

Public Document Pack



To: Councillor McLellan, Convener; Councillor Yuill, Vice-Convener; and Councillors Cooke, Fairfull, Farquhar, Grant, Greig, Houghton, Hutchison, Macdonald, Nicoll, Radley and Watson, .

Town House,
ABERDEEN 10 May 2023

FINANCE AND RESOURCES COMMITTEE

The Members of the **FINANCE AND RESOURCES COMMITTEE** are requested to meet in the **Council Chamber - Town House** on **WEDNESDAY, 17 MAY 2023 at 10.00am**. This is a hybrid meeting and Members may also attend remotely.

The meeting will be webcast and a live stream can be viewed on the Council's website. <https://aberdeen.public-i.tv/core/portal/home>

JENNI LAWSON
INTERIM CHIEF OFFICER – GOVERNANCE (LEGAL)

BUSINESS

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- 9.3. Newhills Additional Primary School Provision - RES/23/144 (Pages 83 - 92)

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- 9.4. Capital Programme Delivery: Projects Update - RES/23/137 (Pages 93 - 146)

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- 12.1. Belmont Cinema and Media Centre Options - COM/23/138 (Pages 191 - 298)

Exempt Appendices are included within the Exempt Appendices Section of this Agenda.

- 12.2. Commercial Property Auctions – Pilot Project - RES/23/161 (Pages 299 - 302)

EXEMPT/CONFIDENTIAL BUSINESS

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EXEMPT APPENDICES

- 14.1. Work Plan and Business Cases - Exempt Appendices (Pages 303 - 362)
- 14.2. Newhills Additional Primary School Provision - Exempt Appendix (Pages 363 - 416)
- 14.3. Belmont Cinema and Media Centre Options - Exempt Appendices (Pages 417 - 436)

EHRIAs related to reports on this agenda can be viewed [here](#)

To access the Service Updates for this Committee please click [here](#)

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Finance and Resources Committee

ABERDEEN, 29 March 2023. Minute of Meeting of the FINANCE AND RESOURCES COMMITTEE. Present:- Councillor McLellan, Convener; and Councillors Bonsell (as substitute for Councillor Watson from article 9), Cooke, Crockett (as substitute for Councillor Watson from start until article 9), Fairfull, Farquhar, Grant, Greig, Houghton, Macdonald, Nicoll, Radley and van Sweeden (as substitute for Councillor Hutchison).

The agenda and reports associated with this minute can be found [here](#).

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 item 13.1 (Proposed Disposal of Surplus Site at Oscar Road, Torry), item 13.2 (Purchase of Ground - Wellington Road – March 2023), item 14.1 (Workplans and Business Cases – Exempt Appendices), item 14.2 (Christmas Village Feedback Report – Exempt Appendices) and item 14.3 (Complex Care - Outline Business Case – Exempt Appendix) with the press and public excluded from the meeting.

The Committee resolved:-

in terms of Section 50A(4) of the Local Government (Scotland) Act 1973, to exclude the press and public from the meeting during consideration of the above items so as to avoid disclosure of information of the classes described in the following paragraphs of Schedule 7(A) to the Act:- article 18 (paragraph 9), article 19 (paragraphs 6 and 9), article 20 (paragraph 8), article 21 (paragraph 6) and article 22 (paragraphs 8 and 9).

DECLARATIONS OF INTEREST AND TRANSPARENCY STATEMENTS

2. Members were requested to intimate any declarations of interest or transparency statements in respect of the items on today's agenda, thereafter the following were intimated:-

- (1) Councillor Greig declared an interest in relation to agenda item 9.3 (UK Shared Prosperity Fund) by virtue of him being a Council appointed member of Aberdeen Performing Arts Board. He considered that the nature of his interest would require him to leave the meeting prior to consideration of the item;
- (2) Councillor Nicoll advised that he had a connection in relation to items 7.1 (Notice of Motion by Councillor Crockett – City region Deal), 11.2 (North East of Scotland Green Freeport – Update) and 11.4 (Energy Transition Zone Jobs and Skills Plan) by virtue of him being a Council appointed member of a number of outside bodies. He considered that the nature of his interests would not require him to leave the meeting prior to consideration of the item;
- (3) Councillor Radley declared an interest in relation to agenda item 9.3 (UK Shared Prosperity Fund) by virtue of her being a Council appointed member of Visit

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- Aberdeenshire Board. She considered that the nature of her interest would require her to leave the meeting prior to consideration of the item;
- (4) Councillor Grant advised that he had a connection in relation to item 9.5 (Tillydrone Primary School) by virtue of his children attending Riverbank Primary School and that his wife was a member of Tillydrone Parent Council. He considered that the nature of his interests would not require him to leave the meeting prior to consideration of the item;
 - (5) Councillor Grant declared an interest in relation to agenda items 9.2 (Place Based Investment Programme) and 9.3 (UK Shared Prosperity Fund) by virtue of him being the previous Chairman of the Tillydrone Community Development Trust; and item 10.2 (Christmas Village Feedback Report) by virtue of him being an employee of Aberdeen Inspired. He considered that the nature of his interests would require him to leave the meeting prior to consideration of these items; and
 - (6) Councillor Fairfull declared an interest in relation to agenda item 9.3 (UK Shared Prosperity Fund) by virtue of her being a Council appointed member of Aberdeen Performing Arts Board. She considered that the nature of her interest would require her to leave the meeting prior to consideration of the item.

MINUTE OF PREVIOUS MEETING OF 1 FEBRUARY 2023

3. The Committee had before it the minute of meeting of the Finance and Resources Committee of 1 February 2023.

The Committee resolved:-

to approve the minute as a correct record.

TRANSPARENCY STATEMENT

During consideration of the below item of business, specifically relating to the Belmont Cinema and Media Centre Options item, Councillor Macdonald advised that she had a connection by virtue of her being an Advisor to the Save the Belmont Campaign. Having applied the objective test, she did not consider that she had an interest and would not be withdrawing from the meeting.

COMMITTEE PLANNER

4. The Committee had before it the Committee Business Planner prepared by the Interim Chief Officer - Governance.

The Committee resolved:-

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- (i) to remove items 7 and 33 (Capital Programme Delivery: Projects Update); and item 69 (Marywell to A956 Wellington Road – Cycle Path (RCD5394) 19/20) from the planner;
- (ii) to transfer item 5 (City Centre Multi Storey Blocks - Progress on Full Options Appraisal) to the Communities Housing and Public Protection Committee Planner;
- (iii) in relation to item 28 (Belmont Cinema and Media Centre Options) to request that the Chief Officer – City Growth investigate whether the report could be submitted sooner to Council at its meeting on 26 April 2023, if reporting timelines in this regard were achievable;
- (iv) in relation to item 69 (Marywell to A956 Wellington Road – Cycle Path (RCD5394) 19/20), to instruct the Chief Officer – Strategic Place Planning to circulate details of the current costs of the project to all members of the Committee; and
- (v) to otherwise note the Committee Planner.

NOTICE OF MOTION BY COUNCILLOR CROCKETT - CITY REGION DEAL

5. With reference to article 14 of the minute of meeting of the Council of 22 February 2023, the Committee had before it a Notice of Motion by Councillor Crockett in the following terms:-

that the Committee:-

- (1) note the success of the Aberdeen City Region Deal, a 10-year deal signed in 2016 by the former Leader of Aberdeen City Council, noting the key themes within the Aberdeen City Region Deal are innovation, internationalisation and diversification. Its key projects areas are:-
 - Innovation - including NZTC (former name OGTC), Agri-Food and Nutrition Hub and Bio-Therapeutic Hub;
 - Digital Connectivity;
 - Road infrastructure supporting the Aberdeen South Harbour Expansion; and
 - Strategic Transport Appraisal of priority regional projects;
- (2) agree that Aberdeen has been let down by the Scottish and UK Governments who have made decisions detrimental to the North East economy despite Aberdeen having the skills, expertise and infrastructure which could accelerate the energy transition;
- (3) agree that it is now essential that the Council approaches the UK Government to start negotiating on a new Aberdeen City Region Deal or an extension of the Aberdeen City Region Deal which is due to expire in 2026 in order for the city to remain competitive as it moves towards Green and renewable energy; and
- (4) therefore, agree to the setting up of a cross party working group comprising the 4 group leaders to discuss and agree a Council strategy in order for the council to start the process to either extend or renew the Aberdeen City Region Deal with the UK Government.

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During discussion, the following joint amendment was submitted by the Convener and Councillor Crockett:-

that the Committee:-

- (1) note the success of the Aberdeen City Region Deal, a 10-year deal signed in 2016, by Aberdeen City Council, Aberdeenshire Council, the Scottish Government, the UK Government, and Opportunity North East (ONE);
- (2) note the agreed key workstreams within the City Region Deal Programme, as follows:-
 - Digital connectivity;
 - Innovation - including NZTC (former name OGTC), Agri-Food, Nutrition Hub and Bio-Therapeutic Hub; and
 - Transport - Road infrastructure supporting the Aberdeen South Harbour Expansion; and Strategic Transport Appraisal of priority regional projects;
- (3) note the success of the Deal in leveraging in additional investment into delivering the programme including the investment by Aberdeen City Council;

City Region Deal Programme	UK & Scottish Gov (£125m each)	Councils (£10m each)	Other funders
Digital	£10m	£7m	£59m
Innovation (NZTC, Bio Hub, SeedPod)	£210m	-	£276.4m
Transport (includes Harbour Expansion and Road Infrastructure)	£30m	£13m	£408.9m
TOTALS	£250m	£20m	£744.3m

- (4) acknowledge that the Aberdeen City Region Deal is due to end in 2026 and notes that regional partners are finalising a new Region Economic Strategy (RES) that will set out future ambitions for the region and the basis for a new investment plan that the regional economic partners will develop for ongoing discussion with the Scottish Government and UK Government;
- (5) note with disappointment that the Northeast of Scotland Green Freeport bid was unsuccessful and that the Co-Leaders have contacted both governments to discuss alternative inward investment proposals;
- (6) note the UK Chancellor's announcement in the Spring Budget of 15 March 2023 to begin discussions to co-develop Investment Zone proposals with eight places in England and intent to discuss with the Scottish Government where at least one Investment Zone could be delivered in Scotland;

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- (7) instruct the Chief Officer - City Growth to present the draft RES for approval to the next meeting of the Council's Finance and Resources Committee and to update on the process for the delivery of Investment Zones in the North East; and
- (8) instruct the Chief Officer - City Growth to provide a briefing on the RES to all Group Leaders prior to the Committee.

The Committee resolved:-

to approve the joint amendment.

WORK PLAN AND BUSINESS CASES - COM/23/093

6. The Committee had before it a report by the Director of Commissioning which presented procurement work plans where expenditure was included for the Customer, Operations and Resources Functions to Committee for review and to sought approval of the total estimated expenditure for the proposed contracts as contained in the Procurement Business Cases appended to the report.

The procurement business cases related to the following:-

- Bioliners 2023;
- Structural Engineer; and
- Occupational Health.

The report recommended:-

that the Committee –

- (a) reviews the workplan as detailed in the Appendices for the Customer, Operations and Resources Functions;
- (b) approves the procurement business cases, including the total estimated expenditure for the proposed contract;
- (c) notes the content of Appendix 3 to 3.10 Memos (Exemption Urgency); and
- (d) notes the content of Appendix 4 to 4.1.3 Forms (Technical Exemption).

The Committee resolved:-

to approve the recommendations.

At this juncture, in accordance with Article 2 of this minute, Councillor Grant left the meeting prior to consideration of the following item of business and Councillor Bonsell joined the meeting as his substitute.

PLACE BASED INVESTMENT PROGRAMME - COM/23/096

7. With reference to article 8 of the minute of the previous meeting of 1 February 2023, the Committee had before it a report by the Director of Commissioning which

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sought approval for the allocation of grant funding from the Place Based Investment Programme (PBIP) Fund 2022/2023 and 2023/24.

The Committee heard Mr Stuart Bews, Team Leader, External Funding provide an update relating to further information received from Camphill School Aberdeen regarding a service level agreement held with Aberdeen Health and Social Care Partnership. He requested that following receipt of this information, that recommendation (g) below be amended to approve the application for the project.

The report recommended:-

That the Committee -

Place Based Investment Programme 2022/23

- (a) note the withdrawal of the commitment to the Woodside Gateway project which had been allocated £100,000;
- (b) note that in line with the Committee decision on 07/12/2022 an additional £10,987 was awarded to Fersands Fountain Community Project following consultation with Convener of Finance and Resources;
- (c) approve an initial award of £90,994 to Aberdeen City Council for the Tolbooth Museum External Improvements and Structural Repairs project, and agrees that any funds which become available from previously approved PBIP 2022/23 projects, be re-allocated to this project;
- (d) note that any PBIP 2022/23 funds allocated to the Tolbooth project will reduce the value of UK Shared Prosperity Funds allocated to the project by the same value;
- (e) agree to transfer the allocation of £253,981 to Tillydrone Community Development Trust for the Benholms Gateway project from the 2022/23 programme to the 2023/24 programme;

Place Based Investment Programme 2023/24

- (f) approve an award of up to £155,615 to Aberdeen City Council for The Street Design – Woodside Gateway project;
- (g) reject the application from Camphill School Aberdeen for the Murtle Market project; and
- (h) reject the application from Aberdeen Social Centre for the Aberdeen Alternative Arts Festival project.

The Committee resolved:-

- (i) to approve the recommendations, with the exception of (g) above;
- (ii) to approve the application from Camphill School Aberdeen for the Murtle Market project; and
- (iii) to note that Castlegate Arts are developing preparatory work to make further improvements to its facilities and instructs the Chief Officer – City Growth to engage with Castlegate Arts to explore the suitability of future Place Based Investment Funding that can assist with capital investment options for the King Street premises.

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At this juncture, in accordance with Article 2 of this minute, Councillors Grant, Greig, Fairfull and Radley left the meeting prior to consideration of the following item of business. Councillors Bonsell, Delaney, Hutchison and Allard joined the meeting as substitutes respectively.

UK SHARED PROSPERITY FUND - COM/23/097

8. With reference to article 8 of the minute of the previous meeting of 1 February 2023, the Committee had before it a report by the Director of Commissioning which sought approval for the proposed allocation of grant funding of UK Shared Prosperity Fund (UKSPF) 2023/25.

The report recommended:-

that the Committee –

UKSPF Communities And Place

- (a) defer decision on the application for up to £167,112 to Tillydrone Community Development Trust for the Benholms Tower Project to the meeting of Finance and Resources Committee on 5th July 2023;
- (b) award up to £79,506 to Greyhope Bay for the Phase 2 Feasibility Project;
- (c) award up to £124,800 to VisitAberdeenshire for a Make a Day of it in Aberdeen Campaign;
- (d) award up to £82,468 to Home-Start Aberdeen to support additional vulnerable families;
- (e) reject the application for up to £300,000 to Aberdeen Performing Arts at this time for the Lemon Tree Redevelopment project due to lack of information on funding sources for proposed main capital works.

UKSPF People & Skills

- (f) award up to £275,000 to Aberdeen City Council for additional employability keyworker support for economically inactive people; and
- (g) award up to £355,000 to Aberdeen City Council to provide additional courses for economically inactive people, Green Skills courses and development of local projects.

The Committee resolved:-

- (i) to approve the recommendations; and
- (ii) to note the officer review outcome in relation to the Lemon Tree Redevelopment – Design Development proposals and instructs the Chief Officer – City Growth to report back to the Finance and Resources Committee by September 2023 with details of work done to support Aberdeen Performing Arts in identifying alternative sources of funding.

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CREDIT RATING ANNUAL REVIEW - RES/23/092

9. The Committee had before it a report by the Director of Resources which provided an overview of the recent credit rating annual review including details relating to the outcome of the review.

The report recommended:-

that the Committee note the outcome of the annual review was affirmation of the A1 rating, with an economic outlook of 'negative', in line with the recent changes to the UK's rating.

The Committee resolved:-

to approve the recommendation.

TILLYDRONE PRIMARY SCHOOL - RES/23/095

10. The Committee had before it a report by the Director of Resources which provided an update on the progress of the Replacement Riverbank Primary School.

The report recommended:-

that the Committee –

- (a) note the current on-going work leading to completion of the construction of the Replacement Riverbank Primary School in Summer 2024;
- (b) note that following the retender exercise the total development budget saving is estimated as circa £6 million; and
- (c) note that Council Officers will engage with stakeholders at key project milestones as detailed in the report.

The Convener, seconded by Councillor Greig moved:-

that the Committee –

- (1) approve the recommendations;
- (2) note the current on-going work leading to completion of the construction of the replacement Riverbank Primary School and thanks the Chief Officer - Capital and his team for their work in progressing the project;
- (3) note the reappointment of Robertson Construction with a contract sum circa £24.8 million;
- (4) note the milestones that have been tabled within the report and also notes the significant planning and preparation that will be involved in the decant to the new school and that the school community needs firm clarity on when the construction will conclude;
- (5) agree therefore to affirm its commitment to opening the new Riverbank Primary in time for occupation in Summer 2024 and if the Chief Officer - Capital considers any delay to be so significant that it will affect the target opening, he will notify members of the Committee, the school headteacher, the parent council and group leaders;

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- (6) note that Council Officers will engage with stakeholders at key project milestones as detailed in the report and notes a recent meeting of the Riverbank Parent Council and council officers led to a number of suggestions being made; and
- (7) instruct the Chief Officer – Capital to present the engagement plan to the parent council, seeking their input and approval to ensure that engagement will be meaningful, proactive and meet their needs and expectations.

Councillor Grant, seconded by Councillor Macdonald, moved as an amendment:-
that the Committee –

- (1) note the current on-going work leading to completion of the construction of the replacement Riverbank Primary School and thanks the Chief Officer - Capital and his team for their work in progressing the project;
- (2) note the reappointment of Robertson Construction with a contract sum circa £24.8 million;
- (3) note the milestones that have been tabled within the report and also notes the significant planning and preparation that will be involved in the decant to the new school and that the school community needs firm clarity on when the construction will conclude;
- (4) agree therefore to affirm its commitment to opening the new Riverbank Primary in time for occupation in August 2024 and if the Chief Officer - Capital considers any delay to be so significant that it will affect the target opening, he will notify members of the Committee, the school headteacher, the parent council and group leaders;
- (5) note that Council Officers will engage with stakeholders at key project milestones as detailed in the report and notes a recent meeting of the Riverbank Parent Council and council officers led to a number of suggestions being made; and
- (6) instruct the Chief Officer – Capital to present the engagement plan to the parent council, seeking their input and approval to ensure that engagement will be meaningful, proactive and meet their needs and expectations.

On a division, there voted:- for the motion (8) – the Convener and Councillors Bouse, Cooke, Fairfull, Greig, Nicoll, Radley and van Sweeden; for the amendment (5) – Councillors Bonsell, Farquhar, Grant, Houghton and Macdonald.

The Committee resolved:-

- (i) to approve the motion; and
- (ii) instruct the Chief Officer – Capital to circulate an exempt Service Update on the current position of the project regarding the recent procurement process, identifying areas where significant cost savings were made, and the reasons likely attributed to how they came about.

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COMPLEX CARE - OUTLINE BUSINESS CASE - RES/23/099

11. The Committee had before it a report by the Director of Resources which provided details of the Outline Business Case for provision of Complex Care accommodation in the city and sought approval to proceed to production of a Full Business Case.

The report recommended:-

that the Committee –

- (a) note the contents of the Outline Business Case appended; and
- (b) instruct the Chief Officer – Capital to progress to Full Business Case and to report back the outcome to this Committee on 13 September 2023.

The Committee resolved:-

- (i) to approve the recommendations; and
- (ii) to instruct the Chief Officer – Health and Social Care Partnership to circulate details to members of the Committee in relation to out of area placements, including the market position statement.

PERFORMANCE MANAGEMENT FRAMEWORK REPORT – COMMISSIONING AND RESOURCES - CUS/23/094

12. The Committee had before it a report by the Director of Customer Services which provided details in relation to the status of key cluster performance measures and activity indicators relating to the Commissioning and Resources functions.

The report recommended:-

that the Committee note the report and provide comments and observations on the performance information contained in the report appendix.

The Committee resolved:-

to note the performance information contained in the report appendix.

At this juncture, in accordance with Article 2 of this minute, Councillor Grant left the meeting prior to consideration of the following item of business.

CHRISTMAS VILLAGE FEEDBACK REPORT - COM/23/098

13. The Committee had before it a report by the Director of Commissioning which presented the evaluation of the 2022 Christmas Village and sought approval for the proposed delivery model for the Christmas 2023 Festival.

The report recommended:-

that the Committee –

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- (a) note the findings of the evaluation of the 2022 Christmas Village;
- (b) instruct the Chief Officer – City Growth to carry out the necessary undertakings to deliver the additional activities for the 2023 edition detailed in this report;
- (c) instruct the Head of Commercial and Procurement, following consultation with the Chief Officer - Finance and Chief Officer – City Growth to vary the current service level agreement with Aberdeen Inspired and contract with John Codona’s, Pleasure Fairs Ltd to deliver the 2023 event that reflects the changes detailed in this report; and
- (d) instruct the Chief Officer – City Growth to report back to the Finance and Resources Committee in March 2024 with the evaluation report of the 2023 event.

The Committee resolved:-

to approve the recommendations.

HERITAGE & PLACE PROGRAMME - DEVELOPMENT PHASE - COM/23/100

14. The Committee had before it a report by the Director of Commissioning which sought delegated authority (subject to receiving grant offers) to accept grant offers from the National Lottery Heritage Fund and/or Historic Environment Scotland for the development phase of a Heritage & Place Programme.

The report recommended:-

that the Committee –

- (a) delegate authority to Chief Officer - Strategic Place Planning to accept development phase grant offers from Historic Environment Scotland and/or the National Lottery Heritage Fund, with Aberdeen City Council match funding of £86,350 from City Centre Masterplan (CCMP) budget;
- (b) approve a Heritage & Place Programme development phase of up to 12-months, in line with Historic Environment Scotland and the National Lottery Heritage Fund processes, as appropriate, including appointment of a fixed-term Development Officer post; and
- (c) approve submission of second round Heritage & Place Programme grant applications to Historic Environment Scotland and/or the National Lottery Heritage Fund, for the 5-year delivery phase.

The Committee resolved:-

to approve the recommendations.

NORTH EAST OF SCOTLAND GREEN FREEPORT – UPDATE - COM/23/103

15. With reference to article 14 of the minute of meeting of the City Growth and Resources Committee of 11 May 2021, the Committee had before it a report by the Director of Commissioning which provided information on the development and outcome of the Green Freeport Proposals and in the event of an unsuccessful bid, provided the

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Council with the planned next steps to ensure the region attracted the investment required to meet the region's ambitions.

The report recommended:-

that the Committee –

- (a) note the outcome of the bidding process and the decision not to award the North East of Scotland green freeport status;
- (b) note the government's feedback on the unsuccessful NESGF bid;
- (c) note that the Chief Officer – City Growth will continue discussions with regional partners and Scottish Government and UK Government officials on any alternative plans to secure inward investment to the North East; and
- (d) instruct the Chief Officer - City Growth to continue to work with regional partners and officials in both governments and report back to this Committee with an update on Investment Zones and how they can be delivered in the North East.

The Committee resolved:-

to approve the recommendations.

INTERNATIONAL TRAVEL 2023/24 - COM/23/104

16. The Committee had before it a report by the Director of Commissioning which sought approval of proposed international travel and conference attendance by officers and elected members, required to support relevant City Growth activities in 2023/24.

The report recommended:-

that the Committee –

- (a) approve proposed international travel as detailed below, and subject to the maximum expenditure as detailed in paragraph 4.1. All approved travel will be reviewed when event schedules and programmes become available to ensure continued adherence to the criteria in paragraph 3.9 before bookings are made:-
 - (1) Two officers (one City Growth and one Invest Aberdeen) to attend WindEurope's annual conference in Copenhagen, Denmark between 25 – 27 April 2023;
 - (2) Up to two officers to attend the World Hydrogen Summit in Rotterdam, Netherlands between 9 - 11 May 2023; and
 - (3) The Lord Provost plus one officer to attend the WECF Board Meeting at CERA Week conference in Houston, USA in early March 2024 (dates TBC);
- (b) delegate authority to the Chief Officer – City Growth to authorise necessary and appropriate travel documentation and associated expenditure for the travel noted in 2.1, provided the cost does not exceed the budget referred to in Section 4 of this report and that all arrangements are made in line with current Council travel policies;
- (c) note the outcomes of overseas activity undertaken in 2022/23 as detailed in Appendix 1 of this report; and

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- (d) agree that the outcomes of overseas activity proposed for 2023/24 will be provided to this Committee by way of an annual Service Update.

The Committee resolved:-

- (i) to approve the recommendations; and
(ii) to instruct the Chief Officer – City Growth to circulate a breakdown of the 2022/23 financial costs for the Christmas Tree to all Committee members.

ENERGY TRANSITION ZONE JOBS AND SKILLS PLAN - COM/23/105

17. The Committee had before it a report by the Director of Commissioning which provided an introduction to the Jobs and Skills Plan created by ETZ Ltd for the proposed Energy Transition Zone, with the Plan attached as Appendix One.

The report recommended:-

that the Committee –

- (a) note ETZ Ltd's Energy Transition Zone Jobs and Skills Plan; and
(b) instruct the Chief Officer - City Growth to provide a regular service update report to the Finance and Resources Committee members as the Plan is being updated and implemented.

The Committee resolved:-

to approve the recommendations.

In accordance with the decision taken at Article 1 of this minute, the following items were considered with the press and public excluded.

PROPOSED DISPOSAL OF SURPLUS SITE AT OSCAR ROAD, TORRY - RES/23/091

18. The Committee had before it a report by the Director of Resources which provided details of recent disposal negotiations for the sale of the surplus site on Oscar Road, Torry.

The report recommended:-

that the Committee –

- (a) accept the recommendation as detailed in paragraph 3.6 of this report; and
(b) instruct the Chief Officer – Governance to conclude missives for the sale of the site incorporating various qualifications as are necessary to protect the Council's interest, together with any other matters as are required to complete the transaction.

The Committee resolved:-

to approve the recommendations.

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PURCHASE OF GROUND - WELLINGTON ROAD – MARCH 2023 - RES/23/113

19. With reference to article 7 of the minute of meeting of Council of 24 August 2022, the Committee had before it a report by the Director of Resources which provided details of the outcome of the negotiations over the purchase of ground adjacent to Wellington Road to allow future road widening proposals.

The report recommended:-

that the Committee instruct the Chief Officer - Corporate Landlord to agree the purchase of the site noted with the report at Marked Value (assuming this is below the previous independent valuation) and to thereafter instruct the Interim Chief Officer – Governance to conclude the purchase of the ground incorporating appropriate clauses to protect the Council's interest.

The Convener, seconded by Councillor Greig moved:-
that the Committee approve the recommendation contained within the report.

Councillor Grant, seconded by Councillor Macdonald moved as an amendment:-
that the Committee –

- (1) note the contents of the report and thanks officers for their efforts and agrees that any future improvements to the Wellington Road Corridor will compliment both Aberdeen City Council and the Scottish Government's strategies to promote economic growth and sustainable and active travel; and
- (2) agree to instruct the Chief Officer – Corporate Landlord to write to the Scottish Government seeking their support to transfer the land to the Council for a nominal sum of £1.

On a division, there voted:- for the motion (8) – the Convener and Councillors Bouse, Cooke, Fairfull, Greig, Nicoll, Radley and van Sweeden; for the amendment (5) – Councillors Bonsell, Farquhar, Grant, Houghton and Macdonald.

The Committee resolved:-

to approve the motion.

