w	ith planning	conse	nt, key	proje	cts with	the ho	ousing z	one area	a.					
			significant	regen	eration be	nefits,	propo	sals	for a									
			Regenerat	ion Fund	d and sites o	f strate	gic prio	rity fo	r Derby	Castle	eward, 1	the large	st of	the 12 pr	ojects	identi	fied fo	r the
			City Cound	cil (DCC)						Derby	City C	Centre Re	egene	eration s	cheme	e and	City L	iving
										Initiati	ve, wa	s a dev	velopi	ment ide	entified	d by I	Derby	City
			The regen	eration	project also	include	ed a fu	nd of	£100m	Cound	cil in 20	010. The	Cou	ncil asse	mbled	the la	and fo	r the
			for improv	ement o	of the public	realm	n such	as n	ew and	initial	phase	and invit	ed bi	ds from i	nation	al hou	se bui	ilders
			upgraded	footbrid	ges, improvi	ng cor	nectivit	y in	the city	and re	egenera	ition deve	elopm	nent comp	oanies	s. There	eafter,	they
			centre and	enhanc	ing open spa	aces. T	his has	been	carried	appoi	nted a	property	advis	ser to as	sist th	nem in	appoi	nting
			out in parti	nership v	vith key land	owners	s and de	evelop	oers.	the c	develop	er, Con	npend	dium Liv	ing a	and c	onstru	ıction
										comm	enced	in 2012/2	2013.					
										We ur	ndersta	nd that D	OCC a	re assen	nbling	land fo	r Pha	se 2,
										and a	are con	sidering	stren	gthening	their	CPO	powe	rs in

#### **Work stream 3: Comparable Cities**



order to encourage development of vacant and offices at upper floors (similar to Union Street), have relaxed planning regulations in order to Change of Use from Office to residential, we are not aware of any projects having been utilising this initiative.  Into for the City Living Loan Fund are subject to restment criteria and each development is in its own merit by an independent body which the project and the track record of the project iving Initiative is working with developers to e actions of the fund. They hosted a launch putting initiative branding on development						
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putting initiative branding on development						
created a specific informative website and are						
ase studies.						
and founding initiation and one of large founds in						
s of funding initiatives and use of loan funds is						
n detail in Section 3 of this report.						
has provided £10m of funding towards the						
development. The first phase included 164 new						
orporating flats, terraces and houses, some of						
available for shared ownership and Help to						
nase has now sold out.						
sing with the developer of Coetleward was						
sion with the developer of Castleward was his regard. They felt the Council had been very						
Section 106 costs. The first phase, which was in						
nership, was purchased based on an open book						
Projects have been delayed due to lengthy discussions on viability assessment, which resulted in the Council being viability, particularly where the District Valuer get involved.flexible on Section 106 costs. The Council were willing to						
· · · · · · · · · · · · · · · · · · ·						
bility arguments which resulted in very little of						
utions required.						
The Council acknowledged that taking an active approach The feedback regarding the 'inward investment' department						
positive, with the private sector acknowledging						
have been very proactive on development						
nt, in particular the planning, regeneration and						
department who now share a Senior Level						
a result of the joined up team, the Director has						
the team to buy in to the strategy and adopt a						
have been very proactive on development, in particular the planning, regeneration and department who now share a Senior Level						

#### **Work stream 3: Comparable Cities**



		Support from the elected members of the Council was acknowledged as being an important aspect to the success
Marketing Derby Connect Derby	stakeholders who are active in promoting Derby in orde to attract investment and support developers. The team are active in marking a difference in Derby and the board and are supported by a website, social media and have	Marketing Derby has attracted non-executive board members including private developers, solicitors, Councillors and Director of Regeneration, Property and Housing at Derby City Council and a number of local businesses. It has been acknowledged as a successful dinitiative in order to improve communication between the public and private sectors.
Preparation or prospectus		We understand that the prospectus was well received as it emade it clear that the city was 'open for business' and was supported by a property show which attracted national coverage. However, the document was created in 2014 and is now out of date in comparison to, for example, Edinburgh and Preston.
Encouraging development redundant offices	of redundant offices at upper floors (similar to Union Street)	A high volume of office accommodation in the city centre, which was surplus to requirements has been converted to a residential. The lack of demand for the existing office stock in the city centre, and the relaxation of planning legislation, has resulted in a significant volume of residential development.