WORK PLAN AND BUSINESS CASES - EXEMPT APPENDICES

20. The Committee had before it for consideration, exempt appendices relating to the Workplan and Business Cases report.

The Committee resolved:-

to note the information contained within the exempt appendices.

Finance and Resources Committee

29 March 2023

CHRISTMAS VILLAGE FEEDBACK REPORT - EXEMPT APPENDICES

21. The Committee had before it for consideration, exempt appendices relating to the Christmas Village Feedback report.

The Committee resolved:-

to note the information contained within the exempt appendices.

COMPLEX CARE - OUTLINE BUSINESS CASE - EXEMPT APPENDIX

22. The Committee had before it for consideration an exempt appendix relating to the Complex Care – Outline Business Case report.

The Committee resolved:-

to note the information contained within the exempt appendix.

- **COUNCILLOR ALEX MCLELLAN, Convener.**

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FINANCE AND RESOURCES COMMITTEE BUSINESS PLANNER									
The Business Planner details the reports which have been instructed by the Committee as well as reports which the Functions expect to be submitting for the calendar year.									
1	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
3			17 May 2023						
4	Work Plan & Business Cases	To seek approval of the estimated expenditure on the procurement business cases.		Mel Mackenzie	Commercial and Procurement	Commissioning	1.1.5 & 1.1.6		
5	School Estate Plan: Hazlehead/ Countesswells Secondary School Provision - Outline Business Case	To seek approval of an outline business case for establishing new secondary school provision for Hazlehead and Countesswells, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1	D	The announcement of projects to be funded through Phase 3 of the Learning Estates Investment Programme was postponed to January, but has been further delayed, so it has not been possible to progress the project as quickly as had been anticipated. Work on the OB Case is now progressing, following confirmation of funding for the project in the Non Housing Capital Programme which was agreed at the Council budget meeting on 01/03/23. It is expected that the completed OBC will be presented to the Committee for approval at its meeting on 05/07/23
6	Newhills Additional Primary School Provision	To seek approval of an outline business case for establishing new primary school provision for Bucksburn/Newhills, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1.4		

	A	B	C	D	E	F	G	H	I
	Report Title	Minute Reference/Committee Decision or Purpose of Report	Update	Report Author	Chief Officer	Directorate	Terms of Reference	Delayed or Recommended for removal or transfer, enter either D, R, or T	Explanation if delayed, removed or transferred
2									
18	Performance Management Framework Report – Commissioning and Resources	To present Committee with the status of key cluster performance measures and activity indicators relating to the Commissioning and Resources functions		Alex Paterson/Louise Fox	Data & Insights	Customer	2.1.3		
19	Invest Aberdeen update	To update the Committee on the work and plans of Invest Aberdeen		Jim Johnstone/Joel Evans	City Growth	Commissioning	3.2 & 3.4		
20	UK Shared Prosperity Fund	The Committee on 29/3/23 agreed to defer the decision on the application for up to £167,112 to Tillydrone Community Development Trust for the Benholms Tower Project to the meeting of Finance and Resources Committee on 5th July 2023		Stuart Bews	City Growth	Commissioning	1.1.8, 1.1.11 & 3.4		
21	Financial Settlement from Transport Scotland for the De-trunking of the A92/A96 (Haudagain Improvement)	Following the new link road opening in 2022 the report will outline the financial settlement from Transport Scotland for the detrunking of the old section of the Trunk Road, relative to the new Haudagain improvement which was handed back to ACC on 1/4/2023.		Doug Ritchie/Mark Reilly	Operations and Protective Services	Resources	1.1.18 & 1.1.19		
22	Sale for Reuse of Surplus Union Terrace Gardens Gate	Seeking authorisation to sell cast iron gate from Union Terrace Garden's downtakings to Birkhall Estate.		Ross Wilson	Strategic Place Planning	Commissioning	4.1		
23	Denis Law Trail	Update on delivery of Phase 1 of the Denis Law Trail and instruction to develop business case for Phase 2		Laura Paterson	City Growth	Commissioning	1.1.17		
24			13 September 2023						
25	Fleet Replacement Programme (Annual Report)	To present the current position of the programme for Fleet Vehicles and Assets		John Weir	Operations and Protective Services	Operations	1.1.6		

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2									
26	Work Plan & Business Cases	To seek approval of the estimated expenditure on the procurement business cases.	There may not be a need to present a report for each meeting, this would be dependent on submission of business cases required.	Mel Mackenzie	Commercial and Procurement	Commissioning	1.1.5 & 1.1.6		
27	School Estate Plan: Northfield ASG Primary Schools Excess Capacity - Outline Business Case	To seek approval of an outline business case for reducing the number of primary schools in the Northfield ASG, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
28	School Estate Plan: Oldmachar ASG Primary Schools Excess Capacity - Outline Business Case	To seek approval of an outline business case for reducing the number of primary schools in the Oldmachar ASG, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
29	Capital Programme Delivery: Projects Update	The purpose of this report is to summarise the general progress of delivery of key capital expenditure projects identified within the approved Capital Programme from the General Fund and Housing Revenue Accounts		John Wilson	Capital	Resources	1.1		
30	Council Financial Performance - Quarter 1, 2023/24	to present the Council Financial Performance - Quartely report to Committee for consideration.		Lesley Fullerton	Finance	Resources	1.1		
31	Sustainable Drainage System (SUDS) Section 7	Maintenance of SuDS within the boundaries or curtilage of a private property, such as a residential driveway or a supermarket car park, is the responsibility of the land owner or occupier. The Scottish Environment Protection Agency's (SEPA's) preference is for SuDS constructed outside the boundaries or curtilage of a private property to be adopted by Scottish Water, the local authority or a public body, and as such SEPA seeks a guarantee for the long term maintenance and sustainability of any SuDS implemented. The CG&R Committee on 3/2/22 agreed to defer this. Officers continue to liaise with Scottish Water, latest request for update was week commencing 10/1/22, however at this time officers are still in the same position as per the update in Column C	A Service Update was circulated on 25/8/22 This will be reported once ongoing discussions with Scottish Water are concluded (updated provided by David Dunne on 25/10/22)	Claire Royce	Operations and Protective Services	Operations	3.2 & 3.3		
32	UK Shared Prosperity Fund	The Committee on 29/3/23 agreed to note the officer review outcome in relation to the Lemon Tree Redevelopment – Design Development proposals and instructs the Chief Officer – City Growth to report back to the Finance and Resources Committee by September 2023 with details of work done to support Aberdeen Performing Arts in identifying alternative sources of funding.		Stuart Bews	City Growth	Commissioning	1.1.8, 1.1.11 & 3.4		

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2									
33	Complex Care - Full Business Case	The Committee on 29/3/23 agreed to instruct the Chief Officer – Capital to progress to Full Business Case and to report back the outcome to this Committee on 13 September 2023		Kay Diack/John Wilson	Capital	Resources	1.1.4		
34	Denis Law Trail	Update on the Denis Law Trail Phase 1 & 2; Approval to spend budget associated with Phase 1 Delivery; Approval of Phase 2 Business Case, pending outcome of external funding applications; Instruction to report back to Committee following result of external funding applications		Laura Paterson	City Growth	Commissioning	1.1.4		
35			22 November 2023						
36	Work Plan & Business Cases	To seek approval of the estimated expenditure on the procurement business cases.	There may not be a need to present a report for each meeting, this would be dependent on submission of business cases required.	Mel Mackenzie	Commercial and Procurement	Commissioning	1.1.5 & 1.1.6		
37	School Estate Plan: Harlaw Academy Condition & Suitability Improvements - Outline Business Case	To seek approval of an outline business case for making improvements to the condition and suitability of the Harlaw Academy building, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
38	School Estate Plan: St Machar Academy Outdoor Space Improvements (Modular Classroom Buildings) Condition & Suitability - Outline Business Case	The EODC on 08/09/22 agreed to instruct the Chief Officer – Corporate Landlord to make arrangements to carry out a feasibility study to consider the options for the removal of unused modular classroom buildings at St Machar Academy, and for carrying out general improvements to the outdoor space at the school, and to present a costed outline business case to the Finance and Resources Committee for consideration.		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
39	School Estate Plan: Ferryhill School Condition & Suitability Improvements Outline Business Case	To seek approval of an outline business case for making improvements to the condition and suitability of the Ferryhill School building, as detailed in the School Estate Plan		Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
40	Capital Programme Delivery: Projects Update	The purpose of this report is to summarise the general progress of delivery of key capital expenditure projects identified within the approved Capital Programme from the General Fund and Housing Revenue Accounts		John Wilson	Capital	Resources	1.1		

	A	B	C	D	E	F	G	H	I
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2									
41	Council Financial Performance - Quarter 2, 2023/24	to present the Council Financial Performance - Quartely report to Committee for consideration.		Lesley Fullerton	Finance	Resources	1.1		
42	Performance Management Framework Report – Commissioning and Resources	To present Committee with the status of key cluster performance measures and activity indicators relating to the Commissioning and Resources functions		Alex Paterson/Louise Fox	Data & Insights	Customer	2.1.3		
43	Annual Committee Effectiveness Report	To present the Annual Committee Effectiveness Report		Mark Masson	Governance	Governance	GD 8.5		
44	Torry Heat Network	The CG&R Committee on 21/9/22 agreed to (1) authorise the Chief Officer Corporate Landlord to enter into commercial discussions with Grampian Housing Association with regard to the potential supply of heat to their proposed mixed-use re-development of the former Victoria Road school, and report the outcome to a future meeting of this committee; and (2) authorise the Chief Officer - Corporate Landlord to enter into commercial discussions with Ark Housing Association with regard to the potential supply of heat to their Balnagask Court premises and report the outcome to a future meeting of this committee.	The Committee on 1/2/23 noted that The Design works for the delivery of the design of Phase 2 of the Torry Heatnetwork is being progressed at this time. Delivery costs and Pricing is subject to more detail being available to allow commercial discussions with the 3rd parties mentioned. It is intended to Report the outcome of this to Committee in late 2023.	Stephen Booth	Corporate Landlord	Resources	4.1		
45			2024						
46	External Transportation Links to Aberdeen South Harbour	The CG&R Committee on 25/8/21 agreed that subject to approval by the UK and Scottish Governments, instruct the Chief Officer - Capital to progress the next stages of project delivery, including but not limited to, surveys and investigations, design development, obtaining all necessary approvals, permissions, licences, agreements and consents required to develop the design and an Outline Business Case for the project and to report back to this Committee and the City Region Deal Joint Committee upon completion in 2024, and to provide an update if not completed by that time.		John Wilson	Capital	Resources	1.1		

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2									
47	School Estate Plan: Victorian School Building Improvements - Outline Business Case	To seek approval of an outline business case for making improvements to the condition and suitability of Victorian school buildings, as detailed in the School Estate Plan	TBC - May 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
48	School Estate Plan: Sunnybank School relocation of additional services - Outline Business Case	To seek approval of an outline business case for relocation of additional services currently accommodated at Sunnybank School, as detailed in the School Estate Plan	TBC - May 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
49	School Estate Plan: Denominational Primary Schools	To seek approval of an outline business case for considering future arrangements for denominational primary school provision, as detailed in the School Estate Plan	TBC - July 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
50	School Estate Plan: Loirston Loch Primary School Provision - Outline Business Case	To seek approval of an outline business case for establishing new primary school provision for Loirston Loch, as detailed in the School Estate Plan	TBC - July 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
51	School Estate Plan: Grandhome / Oldmachar / Bridge of Don Secondary School Provision - Outline Business Case	To seek approval of an outline business case for future secondary school provision for Grandhome, Oldmachar and Bridge of Don, as detailed in the School Estate Plan	TBC - September 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
52	School Estate Plan: Bucksburn and Dyce Secondary School Provision - Outline Business Case	To seek approval of an outline business case for future secondary school provision for Bucksburn and Dyce, as detailed in the School Estate Plan	TBC - September 2024	Andrew Jones/Maria Thies	Corporate Landlord	Commissioning	1.1, 1.1.4, 1.1.9 & 4.1		
53	Vacant Units on Union Street Action Plan	Council on 14/12/22 agreed to instruct the Chief Officer - City Growth to report back on progress of the plan to the Finance and Resources Committee in early 2024.	TBC - Early 2024	Richard Sweetnam	City Growth	Commissioning			
54	Public Art Guidance and Panel	The F&R Committee on 7/12/22 agreed to review the process after 12 months of operation and to report back to this committee after 12 months.	TBC - Early 2024	Elsbeth Winram	City Growth	Commissioning	2.1.2		
55	Events Plan	The F&R Committee on 1/2/23 agreed to instruct the Chief Officer - City Growth to re-convene the Event 365 Group as outlined in Section 3.19-3.21 in this report and to report annually to this Committee on the progress to implement the Event Plan	Early 2024	Matthew Williams	City Growth	Commissioning	2.1.2 & 3.2		

	A	B	C	D	E	F	G	H	I
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2									
56	Hazlehead/Countesswells Secondary School	Council at the Budget Meeting on 1/3/23 agreed to instruct the Chief Officer - Corporate Landlord to progress the new Hazlehead/Countesswells Secondary School to an Outline Business Case and to report back to the Finance and Resources Committee by the end of the financial year 2023/24	TBC - Early 2024	Stephen Booth	Corporate Landlord	Resources			
57	Review of all Grants Awarded by the Council - Alignment to 3 Tier Prevention Approach	Council at the Budget Meeting on 1/3/23 agreed to instruct the Director of Commissioning to undertake a review of all grants awarded by the Council in order to ensure alignment to the 3 Tier Prevention Approach, which included the Family Support Model, as per the Prevention Report and to report back to the Finance and Resources Committee before the end of the financial year 2023/24.	TBC - Early 2024	Gale Beattie		Commissioning			
58	Aberdeen City Business Charter Review	Council at the Budget Meeting on 1/2/23 agreed to instruct the Chief Officer - City Growth to undertake a review of the Business Charter and report back to the Finance and Resources Committee before the end of the financial year 2023/24.	TBC - Early 2024	Richard Sweetnam	City Growth	Commissioning			
59	Christmas Village Feedback Report	The Committee on 29/3/23 agreed to instruct the Chief Officer – City Growth to report back to the Finance and Resources Committee in March 2024 with the evaluation report of the 2023 event.	TBC - March 2024	Matthew Williams	City Growth	Commissioning	2.1 & 3.2		
60			TBC						
61	Developer Obligations - Asset Plans	<p>The CG&R Committee on 26/09/19 agreed to note that the Chief Officer – Strategic Place Planning would undertake the consultation on the draft Asset Plan template as outlined within this report and report the outcomes to a future meeting of this committee.</p> <p>Council on 10/03/21 agreed that given the significant impact on the development industry in the last 12 months, to instruct the Chief Officer - Strategic Place Planning to report to the City Growth and Resources Committee by the end of 2021 on the legally binding developer obligations that have been signed with the Council</p> <p>The CG&R Committee on 3/2/22 agreed to defer this.</p> <p>The recent publication of the Draft National Planning Framework 4 (NPF4) and draft Development Plan Regulations, building on the provisions of the Planning (Scotland) Act 2019, and associated proposed infrastructure levy, may now have superseded the proposals to develop asset plans. In the absence of a clear route forward it is recommended to provide a service update when more information is known on the Scottish Governments position on the current consultations and the possible introduction of an infrastructure levy.</p>	National Planning Framework 4 was just published in February 2023, officers are looking at the implications of that in relation to Developer Obligations and the yet to be defined Infrastructure Levy including in the planning Act. (update provided by David Dunne for the 29/3/23 meeting)	David Dunne/James Welsh	Strategic Place Planning	Commissioning	3.2		

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2									
62	Ness Landfill Site - Use as a Solar Farm	The F&R Committee on 7/12/22 noted that as reported to The CG&R Committee on 21/6/22 the JV are still considering options for the site of the hydrogen production and refuelling facility. No proposal has yet been agreed by the Hub Board. an update will be provided by service update when this is agreed. Solar Park Proposal - Commercial discussions continue between the JV and the Council into the establishment of a solar park at Ness landfill site. the outcome of these discussions, assuming and agreement is reached, will be reported to the next committee.	The Heads of Terms for the lease of the Ness landfill site for use as a solar farm are well advanced, although subject to an Independent Joint Valuation to establish Market Rental value and further technical appraisal. (update provided by Stephen Booth for 1/2/23 meeting)	Stephen Booth	Corporate Landlord	Resources			
63									

NOTICE OF MOTION by Councillor Boulton – referred from Council on 26 April 2023

That the Committee agrees to:

- (1) (a) Instruct the Chief Officer - Commercial and Procurement to delay the award of a construction contract until 2024/25, at the earliest, the following elements of the Beach Master Plan subject to the Full Business Cases being approved:-
 - The Urban Park, Events Park and Broadhill, shifting up to £13m of Capital expenditure from 2023/24 to future years;
- (b) Instruct the Chief Officer - Commercial and Procurement to continue to work with partners, Sport Aberdeen, Transition Extreme, Aberdeen Football Club, and the water sport clubs to attract additional funding for these elements within the Beach Master Plan; and
- (c) Instruct the Chief Officer - Commercial and Procurement to continue improvements to lighting, railings and renovate the existing play park at the Beach.
- (2) Instruct the Director of Resources to focus on the delivery of projects contained within the approved city centre masterplan encouraging footfall back onto Union Street and the surrounding city centre area including Queen Street, Castlegate, Union Street East, Union Street West and to continue to work with property owners and developers to encourage the reuse of the buildings on Union Street through ongoing supports such as the affordable housing wavier, the Conservation Area Regeneration Scheme (CARS) and the upcoming bid for Heritage Lottery and Historic Environment Scotland funding;
- (3) Note the £780,000 reduction in capital financing costs in the 2023/24 General Fund revenue budget created by the implementation of the recommendations above; and therefore:-
 - Instructs the Director of Customer to reverse the library closures at Cornhill, Cults, Northfield, Ferryhill, Woodside and Kaimhill, (£280k);
 - Instructs the Director of Commissioning to reverse the cut to Cultural Grants (£163k); and
 - Subject to the submission of a Full Business Case to the Director of Resources from the relevant organisations, and thereafter approval of these business cases by the Finance and Resources Committee, allocate the following capital grants in principle:-
 - capital funding to Castlegate Arts of £300k for work required on the Art Centre and to contribute to attracting match funding;
 - capital funding to Aberdeen Performing Arts (APA) for the redevelopment of the Lemon Tree of £2m over two years to be match funded;
 - capital funding to The OpenSpace Trust for the redevelopment of the East Kirk of £2m over two years to be match funded; and
 - capital funding to Sport Aberdeen of £2m over two years.

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Notice of Motion by Councillor Crockett – referred from Council on 26 April 2023

That the Committee:-

- (1) Notes the position with regards to Bucksburn Pool;
- (2) Commends the community for their public spirited fight to keep Bucksburn Pool open; and
- (3) Agrees all four group leaders should seek a joint meeting with the Chief Executive of Sport Aberdeen to ensure that the pool remains open given the community have identified funding.

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ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources Committee
DATE	17 May 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Council Financial Performance – Quarter 4, 2022/23
REPORT NUMBER	RES/23/148
DIRECTOR	Steven Whyte
CHIEF OFFICER	Jonathan Belford
REPORT AUTHOR	Lesley Fullerton
TERMS OF REFERENCE	1.1

1. PURPOSE OF REPORT

1.1 To provide the full year actual financial position of the Council against budget for the financial year 2022/23, including:

- General Fund and Housing Revenue Account (HRA) revenue and capital accounts; and
- Common Good Revenue Account and Balance Sheet.

2. RECOMMENDATIONS

That the Committee :-

- 2.1 Note the unaudited final outturn position for financial year 2022/23 as detailed in Appendix 1;
- 2.2 Note that the General Fund has recorded an operational deficit of £2.083m for the year 2022/23, which has been funded from the Earmarked sum set aside for Covid Resilience. The uncommitted General Fund reserve remains in line with the approved Reserves Policy;
- 2.3 Note that the Housing Revenue Account has recorded a surplus of £0.500m for the year, in line with budget and increasing the uncommitted working balance for use in future years;
- 2.4 Note that the Common Good has recorded an operating surplus of £0.049m for the year. After investment valuation changes and capital receipts are included total cash balances decreased by £1.248m;
- 2.5 Approve the various transfers for 2022/23, between Council Reserves and Earmarked sums for the General Fund, Housing Revenue Account, Common Good and Statutory Funds as of 31 March 2023, as detailed in Appendix 1;

- 2.6 Approve the reprofiling of the 2023/24 – 2026/27 capital programmes to take account of the year end position and that the outcome of this is incorporated into the 2023/24 Quarter 1 reporting; and
- 2.7 Note that the unaudited Annual Accounts for 2022/23 were presented to Audit, Risk and Scrutiny Committee on 11 May 2023, including the Annual Governance Statement and Remuneration Report for the year.

3. CURRENT SITUATION

- 3.1 This report focuses on the final financial position for the year to 31 March 2023 for the Council's General Fund, Housing Revenue Account and Common Good.
- 3.2 The actual position for the year is presented in Appendix 1.

4. FINANCIAL IMPLICATIONS

- 4.1 The full year financial position is provided in Appendix 1 to this report and the revenue positions are summarised below:

Revenue	2022/23 Budget £'000	2022/23 Actual (Surplus) / Deficit £'000	Variance (Under) / Over Budget £'000
General Fund	0	(2,083)	(2,083)
HRA	(500)	(500)	0
Common Good	(319)	(49)	270

- 4.2 Appendix 1 also includes a Management Commentary providing information on the 2022/23 financial position, including details of the movement between Reserves.
- 4.3 The capital position can be summarised as follows:

Capital	2022/23 Budget £'000	2022/23 Actual Expenditure £'000	Variance (Under) / Over Budget £'000
General Fund	240,757	132,033	(108,725)
HRA	182,473	111,809	(70,664)

- 4.4 The underspending on Capital is in relation to a wide range of projects, which have been reported on during the course of the year. These figures remain unaudited and are subject to that process being completed. Capital budgets,

as appropriate, will be updated to take account of the continuing nature of capital investment projects, and be reprofiled to enable projects to be completed.

4.5 As a number of key projects move forward at the start of 2023/24, it is expected that the profile (across individual projects) will require to be revised by viring approved budget from one project to another. This is because the values against the individual projects had initially been estimated.

4.6 The usable reserves have moved as follows:

Council Usable Reserves	Balance at 31 March 2022 £'000	Balance at 31 March 2023 £'000	Movement £'000
General Fund	(72,152)	(68,169)	3,983
HRA	(15,215)	(15,715)	(500)
Statutory & Other	(20,860)	(29,563)	(8,703)
Total	(108,227)	(113,447)	(5,220)

4.7 The General Fund balance has decreased during the year, and the HRA and Statutory & Other Reserves have increased. Appendix 1 also shows the change in the value of earmarked sums during the year. The value of these changes is due to the nature of the earmarked sum as they are set aside for funding specific projects, and this can influence when the funds are used. Larger earmarked sums include Covid Grant funding - to be used for a range of purposes, and Ukraine refugee funding, and there is also money from the Council Tax account to support the development of affordable housing. The uncommitted balance on the General Fund is retained at £12m. The sums held as uncommitted are in line with the Council approved Reserves policy (March 2023).

4.8 The increase in the HRA is as a result of the operational surplus achieved. The Statutory and Other Usable Reserves include the Capital Fund, Insurance Funds and Capital Receipts Unapplied Account. Transfers have included capital receipts and contributions from revenue.

4.9 At the year end the Council has retained a significant value in usable reserves, managed the overall budget through a difficult and volatile year. The Council benefited from funding confirmed late in the financial year, with a proportion of those funds being carried into 2023/24 to use. The strength of the reserves position provides the basis for financial resilience required into 2023/24, where funding was approved to support the General Fund budget and to continue to provide limited protection for the various circumstances the Council faces going forward. The first quarter report for 2023/24 and initial forecast for the year will be considered at the Finance and Resources Committee.

4.10 The Common Good Cash Balances are as shown in the table below. The cash position has decreased from the start of the year due to the impact of an investment valuation decrease and one-off capital expenditure on the demolition at Lang Stracht, which has been partly offset by capital receipts.

Cash Balances	Balance at 31 March 2022 £'000	Balance at 31 March 2023 £'000	Movement £'000
Common Good	(38,633)	(37,385)	1,248

5. LEGAL IMPLICATIONS

- 5.1 There are additional reporting requirements due to the London Stock Exchange listing, for example the requirement to notify them ahead of publication of the report, that have to be taken into account when preparing this report.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) <small>*taking into account controls/control actions</small>	*Does Target Risk Level Match Appetite Set?
Strategic Risk	There is a risk that if the financial resilience of the Council is not maintained that strategic priorities and outcomes have to be compromised in the future.	There is a comprehensive approach to financial management of the council budgets, quarterly reporting, Medium Term Financial Strategy in place to support future planning.	M	Yes
Compliance	There is the risk that the accounts do not comply with legal and accounting legislation.	A year end accounts process is in place to ensure compliance. Annual external audits are undertaken to review the financial transactions and controls. Ongoing internal audits also	L	Yes

		review specific financial and service data.		
Operational	There is the risk that there may be an IT system failure.	Daily backups taken and held offsite for security purposes. Constant review and update of security systems by Digital and Technology.	L	Yes
Financial	There is the risk that the external audit process identifies adjustments that have an impact on the usable reserves.	The year end and Annual Accounts have been prepared in the line with accounting practice and standards and year end reviews have been carried out to ensure that the final position presented is comprehensive.	M	Yes
Reputational	There is a risk that through the reduction of expenditure the Council may be criticised that spending is not in line with public expectation of service delivery.	The Council has continued to address priority spending areas, and to protect people. It is equally accountable for the use of public funds and to ensure that they are managed robustly. There are a wide range of unknown external factors that require to be balanced to deal with the current operating environment. Regular reporting during the year provides an ongoing description of the position the Council is in and the situations it faces.	M	Yes
Environment / Climate	None identified			n/a

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report

Aberdeen City Council Policy Statement	Financial planning, budget setting and resource allocation are all enablers for the delivery of the outcomes and regular performance reviews ensure that the Council's stewardship and financial management are robust.
Regional and City Strategies	The information within this report supports the Strategic Development Plan and Regional Transport Strategy by enabling financial planning, resource allocation and investment.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Other	Not required

10. BACKGROUND PAPERS

None

11. APPENDICES

11.1 Appendix 1 – Financial Position for the Year 2022/23

12. REPORT AUTHOR CONTACT DETAILS

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**FINANCIAL POSITION
FOR THE YEAR 2022/23**

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Management Commentary

The purpose of the management commentary is to inform readers, helping them to assess how the Council is performing and understand our financial performance for the year to 31 March 2023.

It also provides an insight into the challenges we face and how we will address these challenges to provide assurance in relation to our financial stability, thus allowing our citizens to have confidence that we can continue to provide the diverse portfolio of services on which they rely.

Background

The Council maintains a General Fund, for day to day Council operations, and also a Housing Revenue Account, for administering the Council housing stock. These statutory funds both feature revenue and capital expenditure and income, and accounting practice, statutory guidance and the legislation all play a part in determining the financial performance reporting.

The Council is also responsible for the Common Good.

In March 2022 the Council set balanced budgets for financial year 2022/23. This took account of obligations and duties placed upon it by legislation and national priorities alongside local political priorities, and was the fifth budget designed around our commissioning approach and the Target Operating Model (TOM). The financial conditions in which the budget was set remained challenging as continued resource constraint, settlement conditions and funding targeted on specific projects / priorities meant that less money was available to fund the core Council operations that it had in place. Savings and efficiencies were a familiar and ever-present requirement in setting the budget and pressures did not reduce during the year requiring the strong financial management the Council has demonstrated.

Since the budget was approved in March 2022 there have been significant changes to the financial environment. The impact of Covid-19 continues to be felt by the Council, both in supporting our citizens and our city, and in terms of the impact on Council finances, a similar response has been required to address the Ukrainian refugee situation with over 1,800 people being supported in the city since June 2022. The rising cost of energy affected almost all the Council's services during 2022/23 and the influence of increasing inflation that remains close to a 40-year high continues to affect the cost of goods and services to the Council.

The economic conditions in the country were extremely volatile through the second quarter, with a change of Prime Minister in early September, a mini budget presented by the Chancellor on 23 September, that brought in the Energy Price Guarantee amongst many tax cutting initiatives but was followed by a period of extreme financial turmoil. Financial markets reacted such that many of the initiatives announced in the mini budget were subsequently reversed by a new Chancellor. That left a shorter duration for the Energy Price Guarantee scheme but retained the National Insurance Contribution rate reduction that applied from November 2022.

Whilst the rate of inflation and RPI fell slightly in November 2022, the situation remained critical as high inflation impacted on the costs of supplies and services, fuel, and energy.

The result has been an increase in the cost of government borrowing, increasing borrowing rates for individuals, businesses, and the public sector at large, with local authorities seeing significant increases in borrowing rates through the PWLB, and while rates spiked between 23 and 28 September 2022 to rates not seen since 2007, as at 31 March 2023 the borrowing rates were similar to those last experienced in 2011/12. The cost of new borrowing has risen and with

inflation and construction inflation at very high levels also being key factors, the Council should expect the cost of future capital investment to rise substantially for both the General Fund and the Housing Revenue Account.

A multi-billion pound Balance Sheet supported continued capital investment in the city and the strength of the balance sheet remains a key feature of the Council's financial resilience framework to support its sustainability, and also to support its regulatory requirements of maintaining its credit rating, following the issue of bonds on the London Stock Exchange (LSE) in 2016.

The Housing Revenue Account budgets were set based on a rent freeze for 2022/23 and ongoing pressure from housing waiting lists, which underpinned a commitment to build 2,000 new council homes.

The Common Good budget was set using the investment returns from the land, property and cash held. Additional income was forecast from a new investment of Common Good cash balances with an external fund manager, which was approved by the Council in March 2021. A distribution of approximately £4m for the year covered a range of Council run and externally organised projects and activities.

Financial Performance Reporting and Annual Accounts

This is the final quarterly financial performance report for 2022/23 which meets the requirements of the Council and of the LSE, and provides financial transparency for citizens of the City and beyond.

Having reached the end of the financial year the Council has delivered on its early reporting commitment for each quarter and has again worked to a faster closedown, and early production of the Council's unaudited Annual Accounts, that were presented to Audit and Risk Committee on 11 May 2023. This enabled the external audit to start earlier than would ordinarily be the case. This has continued to be a challenging task, especially given the impact of working arrangements, the scarcity of resources in key areas and the substantial funding streams that continued to be distributed until the year end. To achieve this there has been a focus on ensuring that robust procedures and deadlines were in place and communicated early to staff. The process commenced with the issue of year end instructions in mid November 2022 and officers are working with the auditors to present reports and audited Annual Accounts by 20 July 2023.

2022/23 Financial Position

• General Fund Revenue

The Council has achieved a deficit for 2022/23 of £2.083m against budget, this is shown in the table presented on page 7. This deficit will be funded from the use of earmarked reserves set aside for Covid Resilience. The statutory guidance provided by the Scottish Government to defer the debt charge instalment has been utilised as approved in the budget.

Explanations are provided below (from page 8) for the key variances from budget.

The financial position takes into account the need for the Council to earmark certain sums that are recommended to be earmarked for use in future years, as required by statute or having

arisen from unspent/received in advance grant funding. Further information on reserves and earmarked sums is included in pages 17-18.

• **Housing Revenue Account**

The HRA delivered the budgeted surplus for the year but did not achieve the level of budgeted contribution to capital from revenue. There has been significant spending on Repairs and Maintenance this year with the impact of inflation being particularly prevalent, and in addition the cost of having more void properties resulting in lost rental income has created pressure for contributing funds to capital. The reduction in capital contribution was also affected by the mechanism to enable Scottish Government Capital funding for the 2022/23 pay award to be transferred to the General Fund which meant artificially increasing the HRA surplus by £4.350m by reducing the contribution to capital (the reduction was replaced by the capital grant to fund capital expenditure), this has had no overall impact on the HRA. Removing that transaction, a surplus of £0.5m remains, after earmarking a proportion to support repair and maintenance costs that are yet to be completed, the surplus is added to the Housing Revenue Account working balances. A summary of the HRA is shown on pages 12-13

• **General Fund Capital**

The final position on the General Fund capital programme is provided on page 13, with the final spend for 2022/23 reflecting interim valuations for projects that were on site at 31 March 2023. An underspend has been forecast throughout the year due mainly to a wide range of factors affecting the construction supply chain. Importantly decisions were also taken by Council, following the review of the capital programme last summer, to pause, retender and stop some capital projects due to the financial environment, which also reduced capital expenditure. Differences between actual spend and forecast outturn will result in a realignment of budgets in Quarter 1, 2023/24.

The capital programme has been funded through a number of project specific grants and contributions, general government capital grant and borrowing.

• **Housing Capital**

The final position on the Housing capital programme is provided on page 15, including key project indicators and financial details. The decision was taken by Council to pause, retender and delay some of the new housing sites due to the financial environment. The capital programme has been funded predominantly through contributions from the Housing Revenue Account and borrowing and, for a third year in a row, grant funding to support the new homes programme.

• **Reserves**

Having reached the end of the financial year and as in previous years, a review of the overall position for both revenue and capital, in the context of the Council's Balance Sheet and Reserves Policy has been undertaken and action taken to ensure the Council is suitably prepared for future revenue and capital investment purposes. This has included taking account of the decisions that were made by the Council at the budget setting meeting for financial year 2023/24.

This review has taken cognisance of the impact of adjustments required to ensure compliance with accounting standards, applying new standards and including making judgements and estimates to ensure that the Annual Accounts represent a true and fair view of the Council finances.

Year end adjustments consider the implications of certain conditions such as the statutory provisions of the Capital Fund, HRA, statutory guidance in relation to the Loans Fund, Voluntary Severance / Early Retirement costs and transactions required across the Group.

In certain circumstances, funds are required to be earmarked for use in future years. This can be to fulfil statutory obligations or where funding has been received but not yet been spent. The most significant of these at the end of 2022/23 are Ukrainian & Afghan resettlement grants, Council Tax second/long term empty homes (affordable homes) income, while there is a continued retention of monies to protect the Council from financial guarantees and loans (de-risk the Council). The Council is able to earmark General Fund reserves for purposes that it determines, a significant example is the commitment to the Transformation Fund.

A large part of the earmarked Covid-19 grant funding that was carried forward from 2021/22 has been utilised, including funding the £2.083m operating deficit for the year. This is reflected in the General Fund Reserve. A sum of £7.309m was approved as part of the 2022/23 General Fund budget to be used from earmarked reserves and this too has been fully utilised.

The review of reserves is reflected in the table below that summarise the Council's Usable Reserves at the start and end of 2022/23, and is also shown in more detail in the Reserves section on page 17.

The uncommitted reserves have been maintained at the recommended minimum of £12m, in compliance with the Council approved Reserves 2023 policy.

Subject to any findings and/or adjustments arising from the audit of the Annual Accounts it is requested that committee approve the sums shown on pages 17 and 18 as transfers to and from earmarked reserves.

31 March 2022 £'000	Usable Reserves	31 March 2023 £'000
(72,152)	General Fund	(68,169)
(15,215)	Housing Revenue Account	(15,715)
(20,860)	Statutory and Other Reserves	(29,563)
(108,227)	Total Usable Reserves	(113,447)

• Common Good

The year end position shows an operational underspend of £49k, and details are provided on page 16. This underspend was achieved through increased investment income, generated from the long-term multi-asset income fund investment with Fidelity, cash on deposit with the Council loans fund and investment income received from the Lands of Skene and Lands of Torry Charitable Trusts, after taking account of budgeted and one-off costs.

The value of the underlying investment with Fidelity fell by £3.636m during the year resulting in an additional charge to the Common Good, however this is offset in part due to net capital receipts of £2.338m. All of this means the Common Good has decreased cash balances at 31 March 2023 of £1.567m compared to the value budgeted.

Conclusion

This has been, financially an extremely challenging year with costs rising rapidly and the continued shortfall in income continuing in key areas following the pandemic and financial / economic conditions in Aberdeen. The Council has responded to the challenges by keeping spending to a minimum wherever possible, whilst recognising the huge demand and cost increases that have been managed, including rising school rolls from the influx of families through the resettlement programmes but also from the families joining international students enrolled at the two universities.

Active management of the capital programmes has meant that capital investment expenditure was substantially lower than budgeted in both the General Fund and Housing Programmes despite the ongoing restrictions on construction sites and supply chain volatility. The decisions taken in August 2022 to pause, retender, defer and stop some of the approved projects has made a positive impact on spending and borrowing requirements in 2022/23. That said, during the year construction activity has progressed on a wide range of capital projects with a number being completed during the year, including Union Terrace Gardens, Milltimber School and more new build housing was handed over.

Throughout, the overall financial performance of the Council reflects strong financial management and timely and transparent reporting of the quarterly position and full year position.

General Fund Revenue

Notes	As at 31 March 2023	Budget 2022/23	Actuals 2022/23	Variance (Actual - Budget)	Statutory Adjustments	To Statutory Funds	From Earmarked Reserves	To Earmarked Reserves	Q4 Variance after earmarking	Q3 Variance	Movement from Q3 forecast
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
1	Children & Family Services	228,899	229,546	647				4,543	5,190	6,101	(911)
2	Resources	51,953	68,329	16,376				578	16,954	7,005	9,949
3	Customer	43,263	26,764	(16,500)				14,715	(1,785)	683	(2,468)
4	Commissioning	22,268	23,472	1,204					1,204	2,313	(1,109)
5	Operations	85	85	0					0	9	(9)
6	Integrated Joint Board	116,639	116,639	(0)					(0)	0	(0)
	Total Functions Budget	463,107	464,835	1,728	0	0	0	19,836	21,563	16,111	5,452
7	Miscellaneous Services	64,628	58,496	(6,133)		6,417	(6,417)	86	(6,047)	(10,741)	4,694
8	Contingencies	12,474	(1,784)	(14,258)	738	300		1,700	(11,520)	(2,378)	(9,142)
9	Council Expenses	1,518	1,385	(133)					(133)	2	(135)
10	Joint Boards	1,858	1,671	(187)					(187)	0	(187)
	Total Corporate Budgets	80,478	59,768	(20,711)	738	6,717	(6,417)	1,786	(17,886)	(13,117)	(4,769)
11	Non Domestic Rates	(268,557)	(268,152)	405					405	0	405
12	General Revenue Grant	(135,772)	(135,772)	0					0	0	0
	Government Support	(404,330)	(403,924)	406	0	0	0	0	405	0	407
13	Council Tax	(129,387)	(133,137)	(3,750)				1,751	(1,999)	(901)	(1,098)
	Local Taxation	(129,387)	(133,137)	(3,750)	0	0	0	1,751	(1,999)	(901)	(1,098)
14	Contribution from Reserves	(9,869)	0	9,869			(9,869)		0	0	0
	Contribution from Reserves	(9,869)	0	9,869	0	0	(9,869)	0	0	0	0
15	Deficit/Surplus	0	(12,459)	(12,459)	738	6,717	(16,286)	23,373	2,082	2,093	(9)
16	Group Entity - Accounting Standards Adjustment	0	342	342							
16	Fin Instruments Chg - Accounting Standards Adj		396	396							
17	Adjusted Deficit/(Surplus)	0	(11,721)	(11,721)							
18	Contribution to Statutory Funds	0	6,717	6,717							
19	Contribution from Earmarked Reserves	0	(16,286)	(16,286)							
19	Contribution to Earmarked Reserves	0	23,373	23,373							
20	Deficit/(Surplus) after movement in Earmarked Reserves & Statutory Funds	0	2,083	2,083							

Notes

It should be noted that the full year budgets reflected above differ from those set by Council in March 2022 for a number of reasons.

This was normal practice during the year as virements are identified or additional funding is provided. The main changes in services relate to the allocation of procurement, staff vacancies and savings arising from changes to the staffing establishment as a result of voluntary severance/early retirement which were held within contingencies at the time the budget was set.

The rising cost in gas and electric affected all Council services to some degree. The actual was £6.4m more than had been budgeted, before being offset in part by the centrally held inflation contingency. (Resources £3.298m, Children's & Family £1.728m, Commissioning £0.806m, IJB £0.329m and Customer £0.274m).

1. Children & Family Services is the largest function within Aberdeen City Council with responsibility for delivering key statutory and frontline services to children and young people, adults, families and communities of Aberdeen. This includes the delivery of early years, primary, secondary, special education and children's social work services.

A number of areas of pressure were highlighted throughout the year which have impacted on the final position for the service as follows:

- Retention of teaching staff has continued into 2022/23, teaching vacancies are mainly in secondary schools in subjects that continue to be hard to recruit to, or in demand, for example: Design Technology, Maths, English and some Sciences. This success had the impact of reducing the anticipated savings the Council had corporately assumed and meant that increased spending overall was incurred. Under the approved Devolved School Management scheme uncommitted staff budgets can result in alternative spending on education delivery, such as technology and commissioned services. The commitments made to alternative delivery models but not received by year end have been carried forward to 2023/24. Long term absences spend (£1.167m), has not fallen in 2022/23 due to the retention of staff.
- For Education the service is managing a substantial increase in children that have arrived in the city. This has been unexpected and is driven by two factors: - the post-Covid increase of students from other countries to the two Universities, who are bringing their families with them, this is expected to continue through the forthcoming and future admission cycles, and secondly the number of children (and families) in the city seeking refuge from Ukraine.
- Increased spend on Out of Authority Placements (£1.45m), however this is lower than last years spend and has in part been offset by under spends in Health Resources (£193k), Direct Payments (£111k), Property (£56k) and Admin (£53k).
- Within earmarked reserves Education has carried forward a number of grants, these are for both Afghan and Ukrainian Pupils, these have been committed as part of the Devolved School Management scheme for 2023/24.

Cost pressures were mitigated as far as possible by underspends and cost reductions in other areas of the service.

2. Resources is responsible for the financial planning, monitoring and reporting of the Council. They manage the development of design and delivery of all strands of capital including the city centre masterplan, the schools estates strategy, roads infrastructure and housing. The Corporate Landlord cluster is responsible for the commercial and non-commercial land and property assets, facilities management and council housing stock management. This function is now also responsible for operational services such as waste collection and disposal, facilities management, fleet, building services, environmental services and roads and related infrastructure.

- Primarily the outturn for 2022/23 was affected by an under recovery of income within Commercial Property Trading Account (£10.4m). There continues to be challenging market conditions for the leasing of property in the City and with facilities, including P&J Live, and hotels achieving well below expected levels, such that the budget values during the year have not been met.
- Spend of £1.38m for hard facilities management (property repairs) was incurred by the service due to the price of materials and labour, despite 'wind and water tight' criteria continuing to be applied.
- Building Services did not achieve the budgeted surplus with an under recovery (£2.568m) due to the level of capital works being lower than anticipated, higher costs due to pay and price inflation have increased traditionally stable, fixed costs, which was only reflected in quarter 4. The profile of work has been different this year with void properties and response repairs and maintenance being the priority.
- Car Parking income was severely affected by the pandemic, and whilst it is now recovering it has not achieved the budgeted income.
- There were a number of underspends within the service such as Waste Services (£1.595m) which achieved increased income from third party waste and underspend on the waste contract and had an underspend on rates due to the fire at the Altens East depot. Facilities Management (£838k) mainly School Catering due to over recovery of income.
- Roads was impacted by winter maintenance costs £392k which are ultimately covered by the Council's contingency budget (part of the Corporate budgets) while the pay award being greater than expected but fundamentally was agreed late in the year resulted in missed opportunities to recover some of the cost incurred.

3. Customer is responsible for managing all internal and external customer contact. It brings together housing, libraries, community learning and community safety to support the development of sustainable communities and enable individuals to manage their own lives. Data and Insight also sits within Customer, they are responsible for identifying social, economic and digital trends of the city in the future and how the Council meets these needs. The revenues and benefits teams handling key income streams for the Council, such as Council Tax and Non-Domestic Rates and process almost £50m of housing benefit payments. There is a focus on creating digital services for customers that are easy to use and improving access to services. It is responsible for providing external communications, advice and support to ensure effective communications with external audiences, and to promote the reputation of the Council. This function is also responsible for the selection, retention and development of the Council's staff.

- As referenced in previous reports, there was an under recovery of rental income from Homeless Flats (£457k) however hostel income over recovered by £357k.

- Digital & Technology are experiencing a cost pressure whilst transitioning to new contracts and increasing digital services. Automation budget savings were not achieved this year as they are not aligned to the services to which they relate.
 - Other savings achieved included training £382k, staffing within Community Safety £277k and Localities £137k.
 - Within earmarked reserves Customer is carrying forward the remaining balance of the final Covid-19 grants and £14.66m of one-off funding for the resettlement of Refugees.
4. Commissioning is responsible for both commissioning and procuring the best service/partner to deliver the agreed outcomes. City Growth represents the Council and the City of Aberdeen on local, regional, national and international stages with key responsibilities for outward trade, a diverse employability and skills base, and a focus on tourism, culture and the development of a city events programme. Strategic Place Planning focus is to enable, facilitate and deliver place planning for the City which includes all of the transport, environment, housing, building, planning (which includes community planning) and digital initiatives that will help to deliver major infrastructure projects. Governance includes Legal Services, Democratic Services, Audit, Policy, Emergency Planning and Corporate Health & Safety. Commercial and Procurement drives the shared service with Aberdeenshire and the Highland Councils, and this function is also responsible for managing and monitoring the service-level agreements with the Council's Arm's Length External Organisations (ALEOs).
- Challenges in 2022/23 included being unable to allocate out to the services the procurement budget savings of £1m due to the market position for the majority of goods and services.
 - Museums & Galleries visitor numbers have not increased as expected following the pandemic and the ongoing cost of living crisis, service is experiencing increased costs for events in addition to significant rise in energy costs.
 - Strategic Place Planning have been effected by market conditions which has seen an under recovery in planning & building application fees of £293k.
 - Within earmarked reserves Commissioning have carried forward the final balance of covid grant for FWES Employability Fund (£1.684m).
5. Operations. This function contains the salary costs of the Chief Operating Officer who left the post during 2022/23
6. Integration Joint Board (IJB) / Adult Social Care is responsible for the provision of health and social care services to adults, with the expenditure incurred being on services which the IJB has directed the Council to deliver on its behalf such as the provision of care to the elderly, support to adults with support needs and criminal justice services.

The Integrated Joint Board is funded by the Council and the NHS and the cost of services delivered by the Council is significantly more than the Council contributes, resulting from the funding being allocated through the NHS financial settlement in prior years for Social Care services and demands. This means that there is funding allocated by the IJB to the Council that has come from the NHS contribution to the IJB.

The cost pressures around demand and need, particularly in relation to supporting complex needs and accommodation for those with learning disabilities and needs led home care and accommodation for mental health and also substance misuse client, were managed by the IJB during the year and are met by IJB funds.

In 2022/23 there was an overspend of £1.096m on the Health and Social Care Partnership budget which was funded from JJB reserves.

7. Miscellaneous Services includes capital financing costs, the cost of repaying the borrowing required in the past for General Fund Capital Programme investment, audit costs and the provision for doubtful debts.

Capital Financing Costs is the most significant budget within Miscellaneous Services, and includes the impact of accounting requirements in relation to the Council's Bond Issue, and the annual changes in the level of external borrowing.

In 2022/23 the Council utilised the Scottish government statutory guidance that allows the deferral of one year's debt instalment. The instalment will be repaid over the next 20 years. Interest on the full outstanding balance will continue to be paid.

The actual charges for 2022/23 take account of the approved treasury and investment policy that delivers a prudent approach to capital financing, and the interest rate applicable to the debt. The significantly reduced capital expenditure in 2022/23 assisted to reduce costs in 2022/23, with a transfer of money being made to the Capital Fund to fund capital expenditure that has been delayed.

The provision for doubtful debt has produced an underspend at year end. This is as a result of the Council recommencing debt recovery procedures after a pause in procedures due to the impact of Covid-19 pandemic and the Council has benefited from the collection activity.

Annually the Council must make financial provision for circumstances that might arise from current operations and a full review has been carried out and suitable provisions made where there is likelihood of the event happening and there is the ability to estimate a value. The miscellaneous services budgets reflects the impact of the review and if the matter is less likely and the value cannot be estimated then these have been included in contingent liabilities.

8. Contingencies hold budgets that enable the Council to plan and address known/expected costs in-year without relying on the Usable Reserves held by the Council.

The value of contingencies not needed in the year – after covering costs such as additional winter maintenance costs, provided a positive variance for the overall Council position.

9. Council Expenses this represents the cost of councillors. While it is not showing a significant variance, there has been less expenditure on travel during the year.

10. Joint Boards represents the amount requisitioned by Grampian Valuation Joint Board which is known during the year, the underspend was created as the Board agreed in Quarter 4 to refund the 2021/22 surplus to the three Councils.

11. Non-Domestic Rates this is the value guaranteed by the Scottish Government rather than the value collected by the Council, as this is in line with the accounting practice. The cost to the council being the value of discretionary relief that is shared between the Scottish Government and the Council.

12. General Revenue Grant in line with the Scottish Government Finance Circular which has been redetermined at the year end and funding paid in relation to announcements during the year.
13. Council Tax this takes account of the total value of council tax for the year, along with any adjustments for prior years that have to be accounted for. The total value is higher than had been budgeted, as collection rates were higher than anticipated.

From the value of Council Tax collected a sum (£1.751m) must be set aside for the purpose of funding affordable housing projects. This is then added to the earmarked sum in the General Fund Reserve.

The overall value attributable to the General Fund budget for 2022/23 ended the year as had been forecast at Quarter 3.
14. Contribution from reserves this represents the sum of funding to be received from reserves to reflect a balanced budget approved at Council on 7 March 2022 and updated to take account of the Capital funding being transferred through the HRA Reserves. The actual is included along with the contribution from earmarked sums.
15. General Fund Deficit/(Surplus) before adjustments is the value of all expenditure and income incurred during the year that compares to budget. This is before the group entity and financial instruments adjustment required per accounting standards, and the transfer of funds to and from the General Fund Earmarked Reserves.
16. Group Entity & Financial Instruments – Accounting Standards adjustment this reflects the change in value of the group entity investment (Aberdeen Sports Village), measured annually, and a charge for the total redemption premium for 2022/23. These are both chargeable to the General Fund.
17. Adjusted deficit/surplus this is the general fund surplus adjusted for item 16.
18. Contributions to Statutory Funds this represents the total value of sums transferred to funds such as the Capital Fund and Insurance Fund, which are reviewed annually to ensure appropriate value is retained at year end.
19. Contributions to/from Earmarked Reserves are the values that have been used during the year, or are to be set aside for future years and are reviewed annually with reference to statutory and regulatory requirements, Council commitments and policy. Further information is included about which Earmarked Reserves are affected on page 17.
20. Deficit/(Surplus) after movement in Earmarked and Statutory Funds shows the overall position for the General Fund for the year, against a balanced budget, an overspend of £2.083m. The overspend balance will be funded from the Council's Covid-19 resilience earmarked funds at 31 March 2023

Housing Revenue Account

Housing Revenue Account (HRA) is responsible for the provision of council housing to over 20,000 households with the most significant areas of expenditure being on repairs and maintenance and the capital financing costs for debt borrowed to fund capital investment in the

housing stock. This is a ring fenced account such that its costs must be met by tenants' rental income.

Housing Revenue Account as at 31 March 2023	Budget 2022/23 £'000	Actual 2022/23 £'000	Variance £'000
Net Surplus from Income & Expenditure	(500)	(4,850)	(4,350)
Internal Transfer of SG Funding to General Fund for Pay	0	4,350	4,350
Total Surplus from Income & Expenditure	(500)	(500)	0

The HRA delivered a surplus of income over expenditure during the year, as budgeted. There were variances during the year that together enabled the surplus to be generated, which included the reduced cost of capital financing during the year, the result of lower capital spending and additional capital grants. A reduced level of contribution to be made from revenue to pay for capital (CFCR), which amounted to £10.3m due to the level of over spend in principally repairs and maintenance and voids. Funding the cost of capital from revenue avoids the need to borrow therefore it is likely the reduced contribution will result in higher future capital financing costs.

General Fund Capital Programme

As at Period 12 2022/23	2022/23		
	Revised Budget for Year	Actual Expenditure for Year	Actual v Budget Variance
	£'000	£'000	£'000
AECC Programme Board	4,108	3,968	(140)
Asset Management Programme Board	64,383	44,296	(20,087)
Asset Management Programme Board Rolling Programmes	33,020	17,331	(15,689)
City Centre Programme Board	40,353	19,926	(20,427)
Energy Programme Board	57,126	28,407	(28,720)
Housing and Communities Programme Board	1,244	323	(921)
Housing and Communities Programme Board Rolling Programmes	998	844	(154)
Transportation Programme Board	23,704	9,441	(14,262)
Transportation Programme Board Rolling Programmes	1,874	1,539	(335)
Strategic Asset & Capital Plan Board	12,067	1,696	(10,371)
Strategic Asset & Capital Plan Board Rolling Programmes	1,881	3,480	1,599
Developer Obligation Projects & Asset Disposals	0	783	783
Total Expenditure	240,757	132,033	(108,725)
Capital Funding:			
Income for Specific Projects	(64,115)	(31,597)	32,518
Developer Contributions	0	(784)	(784)
Capital Grant	(24,020)	(19,468)	4,552
Other Income e.g. Borrowing	(152,622)	(80,183)	72,439
Total Income	(240,757)	(132,033)	108,725

The supply chain disruption which began during the Covid-19 Pandemic continued in 2022/23 and is reflected in the total £132 million investment recorded for the Capital Programme for the year. The Construction Industry continued to experience shortages of products, raw materials, staffing and logistical support across the UK, compounded by the largest increase in energy prices seen in recent years. The Russian invasion of Ukraine in February 2022 and resulting

economic sanctions placed on Russia and Belarus also exacerbated supply chain issues for some commodities which were sourced from eastern Europe.

Despite the continued and emerging challenges faced this year, progress was made on a range of projects, including several that support the Council's Net Zero Vision:

- The Council's joint venture arrangement with bp progressed the design for the City's new Hydrogen production Hub to facilitate expansion of the Council's hydrogen fuelled fleet
- The Council took delivery of an additional 10 hydrogen double decker buses and continued dual fuel retrofitting of existing Council vehicles.
- Construction progressed on the joint Ness Energy from Waste facility, a project being carried out in collaboration with Aberdeenshire and Moray Councils, to avoid waste being sent to landfill in future and use those resources for the production of electricity, and heat for the Torry Heat Network. The facility achieved the first test burning of waste on 31 March 2023.
- The Council's Local Transport Strategy advanced design and land acquisition works for the Berryden corridor, and commenced the dualling of South College Street, for improved connections to the City Centre. The Bus Partnership Fund also supported the development of business cases on the City's other main transport corridors. Implementation works also continued for the City Centre Low Emissions Zone (LEZ).
- The City Centre Masterplan continues to invest in Aberdeen; Union Terrace Gardens was re-opened following redevelopment; further land assembly and enabling works advanced for the redevelopment of Queen Street; and major new design principles were progressed for the redevelopment of Aberdeen Market, Union Street, and connections to the City's Beachfront.
- Construction commenced on the new North East Scotland Shared Mortuary in Aberdeen, a multi-agency project with local public sector partners.
- Digital Connectivity has also been enhanced through the City Region Deal by continued investment and expansion of the City's fibre network, alongside accelerated investment in Intelligent Street Lighting to compliment the investment in Street Lighting LED lanterns.
- The Council continued its commitment to its New Schools and Early Learning programmes. The new Milltimber Primary was completed in May 2022, and the new Countesswells Primary in March 2023. Works on the new Torry Primary and Community Hub are progressing on site, and contracts have been let for the new Tillydrone Primary. The Council approved funding for the progression of the updated School Estate Plan at its budget meeting on 1 March 2023.