Work stream 3: Comparable Cities



## 3. Funding Initiatives

#### **Work stream 3: Comparable Cities**



In addition to the Council's statutory role as planning, housing and roads authority and its statutory powers such as Stopping Up Orders and Compulsory Purchase Orders, it is proposed that the following tools and mechanisms could be further explored/ utilised to drive delivery (delivery by the public sector, the private sector and indeed the third sector):

Some of the initiatives explore below are only applicable in England – however we feel they provide an interesting context to perhaps facilitate a wider discussion with Government(s).

Fund/ Instrument	Region	Туре	Description	Comments
Capital Investment Planning		Council Budgets	Financing budget from loca government resources	We are unaware of potential capacity within the Council's existing resources to support any new City Living initiatives.
City Deal	UK			The Aberdeen Region has secured £826.2m of esupport over a 10 year period which is focused on 6 key projects (including infrastructure).  We are unaware of there is capacity to divert funds towards any City Living Initiative or apply for additional support in the next round of City Bids.  We understand that the Scottish Government is not keen for City Deal funding to support private housing development unless a clear case is made that unlocks economic growth (i.e. the need to deliver aspirational homes to attract a work force with spending power).  There is a desire to use funding to support social infrastructure and this could help to create a cultural vibrancy in the city centre.
Central Government Support	UK	Grant or Loan	Direct Financial Support	We understand that £254m has been committed to North East infrastructure – which includes £20m for infrastructure funding to unlock infrastructure sites. We are unaware if there is still capacity to utilise these funds.
Bonds	UK	Loan		In Nov 2016, Aberdeen City Council raised r£370m to deliver their capital and investment program – the first of any Scottish Local Authority. We note that the capital and investment program includes initiatives such as "the comprehensive City Centre Masterplan, school and housing





					developments, roads construction, digital enhancements and a variety of key projects designed to act as a catalyst for economic growth."
Tax Increment	UK	Loan (fr	om public or	Borrowing based on projected future	Financing requires a projection to be made on
Financing (TIF)	(Scotland	private s	•		the incremental taxes that could be generated
i manonig (i ii )	pilots are now	i	ocotor)	capital investment	over the duration of the business plan period
	•			capital investment	
	full)				taking into account market feasibility, take up
					rates of properties, etc. TIF is best suited
					where underlying market fundamentals are
					strong and future income is relatively easy to
					predict. It can also carry high transaction costs
					and therefore is best suited to large scale
					projects. The potential credit risk/ repayment
					risk also needs to be duly considered in the
					event that future growth in income is not
					generated down to unforeseen events.
					The advantages are that a TIF allows
					Governments to invest without relying on
					other, perhaps more costly, sources of funding
					and has relatively limited negative fiscal
					impact. The designation of the TIF district
					also needs to be carefully considered to avoid
					any, for example, double counting of
					increments.
					Requires commercial element/ income and so
					wouldn't be suited to standalone residential
					development.
Growth Accelerator	Scotland	Loan		Outcome based funding model based	Currently being utilised in Edinburgh at St
Model (GAM)	(Scottish				James Place and in the Dundee Waterfront
, ,	Futures			increased occupancy.	project.
(replacing TIF)	Trust)			, ,	,
(				Suited to commercial property models	Underpinned by a business plan and carries
				' ' '	risk for the Council. Funds are drawn on a pro
				wider public realm works)	rata basis, i.e. If 80% of anticipated income is
				masi pasiio rodiiii works)	secured then 80% of funds can be drawn.
					seed then 60% of failed can be drawn.
					The initiative is managed by the Scottish
					Futures Trust who we understand have carried
					out a presentation to Aberdeen City Council.
Housing	Scotland	Loans	to private	Loan to help unlock stalled sites by	/Physical infrastructure to unlock development.
Infrastructure Fund		sector	·	"Pump Priming"	Examples at Grandhome in Aberdeen where