The impact on the funding of the Capital programme is that there was a lower borrowing requirement in 2022/23 than originally expected.

Ongoing scrutiny and monitoring of the various Capital projects were transferred from the Capital Programme Committee to the Finance and Resources Committee under the new Committee structure approved by Council in August 2022 .

Housing Capital Programme

Housing Capital Programmes	Approved Budget	Expenditure to date	Variance
As at 31 March 2023	£'000	£'000	£'000
Compliant with the tolerable standard	1,590	367	(1,223)
Free from Serious Disrepair	12,859	4,135	(8,724)
Energy Efficient	9,655	7,563	(2,092)
Modern Facilities & Services	5,277	2,257	(3,020)
Healthy, Safe and Secure	8,796	4,821	(3,975)
<i>Non Scottish Housing Quality Standards</i>			
Community Plan and Local Outcome Improvement Plan	6,225	3,885	(2,340)
Service Expenditure	4,783	636	(4,147)
2000 New Homes Programme	138,698	88,145	(50,553)
less 11% slippage	(5,410)	0	5,410
Net Programme	182,473	111,809	(70,664)
Capital Funding			
Borrowing	(131,425)	(72,252)	92,340
Other Income - Grants Affordable Homes etc	(35,074)	(33,961)	(18,000)
Capital Funded from Current Revenue	(15,974)	(5,596)	(3,676)
Total	(182,473)	(111,809)	70,664

As detailed above in the General Fund Capital programme the Housing Capital programme experienced similar issues from the resulting supply chain challenges including delays and price increases.

Progress has been delayed in areas which involve mixed ownership within Free from Serious Disrepair such as structural improvements within the multi storeys and flat roofs (multis and general). Prioritisation of work on voids has continued which has shifted resources from capital to revenue works during the year. This has resulted in lower than budgeted spend on lift maintenance, heating system replacement, kitchens and bathrooms, and the programme which wasn't delivered in 2022/23 has been rolled forward into 2023/24.

The 2,000 new homes programme is progressing well with further homes at the Auchmill and Summerhill sites being handed over to the Council in 2022/23. The programme in 2022/23 has included developer led projects such as Auchmill and Cloverhill in Bridge of Don, Council led projects such as Kaimhill, Tillydrone and Summerhill with work on Craighill and Kincorth currently being suspended, and buying former Council Homes. Grant funding of £30m was received from the Scottish Government for Craighill, Tillydrone, Kincorth, Kaimhill, Cloverhill, Uranian Voids and Clinterty redevelopment.

Common Good

As at 31 March 2023	Full Year Budget 2022/23	Actual Expenditure	Variance from Budget
	£'000	£'000	£'000
Recurring Expenditure	3,336	3,398	62
Recurring Income	(4,431)	(4,960)	(528)
(Income)/Expenditure after Recurring Items	(1,095)	(1,562)	(467)
Non Recurring Expenditure	776	1,598	822
Non Recurring Income	0	(86)	(86)
Net (Income)/Expenditure	(319)	(49)	270
Cash balances as at 1 April 2022	(38,633)	(38,633)	0
Net (Income)/Expenditure	(319)	(49)	270
Investment Revaluation (Increase)/Decrease	0	3,636	3,636
Net Capital Receipt	0	(2,338)	(2,338)
Cash Balances as at 31 March 2023	(38,952)	(37,385)	1,567

The Common Good Fund is showing an operating surplus of £49k for the year, an adverse variance from budget of £270k for the year to 31 March 2023.

This was due to increased income from investments, being investments with Fidelity, the Council's Loans Fund and the two Charitable Trusts.

Expenditure on a number of one-off projects and activities, where the approved expenditure has not been fully spent will be carried forward as an earmarked reserve to enable works to continue in the next year.

The demolition costs of the building at Lang Stracht incurred one-off expenditure of £797k in year and these have been included in the Non-Recurring Expenditure row.

The investment of cash balances in a multi-asset income fund, approved by Council on 10 March 2021 was implemented in 2021/22. The fund manager, Fidelity, was selected as reported in the quarter 1 report and investment of £30m was made during Quarter 2. As an income fund it performed well, with cash received for the period to 31 March 2023 ahead of budgeted levels, producing a positive variance for recurring income.

Seeking increased annual income comes with additional risk and therefore there is volatility in the value of the fund into which the Common Good is invested. The value of the investment may fall as well as rise and should be measured over the medium to long term. With financial markets particularly volatile over the past year the value at the end of Quarter 4 of the Common Good investment fell by £3.636m to £24.145m. This is shown separately in the table above, where either the value of a rise or fall in value must be accounted for annually.

During the year additional capital income to the value of £2.338m was received from the ongoing Pinewood deal where the land is to be paid for over a number of years, and the sale of land at South Square.

Reserves

General Fund Earmarked Reserves	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000
Devolved Education M'ment (Comm Centres)	(542)	0	20	(522)
Devolved Education M'ment (School Funds)	(680)	(274)	680	(274)
Energy Efficiency Fund	(1,277)	(174)	176	(1,275)
Bus Lane Enforcement	(503)	0	209	(294)
Property Transfer	(102)	0	0	(102)
Second/Long Term Empty Homes	(13,110)	(1,751)	4,129	(10,733)
De-risk the Council	(5,614)	0	0	(5,614)
Transformation Fund	(4,433)	0	546	(3,887)
Contribution to Environmental Body	(43)	0	43	0
Repairs & Maintenance Fund	(399)	0	60	(339)
Public Analyst - James Hutton Institute	(125)	0	125	0
Rapid Rehousing Transition Plan	(311)	0	41	(270)
Co Op Business Development Fund	(75)	0	0	(75)
ADM - Education	(742)	(514)	319	(937)
Budget Use of Reserves	(7,309)	0	7,309	0
Care Experienced Y.P WIFI (CSW)	(23)	0	10	(13)
Neurodevelopment Specification (CSW)	(292)	0	126	(166)
Tree Works - Storm Damage	(476)	0	333	(143)
Additional Teaching - Recovery Funding	(408)	0	408	0
Implem of National Trauma Training Prog	(50)	0	0	(50)
Scottish Disability Assistance	(31)	0	31	0
Mental Health Recovery & Renewal	(107)	0	0	(107)
Conservation funding	(2)	0	2	0
Targeted Learning funding	(25)	0	25	0
Seed Funding - Comm Bens Plan for H2 JV	(1,000)	0	337	(663)
Telecare Fire Safety	(38)	0	38	0
Whole family wellbeing	(90)	0	55	(35)
FWES Employability	(1,685)	0	0	(1,685)
Afghan - Bridging Accomodation	(681)	0	101	(580)
Syrian Refugees (UKRS Scheme)	(723)	0	69	(654)
Afghan Education	(148)	(421)	81	(487)
Scottish Child Payment	(31)	(27)	31	(27)
Unknown General Fund Surplus	(60)	0	60	0
Coastal Communities Fund	0	(134)	0	(134)
Family Wellbeing (Partnership)	0	(979)	0	(979)
Counsellors Through Schools	0	(485)	0	(485)
Easter in the City	0	(59)	0	(59)
Recycling and environmental initiatives in schoo	0	(150)	0	(150)
Fuel Poverty Assistance Fund	0	(111)	0	(111)
Marischal Square	0	(1,700)	0	(1,700)
Corporate Landlord - Education Security Costs	0	(61)	0	(61)
20mph Road Assessment	0	(58)	0	(58)
Afghan Funding	0	(1,458)	0	(1,458)
Ukrainian Education Funding	0	(1,720)	0	(1,720)
Ukrainian Tariff	0	(13,146)	0	(13,146)
COVID Grants	(19,016)	(151)	11,991	(7,175)
Total General Fund Earmarked Reserves	(60,152)	(23,373)	27,355	(56,169)
Uncommitted General Fund Balance	(12,000)			(12,000)
Total General Fund Balance	(72,152)	(23,373)	27,355	(68,169)

HRA Earmarked Reserves	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000
Projects:				
Housing Repairs	(2,481)	(2,278)	2,481	(2,278)
House Sales - Non Right to buy	(308)			(308)
Total HRA Earmarked Reserves	(2,789)	(2,278)	2,481	(2,586)
Uncommitted HRA Balance	(12,426)	(703)		(13,128)
Total Housing Revenue Account	(15,215)	(2,981)	2,481	(15,714)
Recommended Uncommitted Balance	(9,463)			(9,577)

Common Good Earmarked Reserves	Balance at 31 March 2022 £'000	Transfers In 2022/23 £'000	Transfers Out 2022/23 £'000	Balance at 31 March 2023 £'000
Projects:				
Grove Nursery	(62)		35	(27)
Culter Playing Fields	(5)		0	(5)
Smithfield Farm - Roof repairs	(18)		0	(18)
APA - Music Hall Cleaning	(5)		5	0
AWPR Drainage Issues for future issues	(35)		0	(35)
CPR Training	(4)		0	(4)
Mental Health	(3)		3	0
Camphill Rudolph Steiner	(10)		10	0
Aberdeen Multicultural Centre	(15)		15	0
City Centre Clean	(21)		21	0
Denis Law Trail	(20)		0	(20)
Lord Provost Portrait	(10)		0	(10)
Friends of Jacob Ladder	0	(4)	0	(4)
Ukraine Refugee Support	0	(25)	0	(25)
Winter Clothing Grant	0	(7)	0	(7)
Torry Development Trust	0	(3)	0	(3)
Total Common Good Earmarked Reserves	(207)	(38)	89	(157)
Uncommitted Common Good Balance	(38,426)		1,198	(37,228)
Total Common Good	(38,633)	(38)	1,287	(37,385)

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ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	17 May 2023
EXEMPT	This report is not exempt, but Appendices 2 and 4 to 11 are (paragraph 8)
CONFIDENTIAL	No
REPORT TITLE	Work Plan & Business Cases
REPORT NUMBER	COM/23/136
DIRECTOR	Gale Beattie
CHIEF OFFICER	Craig Innes
REPORT AUTHOR	Mel Mackenzie
TERMS OF REFERENCE	1.1.5, 1.1.6

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to present procurement work plans where expenditure is included for the Commissioning, Customer and Resources Functions to Committee for review and to seek approval of the total estimated expenditure for the proposed contracts as contained in the Procurement Business Cases appended to the report.

2. RECOMMENDATIONS

That the Committee: -

- 2.1 reviews the workplan as detailed in the Appendices for the Customer, Operations and Resources Functions;
- 2.2 approves the procurement business cases, including the total estimated expenditure for the proposed contract;
- 2.3 approves the estimated annual expenditure for framework agreements within financial year 2023-24 as detailed within the appendices; and
- 2.4 notes the content of Appendix 3 - 3.10 Memos (Exemption Urgency).

3. CURRENT SITUATION

- 3.1 The ACC Procurement Regulations 2022 require that authority to incur expenditure must be sought prior to any invitation to tender or contract entered into. The method of authorising depends upon the contract value, with contracts above £50,000 (supplies/services) or £250,000 (works) to be listed on a workplan with an associated Procurement Business Case and submitted by the relevant Chief Officer to the Finance and Resources Committee (approval of contracts with a value under £1,000,000) and to Council (approval of contracts with a value over £1,000,000). The approval of the applicable Committee is required prior to the procurement being undertaken.

- 3.2 The ACC Procurement Regulations 2022 also require that if aggregated expenditure via framework agreements will exceed £50,000 (supplies/services) or £250,000 (works), then the authority of the relevant Committee to incur the expenditure must be obtained in advance of the applicable thresholds being exceeded. Aggregate expenditure via framework agreements will be reported annually by the Commercial & Procurement Shared Service where expenditure is recurring, though expenditure will be cross council in many cases.
- 3.3 Committee is asked to review the Commissioning, Customer and Resources Functions work plans and to approve the expenditure detailed in the Procurement Business Cases appended to the report.

4. FINANCIAL IMPLICATIONS

- 4.1 The indicative value of the proposed contract is shown within the workplan and in the Appendices. The ability to have an overview of contract expenditure is aligned to Core Outcomes of the LOIP and the whole systems commissioning cycle approach. The robust approach to governance ensures that all contracts are aligned to the approved budget provision for each financial year with controls in place for flexibility if required. This also assists the Council in meetings its statutory duty to keep a Contracts Register.

5. LEGAL IMPLICATIONS

- 5.1 The contracts shall be procured in accordance with procurement legislation and the Commercial Legal Team within C&PS shall provide legal advice where necessary, legal commentary has been sought and is included within each Procurement Business Case.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 Consideration is included within each Procurement Business Case as to how the proposed contract will support the Council's climate commitments. If these are not to be included, officers are asked to confirm why this is the case. Standard wording is included in procurement templates to ensure this is captured at tender stage through to awarded contract.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Contract expectations not being monitored or managed.	Contract Management consideration in business cases, guidance and training available for officers	M	Yes
Compliance	Failure to comply with internal procurement regulations and procurement legislation	Robust process for review of individual business cases and proposed approach to procurement.	L	Yes
Operational	Unable to control demand	Robust process and focus on demand reduction strategies, contract terms developed to be more flexible.	L	Yes
Financial	Escalation of costs Differing market conditions depending on commodity or service	A strong focus on value for money in all commissioning activities and market engagement or use of Business Intelligence to engage with market / ascertain changes/trends.	M	Yes

Reputational	Insufficient information provided by officers, lack of transparency.	Robust process for review of individual business cases and proposed approach to procurement.	L	Yes
Environment/ Climate	Failure to consider sustainable options.	Environmental consideration within business cases and environmental clauses within tender documents.	L	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
Impact of Report	
Aberdeen City Council Policy Statement	The ability to have an overview of contract expenditure is aligned to Core Outcomes of the LOIP and the whole systems commissioning cycle approach.
Aberdeen City Local Outcome Improvement Plan	
Stretch Outcomes (Prosperous Economy/People/Place)	Community Benefits, Fair Work and Climate requirements are incorporated into all ACC Procurement Activity, consideration is given to the Stretch Outcomes within the LOIP at the development phase.
Regional and City Strategies	Details of anticipated outcomes and how they support key strategies are contained within the business case attached.
UK and Scottish Legislative and Policy Programmes	Details of the legislative and policy programmes to be complied with is contained within the business case attached.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Other	Not required

10. BACKGROUND PAPERS

None

11. APPENDICES

Public

Appendix 1- Final Revenue Work Plans- PUBLIC_FR_170523

Appendix 3 - 3.10 Memos (Exemption Urgency) _PUBLIC_FR_170523

Private

Appendix 2 - Final Revenue Work Plans PRIVATE_FR_170523

Appendix 4_Business Case_Webcasting_Private_F&R_170523

Appendix 5_Business Case_Christmas Village_Private_F&R_170523

Appendix 6_Business Case_Delivery of Spectra 2024_Private_F&R_170523

Appendix 7_Business Case_Digital Alarm Receiving Centre (ARC)

Platform_Private_F&R_170523

Appendix 8_Business Case_Blue Prism Platform Licences _Private_F&R_170523

Appendix 9_Business Case_Mobile Estate_Private_F&R_170523

Appendix 10_Business Case_Early Payment Service_Private_F&R_170523

Appendix 11_Business Case_Vacant Properties Repairs & Maintenance_Private_F&R_170523

11. REPORT AUTHOR CONTACT DETAILS

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Commissioning Work Plan (Framework Agreements)	Committee: Finance & Resources	Date of Committee: 17 May 2023
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Reference (Framework Agreement)	Framework Agreement Host Organisation	Description of Requirement	Estimated Start date of Contract or Extension	Estimated End date of Contract (Excluding extension)	Maximum Extension Period (months)	Estimated End date of Contract (Including extension)	Summary
01-19	Scotland Excel	Alcoholic & Associated Beverages	01/09/2019	31/07/2022	12	31/07/2023	Framework Agreement for the supply and delivery of alcoholic and associated beverages.
2019/S 239-586725	East of England NHS Collaborative Procurement Hub	Analysis & Reconciliation Services	01/03/2020	28/02/2023	12	28/02/2024	This Framework Agreement is for the provision of retrospective analytical reviews and analysis of core spend and transactions e.g. electricity, natural gas, water, telecoms, VAT etc. which can result in the discovery and recovery of overpayments. Suppliers operate on a 'no win, no fee' basis so the Council only pays a pre-agreed percentage fee of the money recovered. If nothing is found the value is
03-20	Scotland Excel	Bitumen Products	01/03/2021	28/02/2024	12	28/02/2025	Framework Agreement for a range of Bitumen Products to be utilised for Road Repairs.
PS/19/38	East Ayrshire Council	Building Trades Agency Staff	18/07/2019	17/07/2021	24	17/07/2023	Framework Agreement for Recruitment Agencies and other Service Providers who can deliver the requirement for Building Trades Agency Staff. Currently working with Building Services on a new replacement for 2023.

19-19	Scotland Excel	Catering Sundries & Disposables	01/08/2020	31/07/2022	24	31/07/2024	Framework Agreement for a range of catering sundries products including disposables cups, bowls, plates and cutlery, tableware, food containers, food packaging, cookware, crockery, cutlery, glassware, utensils and other table services for use within council catering environments including schools, cafes and restaurants, corporate and civic locations, leisure centres, community centres and social work premises.
20-18	Scotland Excel	Community Meals	01/09/2019	31/08/2022	12	31/08/2023	Framework agreement for the supply and delivery of community meals delivered to people in their own homes, community venues and council premises throughout Scotland.
000-FNRW2596	Aberdeenshire Council	Construction Design Services Framework	08/05/2020	08/04/2023	0	08/04/2024	Construction Design Services Framework Agreement let by Aberdeenshire Council for Services split across 7 Lots.
RM6165	CCS	Construction Professional Services (DPS)	03/11/2021	02/11/2025	0	02/11/2025	Central government and the wider public sector can access a wide range of technical advisory services in support of building and civil engineering projects of all scales and sizes.
664_21	ESPO	Consultancy Services_2021	01/09/2021	31/08/2025	0	31/08/2025	Asset Management and Delivery Auditing Consultancy Audit Services Business Services Community Research and Engagement Environmental and Sustainability Facilities Management Food and Catering General Finance Health and Safety Highways, Transport and Logistics Housing and Housing Support Leisure, Culture and Tourism Marketing, Communications and PR Operational IT Planning, Valuation and Infrastructure Procurement Public Health Regeneration and Regional Development Revenues and Benefits Social Care (Adults) Social Care (Children) Strategic IT Strategic Projects Tax Treasury Management Waste and

1119	Scotland Excel	Demolition and Deconstruction	01/08/2020	31/07/2022	24	31/07/2024	Demolition works
SP-19-016	Scottish Government	Desktop Client Device Framework	01/01/2020	31/12/2021	24	31/12/2023	Single supplier framework agreement for the provision of desktop client devices and associated services.
10-21	Scotland Excel	Digital Publications and Services	01/08/2022	31/07/2025	12	31/07/2026	Digital resources over 5 Lots including E-Books, E-audiobooks, E-magazines, E-Comics and E-newspapers
06-20	Scotland Excel	Education & Office Furniture	01/09/2021	31/08/2025	0	31/08/2025	Framework Agreement for a wide range of furniture covering education and corporate requirements. This includes everything from classroom and flexible teaching spaces to dining areas through to standard and informal office
306-19	ESPO	Electrical testing services	12/07/2019	30/06/2022	0	30/06/2023	Framework Agreement for the provision of electrical testing services, namely portable appliance testing, fixed installation testing, and the electrical testing of street lighting and street furniture. Details of new framework to be made available by ESPO in due course and spend will move across to new framework at that point.
1320	Scotland Excel	Energy Efficiency Contractors	01/02/2022	31/01/2025	12	31/01/2026	Upgrading existing housing stock with energy efficient measures
06-16	Scotland Excel	Engineering and Technical Consultancy	18/03/2021	17/03/2025	0	17/03/2025	Framework Agreement providing a mechanism to engage consultancy services across a broad range of technical disciplines including Roads, Transport, Environmental, Geotechnical & Project
RM3816	CCS	Estates Management	21/07/2021	20/07/2024	0	20/07/2024	Framework Agreement for property services including purchase, disposal, raising income from property and facilities management services.
10-22	Scotland Excel	First Aid Materials	09/01/2023	08/01/2026	12	08/01/2027	Framework Agreement providing a mechanism to adhere with the Health and Safety (First-Aid) Regulations 1981, and procure a range of first aid materials relevant for the workplace and the public.

04-19	Scotland Excel	Fresh Bread Rolls and Bakery Products	01/10/2019	30/09/2022	12	30/09/2023	This framework provides Aberdeen City Council with a compliant mechanism to procure a range of fresh bread, rolls and bakery products that includes, but is not limited to, brown bread, white bread, pitas, wraps, potato scones, cakes, pastries and baguettes.
11-20	Scotland Excel	Frozen Foods	01/04/2022	31/03/2026	0	31/03/2026	Framework Agreement for a range of frozen products including but not limited to bakery, poultry, fish, meats and vegetables, as well as taking into account requirements for the Schools (Health, Promotion and Nutrition) (Scotland) Act.
12-19	Scotland Excel	Groceries & Provisions	01/05/2020	30/04/2022	24	30/04/2024	Framework Agreement for the Supply & Distribution of Groceries & Provisions, a range of products is available via the framework including but not limited to, dairy and chilled products, dried goods, ambient products, crisps, confectionery, soft drinks and water to be procured by schools, nurseries, leisure centres, community centres, social work facilities, council buildings and civic centres.
12-22	Scotland Excel	Janitorial Products	01/03/2023	28/02/2027	0	28/02/2027	This framework will provide councils and other participating bodies with a mechanism to procure a range of products including: paper-towels, cleaning chemicals, hand-soap, refuse sacks, cleaning equipment such as mops and buckets and sanitary products. Users of the framework are likely to include schools, nurseries, leisure centres, community centres, social work, council buildings and civic centres.

09-21	Scotland Excel	Library Books & Educational Textbooks	01/08/2022	31/07/2025	12	31/07/2026	Framework agreement for Library Books, Educational Textbooks & Multimedia Supplies, 19 Lots covering a wide range of genres and media formats and includes the top 12 Publishers used across Scotland for Educational Textbooks.
RM6187	CCS	Management Consultancy Framework Three (MCF3)	24/08/2021	23/08/2025	0	23/08/2025	Access to consultancy including business, strategy and policy, finance, HR, procurement, health/social care and community, infrastructure and
03-22	Scotland Excel	Meats - Fresh, Prepared and Cooked (incl. Fresh Fish)	01/04/2023	31/03/2027	0	31/03/2027	Framework Agreement for the Supply & Distribution of Fresh Meats, Cooked Meats, taking into account requirements for the Schools (Health, Promotion and Nutrition) (Scotland) Act.
05-21	Scotland Excel	Milk	01/03/2022	28/02/2026	0	28/02/2026	Framework Agreement for a range of dairy products, including semi-skimmed milk, whole milk, organic milk, flavoured milk and fresh creams. It will take into account the requirements stipulated by the Schools (Health, Promotion and Nutrition)(Scotland) Act.
SP-19-020	Scottish Government	Mobile Client Devices	16/08/2021	15/08/2023	24	15/08/2025	Single supplier framework for the provision of mobile client devices and associated services.
953_22	ESPO	Modular Buildings	01/02/2022	31/01/2024	0	31/01/2024	Framework Agreement for Educational, healthcare, catering and accommodation units, will also cover other standard modular buildings such as: site offices, changing rooms, portable cabins, toilet blocks and drying rooms and many more options as well as bespoke buildings.

RM6160	CCS	Non-Clinical and Fixed Term Staff	30/07/2019	25/07/2021	24	25/07/2023	Framework Agreement providing the ability to secure quality candidates regionally and nationally across the UK under a variety of specialisms including, but not limited to: administration and secretarial roles, finance, accounts and audit roles, IT technicians, analysts and technical engineer specialist, legal secretaries, paralegals and lawyers, clinical coders and health records secretaries, caterers, drivers, security, estates and maintenance roles, such as general labour, specialist labour e.g. electricians and surveyors, environmental and scientific
RM1557.11	CCS	Payment processing services	18/10/2019	17/10/2021	24	17/10/2023	G_cloud 11 Payment Solutions - Facility to make Payments via paypoint /post office, for rent, council tax etc
RM3828	CCS	Payment Solutions - Lot 2 Prepaid Cards	23/07/2019	21/07/2021	24	21/07/2023	Framework for Payment Solutions (Lot 2 - prepaid cards)
06-21	Scotland Excel	Personal and Protective Equipment	01/06/2022	31/05/2025	12	31/05/2026	Framework Agreement for a range of PPE, which is a legislative requirement to protect the user against health and safety risks at work. Users are expected to include employees from numerous council departments ranging from construction, school crossing patrol, lighting engineers, gardening, etc.
01-22	Scotland Excel	Provision and Delivery of Washroom Solutions and Sanitary Products	01/10/2022	30/09/2026	0	30/09/2026	This framework will provide councils with a mechanism to procure a range of products and services including, but not limited to: Lot 1, sanitary waste disposal; nappy waste disposal; sanitisers; air fresheners, sharps disposal and medical waste disposal and Lot 2, the provision of sanitary products, which supports the Scottish Government's commitment of promoting dignity to women by providing free sanitary protection to all students in

0721	Scotland Excel	Recycle & Refuse Containers (Lot 1 & 2)	09/12/2021	08/12/2024	12	08/12/2025	Framework for purchase, supply and delivery of various container types to support councils in the delivery of waste and environmental services and is designed to assist councils in delivering collection services to households for a host of materials.
0721	Scotland Excel	Recycle & Refuse Containers (Lot 7)	09/12/2021	08/12/2024	12	08/12/2025	Framework for purchase of food waste
16-21	Scotland Excel	Roadstone Materials	01/10/2022	30/09/2026	0	30/09/2026	This framework will provide councils and other participating bodies the mechanism to procure the supply and delivery of range of roadstone and ready mix concrete products. This includes coated, uncoated and recycled roadstone materials. Lot Structure: Lot 1 - Coated Roadstone Lot 2 - Uncoated Roadstone Lot 3 - Recycled Roadstone
15-21	Scotland Excel	Salt for Winter Road Maintenance	01/11/2022	31/10/2026	0	31/10/2026	Framework Agreement for the Supply and delivery of bulk rock salt, bagged salt, bulk marine salt, bulk treated salt, de-icing products as well as associated equipment and accessories. Spend will move across to the new framework once details are made available.
07-19	Scotland Excel	Security Services and Cash Collection	16/09/2019	15/09/2023	0	15/09/2023	Framework Agreement for a range of Security Services including Manned Guarding, Taxi Marshals, Key Holding Services and Cash Collection.
344_18	ESPO	Signs	05/01/2022	31/12/2024	0	31/12/2024	This framework covers the supply of standard and bespoke signs, using a variety of materials suitable for internal and/or external use. For small value orders, customers are referred to ESPO's main catalogue, where our range of signs are described. For all other requirements please refer to a framework.