				£7.9m of debt was secured.
		Grant to public sector/ RSL's fo affordable		The equivalent scheme in England also facilitates land acquisition costs which we understand is assisting with land assemblies in
Coattich Dartnarchin	Cootland	Loop		key regeneration projects.
Scottish Partnership for Regeneration in Urban Centres (SPRUCE)	Scotland	Loan	with a focus on commercial income producing development within the central belt, where there is a strong sustainability agenda	The fund was originally set at £50 million and has subsequently been increased to £75m. Examples of projects funded (by way of loans) include the Edinburgh Haymarket development (£9.6m) and the Queen Street development in Glasgow (£9.6m) which have both been repaid
				and freeing up capacity for new projects.
				Mixed use development incorporating residential development would be considered although in all likelihood would need to be weighted towards commercial income producing assets.
				The funds are typically used for 'Pump Priming' by either the private sector or the public sector. We understand that the fund currently offers better value than the Public Work Loan Board where the cost is weighted to the average rate of 10 year gilts. Loans are typically available for 3-5 years.
				As well as the infrastructure delivered, all contractors include Community Benefits in Public Procurement clauses in contracts and so provide jobs and training opportunities for local people (to ensure appropriate regeneration outputs are delivered).
UK Treasury Guarantee	UK	Guarantee	infrastructure projects, where a project is financially credible and is ready to start construction.	This initiative was utilised at Countesswells in Aberdeen where Stewart Milne (through their Special Purpose Vehicle - SPV) secured a Government Guarantee (to cover both capital and interest) for their £80m loan from their lender, the Bank of Scotland.
				This significantly reduced the risk of the project by essentially using the broad shoulders of the UK's balance sheet and credit rating. It is worth noting that the guarantee does not just





				24 Survey 102 ES
				extend to infrastructure but also to every property constructed by the SPV.
				This is considered to represent good value for the Treasury whilst also unlocking development.
				A project would however need to of substantial scale to attract this level of support. It may however be that a similar model could be developed by Aberdeen City Council using their credit rating.
Rental Income Guarantee Support	Scotland	Guarantee	by assisting with securing rent	We understand that final details of the scheme are being finalised and expected to be launched later this year.
				The SFT are also looking at a Mid-Market Rental (MMR) model where rent can be collected based on 120% of the housing allowance levels.
The Homes & Communities Agency	England Only	Loan		Low cost loan can help to reduce the viability gap and unlock development.
				This has been very effective in England in unlocking a number of projects.
The New Homes Bonus	England Only	Grant	incentivise housing growth based on	Not applicable in Scotland but a mechanism such as this could certainly assist a residentially focused strategy.
Direct Grants	UK	Grant	Reimbursement for allowable expenses	Many tools are available including the:
			,	Conservation Area Regeneration Scheme (CARS)
				Lottery Fund (up to £5million)
				Heritage funding
				Scottish Land Fund (for communities)  Coastal Communities Fund
				Can be an effective intervention at a localized level particularly to drive higher quality design
				and external improvements or facilitate community involvement.
Regeneration Capital	Scotland	Grant		Targeted towards projects that primarily focus





Grant Fund			Fund for community projects	on areas that suffer from high levels of deprivation and disadvantage; demonstrate clear community involvement; deliver large scale transformational change with strong regeneration outcomes, and that; can encourage additional investment whilst addressing market failure.  The 17/18 fund is currently closed and applications are made on an annual basis.
Shortfall Funding		Grant		This was used on phase 1 of the Ravenscraig Regeneration Initiative (800 homes) but was withdrawn for phase 2.  Carries risk for public sector and funding is ultimately required.
Pension Fund Participation	UK	Direct/ Indirect Investment or Loan (recoverable capital investment basis)	Collaborations the public and private sectors	Increasing common across the UK with examples in Derby, Manchester and Falkirk.  The £300m Manchester Fund has been criticized recently for not delivering enough affordable housing.  Falkirk Council Pension Fund awarded their fund manager, Hearthstone Investments, £30 million to invest in social and affordable housing in Scotland. We understand that this fund already supports an Aberdeen project and therefor ether is unlikely to appetite to invest additional funds in Aberdeen.  In the event that the market viability gap is addressed then this could represent an interesting opportunity for The North East Scotland Pension Fund which is part of the Local Government Pension Scheme and has over £3.8bn of funds under management. Hearthstone Investment have indicated that an indirect property investment fund is relatively straightforward to set up. Indeed, they have recently launched a fund called the Hearthstone Residential Fund Two (a Build To Rent focused fund made up of five English Pension Funds who are seeking to develop a UK portfolio, with an interest in exploring