59_20	ESPO	Street Lighting Solutions	21-Jan-20	20/01/2024	0	20/01/2024	Street lighting upgrades, installations
1321	Scotland Excel	Supply & Delivery of Musical Instruments	01/12/2021	30/11/2024	12	30/11/2025	Single Lot Framework for the supply and delivery of musical instruments. Previously incorporated in the Educational Materials Framework
SP-21-012	Scottish Government	Technology Peripherals and Infrastructure Framework	16/05/2022	15/05/2024	24	15/05/2026	Framework agreement in two Lots and replaces the IT Peripherals framework single supplier. Lot 1 - IT Equipment Catalogue, Lot 2 - complex infrastructure
664/21	ESPO	Treasury Management Services	19/04/2021	19/04/2023	24	19/04/2025	Range of consultancy services including Treasury Management. Lot 2h
2-21	Scotland Excel	Tyres	01/01/2022	31/12/2025	0	31/12/2025	This framework agreement covers a full range of tyre types and sizes as well as associated tyre management services The contract is covered by 6 lots. Lot 1 - Supply & Fit - Tyres for Cars & Vans Lot 2 - Supply Only - Tyres for Cars & Vans Lot 3 - Supply & Fit - Tyres for Trucks Lot 4 - Supply Only - Tyres for Trucks Lot 5 - Supply & Fit - Tyres for Agricultural/Plant Lot 6 - Supply Only - Tyres for
07-20	Scotland Excel	Vehicle Parts	01/04/2021	31/12/2024	12	31/12/2024	Framework Agreement for a wide range of vehicle spare parts, replacement municipal road sweeper brushes, hydraulic hoses and replacement glass for a multitude of light and heavy vehicles.
01-21	Scotland Excel	Vehicles and Plant Hire	21/02/2022	20/02/2024	24	20/02/2026	Framework Agreement for the hire of a wide range of vehicles and plant (self drive or with operator).
20-21	Scotland Excel	Water Coolers & bottled Water	07/07/2022	06/07/2025	12	06/07/2026	Framework Agreement for the purchase and rent a range of water coolers including free standing bottled water coolers and plumbed in water coolers, Including options to procure the associated maintenance and sanitisation services.

EFM1044 AP	APUC	Water Quality Management	06/08/2021	05/08/2023	0	05/08/2023	Water treatment services inc Legionella Services, Quality Treatment etc
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Commissioning Work Plan	Committee: Finance & Resources	Date of Committee: 17 May 2023
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Reference	Function	Cluster	Description of Requirement	Type of Budget	Estimated Start date of Contract or Extension	Estimated End date of Contract (Excluding extension)	Maximum Extension Period (months)	Estimated End date of Contract (Including extension)	Summary
000-KVMU6342	Commissioning	Governance	Audio & Visual Solution (Webcast and Hybrid meetings)	Revenue & Capital	01/06/2023	31/05/2028	0	31/05/2028	This contract will provide a solution for hybrid facilities for holding Council and Committee meetings as well as webcasting those meetings.
000-QBNT6273	Commissioning	City Growth	Christmas Village 2024	Revenue & Common Good	01/04/2024	31/03/2025	24	31/03/2027	The contract will secure an operator for the Christmas Village with attractions located on a suitable city centre site, allowing adequate, accessible and secure space for the market, food and beverage offer, ice rink and attractions.
000-TLKK1338	Commissioning	City Growth	Delivery of Spectra, Scotland's Festival of Light 2024	Revenue	01/08/2023	31/07/2024	12	31/07/2025	Production delivery contract for Spectra, Scotland's festival of light 2024, the contract will provide an accessible programme of temporary public art lightworks within the city centre. The programme will make best use of sites and city centre spaces such as Union Terrace Gardens, reflecting Aberdeen's cultural history, heritage and sense of place to create a family friendly event to drive footfall to the city

Customer Work Plan	Committee: Finance & Resources	Date of Committee: 17 May 2023
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Reference	Function	Cluster	Description of Requirement	Type of Budget	Estimated Start date of Contract or Extension	Estimated End date of Contract (Excluding extension)	Maximum Extension Period (months)	Estimated End date of Contract (Including extension)	Summary
000-RPHR1882	Customer	Customer Experience	Digital Alarm Receiving Centre (ARC) Platform	Revenue	15/09/2023	14/09/2027	24	14/09/2029	Aberdeen City Council's ARC, the Regional Communications Centre (RCC) provides a wide range of alarm response and call handling services including Telecare (in client's own homes and grouped living situations), lone worker, out of hours, lift emergency alarms and fire and security alarm responses. The current analogue ARC software platform must be replaced with a new Digital ARC platform to allow the RCC to continue providing this

000-XNKA1744	Customer	Digital & Technology	Robotic Process Automation (RPA) Blue Prism Virtual Workforce Platform Licenses	Revenue	31/05/2023	30/05/2026	12	30/05/2027	Blue Prism Virtual Workforce Platform enables the delivery of the Robotic Process Automation (RPA) programme and efficiency savings across the organisation – reduced costs, reduced workload and improved quality and accuracy. RPA, also known as software robotics, is a software technology that helps build, deploy and manage software robots that copy humans interacting with digital systems and software. The robots/virtual workers can't make decisions; however they are programmed to emulate administration tasks and steps of a process that are high volume and repeatable.
000-FHVVH7387	Customer	Digital & Technology	Mobile Telephony Estate	Revenue	31/05/2023	30/05/2025	24	30/05/2027	Contract for the provision of mobile connectivity devices. Including feature phones, smart phones, tablets, and laptops, it also includes parking payment meters and traffic lights.

Resources Work Plan	Committee: Finance & Resources	Date of Committee: 17 May 2023
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Reference	Function	Cluster	Description of Requirement	Type of Budget	Estimated Start date of Contract or Extension	Estimated End date of Contract (Excluding	Maximum Extension Period (months)	Estimated End date of Contract (Including	Summary
000-LDYU7779	Resources	Finance	Supplier Incentive Scheme (Early Payment)	Revenue	01/06/2023	31/05/2028	0	31/05/2028	This contract will ensure that the Council have the ability to pay suppliers earlier than contracted payment terms on receipt of an invoice, suppliers will be asked to opt into the scheme on a voluntary basis at the point contracts are awarded offering a small rebate for early payment of invoices with an aim to pay invoices for suppliers who have signed up on Day 10 as opposed to standard

000-QHEF4238	Resources	Corporate Landlord	Repairs and maintenance to vacant housing properties.	Revenue and Capital	01/08/2023	31/07/2024	24	31/07/2026	that the Council can appoint a contractor to repair and refurbish void rental housing properties, on the termination of tenancies, and to return them to the rental market. This will supplement the work carried out by the in-house team within the Council.
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Appendix 3 - 3.10 Memo's (Exemption Urgency)

Function	Cluster	Description of Contract	Estimated Start date of Contract	Estimated End date of Contract	Total Estimated Contract Value £	Summary of explanation of why the contract was urgently required and justification for suspension of procurement regulations, in whole or in part:
Customer	Digital and Technology	Datacentre Hosting services provided by Brightsolid	01/12/2022	31/10/2023	£900,000.00	<p>Due to priorities relating to other digital projects this contract had not been formally renewed prior to its expiry in December 2022 as it was hoped that the move to Azure would have progressed further than it has. The contract has continued to roll on by the supplier and we are requesting approval to suspend the Procurement Regulations as there is an ongoing requirement for data centre hosting in its current level, until we have concluded the migration programme, likely now – October 2023.</p> <p>We sought approval from committee to extend the current contract for a further year until December 22 as part of our transformation aspiration timescales as we have been over the last few years embracing a technically complicated transitional modernisation journey to the cloud in conjunction with Microsoft. We have, as part of the capital investment programme embraced a further transition exercise of our virtual server farm to our Microsoft Azure tenancy that has just initiated and is progressing, but until this exercise is concluded we will not be in a position to articulate and understand our on premise remaining datacentre requirements at this time.</p> <p>We are requesting approval to extend the arrangement through a compliant Direct Award via Scottish Government Cloud Services Framework SP-18-027 for a period of 11 months until 31st Oct 2023 to continue to provide datacentre capability for the remaining on-premise systems that have not been migrated to the cloud.</p> <p>A business case is being developed to reflect the requirements following the outcome of the migration programme and a new call-off</p>

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ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	17 May 2023
EXEMPT	No – but Appendix 1 Outline Business Case is exempt (paragraph 8 - Estimated Expenditure on Contracts)
CONFIDENTIAL	No
REPORT TITLE	Newhills Additional Primary School Provision
REPORT NUMBER	RES/23/144
DIRECTOR	Steve Whyte
CHIEF OFFICER	Stephen Booth
REPORT AUTHOR	Maria Thies
TERMS OF REFERENCE	1.1.4

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to note the preferred design option for the new school at Newhills,

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 note and endorse the preferred design option which will be an exemplar school for net zero and green credentials;
- 2.2 instruct the Chief Officer – Corporate Landlord to report back to a future meeting of the Finance and Resources Committee in 2024 with the Full Business Case; and
- 2.3 refer this report for noting to the Education & Childrens Services Committee in July 2023

3. CURRENT SITUATION

Background

- 3.1 The updated School Estate Plan was approved at the Education Operational Delivery Committee on 8 September 2022, when elected members instructed officers to “track progress with the Newhills developments, in order to determine options and appropriate timing for new primary school provision to serve the new housing developments, and to report back to the Education and Children’s Services Committee with an Outline Business Case”. [Decisions 08th-Sep-2022 10.00 Education Operational Delivery Committee.pdf](#)

A Strategic Outline Case was approved by the ACC Capital Board in November 2022 which recommended the project to proceed to feasibility stage and the preparation of the Outline Business Case (OBC) – Appendix 1.

- 3.2 The feasibility study focused on a new build option within the allocated school site at the Rowett South development. A key emphasis of this feasibility study was to consider design options on how a new school building can contribute to a Net Zero and Climate Resilient Council by delivering a high-performance building which will mean minimising and mitigating future energy costs whilst reducing carbon emissions. These principles/targets are embedded in the approved Community Campus Model (Education, Operation and Delivery on 25 November 2021, committee approved the Community Campus model principles for future education and service provision within the City) and ACC'S Climate Change Plan 2021-2025: **Towards a Net Zero and Climate Resilient Council**, which sets a net zero target for Council assets and operations; and outlines actions for this period to reduce carbon emissions and increase resilience to climate change.

Stakeholder Engagement

- 3.3 A key range of stakeholders (Education, other ACC services and Newhills Developers) were identified and invited to participate and engage from the outset of the project. This provided opportunities to learn from existing experience and collaborate around strategic plans to support service transformation. The multi layered engagement process carried out at feasibility stage has allowed a clear vision and defined strategic objectives to be identified for this project. i.e.

“A safe and welcoming place that can meet the current and future needs of a growing community. Delivering equity of access for families and learners, the new facility will be an exemplar of sustainable design and connectedness, linking digitally and physically to the outdoors, to the wider community and partners”.

- 3.4 All stakeholders within the Newhills community will be given the opportunity to share their views and contribute to the decision-making process on future plans for any proposed new school. By engaging with stakeholders from an early stage, officers will better understand the requirements and aspirations of the community, which in turn will assist with developing proposals for formal consultation. As the design of the new school is developed, information / drawings / images will be generated in a format suitable for sharing with stakeholders (at the appropriate time) to help generate discussion and gather feedback. Methods of engagement with the communities and stakeholders will be proportionate and appropriate to the timescales in which priorities need to be addressed.
- 3.5 An engagement survey was launched with Newhills residents as part of the feasibility study, however, there has been no feedback to date. ACC will continue to engage with stakeholders throughout the development of this project.

Design Options

3.6 The proposed new school will deliver a two-stream primary school with provision for 434 pupils and 60 Early Years places on a dedicated site within the Rowett South Development to serve the Newhills housing developments. Three options were identified within the OBC (Appendix 1):

Option 1 – Do nothing

Option 2 – A New school building based on Scottish Future Trusts (SFT) LEIP 3 current guidance on energy consumption targets and digital performance

Option 3 – A new school building based on Passivhaus standard and certification

3.7 Option two and three have been detailed, appraised and scored accordingly in line with the project objectives and ACC's Net Zero target of reducing carbon emissions by at least 61% by 2026 and adapting to impacts of changing climate.

3.8 The OBC in appendix 1 sets the context and need for a new school for the Newhills area and recommends that option 2 (LEIP 3 standard) is taken forward to design development stage. This option provides a more affordable route to compliance with the LEIP 3 targets that will contribute to achieving Aberdeen City Council's Net Zero Carbon commitments through high environmental performance standards and an efficient organisational model, achieving more for less. The key advantages of this recommended option are:

- Contributes to net zero carbon route map and is aligned to SFT's Net Zero Public Sector Buildings Standard
- Estimated energy cost savings of circa £34,000 p.a. or 27.6% compared to Technical Standards of all electric solution
- Can deliver a building to Passivhaus principles and is £2,733,300 cheaper than the Passivhaus Standard Certified.

Delivery Programme

3.9 Key milestones have been highlighted within the indicative delivery programme (section 12.2 of the OBC) subject to the outcome of the statutory consultation in 2024.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report however option 2 is currently reporting stage one costs above the current indicative budget approved at the budget meeting in March 2023. The Full Business Case detailing final project costs will be reported back to committee for review and any necessary approvals.

- 4.2. This project will be part funded by Section 75 Developer Contributions. Given that full payment of anticipated Developer Contributions is dependent on the completion of agreed numbers of housing units, there is a risk that any up-front funding provided may not be recovered in full, if the planned numbers of housing units are not delivered.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report however the Section 75 Agreement for the Rowett South (app ref:140844) sets out the trigger date for the initial primary school to be delivered which is before completion of the 800th unit within the Newhills Development Framework Area. It is estimated that the 800th completion trigger date could be achieved **by 2025/26**. However, these figures are projections based upon the information currently available from the Developers. Actual future build rates could vary from these projections in line with any revisions to build rates which may be made by the Developers during the course of development in response to market conditions and/or other external factors.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 The design option for the new school will feature reduced operational energy and whole life carbon emissions which will contribute to ACC's Net Zero target for 2035.
- 6.2 The new school design will feature zero emissions heating/cooling and will maximise the opportunities in good passive design principals, primarily targeted around minimising heating demand and heat losses through thermal performance characteristics, efficient window fenestration detailing and reducing losses associated with thermal bridging and air infiltration rates.
- 6.3 Embodied carbon targets will feature in the design brief and shall be referenced against the performance targets within SFT's criteria. The structural frame solution will be one of the biggest contributors to the embodied carbon in the project. At this stage, a number of structural options are available for consideration; principally, steel, concrete or Timber/CLT, or a hybrid combination of each. Along with the efficiency of the structural solution adopted, many other factors such as the building form and envelope design, will influence the overall embodied carbon for the project.
- 6.4 There is the opportunity to explore providing waste material to the anaerobic digestion plant at the P&J Live facility as part of a Waste Management Plan for the new school. This will be developed further at FBC stage.
- 6.5 The landscape strategy for the new school will help promote biodiversity across the site by the establishment of green planting corridors, linking across to the green spaces found to the north of the site. As well as a biodiversity assessment, an integrated SUDS scheme will also be developed to help attenuate and manage surface water within the site.
- 6.6 A School Travel Plan will be developed and in place prior to completion to enhance options for active and sustainable travel.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No significant risks identified			
Compliance	Failure to deliver the new school before completion of the 800 unit as specified within the Section 75 Legal Agreement.	This is being mitigated through early planning, clear governance arrangements and close working between teams across Aberdeen City Council.	M	Yes
	(1) Failure to plan effectively for the Newhills area leading to the Council being unable to fulfil its duty to make adequate and efficient provision (2) Failure to consult formally with stakeholders on changes to schools would be in breach of legislation	(1) The School Estate Plan sets out priorities for the school estate and proposals for continually monitoring and updating plans to ensure adequate and efficient provision is maintained (2) Any proposed changes to schools arising from the School Estate Plan will incorporate full statutory consultation to ensure compliance with legislation	L	Yes
Operational	The preferred option doesn't meet the aspirations of the Community/ stakeholders	A comprehensive and inclusive communications strategy will form part of this project. Both internal and external stakeholder engagement at key	L	Yes

		stages of this project will be fundamental to the successfully delivery and operation of this		
Financial	Inability to deliver the Council's desired outcomes within the approved budget	This will be mitigated through working with cost consultants and designers during design development stage. Close monitoring of developer contributions and the required triggers set out in the Section 75 Agreement	M	Yes
Reputational	Risk of damage to Council reputation if the recommendations are not implemented and future capacity requirements are not met.	Implementing the recommendations in this report will ensure that this project can proceed to the next stage of development	L	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2022-2023</u>	
	Impact of Report
Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u>	<p><i>The proposals within this report support the delivery of the following aspects of the policy statement:-</i></p> <p>This report supports the delivery of the following policy statements:</p> <p><u>A City of Opportunity</u></p> <p>Policy Statement 2 - Review and invest in our school estate, ensuring all of Aberdeen's schools are fit for the educational needs and the challenges of the 21st century. The report seeks Committee's approval to proceed to design development stage which will inform the Full Business Case for the proposed Newhills School</p>

	<p><u>A Prosperous City</u></p> <p>Policy Statement 8 - Seek to buy goods, services and food locally whenever possible, subject to complying with the law and public tendering requirements. Opportunities to do this will be considered for all Capital Projects.</p>
<p>Aberdeen City Local Outcome Improvement Plan 2016-26</p>	
<p>Prosperous Economy Stretch Outcomes</p>	<p>The proposals in this report support the delivery of Stretch Outcome 3 – 500 Aberdeen City residents upskilled/reskilled to enable them to move into, within and between economic opportunities as they arise by 2026. The investment in our estate is interlinked with the investment in our workforce and will contribute to the diversification of the local economy</p>
<p>Prosperous People Stretch Outcomes</p>	<p>Prosperous People: The project will support Stretch Outcome 8 in the LOIP - <i>Childfriendly city where all decisions which impact children and young people will be informed by them by 2026</i>. The feasibility study included an initial stakeholder survey which invited and encouraged input and comment from Newhills residents. If the project is accepted to progress to the next stage, stakeholder engagement and consultation will be key in ensuring the successful delivery of the proposed new school,</p>
<p>Prosperous Place Stretch Outcomes</p>	<p>Prosperous Place: The project will support Stretch Outcome 14 - Increase sustainable travel: 38% of people walking and 5% of people cycling as a main mode of travel by 2026. Investing in a new school for the Newhills area would provide additional accommodation to ensure pupils living in this ASG can attend their zoned local school which will help promote more sustainable routes to schools and contribute to the safety, fitness, and wellbeing of our communities.</p> <p>This project will also support the delivery of LOIP Stretch Outcome 13 – Addressing climate change by reducing Aberdeen’s carbon emissions by at least 61% by 2026 and adapting to the impacts of changing climate. The proposed new school will be exemplar in terms of net zero and green credentials.</p>

Regional and City Strategies	This project forms part of the School Estate Plan which will support the delivery of the Council's Property and Estates Strategy and the Net Zero Routemap for Aberdeen City.
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9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Other	No other assessments required

10. BACKGROUND PAPERS

- 10.1 Education Operational Delivery Committee, 8 September 2022: [Decisions 08th-Sep-2022 10.00 Education Operational Delivery Committee.pdf](#)

11. APPENDICES

- 11.1 Appendix 1 (exempt): Newhills Primary School Outline Business Case

12. REPORT AUTHOR CONTACT DETAILS

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Newhills Expansion Area

The Newhills Expansion Area is on the western edge of Aberdeen and is bounded by the existing residential area of Bucksburn to the east and by the A96(T) Aberdeen - Inverness trunk road to the north and northeast. The Aberdeen Western Peripheral Route (AWPR) forms a boundary to the north west. The remaining boundaries on the south and south west are formed by landscape areas and are designated Green Belt.

The Newhills Expansion Area comprises three specific sites:

- OP29: Craibstone South
- OP30: Rowett South
- OP31: Greenferns Landward

Planning permission has been granted for parts of the site at Craibstone South (700 homes) and Rowett South (1700 homes) which are currently under construction. Greenferns Landward has a Proposal of Application Notice (PAN) for mixed use development including 1570 residential units but has no planning permission to date.

Section 75 Agreements are in place which places a duty on Aberdeen City Council to provide primary education provision on a preselected site within the development upon completion of the 800th housing unit.

Key

- Rowett South development boundary
- Primary school site
- Mixed use sites
- Residential development sites



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ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	17 May 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Capital Programme Delivery: Projects Update
REPORT NUMBER	RES/23/137
DIRECTOR	Steve Whyte
CHIEF OFFICER	John Wilson
REPORT AUTHOR	John Wilson
TERMS OF REFERENCE	1.1

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to summarise the general progress of delivery of key capital expenditure projects identified within the approved Capital Programme from the General Fund and Housing Revenue Accounts.
- 1.2 In addition, the report highlights those issues considered worthy of particular note which are specific to individual programmes/projects.

2. RECOMMENDATION(S)

That the Committee :-

- 2.1 Note the status of delivery of the Section 3 highlighted programmes/projects contained within the approved Capital Programme.

3. CURRENT SITUATION

Background

- 3.1 At the Finance & Resources meeting held on Wednesday 1 February 2023 a new reporting content/style was submitted to inform key project updates within the approved General Fund and Housing Capital Programme. This report continues with that format and reports progress since then in terms of, but not limited to, contract/construction issues, timeline delivery and financial viability.

Union Terrace Gardens

- 3.2 Practical Completion was achieved on 22 December 2022
- 3.3 Preparations are underway for the turfing of the lower gardens. Following poor periods of weather Aberdeen City Councils Operations and Protective Services

are monitoring weather conditions for a favourable window to complete turfing works. Progress is wholly weather dependant to ensure the area is as best it can be for future events and ongoing public use.

- 3.4 Snagging works continue across the project with weekly progress updates between contracting parties.
- 3.5 A closing date for parties interested in leasing the Burns Pavilion was set for 28 February 2022. Discussions are currently ongoing between interested parties.

Countesswells Primary School

- 3.6 The Council took possession of the new building on 1 March 2023. The Countesswells School has moved to this new location for Term 4, following the recent Spring holiday.
- 3.7 As reported previously, there are existing developer obligations in accordance with an agreed Section 75 agreement, however members will be aware the developer Countesswells Development Limited went into administration. Officers are still seeking clarification on what this means in relation to funding and other related commitments.

Torry Primary School and Hub

- 3.8 The works are progressing with the construction circa 70% complete. The expectation is the school will be complete by Autumn 2023, as planned.

Tillydrone Primary School

- 3.9 A project update was provided at the last committee meeting in March 2023 noting the appointment of the Principal Contractor and the anticipated financial savings. The target date for completion of the project is Summer 2024.

Bucksburn Temporary Accommodation

- 3.10 As noted in Appendix 1, this project is nearing completion, with only the covered walkway and external landscaping works still outstanding.
- 3.11 Occupation of the temporary accommodation is expected in May 2023.
- 3.12 Notification is also provided that the project is experiencing a number of cost pressures, which will require virement of monies from the contingency budget line. Officers are currently quantifying the extent of additional monies.
- 3.13 The primary reasons for this are there have been several variations which have been mainly attributed to the civils works (deeper than expected foundations and unforeseen utility diversions), and also significant legal expenses (from NYOP, the Funders Legal team, along with the requirement of specific requested technical reports).

B999 Shielhill Road Junction

- 3.14 As reported previously, the project's delivery timeline will be determined by the time taken to obtain the necessary land to build the scheme.
- 3.15 The project's land footprint is now defined. Owner verification activity is underway. Approaches for voluntary land purchase will be progressed through Spring and Summer. However, it now appears likely that the owners of some land (required for the junction improvement) are unable to be identified, because of very old title information.
- 3.16 This will likely lead to the need for a Compulsory Purchase Order (CPO) to be progressed later this year. The implications of this are that land assembly will not be completed this year, with the CPO process likely adding 12-24 months to the project programme.

South College Street Junction Improvements (Phase 1) Construction

- 3.17 Local company W M Donald has been appointed as the main contractor for the project. The main project works commenced on site in June 2022. Works are progressing and the substantial completion date is still expected to be Spring 2023.
- 3.18 Significant progress has been made on carriageway widening activities on Palmerston Place and South College Street between its junctions with Wellington Place and Riverside Drive. The creation of the new junction on North Esplanade West with Palmerston Place now well advanced.
- 3.19 The project requires a significant number of utility apparatus diversions, a number of which lie on the work programme critical path. The majority are now complete; however, delays have been incurred due to the volume and complexity of telecoms apparatus to be diverted by Openreach.
- 3.20 While performance has been generally acceptable and should see the majority of the project roads open on time, there are ongoing available space difficulties with the concentration of utility apparatus at the North Esplanade West/ Palmerston Place junction near Old Ford Road. Significant effort is being made by all parties to resolve matters; however, it is likely the effects of this work will prevent the additional Palmerston Place left turn lane being brought in to use until late Summer.

Energy from Waste (EfW) Construction

- 3.21 Works are progressing and the completion date is still expected to be Summer 2023. As noted previously the delivery of the project to date has been hampered by several issues, both internally and externally. There is still a significant risk that external impacts may continue to affect the anticipated delivery timeline and budget.
- 3.22 The Principal Contractor continues to receive and manage the three councils' waste. Hot commissioning started at the NESS Energy facility on 24 February

2023, first waste deliveries commenced on 27 February 2023 and the first combustion of waste occurred on 31 March 2023. The Councils are now delivering waste to the site according to the needs of the commissioning programme.

3.23 With reference to paragraph 3.21 above, the Contractor is seeking recompense through the Contract.

3.24 The Contractor has sought adjudications to consider several contractual matters. These are in the form of claims for both time and money. To date these claims have been successfully defended and dialogue has been opened to seek resolution of matters out with the adjudication/arbitration mechanisms. As claims are submitted, they are being considered in accordance with the contract between the parties and as such additional expenditure will be incurred in protecting the Councils' position. At this stage these costs can be accommodated within the approved project budget.

New Mortuary at Aberdeen Royal Infirmary (ARI)

3.25 As noted previously work commenced on the new Mortuary at Aberdeen Royal Infirmary (ARI) on Monday 10 October 2022

3.26 The project is still at an early stage with the Principal Contractor advancing his design work packages. He has also placed some, but not all, advance orders for materials and commodities, such as but not limited to, structural steelwork, timber trusses, roof cladding, windows and doors.

3.27 Vegetation site clearance with following Ground Penetration Survey (GPS) is now complete which enabled the site establishment. Sub structure and retaining wall works (where necessary) and drainage works are now being taken forward.

3.28 The project is planned to be complete in Spring 2024.

Complex Care

3.29 The Strategic Business Case for the project was approved at Finance and Resources in December 2022 with the Outline Business Case approved at Finance and Resources Committee in March 2023

3.30 Officers with external support are currently working through RIBA Stage 3 design works, targeting a construction period start in Winter 2023/24.

Housing Revenue Account (HRA)

3.31 As reported to the last committee the Kaimhill and Tillydrone projects are both progressing and works have been suspended at Craighill and Kincorth.

3.32 As noted previously the two remaining projects at Craighill and Kincorth are at a stage where the enabling works for both projects are complete. Following the last committee, there is an ongoing high level value engineering exercise being

carried out by the design team to consider a number of options on both sites, to allow a more cost effective capital cost for each project.

- 3.33 The design works include reviewing external finishes, reducing storey heights from four storeys to three storeys on the blocks of flats and considering moving away from the Gold standards, either as a whole, or in part, to Silver standard.
- 3.34 Consideration is also being given to phasing the sites over a longer period to reduce the short term impact on the capital budget by spreading costs over a two or three year period, with budget costs for these different options being prepared.
- 3.35 This work on options will allow the Chief Officer - Capital to submit an updated report along with recommendations to the forthcoming Finance and Resources Committee to be held on 9 July 2023 for consideration and approval.