			options in Scotland.)
Crowdfunding	UK	Loan	Typically a web based platform for Crowdfunding Aberdeen is already in place capturing funds from the general public and represents an exciting way to capture public engagement in an inclusive way. Likely to be for relatively small scale projects.
Business Improvement Districts (BIDs)	UK	Collective Contribution	Public Private Partnership where The BID model could potentially be used as a property and business owners make a platform through which to leverage collective contribution and benefit from contributions from a local business base any enhanced trade/ value that istowards development costs. created.  Can focus on, for example, public safety or branding and investment promotion. A BID would not help in projects which require an injection of early equity/ investment as the income tends to be longer term in nature.  Aberdeen Inspired is an example of a successful BID initiative and was awarded the best European BID 2017 by the Association of German Chambers of Commerce and Industry.  This approach can help with place making initiatives at a relatively low cost to the tax
Lease Wraps		Structure	The local authority utilises their ACC entered into a lease with Aviva for the covenant strength to underpin Marischal Square development, and will pay a rental from the completion of the development for a 35 year period. The developer is There is often an element of profit rent contracted to let the office, restaurant and additional space within the development on behalf of the Council. After the 35 year lease period the Council can choose to buy the development in its entirety (including the land) for £1.  The Council is liable for the annual rental and will carry the risk should the hotel and development not realise the income projected. The projected income on a fully let scheme is, however, significantly above the rental payment.  The model can be an effective way of utilising the LA covenant to drive development of

Savills Research Report to Aberdeen City Council





			income producing assets (for example Build to Rent models).
Land Readjustment	- Structure	Land Pool or Assembly	Local authority pools or assembles land parcels, develops a plan and delivers infrastructure. Useful in cases of fragmented land.  Landowners secure a proportional share of future net (to reflect betterment/ enhancement) land proceeds.  Benefit of engaging and involving residents and landowners as stakeholders and reduces upfront costs of the local authority. But requires a sound legislative framework and strong local institutions. Requires consent of all landowners so less certain than CPO. Also potential for dispute relating to the value of land.
Public Land as Equity to a Joint Venture	- Structure	equity.  In lieu of cash the local authority of the asset. The private sector in cash (meaning authority doesn't	Aberdeen through the landmark £300m Limited Liability Partnership (LLP) model offers between Places for People and Aberdeen City nvests Council. Each party has a 50% share in the have development partnership which will build, own gative and manage a range of homes across eight sites in the city, and split an equal share of any development profits.

#### **Work stream 3: Comparable Cities**



			The developments will consist of a housing mix of social rent, mid-market rent, shared equity/low cost home ownership and private sale depending on site location and regeneration objectives.  There was no requirement for government
			subsidy or grant funding albeit the success of the project will be influence by market dynamics.
Defer Public Sector land receipt		assist with the debt stack. Either payment on trigger (i.e. completion) or increasingly a transfer of an income	This is an interesting model that is becoming increasingly popular – the concept of local authority or public sector organizations receiving a long term income stream on completion is attractive when revenue is becoming increasingly challenging to secure.
			The developer can also save up to in the region of 20-30% of their upfront investment requirement. Could the retained assets on collection be utilized by the third sector (who would have their own business plan/ funding streams to enable them to pay an economic rent) to create a cultural identity?
			ACC have experience of deferred models, for example, the Marischal Square development involved a £1million upfront payment with the balance of £9million paid on completion. Note: can these funds be recycled?
Direct Land Sales with flexible/ tailored structures	-	land sales into projects/ initiatives – ring fence funds.	Aberdeen City Council have demonstrated an ability to work with the private sector to create innovative structures. For example, in relation to St Nicholas House, tin 2014 the Council entered into an agreement with Muse Developments Limited and AVIVA Investors Realm Commercial Assets LP (Aviva).
			Monies from the development were set-aside for upgrading works to Provost Skene's House and public realm works within and out with the scheme. In addition there is also a profit share element for ACC.





				Dependent on the Council having realisable
				and attractive assets in the city centre area.
Sale or Long Lease through a Strategic Negotiated Transaction	_	Structure		This type of approach involves the public and private sector working together to negotiate a land disposition deal structure that aligns both parties' interests.  The timing of any discussion needs to be
				carefully considered to ensure transparency.
Special Assessment Districts	_	Тах	value of the property which is paid by property owners within a special district	Tied to existing development rather than ranticipated or future development. Good where there is an element of urgency and stakeholders want to get going. More suited where land is held by only a few commercial landowners and market can sustain additional tax (i.e. no market failure).
Betterment levies		Тах		Generally not a popular tool and land value enhancement is difficult to quantify/ subjective.  Still requires an initial investment from the public sector at the early stages.
Density Bonus		Тах	(in sq. ft or % terms) in return for	tonly works in markets with there are strong underlying fundamentals to support an increased density.
Developer Contributions – S75	Scotland	Тах	funding to offset any impact caused as a result of development – to reduce the	In order for a local authority to rely on contributions as a funding source there needs to be a sufficiently robust and active market place to generate the contributions in the first place and to enable robust forecasting of future income streams (World Bank). In markets which are experiencing failure or a lack of confidence, imposing a levy can have the effect of discouraging private sector investment. In addition the ability for a developer/ investor to pay is heavily influenced by land value which is a highly volatile asset





			class.  This is presently considered to be a barrier to new development activity within Aberdeen city centre. Consider alternative mechanisms (i.e. waterfall payments or separate funding streams)		
Inclusionary Zoning/ Affordable Housing	Scotland	affordable or social housing as part of a market driven development	For the policy to drive new homes they must offset developers losses or even enhance the profitability of the housing project. Accordingly, strong markets with low market risk are better able to shoulder the requirement		
Flexible Legislative Environment	_	Where cities lack legislative authority	to deliver affordable housing and visa versa.  More passive than proactive investment of capital but can be powerful to help deliver a		
		possible to utilise other tools at their disposal including planning flexibility or more flexible building and roads requirements			

#### 3.1. Conclusion

We do not have sufficient insight into Council's risk/ return appetite or funding capacity/ constraints to make recommendations. However, it is clear form our research, that there are a wide number of options available for consideration and discussion. Within each option there are ways to identify and mitigate risk to come up with a tailored model that balances risk and return.

What is very encouraging to see (and is likely to resonate with private and public sector partners going forward) is the initiative and bold decisions that have already been taken by the Council to date. With further discussion and engagement with Scottish and National Governments (on perhaps seeking to establish a GAM model for residential development or secure assistance similar to what the Homes And Communities Agency in England is offering) alongside engagement in the Private Sector and the Third Sector, it is believed that further innovation can help the Council to deliver on the wider desire to create a vibrant, living, city centre.

**Work stream 3: Comparable Cities** 



Work stream 3: Comparable Cities



## 4. Recommendations

**Work stream 3: Comparable Cities** 



We have summarised our recommendations from the content of this report below, however our key recommendations are set out in detail in Workstream 4.

#### **Recommendation 1: Attract investment**

Promote the success stories, such as Broadfold Works, in addition to Aberdeen's strong property dynamics to attract developer and investor demand at a local, UK-wide and global level. Create a prospectus, supported by a website and focus on promoting this initiative via a road show to build up momentum. The Council should take a lead role and work with the likes of SCDI, Department of Trade and Industry and Cities Alliance, all of whom are actively seeking inward investment.

The UK market for city regeneration is very competitive with many city regions competing against each other for UK and Global investment. Aberdeen needs to be competitive, flexible and alert to opportunities.

There is a financial risk to the Council as this initiative will involve early investment and resource to prepare literature with no guarantee of a successful outcome. However marketing Aberdeen as a City that is open for business and willing to be flexible to meet investor and developer requirements will assist to drive attention to the positive dynamics of Aberdeen.

#### **Recommendation 2: Identify Key Sites**

In order to attract investment, the Council should identify key masterplan projects, such as Queen's Square, that they consider to be of strategic importance to the City and the masterplan. A clear strategy on phasing, timing and release of such sites should be implemented to ensure the market is not flooded and to protect land values. The Council should consider their ability to support developers with planning, viability, land assembly, funding and construction.

The risk profile will be dependent on the depth of intervention the Council take with projects of this scale.

The Council should be careful not to focus only on large scale projects. The nature of Aberdeen City centre is such that small developments play an important role in delivering new supply to the market.

#### **Recommendation 3: Strong Leadership**

Our discussions with public and private sector stakeholders involved in the Derby, Preston and Edinburgh initiatives all identified the importance of strong leadership and support for the city living initiative from senior staff and elected members of the Council. Dedicated regeneration teams and staff members within the Council to support the initiative have also been hailed a success. Aberdeen should consider their internal structure and resource to establish if creation of such a team would be possible.