Summerhill New Build Housing

- 3.36 Five of the blocks at Summerhill have now been handed over with three remaining to follow. Block 6 is planned to be handed over in May 2023 with Block 8 in Autumn 2023 and the final block, Block 7, handed over in Spring 2024.

Cloverhill New Build Housing

- 3.37 The project continues to progress well on site and the first phase of units will be handed over in Summer 2023 with a number of other phases to be handed over between then and 2026.

Clinterty Travellers Site

- 3.38 Works commenced in October 2022 to upgrade the Gypsy Traveller site at Clinterty with a budget of £6.5m, which is circa 50% funded by the Scottish Government. The Contractor for the works is the Council's Building Services. The expectation is the works will be complete by Summer 2023 as planned.

Unable to be Relet (UTBR)

- 3.39 As reported previously, following a period of discussion and negotiation throughout Summer/Autumn 2022, Council Officers secured funding support grant of circa £6.15m from the Scottish Government Ukraine long term resettlement fund.
- 3.40 Officers have completed the initial tender process and three external contractors have been successful in progressing onto a framework to carry out the works. Work is now being allocated to each of them that aligns with their capability and current availability of resources. We expect the extent of this work will ramp up as the weeks progress.
- 3.41 Work continues to progress well with approximately 320 units now had refurbishment / repair works carried out with the orders for furnishings/white

goods following where necessary. Work continues with housing colleagues to allocate the completed units to Ukrainian households as they become available. Approximately 125 units are now occupied.

4. FINANCIAL IMPLICATIONS

4.1 Notwithstanding all of the above, the Chief Officer – Capital continues to review the approved Capital Programme in light of external pressures, such as, but not limited to;

- Inflation
- Energy supply and cost
- Covid 19 impacts
- War in Ukraine and
- Brexit.

4.2 There is still a significant risk that costs will increase for those projects under construction and also those in the future pipeline. Close collaboration is being maintained with finance colleagues.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report. However, there may be implications as part of the wider regular Capital Programme review as noted in section 4. Any legal implications, should they apply, will be considered as part of that review.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report. However, there may be implications as part of the wider regular Capital Programme review as noted in section 4. Any environmental implications, should they apply, will be considered as part of that review.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Failure to manage Council finance and resources could lead	Regular financial reporting and monitoring activities, to incorporate		

	to failure to achieve strategic objectives.	financial resilience to address financial pressures arising in year is maintained and monitored.	M	Yes
Compliance	Failure to be able to comply with project requirements	Increase site visits and monitoring of the construction works. If required, review alternative options as soon as possible.	L	Yes
Operational	Balancing the pressures of finite resources both internal and external to the Council	Regular engagement between relevant Clusters within the Council along with ongoing engagement with Framework hosts, Suppliers, Procurement & Services re alternative products or delivery methods.	M	Yes
Financial	Escalation of costs Differing market conditions depending on commodity/service	Development of suitable price mechanisms. Use of Business Intelligence to predict market changes/trends. Price Increase Request Process. Market engagement/use of business intelligence to assist in predicting market changes and trends.	M M	Yes
Reputational	Programmes/projects being delayed or stopped	As above.	M	Yes
Environment / Climate	Failure to consider sustainable options due to costs.	Ensure all contracts consider environmental considerations, and early market engagement is conducted to seek market intelligence.	M	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2022-2023</u>	
Impact of Report	
Aberdeen City Council Policy Statement <u>Working in Partnership for Aberdeen</u>	Reviewing the approved Capital Programme in light of the cost pressures resulting from external drivers, will enable the Council best to meet and prioritise the delivery of its capital funded programmes /projects.
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	
Prosperous Economy Stretch Outcomes	The recommendations outlined within this report have included consideration of the current stage of programme/project delivery.
Prosperous People Stretch Outcomes	The recommendations outlined within this report have included consideration of the current stage of programme/project delivery.
Prosperous Place Stretch Outcomes	The recommendations outlined within this report have included consideration of the current stage of programme/project delivery.
Regional and City Strategies	Reviewing the approved Capital Programme in light of the cost pressures resulting from external drivers, will enable the Council best to meet and prioritise the delivery of its capital funded programmes /projects to align with its regional and city strategies.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Other	Not required

10. BACKGROUND PAPERS

- 10.1 Finance and Resources Committee 1 February 2023: Capital Programme Delivery : Projects Update : report no RES/23/043.

11. APPENDICES

- 11.1 Appendix A – Supporting Project Annex Information

12. REPORT AUTHOR CONTACT DETAILS

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Appendix A – Supporting Project Annex Information

Union Terrace Gardens

Reference is made to report RES/23/043 submitted to the Finance and Resource Committee on 1 February 2023.

Practical completion was issued in December 2022. The Union Terrace Gardens project has seen the development of three new buildings and walkway structures, path network, improved events space and landscaping and restoration of Union Terrace arches and Victorian toilets.

The main contractors project e-newsletter has been updated regularly throughout the construction period to include community updates for UTG – to view online please visit:

<https://spark.adobe.com/page/2d616dac-6ab8-4d25-884b-f52386322fe0>

1. Update since last report provided February 2023

Snagging works are progressing well, despite winter weather conditions

Spectra festival has taken place.

2. Planned progress in next reporting period:

Weather dependent snagging works will be undertaken during favourable periods of weather.

New doors to public toilets will be installed.

Preparation works following the Spectra Event and placement of new turf to the lower gardens area, weather dependant.

3. Spend to end of 2022/23;

<u>Gross Budget</u>	<u>Spend to Date</u>
<u>£29.8m</u>	<u>£29.75m</u>

4. Interdependencies

None

5. Progress Photographs

Countesswells Primary School

This two-stream primary school, with early years provision, is being delivered in accordance with a Section 75 legal agreement dated 20 March 2016. The Council was granted ownership of the allocated site on 14 May 2021.

The Council achieved commercial close, with its delivery partner Hub North Scotland, on 1 October 2021. Hub North Scotland have appointed Morrison Construction as its design-and-build contractor. The construction programme commenced on 15 November 2021 and is due to be completed by Summer 2023.

1. Update since last report provided at February 2023.

The project was completed and handed over to the Council on 1 March 2023. In addition, the Countesswells School has moved to this new location for Term 4, following the recent Spring holiday.

2. Planned progress in next reporting period (consider 3 months)

Snagging works will continue through the period of operational use for a period of 12 months.

3. Spend to end of 2022/23;

Gross Budget	Spend to Date
£20.5m	£19.1m

4. Interdependencies

This project is being provided in accordance with the Section 75 legal agreement dated 20 March 2016.

5. Progress Photographs



- View from Primary 1s and 2s play area, to Early Years play area



- Early Years activity area



- Dining and After school activity area



- Gym/ Assembly Hall



- Primary 3s & 4s activity area



- Primary 5s, 6s & 7s activity space and library

Torry Community Hub and Primary School

This community hub and two-stream primary school, with early years provision, was instructed by the Education & Children's Services Committee, on 1 March 2017, on the site of the previous Torry Academy.

The Council achieved commercial close, with its delivery partner Hub North Scotland, on 18 March 2022. Hub North Scotland have appointed Morrison Construction as its design-and-build contractor. The construction programme commenced on 25 April 2022 and is due to be completed in Autumn 2023.

1. Update since last report provided at February 2023.

The construction works are an estimated 70% complete. The works to the external walls, windows, doors, and roof are substantially complete. The internal partitions and first fix service installations are also substantially complete. The internal decoration, and installation of the internal doors and fixed furniture have commenced. Good progress has also been made to the external works to form the seven-a-side pitch and car park. The district heating heat exchanger has been installed within the boiler room.

2. Planned progress in next reporting period (consider 3 months).

In the next period it is anticipated that there will be substantial progress to internal decoration, and installation of the internal doors and fixed furniture.

The construction works are anticipated to be 80% completed.

3. Spend to end of 2022/23.

Gross Budget	Spend to Date
£28.1m	£21.7m

4. Interdependencies

The cost of the asbestos removal and demolition of the previous Torry Academy building have been factored into the overall capital development cost of the project.

This project has met the requirements of the Regeneration Capital Grant Fund and, as a result, £2m was claimed towards the cost of this project on 31 October 2019. This grant was awarded so as to allow the development of a Community Hub which is tailored to meet the needs of the community.

Developer obligation funding of £283K has also contributed towards this project.

5. Progress Photographs



View from new building towards Tullos Place



View from car park towards south east elevation



Primary 3s and 4s activity area



Library area

Tillydrone Primary School Project Update

Following a special Committee meeting of Education & Children's Services on 1 March 2017, a decision to implement the proposal for a new 3 stream non-denominational school building with early learning and childcare provision and to relocate Riverbank School to this new building was ratified by Members.

Decisions were made by the Capital Programme, Strategic Commissioning and City Growth and Resources Committees in September 2018 to progress with the design, development, and procurement of a new school to replace the existing Riverbank School.

The proposed building will take advantage of the change in level on the site, the main public entrance and reception area will be at upper ground floor level and will be accessed from Coningham Gardens. Also located on this floor is the Early Years provision and the multipurpose hall and dining facilities. All the teaching accommodation is located on the lower ground floor with all class bases afforded direct access to external space.

1. Update since last report provided at February 2023.

Following tender evaluation, Robertson Construction were appointed as Principal Contractor. The contractor has made progress on developing the superstructure design which is a contractor designed element.

2. Planned progress in next reporting period (consider 3 months)

Robertson Construction will take possession of the site. Construction works are to commence in the summer once the superstructure (cross laminated timber) is fabricated and delivered to site.

3. Spend to date

Spend to the end of 2022/23 is as follows:

Gross Budget	Spend to Date
£41m	£7.49m

4. Interdependencies

Decant of existing Riverbank School thus allowing redevelopment of the existing building to relocate St Peters (RC) School.

5. Progress Photographs

None

Bucksburn Temporary Accommodation Update

Capital funding was approved at the Budget Meeting in March 2022 to provide modular accommodation at Bucksburn Academy to meet the expected increase in pupil roll for August 2022. Bucksburn Academy was built in 2009 and was delivered as part of Aberdeen City Council's 3Rs Public Private Partnership (PPP) project which delivered 2 secondary schools and 8 primary schools. The school is operated and maintained by the 3Rs company, NYOP Education, under a PPP contract. Any short-term options to increase the capacity of the school on a non-permanent basis (e.g. the installation of modular accommodation) can only be carried out with the agreement of NYOP and funders consent.

To help facilitate progress and mitigate programme delays, ACC's Legal Team has worked very closely with NYOP to progress the contractual nature of this change which has allowed the project team to progress with the project over the last 12 months.

1. Update as of February 2023

The main works are now complete and a temporary occupation certificate was issued in March 2023. The remaining works to complete the covered walkway and landscaping will be carried out in May.

2. Planned progress in the next reporting period (consider 3 months)

It is expected that the project will be fully completed, and the full occupation certificate will be issued.

3. Spend to date

Spend to end of 2022/23 is as follows:

Gross Budget	Spend to Date
£2.560m	£ 2.295m

4. Interdependencies

The temporary units only have planning permission for up to 5 years. The additional capacity will be accommodated within the planned permanent extension to Bucksburn Academy.

5. Progress Photographs (from January 2023)



Classroom



Installation of the units

South College Street Junction Improvements (Phase 1)

When complete the project will support the City Centre Masterplan's infrastructure strategy for bus priority measures aimed at removing the impact of congestion on bus journey times through the city centre. The project is jointly funded by Aberdeen City Council and a grant from the Scottish Government's Bus Partnership Fund.

1. Update since last report provided at February 2022 (Capital Programme Committee):

Further significant progress has been made on carriageway widening and alteration activities on Palmerston Place and South College Street between its junctions with Wellington Place and Riverside Drive. The creation of the new junction on North Esplanade West with Palmerston Place is also well advanced.

The temporary reopening of South College Street (southbound) between its junctions with Wellington Place and Millburn Street was achieved. Commencement of work to reconfigure the South College Street/ Millburn Street junction is underway.

2. Planned progress in next reporting period (consider 3 months):

The full reopening of South College Street and North Esplanade West the commissioning of all traffic signal controlled junctions. The opening of new footways and cycle tracks adjacent to the project roads.

3. Spend to the end of 2022/23 is as follows

Gross Budget	Spend to Date
£10.7m	£5.377m

4. Interdependencies

The project will support the City Centre Masterplan's infrastructure strategy for bus priority measures enabling the implementation of public realm enhancements along Guild Street and Union Street, providing alternative options to accommodate the rerouting of vehicular traffic.

The corridor's improved capacity and operation will also complement its position in the new roads hierarchy. In tandem the project will enhance infrastructure for walking and cycling along its length.

5. Progress Photographs



North Esplanade West looking toward Palmerston Place prior to works start



North Esplanade West looking toward Palmerston Place January 2023



North Esplanade West looking toward Palmerston Place West April 2023



South College Street looking towards Bank Street July 2022



South College Street looking towards Bank Street April 2023



South College Street looking towards Wellington Place January 2023

NESS Energy Project Update

On 4 March 2019, the Council approved the award of the Ness Energy Project Residual Waste Treatment contract for the implementation of the Project to EFW Ness Limited, a wholly owned subsidiary of Acciona Industrial UK limited and an Inter-Authority Agreement, IAA3. Similar approvals were given by Moray Council and Aberdeenshire Council on 4 March 2019 and 7 March 2019 respectively. The contract was signed on 8 August 2019 and construction commenced shortly after.

The contract requires that EFW Ness Limited design, build and operate an energy from waste facility capable of treating 150,000 tonnes of non-recyclable waste per year and produce approximately 12MW of electricity for export to the National Grid and supply up 10MW of heat in the form of hot water to a district heating scheme to be developed separately by Aberdeen City Council.

The contract foresees a construction period of three years and an operations period of 20 years. The construction works have been delayed in part by the Covid pandemic but also as a result of other factors.

1. Update since last report provided at February 2023.

Construction works have continued, and the mechanical and process plant is substantively complete. Civils and structural works are well advanced with the exception of the administration building and the upper enclosure (roof), which is now scheduled for completion in Summer 2023. Cold commissioning has been completed on areas required for the start-up of the combustion and electricity generation process. Hot commissioning is now underway, including the operation of the facility on waste delivered to the plant by Aberdeen City and Aberdeenshire Councils.

2. Planned progress in next reporting period (consider 3 months)

Construction works will be substantially complete with the exception of the upper enclosure, which the contractor reports will be approaching completion in July. Remaining cold commissioning packages will be completed and the electricity turbine will be brought into operation and electricity exported to the national grid for the first time. Delivery of waste from Moray council is imminent meaning all three councils will be delivering their waste to the facility.

3. Spend to date

Spend to the end of 2022/23 is as follows:

Gross Budget	Spend to Date
£70m	£ 56.8m

4. Interdependencies

The three councils' waste services are migrating their waste deliveries to the NESS Energy facility and the Project Team is maintaining close contact with colleagues to ensure a smooth transition.

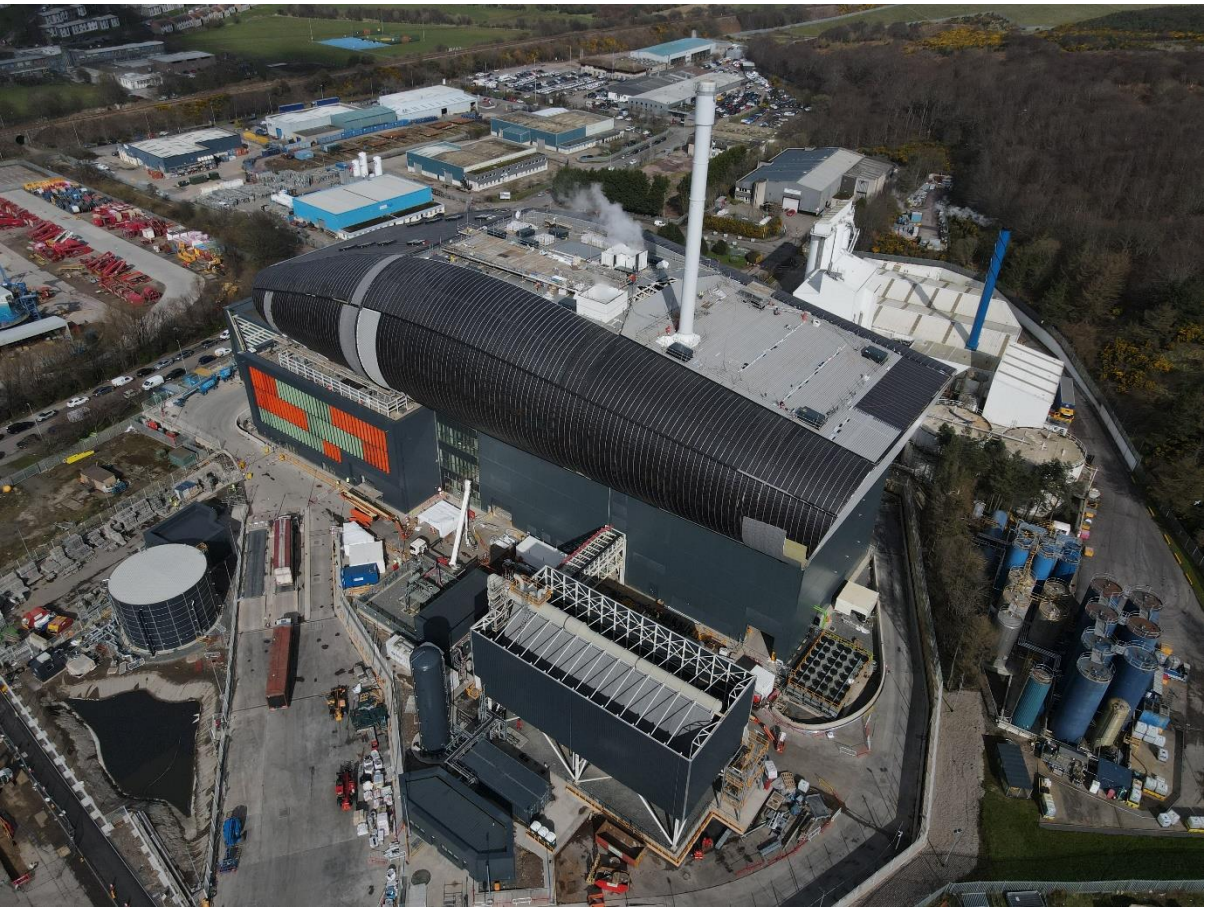
5. Progress Photographs

View from Site Entrance April 2023



Aerial Photos







North East Scotland Joint Mortuary Project

In March 2020 the appointment of Kier Construction (PSCP) & AECOM (CA & PM), following a competitive tender process, for the development of a new facility to replace the two existing Aberdeen based mortuaries with a purpose-built facility. This new facility will be operated as a single integrated multi-partner, multi-purpose mortuary serving all providers including NHS Grampian, Aberdeen City Council, Aberdeenshire Council, Moray Council, Orkney and Shetland Island Councils, the University of Aberdeen, Crown Office Procurator Fiscal Service and Police Scotland.

The contractor started with the ground works on 10/10/22, which are due for completion in Spring 2023 and this will be the focus for the next reporting period. The overall construction completion is targeted for Spring 2024.

1. Update since last report provided in February 2023:

- Grid Line 1 retaining wall completed with the base, pads and wall poured with preparation for the service divisions. Last remaining pad formed and poured that completes the connection from South to East.
- Grid Line BB East Side works progressing on programme with the bases & pads completed with last sections of the wall in progress. With the last remaining pours on the North East and South East corner that connect South to East.
- PM room excavations completed with the lower slab 50% completed, which has unlocked the lower level wall foundation that are progressing well. Second section of the PM slab will be completed within the month allowing the completion of the lower-level walls PM retaining walls.

2. Works to be progressed over the next period.

- Compound hoarding for the site.
- Services Diversion water testing for the Service Diversions.
- Services Diversions (Heating Main / Water Main / Fire Main and BMS) by NGB
- SRC Retaining wall connecting the South to the East completion.
- SRC Bases/Walls to Lower Level to be completed.

3. Spend to the end of 2022/23 is as follows.

Construction Budget	Spend to Date
£31m	£1.92m

4. Interdependencies

The delivery of this project will facilitate closure of the existing Council managed mortuary at Queen Street.

5. Progress Photographs



Grid Line 1 retaining wall



Grid Line BB East Side



PM room excavations completed with the lower slab 50% completed,

ACC Tillydrone

The Tillydrone housing project is part of the wider Aberdeen City Council Housing Programme 2022. The purpose of the wider housing programme is to address a long-term shortage of affordable social rented housing in the city.

The supply of affordable private rented sector housing has increased significantly within the city since 2014 and efforts now need to concentrate on addressing the continuing shortage of affordable social rented housing. Therefore, Aberdeen City Council (ACC) is undertaking a new build housing programme which presents an opportunity to create 21st century housing that is high quality, economic, sustainable, energy efficient and incorporates a degree of flexibility to meet the future needs of tenants.

The proposed new development is located on the former St Machar Primary School in the Tillydrone area of Aberdeen. The site is bound on the North by Aberdon Court, the East by Tillydrone Avenue, the South by Harris Drive and the West by West by Conningham Terrace and the boundary with the new Riverbank Primary School site.

CHAP Construction have been appointed as the Principal Contractor responsible for construction, with works commencing on 22/11/2021.

1. Update since last report provided at February 2023

The Tillydrone housing project is progressing well, with internal works ongoing to Block 6 and 9. Superstructure works remain ongoing for Blocks 1,2,3,4,7 & 8. The programme is currently 2 weeks behind schedule due to inclement weather conditions which hampered the contractor's ability to progress superstructure works. They will aim to accelerate works where appropriate to bring the project back in line with the contract programme.

2. Planned progress in next reporting period (consider 3 months)

Within the coming period, the contractor will confirm the availability of the sample room for ACC review. Discussions currently remain ongoing in relation to the partial possession of the South site prior to completion of the North site as the opportunity will depend on the completion of the required utilities.

3. Spend to date

Spend to the end of 2022/23 is as follows:

Gross Budget	Spend to Date
£24.7m	£11.1m

4. Interdependencies

The project requires Aberdeen Heat and Power to extend the supply network to the boundary of the site, which will allow connection to the site distribution network.

5. Progress Photographs

None.

ACC Kaimhill Project Update

The project is to construct a mix of 35 no. bungalow's/housing units to Gold Standard, this will be across 9 blocks and also include a new community play park and community green space. The site is greenfield albeit a bowling green and tennis court habiting the plot prior to construction.

On 9 May 2022, Bancon were given access to the site to commence the works. All planning pre-commencement conditions have been approved, discharging Condition 1 from planning.

Works have been progressing well on site with main drainage line works and Ground Source Heat Pump (GSHP) works ongoing, approximately 9 boreholes have been completed so far.

The majority of substructure is complete across the site and circa 5 blocks timber kit are fully or partially erected and fit out commenced. Internal joiner works and MEP 1st fix have commenced along with roofing works on these blocks. Current programme has a practical completion date of Autumn 2023.

1. Update since last report provided at February 2023

The Kaimhill site is progressing well with the majority of the buildings starting to be made watertight.

Block 3 through to block 2 substructure masonry, internal drainage & services and floor slabs complete. Block 1 substructure works to follow on now that the new play park has opened to the public.

On site utilities commenced in March 2023. Section 56 off-site works at Inchbrae Drive also commenced in March and are due to be ongoing for 2 weeks. The off-site pumping main works are to follow from this work once completed.

Blocks 3 – 9 timber kits are complete including window & external door installations. External superstructure snagging is complete to Block 3 with Blocks 4 & 5 ongoing.

Block 2 timber kit erect ongoing with Block 1 to follow on now that the new play park is open, and the old play park has been dismantled ready for ACC to collect.

Roof works complete to blocks 3-5; block 6 ongoing.

Internally, 1st fix joiner / plumbing / heating / electrical complete on blocks 3-7. 1st fix ventilation works ongoing to blocks 3-6 in advance of Ames taping.

2. Planned progress in next reporting period (consider 3 months)

Works will continue to progress across all areas and the current programme indicates a completion date in Autumn 2023. However, the contractor has

advised that there is a potential short delay to the planned completion date. This is currently being reviewed with the contractor.

3. Spend to end of 2022/23

Gross Budget	Spend to Date
£13.8m	£7.2m

4. Interdependencies

None

5. Progress Photographs

None.

ACC Summerhill Project Update

The project is to construct 369 housing units to Gold Standard, this will be across 8 blocks with a mix of one, two and three bedroom flats. The site is brownfield, formerly the location of Summerhill Academy. The Principal Contractor for the works is Chap Construction Ltd.

1. Update since last report provided at December 2022

Handover dates and project position for remaining blocks:

Blocks 1 + 2: Handover Complete (14.11.22)

Block 5: Handover Complete (12.12.22)

Block 3: Handover Complete (6 February 2023)

Block 4: Handover Complete (20 February 2023)

Block 6: Spring 2023

Block 8: Winter 2023

Block 7: Spring 2024

Block 6: Handover planned for May 2023

Block 8:

Internal blockwork stair cores, precast landings, stairs and concrete lids are finalised. Facade facing brick continues weather dependant. Installation of communal area windows have commenced. Stair core roof infills are finalised facilitating the commencement of Vieo roofing works. Trades 1st fix progress on massing and 2nd fix have commenced. This is now due to be handed over in late Autumn 2023.

Block 7: Stair core blockwork continues to progress weather dependant and precast landing and stairs have commenced. Concrete pours to the West balcony decking structures have been completed. Internally 1st fix electrical works have commenced. This is the last block that is due to be handed over in Spring 2024.

The Lang Stracht/Stronsay Drive junction works are mostly complete and opened to the public, minor works to be completed in the next period.

2. Planned progress in next reporting period (consider 3 months)

As noted above.

3. Spend to end of 2022/23

Gross Budget	Spend to Date
£57.8m	£50.4m







ACC: Cloverhill Project Update

The Cloverhill site forms part of the wider Aberdeen City Council Housing Programme to deliver 2000 additional council homes. Cloverhill provides a total of 536 units, 3 commercial units, community centre, football pitch and public park areas in the Bridge of Don area of the city.

Cloverhill is a Developer lead scheme presented by Bancon Homes Limited comprising of 536 units. Bancon started on site on the 7 February 2022, the Practical Completion date for the Project is the Autumn 2026. The Project will be delivered over phases as follows;

Section 1 Build -	Flats (36 units, 3 shops) - Summer 2023
Section 2 Build -	Semi/terrace Mix (31 units) - Summer 2023
Section 3 Build -	Flats & Semi/terrace mix (10 + 48 units) incl comm hall - Spring 2024
Section 1A Build -	Semi/terrace mix (43 units) – Winter 2023
Section 7 Build -	Semi/terrace mix (30 units) – Summer 2026
Section 8 Build -	Semi/terrace mix (23 units) – Autumn 2026
Section 5A Build -	Semi/terrace mix (34 units) & Sports Pitch – Summer 2026
Section 4 Build -	Semi/terrace mix (35 units) – Autumn 2024
Section 2A Build -	Semi/terrace mix (36 units) – Summer 2025
Section 5 Build -	Semi/terrace mix (58 units) – Summer 2025
Section 6 Build -	Semi/terrace mix (70 units) – Winter 2025
Section 3A Build -	Flats, Semi/terrace mix (24 +21 units) – Autumn 2024
Section 4A Build -	Semi/terrace mix (37 units) – Winter 2025

1. Update since last provided at February 2023

Cloverhill site is progressing well It was agreed to extend the handover of phase 1 to end of June 2023 and, phase 2,3,1a and 3a have also been pushed out as well.

On Phase 1 the contractor is completing the internals and are to commence internal snagging in the coming period, block two will follow once the scaffold is removed. Quality Assurance Manager and Clerk of Works have reported positive feedback and high standard of workmanship.