Work stream 3: Comparable Cities

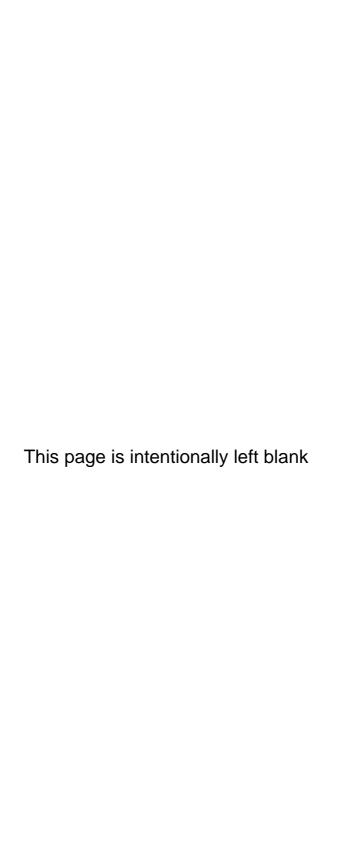


### Important Note

Finally, in accordance with our normal practice, we would state that this report is for general informative purposes only and does not constitute a formal valuation, appraisal or recommendation. It is only for the use of the persons to whom it is addressed and no responsibility can be accepted to any third party for the whole or any part of its contents. It may not be published, reproduced or quoted in part or in whole, nor may it be used as a basis for any contract, prospectus, agreement or other document without prior consent, which will not be unreasonably withheld.

Our findings are based on the assumptions given. As is customary with market studies, our findings should be regarded as valid for a limited period of time and should be subject to examination at regular intervals.

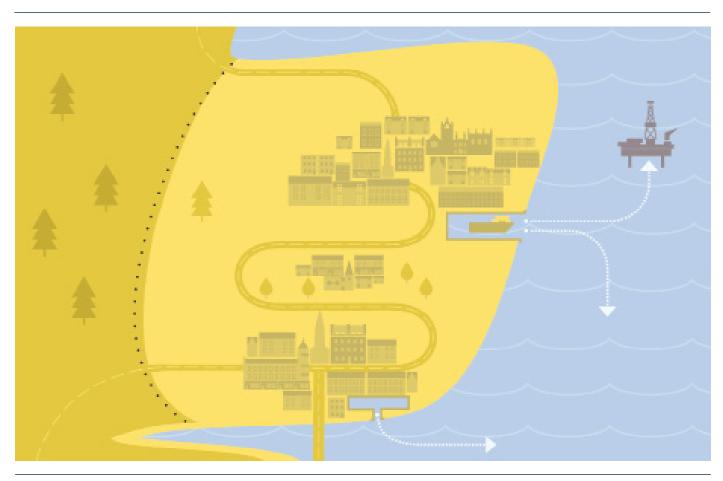
Whilst every effort has been made to ensure that the data contained in it is correct, no responsibility can be taken for omissions or erroneous data provided by a third party or due to information being unavailable or inaccessible during the research period. The estimates and conclusions contained in this report have been conscientiously prepared in the light of our experience in the property market and information that we were able to collect, but their accuracy is in no way guaranteed.





## Spotlight | Winter 2017

# North East Scotland's Residential Property Market



**Summary** The Aberdeen area residential market has improved this year, with values stabilising and transactions recovering. Meanwhile, there is increased confidence in the markets of Angus, Dundee and Moray, where house prices have reached record levels

- The Aberdeen area market is looking brighter, with activity improving above £400,000. However, high levels of available mainstream stock will suppress value growth in the short term. Page 2
- There is an air of optimism about the future of Dundee, sparked by new projects like the V&A. House prices have reached record levels, fuelled by a lack of supply. Page 3
- Ongoing investment in Dundee is assisting the Angus market, where transactional activity in coastal locations has improved this year.

  Page 3
- Increased new build activity is supporting the Moray residential market, where transactional activity above £300,000 has reached a 10-year high. Page 3
- There is increased confidence in Aberdeen's development land market, with a number of recent deals in peripheral locations. However, prevailing caution will suppress any growth in values. Page 4

# Aberdeen area recovery continues

The market is looking brighter, with values stabilising and transactions recovering

Residential market recovery across the Aberdeen area has continued throughout 2017. However, the level of available second hand mainstream stock remains high.

According to the UK House Price Index, from peak to trough, Aberdeen City's average house price had fallen by 19%, from \$199,285 in September 2014 to \$161,803 in February 2017. The gap has narrowed slightly to 16%, with the average price picking up in recent months, reaching \$167,903 in August.

Aberdeenshire's average house price fell by 8% from peak to trough, from \$202,570 in April 2015 to \$186,376 in March 2017. The months of May and June saw a mini recovery in average prices, with the peak to trough gap narrowing to 3%. However, the average price fell back to \$188,876 in August, thus highlighting the fragile nature of the current market.

#### An increase in transactional activity

Alongside a recovery in average prices, the Aberdeen area has also witnessed modest growth in transactions throughout this year. The number of residential transactions in Aberdeen City and Aberdeenshire reached 5,994 during the first nine months of 2017, which was 2% higher than the same period in 2016. This is the first annual increase since 2014, when the number reached 8,108 during the height of the energy market.

The recovery in transactions was led by the second hand market, whereas new build activity fell by 13% this year. This reflects the 23% annual drop in new house building in Aberdeen City and Aberdeenshire during the financial year 2016/2017.

While the market up to \$400,000 is still adjusting, activity above this level has stabilised, especially in the second hand market. There were 218 second hand transactions between \$400,000 and \$1 million during the first nine months of 2017, compared to 204 over the same period in 2016.

The overall market above \$400,000 is also attracting more buyers from outside Scotland, with the number originating from the rest of the UK almost doubling this year.

#### Suburban hotspots leading the recovery

Within Aberdeen City, the AB13, AB15 and AB25 postcodes led the recovery this year, with a 20% annual rise in transactional activity, supported by new build sales. These areas include the hotspots of Aberdeen's West End and the sought-after suburbs of Bieldside, Cults and Milltimber. This shows that in times of uncertainty, buyers are drawn to prime hotspots, which are considered safe investments.

In Aberdeenshire, the strongest growth in transactions this year took place in locations that are within easy reach of Aberdeen, including Portlethen and Westhill and also the hotspot of Banchory, where the local secondary is one of Scotland's top-performing state schools in terms of Higher exam results. Meanwhile, there was a 25% annual increase in the number of transactions in southern Kincardineshire, which includes Laurencekirk and Fettercairn. Transactional activity also recovered in the coastal town of Stonehaven, mainly between \$200,000 and \$400,000.

#### Stock levels reducing above £400,000

Whilst transactions have started to recover, the number of available second hand residential properties has doubled since the beginning of 2015. The majority is between \$100,000 and \$200,000 and includes many buy-to-let properties, which have been impacted by significant falls in rental prices. Compared to last November, the amount of available stock in this price band has increased by 25%. However, above this level, the amount has reduced by 6%, including a 15% drop above \$400,000, reflecting the improved transactional activity.

## Prospects for longer term recovery are good, providing prices adjust

Our Aberdeen area residential values five-year forecast reflects recent stability in average prices and improving transactional activity. While exceptional properties and established locations will continue to attract buyers, the increasingly high level of available stock will suppress value growth in the short term. This adjustment will help to generate demand and begin a housing market recovery in Aberdeen, with values expected to grow by 4.5% by 2022.

FIGURE 1 Five year residential annual change forecasts

	2018	2019	2020	2021	2022	5-year compound growth
UK mainstream values	1.0%	2.5%	÷ 5.0%	2.5%	2.5%	14.2%
Scotland mainstream values	1.5%	3.5%	5.0%	3.0%	3.0%	17.0%
Aberdeen area mainstream values	-1.5%	-1.0%	3.0%	1.5%	2.5%	4.5%

Source: Savills Research

# Wider North East market reaches new heights

Market confidence has increased in Angus, Dundee and Moray

he residential markets in Angus, Dundee City and Moray have remained relatively unaffected from the recent boom and bust experienced in the Aberdeen area.

#### Record price growth in Dundee City

There is an air of optimism about the future of Dundee City, where the new V&A museum is due to open in 2018. This will be the centrepiece of the &1 billion, 30-year transformation of Dundee City Waterfront. The increased confidence has supported growth in the local residential market. Dundee City's average house price reached &125,847 in August this year, which is the highest monthly figure in 13 years.

Dundee's price growth has been fuelled by a lack of supply. The number of private new homes built in Dundee City over the last 10 years is 45% below the amount in the previous decade. Furthermore, the Dundee City market, which is around two-thirds the size of Aberdeen City's in terms of annual residential transactions, has 75% fewer properties currently available to buy.

As a consequence, the number of residential transactions during the first nine months of 2017 was 2% lower than the level last year over the same period. Despite this drop, prime transactional activity in Dundee City above \$400,000 in 2017 reached its highest level in five years. This included the sale of Brackenbrae House in Broughty Ferry, which became Dundee's first ever million pound residential sale earlier this year.

## Ongoing investment in Dundee City is assisting the Angus market

Increased prosperity in Dundee has led to further growth in the Angus residential market. The average house price reached \$144,788 in July this year, which is the highest monthly figure since 2008.