2. Planned progress in next reporting period (consider 3 months)

There is no change to the overall project programme and works will continue to meet the planned phased delivery .

3. Spend to date

Spend to the end of 2022/23 is as follows:

Contract Sum	Spend to Date
£137.5m	£51.7m

4. Site Progress Photographs



ACC Greenferns

The Greenferns site is a 73.6ha site located on the eastern boundary of the city between Bucksburn and Sheddocksley. The Greenferns site is included as an Opportunity Site (Ref: OP 33 & 28) within the adopted Aberdeen Local Development Plan (2017) (ALDP).

The allocation establishes the principle of developing the site as an extension of the city boundary for around 1,470 homes and 10 hectares of employment land. The site is owned by ACC. The site forms an important contribution to the city's future housing and employment land requirements ensuring the area has enough new homes and employment land requirements.

It is anticipated that the overall development of the site will take place over a number of years depending on demand for private housing sites from housing developers, but it is anticipated that this location will positively contribute to the continued growth of the city over the next decade and beyond.

As part of the housing programme ACC identified the opportunity to provide additional social housing and have identified the opportunity to bring forward around 350 new social rented homes as part of the overall development in the early phases of the project with the potential for further social rented units being provided as part of the subsequent phases of the development.

1. Update since last Report in February 23

The Planning Permission in Principle was lodged in February 2023 and the project is currently progressing well through the normal statutory review process in line with normal practice. ACC Planning have indicated that the matter should go to Committee in summer 2023 for consideration.

2. Planned progress in next reporting period (consider 3 months)

The detailed design work for phase 1 of the project along with the site wide infrastructure is now progressing along with the review of the most appropriate approach to providing energy for heating to the scheme in line with the Council's aim of hitting their net zero targets. It is anticipated that the detailed planning application for the phase 1 of the housing development will be lodged towards the end of 2023.

Site Photograph



ACC Greenferns Landward

The Greenferns Landward site extends to approximately 69.6ha and is located in the Newhills area to the northwest of Aberdeen. The site is predominantly in agricultural use at the present time.

The Greenferns Landward site is included as an Opportunity Site (Ref: OP22) within the adopted Aberdeen Local Development Plan (2017). This establishes the principle of developing the site for around 1,500 new homes. The site therefore forms an important contribution to meeting the City's housing land requirements, ensuring the area has enough new homes to meet demand.

It is anticipated that the overall development of the site will take place over a number of years depending on demand for private housing sites from housing developers, but it is anticipated that this location will positively contribute to the continued growth of the city over the next decade and beyond.

As part of the housing programme ACC identified the opportunity to provide additional social housing and have identified the opportunity to bring forward around 150 new social rented homes as part of the overall development in the early phases of the project with the potential for further social rented units being provided as part of the subsequent phases of the development.

1. Update since last report provided at December 2022

Design progress has been slower than anticipated mainly due to potential issues around traffic capacity in the local road network and the broader road network upgrade requirements needed as part of the larger Newhills Development Framework. The desire for a north/ south link road through all the developments in the Development Framework means that the key junction points require to be agreed for the road through Greenferns Landward. The location of this will allow the design team to review the earthwork and site platforming strategy that is a key part of the development of the masterplan.

2. Planned progress in next reporting period (consider 3 months)

Work is ongoing with ACC Roads and the design team to agree an acceptable solution that will allow the overall masterplan to be developed. The overall project programme has been delayed and it is anticipated that the Planning Permission in Principle will be submitted in Autumn 2023.

Site Photograph



Clinterty Travellers Site Project Update

The site redevelopment will increase caravan capacity whilst retaining the provision of 21 individual plots. A mixture of plot sizes will be provided to ensure the site meets the needs of the travelling community.

Each plot has an amenity building providing cooking, washing and storage spaces.

The proposed development has been designed to meet the Scottish Government Interim Site Design Guide for Gypsy/Traveller Sites in Scotland.

The Contractor for the works is the Council's Building Services.

1. Update since last report provided at February 2023.

Civil and utility works have continued throughout the site. 6 amenity blocks have been delivered and installed.

Scottish Government grant (£2,455,302) for 2022/23 was claimed.

2. Planned progress in next reporting period (consider 3 months)

The remaining 15 modular units will be constructed off site, delivered and installed on site in 2 phases. Civil and utilities works will continue to progress prior to the erection of plot fencing and soft landscaping.

3. Spend to date

Spend to the end of Q4 2022/23 financial is as follows:

Gross Budget	Spend to Date
£6.48m	£2.026m

4. Interdependencies

None.

5. Progress Photographs

April 2023



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ABERDEEN CITY COUNCIL

COMMITTEE	Finance & Resources
DATE	17 May 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Regional Economic Strategy
REPORT NUMBER	COM/23/150
DIRECTOR	Gale Beattie
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Richard Sweetnam
TERMS OF REFERENCE	3.2 and 3.4

1. PURPOSE OF REPORT

- 1.1 To present the draft Regional Economic Strategy (RES) for approval and to update on the process for the delivery of Investment Zones in the North East.

2. RECOMMENDATION(S)

That Committee:

- 2.1. Approves the draft RES as the strategic framework for economic growth in the North East of Scotland subject to approval of the Strategy by Aberdeenshire Council and Opportunity North East (ONE);
- 2.2 Notes the proposed changes to the Regional Economic Partnership (REP) in the Strategy and approves the proposed Terms of Reference in section 3.18 subject to approval by Aberdeenshire Council and ONE;
- 2.3 Appoints a Co-Leader of the Council to be the Council's representative on the REP; and
- 2.4 Notes the update on the process to deliver Investment Zones in Scotland and instructs the Chief Officer – City Growth to provide an update to the July Committee on the application process if the relevant guidance has been published.

3. BACKGROUND

- 3.1 At its meeting of 29 March 2023, the Council's Finance & Resources Committee approved a notice of motion to instruct the Chief Officer - City Growth to present the draft RES for approval to the next meeting of the Council's Finance and Resources Committee and to update on the process for the delivery of Investment Zones in the North East.

- 3.2 The 2016 Regional Economic Strategy was approved by the Council at its meeting on 16 December 2015 (CHI/15/ 340) and became the Framework for development and subsequent delivery of the Aberdeen City Region Deal, and a number of economic development interventions to support diversification of the regional economy.

Development of the 2023 RES

- 3.3 In April 2022, consultants were to develop a new RES. This would build on the delivery of the 2016 strategy but respond to new challenges and opportunities in the Aberdeen city and Aberdeenshire economies including Covid-19, the 2020 fluctuating oil barrel prices and more recent developments in relation to energy security. The work was commissioned on behalf of the Council, Aberdeenshire Council and Opportunity North East (ONE) and managed by Scottish Enterprise (SE).
- 3.4 The work included a number of engagement activities with a range of wider stakeholder groups including officials from both governments, businesses, universities, NESCOL, the third sector and partner organisations that supported the development of the 2023 RES. Engagement activity also included contact with the Scottish Innovation Centres, through Scottish Cities Alliance (SCA) and the Connected Places Catapult, through Aberdeen's participation in its Innovation Place Leadership programme.
- 3.5 From these, and using analysis of the latest economic data as provided by North East Performs and the annual Economic Policy Panel Reports, the new Strategy sets out the following vision:
- “By 2035, our economy will lead in the production of green energy solutions and the production of new renewable energy and will be diversifying through growth in our digital, food and drink, tourism, life sciences and creative sectors. It will be an economy that will value place, natural environment, wellbeing and be entrepreneurial and outward looking.”
- 3.6 The draft strategy was then subject to further consultation undertaken by officers in the partner organisations. This indicated that the new strategy needs to act as framework for future discussions and negotiations with the two governments in relation to securing investment to support the North East of Scotland's contribution to the wider economy. It should therefore reflect the changing policy focus of the Scottish Government's National Strategy for Economic Transformation (NSET) and the UK Government's Levelling Up Bill, and the corresponding funding to support these overall objectives.
- 3.7 It should also focus on the principles of Community Wealth Building (CWB) and the Wellbeing Economy pillars (capitals) of environment (natural), people (human), business (economic) and community (social), in anticipation of the introduction of a corresponding Scottish Government Bill, and that the economy is inclusive – for local communities. The proposed RES therefore responds by developing commitments around net zero and just transition, business support, and access to work and progression pathways across sectors.

- 3.8 For the Council, the Strategy reflects its priorities in the Local Development Plan (LDP), Local Outcome Improvement Plan (LOIP), the Net Zero Route Map for the City, the Events365 Plan, the City Centre and Beach Masterplan and the Aberdeen Health and Social Care Partnership Workforce Development Plan. At the regional level it aligns to the work of NESTRANs and the Regional Transport Strategy and the regional Tourism Destination Strategy.
- 3.9 The draft RES is provided in Appendix 1 to this report. Appendix 2 provides a summary of progress on the 2016 actions.

The Regional Economic Strategy 2035 – A Sustainable Economic Future for the North East of Scotland

- 3.10 The Strategy proposes five overarching objectives to:
- Establish the North East as a pioneer of the energy transition, by delivering an 80% reduction in carbon emissions per head
 - Maintain regional Gross Value Added (GVA) as a share of Scotland’s overall GVA while increasing the share of regional GVA from region’s growth sectors;
 - Maintain a healthy, sustainable, working age population through increasing economic participation rates;
 - Become a Real Living Wage region with 95% of overall employment offering a real living wage or higher; and
 - Protect and enhance the natural capital of the region.
- 3.11 Four work programmes (and outcome targets) are proposed to support delivery of the overall vision and high level objectives:
1. **A thriving, innovation driven economy:**
 - a. Maintaining and growing reputation of being a global innovation hub, stimulating increased research, technology and development, supported by entrepreneurship education and investment;
 - b. Capitalising on the region’s world-class reputation for offshore energy innovation, and drive growth and decarbonisation across wider regional industries such as food and drink, life sciences and digital;
 - c. Supporting the internationalisation of key growth sectors, in order to maintain North East Scotland’s share of overall Scottish exports;
 - d. Maintaining and growing the North East’s role as a food, drink, agriculture and fishing producer; and
 - e. Creating an investment environment where businesses can flourish.
 2. **An outstanding natural environment:**
 - a. Being widely recognised as Scotland leading visitor destination by 2035 for sustainable growth, business innovation and delivery of high-quality visitor experiences; and
 - b. Protecting the natural capital and landscape of the region.
 3. **A healthy and skilled population:**
 - a. Delivering a world class digital skills programme within our schools;

- b. Reducing the % of employers with a skills gap;
- c. Narrowing disability, racial and gender-based inequalities;
- d. Driving interest in, and uptake of, educational pathways to deliver the future workforce for our key regional clusters - ensuring people achieve higher level qualifications reflecting the ongoing need for parity between vocational and academic qualifications;
- e. Reducing the proportion of income deprived households; and
- f. Getting more young people in lower SIMD out of poverty by focussing relentlessly on closing the gap.

4. **A strong community and cultural identity:**

- a. Creating a stronger identity and cultural narrative for the North East;
- b. Increasing the number of assets held by communities; and
- c. Increasing the number of jobs in creative industries.

3.12 For each programme area, Section 4 of the proposed Strategy summarises how the Council and partners will work together to deliver a number of workstreams under each programme.

Governance

3.13 The Scottish Government's Regional Economic Policy review group recognised the success of regional working and collaboration evident in the Aberdeen City Region Deal and the annual reporting by the independent Aberdeen Economic Policy Panel, and calls for a more joined up and coordinated approach on all issues that impact on regional economic development, including delivery, for all regions in Scotland.

3.14 The Review made a number of recommendations (see background papers to this report) to enhance regional autonomy, and encouraging REPs to take on responsibility for overseeing regional delivery of projects and policy. In turn this will create the conditions for more joined up funding decisions and potentially using existing funding streams channelled through a REP and related accountable bodies in response to a region's economic priorities.

3.15 The review commends the engagement with industry in the North East of Scotland through ONE, and prioritises engaging with the private sector to deliver tangible activity and benefits through a 'regional investment prospectus' (that may typically include infrastructure investment, land use plans, transport planning, community wealth building, jobs and skills).

3.16 It states that REPs should provide stronger 'place based' focus of regional working by coalescing around regional economic strategies, and policy areas within these (eg just transition, public health, well being economy monitor, community wealth building, transport, land use, skills, education, child poverty).

- 3.17 Since the development of the 2016 Strategy, the ONE Board of Directors¹ acts in an advisory capacity to partners on any matters of regional importance – for example, comment on regional skills or economic strategies. The 2023 RES proposes that the ONE Board’s Regional Economic Forum transitions to a new REP model for the North East of Scotland, and is expanded to include a broader representation that could be drawn from, for example, the Federation of Small Businesses (FSB), Skills Development Scotland, NESCOL, Local Employability Partnerships, Third Sector leads (ACVO), VisitScotland and NESTRANS.
- 3.18 It is proposed that the new REP meets on a quarterly basis according to the following terms of reference:
- (a) Provide leadership, direction and influence on investment plans for the region and the two governments.
 - (b) Advise on development of responses to the commitments by the two governments and make recommendations on the prioritisation of resources.
 - (c) Review business cases for activities funded by UKG and/or SG regional funding allocations, and any other related documentation, recognising that final approval is reserved to the two Councils and/ or delivery partners as appropriate.
 - (d) Recommend for approval overall programme funding for regional interventions that may be funded by the two governments, including SPF, JTF or other funding to be granted to support strategic economic development in the region; and recommend for approval match funding by the REP members where this relates to programme funding already committed and approved by the relevant REP members (eg the Councils, SE or ONE).
 - (e) Make recommendations to the REP Membership on strategic economic, policy plans or consultations for the region.
 - (f) Maintain oversight on the implementation of regional projects in the RES.
 - (g) Receive updates from the governments and provide feedback on the implementation of funded activities, and any economic or infrastructure priorities in the RES and Investment Prospectus.
 - (h) Appoint representatives of the new member organisations to an expanded REP.
- 3.19 Officers from both Councils, SE and ONE will consider how support to the REP is best delivered, learning from the existing delivery of the City Region and providing reports/ analysis to the REP.

Next Steps

- 3.20 There are two immediate priorities that will benefit from a new REP. The first relates to Investment Zones and how these could operate in Scotland. It will be important for regions to have clear governance arrangements in place to manage and monitor the design and delivery of Investment Zone proposals – and it is recommended that councils should use or evolve existing governance

¹ The ONE Board is comprised of representatives the two universities, Scottish Enterprise (SE), AGCC, Port of Aberdeen, VisitAberdeenshire, the Leaders of both Councils and the ONE key sectors of life sciences, food drink and agriculture, energy, and digital. ONE also leads a ‘sector board’ for each sector above, except energy, where activities are led through ETZ Ltd.

structures, ensuring they include representation from relevant local partners to support Investment Zone delivery.

- 3.21 The second priority will be to develop an investment plan to support the REP in its discussions with the two governments on developing a new 'economic contract' or statement of intent for how the North East of Scotland will maintain and enhance its contribution to the UK and Scottish economies.
- 3.22 The Chief Officer for City Growth will provide an annual report to the relevant Council Committee on the Council's contribution to the RES and the operation of the new model for Regional Economic Partnership.

Investment Zone – Update

- 3.23 At its Spring Statement, the UK Government announced its intention to begin discussions with eight (Mayoral) places, and to engage with Scottish Government to discuss how and where at least one Investment Zone could be delivered in Scotland. The Policy is about attracting new inward investment to Scotland in the short term. At the time of reporting to Committee, there are no further details on the process for Scotland and officers will continue to consult with officials in both governments.
- 3.24 Officers understand that the Scottish Government and UK Government will release the guidance on how Zones will be selected in the Summer, with as short a lead in time as possible for an application. It is anticipated that a successful proposal will clearly demonstrate how it contributes to the priorities for the Scottish and UK economies, and demonstrate how the regional proposal is 'right' for both the region and Scotland and the UK. The levers that could be offered to successful places are expected to be very similar to the green freeport policy - a combination of funding, tax levers rates relief and/ or planning incentives.
- 3.25 At this stage and until the guidance is published, officers anticipate that the policy focus will be on innovation, deprivation and aligned to the contribution of an Investment Zone to the key metrics of the Wellbeing Economy Monitor, and with a focus on key sector/ cluster strengths.
- 3.26 In advance of the guidance being published officers are working with colleagues in Aberdeenshire Council, ONE, the universities and ETZ Ltd on potential options for an application for a Zone in the North East of Scotland. It is not expected that the application will be a similar bidding process to the bid for a North East of Scotland Green Freeport and that the Regional Economic Partnership will have an important role in supporting the Investment Zone proposal and demonstrating its wellbeing and economic benefit to the region and Scotland.

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from this report. Where any financial implications for the Council arise, they will be brought to an appropriate

Council committee for any decisions according to its annual budget setting process.

- 4.2 The new REP model will require officer support that includes two officers from within the City Growth Cluster, analysis from officers using North East Performs; two officers from Aberdeenshire’s Economic Development Service, and input from SE and ONE. Following approval of the Strategy, officers will agree resourcing with the partners.

5. LEGAL IMPLICATIONS

- 5.1 There are no legal implications as a result of this report’s recommendations.

6. ENVIRONMENTAL IMPLICATIONS

- 6.1 There are no negative environmental implications as a result of this report’s recommendations.
- 6.2 It is considered that the RES does not fall within the requirements to undertake a Strategic Environmental Assessment (SEA). It has therefore been pre-screened out for SEA and notification of this has been recorded and submitted to the SEA Gateway, in line with regulatory requirements.
- 6.3 It is also considered that the RES does not fall within the requirements to undertake a Habitats Regulations Appraisal (HRA). It has therefore been screened out, in line with regulatory requirements.

7. RISK

7.1 Risk Appetite

The assessment of risk contained within the table below is consistent with the Council’s Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	Failure to implement the Regional Economic Strategy may impede the regions vision and ability to bring	Working with Regional Partners, the Regional Economic Strategy will provide a framework for delivering a Just Transition. Partners	M	Yes

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
	about the desired Just Transition to Energy Transition and diversification of the economy.	will continue to meet with stakeholders and governments to review how these plans can be accelerated.		
Compliance	None.			
Operational	.None			
Financial	There is a risk that activities outlined in the Regional Economic Strategy are not funded and do not happen	Regional partners, through the REP will work with UK and SG, private sector as well as the External Funding & Sponsorship Team to develop bids for future funding.	M	Yes
Reputational	There is a reputational risk that the region does not fulfil the vision outlined in the Regional Economic Strategy	Partners will work with both governments to unlock funding and progress mutually imperative actions	M	Yes
Environment Climate	Failure to accelerate the actions around energy transition and environmental sustainability actions plan may impede the scale and pace of delivery of the RES visions and the Council's ambitions for decarbonisation by 2026	Partners will meet with stakeholders and governments to collectively review and agree how decarbonisation can be supported and ensure this is reported through the Regional Economic Strategy	M	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Aberdeen City Council Policy Statement	<p>The proposals in this report support the delivery of the Partnership's Policy Statement:</p> <p>Look into whether providing citywide Aberdeen Gift Cards to low income households across the city would be an effective way of bolstering their purchasing power while giving local businesses a much-needed boost.</p> <p>Work with partners to explore opportunities to develop heritage, museum and online services with a special emphasis on local history and stories of stories of our heritage</p> <p>Investigate establishing an art hub, where artists can create, display and sell their work</p> <p>Seek to gain the maximum benefits for Aberdeen's people and businesses from the Scottish Government's £500 million Just Transition Fund and their £100 million Green Jobs Fund</p> <p>Support Aberdeen's continued pioneering of Hydrogen technologies and make the case to bring alternatively powered rail services to the City.</p> <p>Working with partners to improve the infrastructure supporting access to the Harbour expansion at the Bay of Nigg.</p> <p>Work with partners to bring national and international sporting championships to Aberdeen.</p> <p>Seek to bring more civil service jobs to Aberdeen.</p> <p>Develop our economy in a genuine partnership with the private sector, third sector and residents.</p> <p>Work with partners to stimulate sustainable economic development, including a managed transition to a carbon neutral economy and work in partnership with the academic, business and other relevant sectors to ensure the long-term future of the energy industry.</p>

COUNCIL DELIVERY PLAN

Impact of Report	
	<p>Work with partners, including Scottish Enterprise, to expand the support available for new start-ups, including investigating access to microfinance and affordable leases on workspaces for start-ups and replicating the success of the Torry Rocks scheme.</p> <p>Encourage collaborations of entrepreneurs in our universities, college and the private sector to develop businesses, services and employment opportunities in the city.</p> <p>Open negotiations to secure funding for a second Aberdeen City Region Deal</p> <p>Campaign for Aberdeen to be the home of a new Green Freeport and ensure that fair work conditions and Net Zero ambitions are central to any bid.</p> <p>Seek to buy goods and services locally whenever possible, subject to complying with the law and public tendering requirements.</p> <p>Review and update the Council's inward investment strategy</p> <p>Work with partners to consider the establishment of a Health and Social Care Career Academy in Aberdeen.</p>
<u>Aberdeen City Local Outcome Improvement Plan</u>	
Prosperous Economy Stretch Outcomes	<p>The proposals in the RES support the delivery of supporting 400 unemployed Aberdeen city residents into Fair Work by 2026</p> <p>The actions will also contribute to upskilling/ reskilling 500 Aberdeen city residents to enable them to move into economic opportunities as they arise by 2026</p>
Prosperous People Stretch Outcomes	<p>The proposals in the RES will support the delivery of stretch outcome 7 – 95% of children living in priority neighbourhoods will sustain a positive destination upon leaving school by 2026</p>

<u>COUNCIL DELIVERY PLAN</u>	
	Impact of Report
Prosperous Place Stretch Outcomes	The proposals in the RES support the delivery of stretch outcome 13 – reducing Aberdeen’s carbon emissions by at least 61% by 2026
Regional and City Strategies	NPF4, Aberdeen City Region Deal, the Regional Skills Strategy, the Net Zero Vision for the city (and supporting ‘Route Maps’) and the Local Development Plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	IIA will be required and will be published with the final report
Data Protection Impact Assessment	DPIA is not required.
Other	None

10. BACKGROUND PAPERS

- 10.1 Finance & Resources Committee, Motion 7.2, 29 March 2023;
- 10.2 Regional Economic Strategy & City Region Deal Update, Council (CH/ 15/ 340), 16 December 2015;
- 10.3 [Scottish Government Regional Economic Policy Review - Summary Findings 2022](#)

11. APPENDICES

- 11.1 Appendix 1 – 2023 Regional Economic Strategy;
- 11.2 Appendix 2 - 2016 RES Actions – Delivery update.

12. REPORT AUTHOR CONTACT DETAILS

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REGIONAL ECONOMIC STRATEGY

A sustainable economic future for the North East of Scotland



May 2023 Draft



#ABZdeal

Foreword

This Strategy coincides with an anticipated period of change and will be delivered against a backdrop of economic and business models transforming to make a robust contribution to a thriving planet and the financial implications of net zero aspirations.

It sets out a long-term plan of investment for North East Scotland to transform its economy over the next decade and beyond. It provides a clear statement of the ambition for the North East economy and direction to partners, stakeholders, business and communities to enable investment that will support economic growth, retain and attract people to live, work and invest here. At the same time, it harnesses decades of expertise in offshore energy production and puts us at the forefront of Scotland's just transition to net zero and climate resilience.

Our last Regional Economic Strategy was published in 2016. That provided a framework for significant public and private investment in innovation, inclusive economic growth, infrastructure and internationalisation, and many of the fundamental principles underlying our long-term vision for the region remain relevant today. We delivered against its intended objectives and outcomes in a period of major change, including securing more than £800 million through the Aberdeen City Region Deal, expansion projects at the Port of Aberdeen and Peterhead Port, setting up Opportunity North East and delivering new programmes of innovation and support to businesses in priority sectors.

However, since 2016, the domestic and global context within which the North East's economy operates has fundamentally changed. The full scale and impact of the climate emergency is now being realised, and our responsibility to rapidly decarbonise and play a leading role in a just transition to net zero is more urgent than ever. The UK's exit from the European Union has changed the way we trade and has created new challenges and opportunities for businesses. The COVID-19 pandemic has had an effect on our economy – and stimulated new business models and opportunities. The war in Ukraine

has put domestic security, including food and energy security, back at the top of the agenda, and prompted a cost of living crisis, driven by high international energy prices and supply chain disruption. The COVID-19 pandemic has had an effect on our economy – and stimulated new business models and opportunities. The war in Ukraine has put domestic security, including food and energy security, back at the top of the agenda, and prompted cost of living crisis, driven by high international energy prices and supply chain disruption.

The North Sea will continue to power the UK and Scottish energy sectors as it pioneers and innovates low-carbon energy solutions including offshore wind and floating structures, hydrogen and carbon capture, to protect and safeguard the UK and Scotland's energy security. We must also recognise our wealth of natural capital in the region and its value as a place of wellbeing, encouraging recreation and tourism and delivering raw materials and food production. We can take advantage of the changing demand for city and town centres and the increase in hybrid-working to transform our public spaces, digital and transport infrastructure, to ensure everyone has the opportunity to be connected, and to take part in our cultural experiences. We can define ourselves as an outward-looking, diverse, and welcoming region to visitors and investors, and support businesses to cement a home in our part of the world. We can deliver a new inclusive economic model which gives everyone the best possible chance to lead healthy, happy lives and access to education and jobs by providing a model for growth that prioritises a wellbeing economy.

This new Regional Economic Strategy outlines our vision and plan to get to where we need to be in 2035. This is the start of that journey.

Ian Yuill
Co Leader Aberdeen
City Council

Alex Nicoll
Co Leader Aberdeen
City Council

Mark Findlater
Leader Aberdeenshire
Council

Sir Ian Wood
Chair Opportunity
North East



Timeline

1960s The region moves from a traditional fishing, farming and manufacturing economy to an emerging oil and gas centre with Aberdeen as its capital. The region becomes home to a number of oil rigs and other offshore facilities.

1970s Aberdeen continue to reap the rewards from oil and gas as exploration in the North Sea increases. Traditional sectors including fishing, farming and ship building continue to dominate the Aberdeenshire economy with oil and gas supply chain service centres emerging. The region's population sees a sharp rise from people drawn to the prosperous oil sector.

1990s The 1990s saw the sector rebound leading to further economic growth. The city firmly establishes itself as the "Oil capital of Europe" with a number of international operators established in the city and Westhill



2010s The 2010s see a period of economic diversification in Aberdeen and Aberdeenshire following a downturn in oil and gas. The region begins to seek and attract investment in other industries, such as renewable energy, food and drink and life sciences.

1980s A challenging decade for oil and gas leads to rising unemployment across North East Scotland. Economic resilience becomes increasingly important as the region looks to diversify its economy in the future.



2000s This is a period of sustained economic growth for the region. The energy sector continues to dominate and grow, alongside existing knowledge and research sectors.

2020s The 2020s see Aberdeen and Aberdeenshire continue to grow and diversify the regional economy. The region is well-placed to benefit from the transition to a low-carbon economy, and it is home to a number of innovative businesses in the renewable energy sector.



Introduction

In 2016, Aberdeen City Council, Aberdeenshire Council and Opportunity North East approved the Regional Economic Strategy for the North East of Scotland and a programme of actions that would contribute to overall place wellbeing. The Strategy formed the foundation from which the Aberdeen City Region Deal evolved and prioritised a number of investments that have now been implemented.