The number of residential transactions during the first nine months of 2017 was 4% higher than the level last year over the same period. The market has improved between \$200,000 and \$400,000 and has grown in the coastal areas of Monifieth, Carnoustie and Arbroath, supported by new build activity.

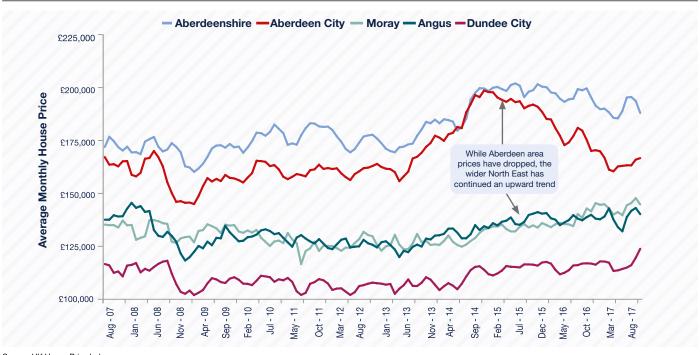
## Increased new build activity is supporting the Moray market

In Moray, the average house price reached £149,360 during July 2017, which was highest monthly figure in 13 years.

Overall transactional activity has remained unchanged this year compared to 2016, however, there was improved activity above \$300,000. The Moray market has been supported by private new build activity, with the level of house building going up by 24% during the financial year 2016/2017 compared to 2015/2016.

New build sales have supported the 54% annual rise in transactions in Forres during 2017, making up 23% of all activity in the town during the first nine months of this year. Meanwhile, the number of transactions in Fochabers reached 77 during the first nine months of 2017, which is the highest in 13 years. ■

FIGURE 2 Average monthly house price in North East Scotland



Source: UK House Price Index

# Confidence slowly returns to the development market

The market is showing signs of improvement, with renewed interest from outside Aberdeen

he Aberdeen area population is expected to grow by 14% over the next 20 years, compared to 5% for Scotland as a whole, according to the Government's population projections. Substantial areas of land will therefore be required to accommodate new development to meet this growth.

Encouragingly, a number of deals have taken place in Aberdeen's peripheral locations, although prevailing caution will suppress value growth. Meanwhile, there is a lack of supply of apartment sites in the West End, where demand remains strong.



Savills has recently sold Banchory and Leggart Estate, strategically located to the south west of Aberdeen City

#### Recent edge of town deals signal an improving market

Significant deals at the edge of Aberdeen have recently completed or are under offer. This demonstrates a level of confidence in the improving market by both regional and national house builders.

There is an increased appetite from house builders and developers looking to expand their land holdings and number of outlets. However, house builders are continuing to appraise sites with an element of caution that will limit any growth in land values in the short term.

There is also renewed interest from companies outside Aberdeen, attracted by improving infrastructure, such as the Aberdeen Western Peripheral Route, and the opportunity to create value in the longer term.

## Underlying fundamentals will support demand in established locations

Notwithstanding the challenges to the wider housing market, there is currently a significant lack of new build West End apartments. While values have undoubtedly been affected by the subdued energy market, there remains active demand for such sites. In general terms, even in a weak market, new build apartments in established locations of Aberdeen perform relatively well, largely due to a lack of supply and continued demand from Aberdeen's affluent downsizer market, supported by high levels of equity over a sustained period.

Average new build asking prices per square foot in Aberdeen this year have ranged from \$250 in peripheral locations to around \$300 in central and western hotspots.

There is a lack of supply of quality centrally located development sites, which is limiting activity. Encouragingly, there is a desire for the City Council to attract more development, in particular through the Aberdeen City Centre Masterplan project on which Savills is advising. Hence, there is potential for early mover advantage in this area.

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## Agenda Item 10.1

Exempt information as described in paragraph(s) 4, 6 of Schedule 7A of the Local Government (Scotland) Act 1973.



## Agenda Item 10.2

Exempt information as described in paragraph(s) 4, 6 of Schedule 7A of the Local Government (Scotland) Act 1973.



## Agenda Item 10.3

Exempt information as described in paragraph(s) 4, 6 of Schedule 7A of the Local Government (Scotland) Act 1973.



Exempt information as described in paragraph(s) 4, 6 of Schedule 7A of the Local Government (Scotland) Act 1973.









Exempt information as described in paragraph(s) 4, 6 of Schedule 7A of the Local Government (Scotland) Act 1973.







Exempt information as described in paragraph(s) 6, 9 of Schedule 7A of the Local Government (Scotland) Act 1973.



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