The Aberdeen Economic Policy Panel has provided an annual monitoring of the North East economy and developments since 2017. The Panel has always noted the future success of the North East is critical for the long-term health of the Scottish and UK economies and the region cannot be expected to meet the complex challenges ahead alone. In its 2022 report, the Panel highlighted that the North East economy is not immune to the consequences of high inflation driven by surging food and energy prices and the implications for the cost-of-living. And although the recent spike in energy prices has brought renewed activity for businesses in this sector, those in other sectors face a considerable increase in costs, loss of earnings, and a further period of uncertainty and instability. The Panel highlights the importance of maintaining a long-term focus for the strategic approach to the North East's economic development - investing in key areas of comparative strength in the region and improving the core enabling factors of an economy – skills, connectivity, and an attractive sustainable environment to live and work. It welcomes the development of the Regional Economic Strategy with strong buy-in from all stakeholders across the community that is accompanied by detailed implementation and resource plans.

This new Strategy captures the ambition and opportunity for North East Scotland and has been developed in consultation with partners and stakeholders and informed by economic data analysis and a new policy environment. It provides a vision and route map for the future of the North East of Scotland's economy.

The 2023 Strategy outlines the current challenges facing the region, the key policy developments and ultimately the implications for North East Scotland. The regional economy has faced unique challenges, in response to the UK's decision to leave the European Union and the response to the Covid-19 pandemic that coincided, uniquely for this region, with changes in the oil and gas exploration sector. During this time there has been new policy developments supported by funding from the Scottish Government and UK Government that has led to new developments, particularly in the energy sector, for example offshore renewables under the INTOG and ScotWind licensing rounds, carbon capture, utilisation and storage or green hydrogen production.

Building on the 2016 Strategy, it provides both an economic strategy for the region and a blueprint for sustainable economic growth that governments, local government, employers, the private sector and partner organisations can draw on as responses are developed across a number of priorities for the region.

Four 'programme areas' – A Thriving Economy, An Outstanding Natural Environment, A Healthy and Skilled Population and A Strong Community and Cultural Identity – are proposed that have been developed in response to a number of new challenges and opportunities that the North East economy faces. The Strategy also reflects emerging thinking around regional economic policy, and new governance arrangements to maximise the benefits of collaboration through Regional Economic Partnerships.

SECTION 1 – STRATEGIC CONTEXT

Planning and Transport

The National Planning Framework 4 (NPF4) establishes a new spatial strategy for Scotland affirming the national ambition for a just social, economic and environmental transition. It identifies 18 national developments of which the following are relevant to this Strategy:

- Industrial Green Transition Zone at St Fergus;
- Aberdeen Harbour Expansion;
- Urban/Mass Transit network in Aberdeen; and
- National Walking and Cycling and Wheeling Network.

NPF4 directs local authority Local Development Plans (LDP) to promote a place-based approach and to consider the type, mix and use of development; local living and 20 minute neighbourhoods and accessibility for all.

The second Strategic Transport Projects Review (STPR2) was published in 2022 and will inform the Scottish Government's future transport investment programme over the next twenty years. For the RES, the following recommendations are of particular note:

- There is clear support for Aberdeen Rapid Transit proposals and bus priority measures, which are currently being developed following the Bus Partnership Fund award.
- There is strong commitment to active travel development, including Active Cycle Freeways within the Aberdeen City area connecting to a wider regional network, aligning with the approach set out in the RTS.
- The support for improving physical accessibility at rail stations links to recent work at Inch Station.
- A project to improve passenger and freight rail infrastructure to the south of Aberdeen to improve inter-city links to Dundee, Perth and the Central Belt is also included, alongside rail decarbonisation.
- Improvements to ferry services (ferry upgrades, ferry terminal upgrades, access to ferry terminals) supported by Transport Scotland are also highlighted, which includes the Northern Isles services operating from Aberdeen.
- Ongoing support to committed schemes has also been confirmed, including junction upgrades at Laurencekirk, external Links to Aberdeen South Harbour, and the Aberdeen to Central Belt rail journey time improvement project.



Figure 1 – Alignment to UK and Scottish policy drivers, and regional plans

Drive to Net Zero

In the rest of this decade alone, £200bn could be invested in wind, hydrogen, carbon capture and storage (CCS), and oil and gas projects. This investment is critical to realising a lower-carbon energy system and demonstrates the commitment to net zero. In 2019, the Scottish Government first introduced legislation to set a target for net zero emissions of all greenhouse gases by 2045 and committed to improve Scotland’s resilience to the impact of climate change and delivering a Just Transition. The North East is uniquely positioned to help lead this transition. The climate emergency sits inextricably alongside the nature emergency and a new Scottish Biodiversity Strategy speaks about Scotland being Nature Positive by 2030, and to have restored and regenerated biodiversity across the country by 2045. This includes actions such as expanding protected areas, nature-friendly farming, fishing and forestry and investing in nature – all posing challenges and opportunities for the North East economy as we seek to play our part in protecting our planet for future generations.

The North East can also capitalise on its land use and natural assets and resources, and the role of the agriculture and seafood production sector around food security and decarbonisation. The region remains in a strong position to accelerate

delivery of net zero given the energy assets and credentials, such as offshore and subsea capability and the location of major offshore projects which will play a key role in offshore wind, green hydrogen production and CCUS. The war in Ukraine and resulting international sanctions placed on Russia, have led to a significant reduction in supplies of oil and natural gas to the international market. This led to record high wholesale prices across Europe and spiralling energy bills for people and businesses. In March 2022, the

UK Government published the British Energy Security Strategy, committing to invest billions in North Sea oil and gas production, the development of new, low-carbon technologies and offshore wind. This aims to reduce the UK’s exposure to international oil and gas prices and supply pressures and to safeguard our long-term energy security. The impact of both this investment and high international energy prices has created a significant opportunity for the region to position itself as the home of the UK’s energy security. Both in the short-term, as we continue to utilise our oil and gas reserves in the North Sea to ensure energy resilience, and in the longer term as projects including ScotWind, CCUS and the Energy Transition Zone deliver a low-carbon energy revolution, led by this region. The North East is uniquely placed to support delivery of INTOG and ScotWind, that in turn will deliver more jobs, retaining and growing the supply chain here, and new manufacturing, skills or export opportunities.

The climate emergency sits inextricably alongside the nature emergency and a new Scottish Biodiversity Strategy speaks about Scotland being Nature Positive by 2030, and to have restored and regenerated biodiversity across the country by 2045. This includes actions such as expanding protected areas, nature-friendly farming, fishing and forestry and investing in nature – all posing challenges and opportunities for the North East economy as we seek to play our part in protecting our planet for future generations.

Ensuring a Just Transition

During the transition to net zero, oil and gas will still be the UK largest fuel for at least another decade. In 2022 oil, and gas production and supply chain activities were worth £28bn to the UK economy and provided 215,000 high value jobs throughout the UK¹ with the North East being the centre of this activity.

However, 90% of the UK's offshore oil and gas operators are cutting back investment with around half a billion barrels of oil equivalent less likely to be produced. Energy imports cost the UK £117bn in 2022 more than double the previous year. If North Sea oil and gas production continues to decline farther and faster than demand, we should naturally expect these costs to increase². By investing in domestic production, the industry is reducing the need for higher cost and higher carbon import, and in doing so, supporting the infrastructure, expertise and technologies that in turn are needed to decarbonise the offshore sector and develop the technologies for scale production of green power alternatives and corresponding jobs.

The UK's offshore sector has the potential to provide 60% of the UK's emissions reduction needs³ and much of the activity is concentrated in the North East.

To ensure long-term development, Oil Energies UK (OEUK) prioritise that the following actions need to be taken in the next five years:

- increase investment in renewable energy sources and energy efficiency⁴
- invest in reskilling and upskilling workers⁵
- Providing faster access to grid connections and approval processes for offshore wind⁶
- Putting commercial frameworks in place for hydrogen production and picking up the pace on support for CCS projects⁷.

These steps will promote sustainable economic growth, job creation, and environmental sustainability in the region. If this development takes place, it should be possible to replace the jobs lost from the decline of oil and gas as workers join these new industries.

However, replacing the lost GVA will be more challenging – for example, by 2050, total Scottish oil and gas and low carbon GVA may be reduced to £12bn from £19bn in 2019⁸. This is primarily due to the value of the jobs in the new low carbon sectors being lower than those in the existing oil and gas sector. This Strategy will focus on a just transition, ensuring that North East communities in particular are protected and benefit from the new opportunities.

Inflationary pressures

High energy prices, combined with other inflationary pressures such as supply chain disruption drove UK inflation to over 10% in the spring of 2023. This has created concerns around the cost of living across the whole of the UK. There has been an immediate response in the region to protect low-income households (in particular those in fuel poverty) from the worst impacts of the shock. In the longer term, these inflationary pressures have drawn attention to a more deep-seated trend of increasing financial pressures faced by households and businesses across the country. The Strategy recognises that reducing poverty and delivering greater financial resilience for households and businesses is even more critical to achieving a wellbeing economy. This takes a broader view of economic success beyond traditional measures of wealth such as GVA, and putting people and the environment at the heart of local and regional economies, and demand for essential infrastructure (housing, healthcare or open space).

Workforce Strategies

Recruitment of labour remains a challenge across many sectors, and this Strategy will coincide with a period of growing demand for new skills across sectors. Related, Scottish Government commissioned the Withers Review to ensure that the landscape for skills is fit to meet new challenges and opportunities in the Scottish economy. The Strategy will support employers in the region to develop new models of working to retain and attract people and secure investment in R&D and technology to improve workforce capacity. The role of further and higher education institutions in helping drive innovation, new business creation, future skills and ultimately retention of graduates will be crucial.

In the health and care sector, there are significant concerns around sustaining the role of unpaid carers, many of whom are in employment which makes demands on their time or are struggling financially as they cannot find employment that fits around their caring role. This has a knock-on effect in that if the unpaid caring role breaks down that brings additional demand to health and social care services. A Carer's Strategy has been developed to include provision for young carers, with commensurate support to complete education and/ or find work that enables them to continue caring – working with unemployed/ economically inactive individuals (including 50+ or early retirees) and sector awareness to enhance positive destinations for school pupils.



SECTION 2 – ECONOMIC ANALYSIS

North East Economic Strengths

An Economic Powerhouse

- North East Scotland enjoys some of the highest density of private sector employment in all of Scotland.
- The region contributes an estimated 20% of Scotland's food and drink industry output whilst approaching 25% of Scotland's primary agricultural output and 50% of its fish landings.
- The region generates 18% of Scotland's private sector business turnover, with Aberdeen City and Aberdeenshire private businesses generating the 2nd and 4th highest turnover in Scotland.
- Regional GVA per capita and average earnings are consistently among the UK's highest.

An Energy Region

- Europe's energy capital: Aberdeen is a world leader in the energy sector and the only UK member of the World Energy Cities Partnership (WECP).
- Home to £180m Net Zero Technology Centre, as part of the Aberdeen City Region Deal
- Home to the largest dedicated energy transition complex in Scotland, the Energy Transition Zone (ETZ) has been allocated £53million by the UK and Scottish Governments, to help the transition from oil and gas jobs to green energy.
- 80% of all UK direct oil & gas employment is in North East Scotland. Over 90% of the UK's oil and gas workforce have medium to high skills transferability¹³ and are well positioned to work in adjacent energy sectors making the North East a key energy transition region.
- Aberdeen is the UK's leading hydrogen city. Over the lifetime of H2 Aberdeen, the city hosts 85 Hydrogen Vehicles, including the world's first hydrogen double decker buses, and hosts two publicly accessible hydrogen refuelling stations.
- By deploying carbon capture, hydrogen and DAC technologies the Acorn Project at St Fergus forms an integral part of the Scottish Cluster that will support an average of 15,100 jobs between 2022 and 2050.
- The UK's highest concentration of energy supply chain companies in the UK.

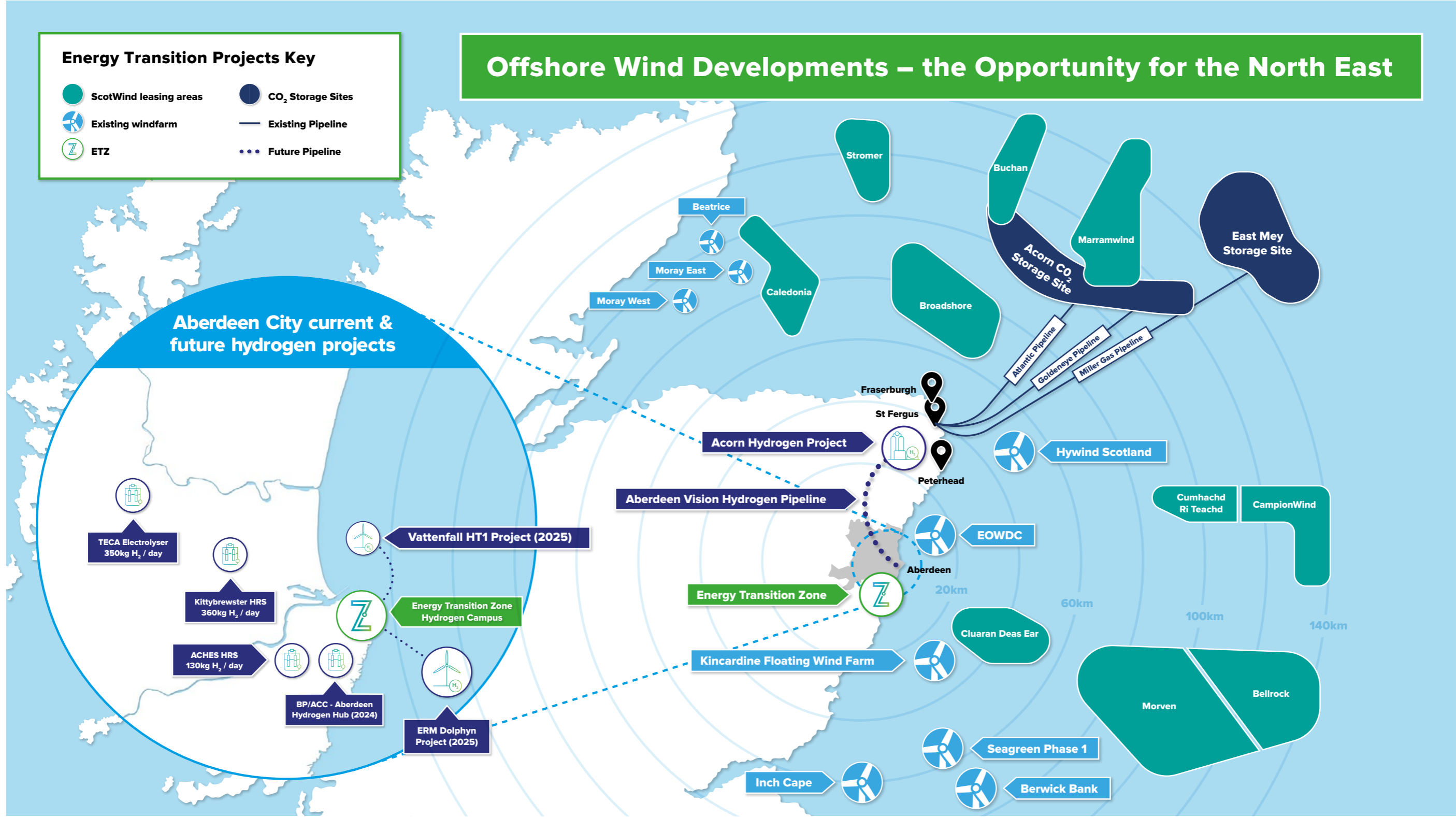
A Leading Skills Centre

- Robert Gordon University (RGU) was voted top modern university in Scotland and the UK in 2021⁹.
- The University of Aberdeen is ranked 13th in the UK in the Guardian UK university rankings 2023¹⁰. 51.9% of residents in North East Scotland have high-level qualifications, compared with only 50% in Scotland and 43.5% UK wide¹¹.
- Over the last decade North East Scotland residents have consistently reported having more job related training than Scottish or UK wide averages¹².
- North East of Scotland College is intrinsically linked to both Universities providing over 40 pathways into higher education.
- The College supports the key and emerging sectors in the regional economy through the creation of specialist courses in the care, energy and food and drink sectors as well as being home to Scotland's only Maritime Academy.

Offshore Wind Developments – the Opportunity for the North East

Energy Transition Projects Key

- ScotWind leasing areas
- Existing windfarm
- Ⓩ ETZ
- CO₂ Storage Sites
- Existing Pipeline
- Future Pipeline





Looking Ahead – Economic Challenges:

Falling Real GVA and Lower Productivity

Worker productivity which was highest in Scotland has been falling in recent years. Real GVA per head in the North East fell 9.5% in 2020 to £31,586, the lowest it has been since 2005. This is in part due to the concentration of workers in the energy sector and the fall in energy sector employment since 2014. Nonetheless productivity still remains significantly above the UK and Scottish averages.

Cost of Living Crisis

The region is being impacted by the current cost-of-living crisis. On average, people's salaries in Aberdeen were £129 a month lower in October 2022 than in October 2021 (in real terms), the third biggest drop in monthly earnings in Scotland and the sixth largest drop in the UK. However, average monthly earnings are still higher at the regional level than the Scottish or UK average¹⁵. One group that has experienced significant disadvantage since the pandemic is young people. In Scotland, the youth employment rate (age 16-24) fell by nearly 10 percentage points to just over 50% during the pandemic although it has subsequently recovered. Aberdeen's youth employment was among the highest rates of all local authorities in Scotland pre-pandemic at over 70% and had fallen to below 40% by mid-2022¹⁶. Younger workers are over-represented in industries most affected by the lockdown restrictions within the services sector, such as retail, and hospitality.

An Entrepreneurial and Innovative Region

- More than 20% of Scotland's leading businesses are located in the North East of Scotland.
- The region has 568 Businesses per 10,000 residents adults compared with 393 in Scotland. Some of the largest headquartered or who host major operations in the region include, the FirstGroup, ABRDN, Karro Food, Balmoral Group, Chivas Brothers, Enquest and Wood.
- Business Expenditure on Research and Development in Aberdeen City is more than double the Scottish average.
- Aberdeen City consistently ranks in the top 10 in the UK for foreign direct investment in the UK.
- Aberdeen City consistently ranks the best in Scotland for patent applications per capita and has been in the top 10 in the UK since 2015.
- North East Scotland international exports per head are more than double the national average, representing 23% of Scotland's total international exports.
- The University of Aberdeen is in the National Decommissioning Centre partnership for the Offshore Renewable Energy Catapult: which is part of the Innovate UK Catapults¹⁴.

A Connected Region

- Exceptional digital connectivity: Aberdeen was the first city in Scotland to benefit from giga-bit speed fibre broadband investment, with over 760km of fibre cabling laid across the city and over 85,000 homes ready for service.
- With regular connections to over 40 international and domestic airports, Aberdeen International Airport looks after around three million passengers each year, travelling across the world.
- Aberdeen is home to the £400m South Harbour expansion and is the largest marine infrastructure project underway in the UK. This ambitious development for trade around the North Sea, will significantly increase opportunities for existing customers and opens the door to new markets.
- The recently completed £1bn Aberdeen Western Peripheral Route connects the region to the rest of the UK by road reducing journey times and enhancing market connectivity for the food and drink export, tourism and energy sectors.
- Works to improve the rail network in Aberdeenshire led to re-dualling the line between Aberdeen and Inverness, new cross city local connections, and the new £15m Kintore Railway station which opened in October 2020.

Diversification of the Economy – Key Sectors

The region’s long-term success lies in diversification away from the dominant oil and gas sector. However the sector is also key to the ongoing diversification within the sector as it harnesses opportunities from offshore production of new forms of renewable energy and supporting the growth of other high-value jobs and businesses in other non-energy sectors.

The Aberdeen City Region Deal, Opportunity North East and partners continue to champion the diversification of the region focussing on energy transition, digital tech, food, drink and agriculture, life sciences and tourism with significant investment across both public and private sectors. While these sectors may not yet directly make up for the economic value and earnings of the oil and gas sector, they still offer high value economic activity.

However, other non-energy sectors including food and drink, financial and business services and tourism are key to the region, and it performs

well, having both sizeable employment levels and a significant share of overall Scottish sector employment as well as a high GVA contribution.

Other sectors including digital tech, life sciences and creative industries are considered significant opportunities key to the future of the North East economy. Currently they are indicating lower employment levels and GVA contribution, and are therefore classified as ‘nascent sectors’. ‘Digital tech’ is predicted to be one of the fastest growing sectors in Scotland by 2029¹⁷ – it is an important sector for the region in its own right, and digitisation and automation underpins growth across many other sectors. The creative industries sector is critical to attracting people to the region and Aberdeen in particular, an important component of reinventing cities post-pandemic to continue attract people to live and work in.

The table below illustrates the value of the key and nascent sectors for the North East by their levels and share of Scottish and Great Britain employment and GVA and their GVA per head.

Table 1: North East of Scotland – Key and Nascent Sectors by Value							
Growth Sectors*	Employment** 2021		GVA 2020		GVA per Head 2020		
	NE	Scotland (% of Scotland in NE)	Great Britain (% of GB in NE)	NE	% of Scotland in NE	NE	Scotland
Key Sectors							
Energy Sector ***	64,000	71,500 (89.5%)	195,900 (32.67%)	£8,255m	60.6%	£231,441	£188,682
Food and Drink	18,850	129,000 (14.6%)	885,000 (2.1%)	£501m	9.3%	£65,133	£45,075
Financial and Business Services ****	21,000	220,000 (9.5%)	3,422,000 (0.6%)	£1,624m	–	£77,598	–
Tourism	18,000	209,000 (8.6%)	2,379,000 (0.8%)	£205m	8.1%	£12,447	£13,393
Nascent Sectors							
Creative Industries	5,605	78,000 (7.2%)	1,641,075 (0.3%)	£307m	7%	£52,581	£55,959
Digital Industries *****	2,270	30,500 (7.4%)	593,000 (0.4%)	–	–	–	–
Life Sciences	1,100	18,000 (6.1%)	234,000 (0.5%)	£43m	2.6%	£45,141	£86,812
	NE	Scotland	GB	NE	Scotland	NE	Scotland
TOTAL	272,000	2,617,000 (10.4%)	31,360,000 (0.87%)	£15,472m	£134,982m	£33,441	£26,572

Note 1: *Growth Sectors from Scottish Government www.gov.scot/publications/growth-sector-statistics/

Note 2: ** Using SIC Codes and BRES via Nomis

Note 3: *** Energy Sector employment is direct and indirect oil and gas employment, its GVA and GVA per head is taken from the Energy Sector in the Scottish Government’s defined growth sectors. With GVA its important to note that, SIC 06 (Extraction of crude petroleum and natural gas) data is included in Energy GVA Totals. ABS data is allocated to UK regions (including Scotland) according to the address at which the business is registered - onshore and offshore Oil & Gas extraction is allocated in this way. Note that, such offshore activity, under UK Regional Accounts procedures is normally allocated to a separate “Extra-regio” category rather than allocated to a region within the UK and therefore is excluded from the North East Scotland GVA total.

Note 4: **** Financial and Business Services GVA for Scotland is not reported at a Scotland wide level due to the exclusion of financial and insurance activities.

Note 5: ***** Digital Industries is a subset of Creative Industries therefore we can only access employment data for this sector.



Skills and Labour Supply

The region has a highly educated and skilled workforce. However, concerns over workforce availability due to the impact of the UK's exit from the EU and the region's ageing workforce are increasing. For labour supply, areas of particular concern are the social care, hospitality and food, drink and agriculture sectors. The Energy sector is also not immune from shortages and –over two thirds of energy companies in the region say access to skills will be one of the defining issues for 2023. The changing demographics of the region will pose an increasing challenge to the underlying health of the North East economy. In recent decades, the region has been a net importer of people from both the rest of the UK and from overseas. But the working age population in the region has declined recently, at the same time as the general population is aging and therefore increasing the number of economically dependent people in the region. Following the pandemic, vital knowledge and experience may have been lost from key sectors as its ageing workforce retires.

Physical and Digital Connectivity

Physical and digital connectivity to key national and international centres of business activity is crucial. While there has been significant progress in the previous strategy, for example, the Aberdeen Western Peripheral Route, limited direct links to major European hubs remain and rail and road access to central Scotland have only seen limited improvement in recent years, and the proposed dualling of the A96 between Aberdeen and Inverness is currently subject to delay and review.

There is evidence of both enhanced and accelerated digital connectivity, delivered through the continued roll out of the Scottish Government's R100 programme as well as the significant investment in gigabit connectivity and a 5G 'pop up' network through the Aberdeen City Region Deal. There is also the 5G Connect Hub funded by the Scottish Government based at ONE Codebase and 5G private networks will be in the Port of Aberdeen and the Scottish Agricultural Organisation Society based in Huntly. Within the region however there are gaps. In Aberdeenshire, digital connectivity remains one of the lowest in Scotland, with over 15% of premises unable to obtain superfast broadband, compared to the Scottish average of 5%. Aberdeenshire is a challenging area to deliver infrastructure

improvements, due to the complexities of rurality, but also because of historic infrastructure issues, which sees Aberdeenshire have the highest proportion of Exchange Only lines in mainland Scotland. Greater investment is needed to bring rural areas up to the national average.

Key towns in Aberdeenshire have seen connectivity improvements through the previous Digital Scotland Superfast Broadband programme, the R100 programme and Openreach's ongoing Fibre First programme will bring FTTP infrastructure to many urban and suburban areas. However, rural areas will continue to be left behind in the journey to better connectivity because of the challenges and high cost of infrastructure deployment. Investment in 5G networks and digital place projects is essential in making Aberdeenshire and the region competitive. Discussion with, and attraction of, new telecoms operators and solutions providers, remains an important objective for improving connectivity and inward investment across the region.

Redeveloping Town Centres and the City Centre Post Pandemic

The region has a number of town centres and these have an important contribution to play to regional prosperity and net zero ambitions. Town or place plans, developed in conjunction with local communities, allow the wellbeing of people and a functioning local economy to be prioritised. The retail and hospitality offering in rural towns has also been affected, the pandemic and both sectors face challenges to recover.

Aberdeen has been hit particularly badly by the pandemic and the recent rise in inflation. This has impacted upon the wider economy with a number of indicators pointing to further decline in the city centre. Aberdeen is no different from almost all UK cities in facing such challenges. However, retail vacancy rates in Aberdeen City are the highest of Scotland's four biggest cities and show a larger increase than any of the other three largest cities in Scotland. Aberdeen faces an even more acute impact on the commercial office market, having the highest commercial office vacancy rates of the biggest four cities in Scotland.

These recent trends in the region put even greater emphasis on the Town Centre Regeneration Plans and the City Centre and Beach Masterplan to support town/city centre recovery.



SECTION 3 – VISION AND STRATEGY OBJECTIVES

Objective 1

To establish the North East as a pioneer of the energy transition, by delivering an 80% reduction in carbon emissions per head.

Protect Natural Capital

Good Growth

RES Overarching Objectives

Objective 5

Protect and enhance the natural capital of the region by aligning to national ambitions to manage 30% of the region for people and nature by 2030

Objective 2

Maintain regional GVA as a share of Scotland's overall GVA while increasing the share of regional GVA from region's growth sectors.



Objective 4

Become a Real living Wage region with 95% of overall employment offering a real living wage or higher.



Objective 3

Maintain a healthy, sustainable, working age population through increasing economic participation rates

Growth with Equity

2035 Vision

Strategy Objectives

Our vision is for a regional economy that enables us to thrive. It is leading a just energy transition, diversifying our economy, enabling entrepreneurship and innovation, and delivering a wellbeing economy for our people – a post fossil-fuel future.

By 2035, our economy will lead in the production of green energy solutions and the production of new renewable energy and will be diversifying through growth in our digital, food and drink, tourism, life sciences and creative sectors. It will be an economy that will value place, natural environment, wellbeing and be entrepreneurial and outward looking.

A set of objectives has been developed that respond to the priorities, opportunities and challenges for the regional economy and will support delivery of the long-term vision to 2035, and also to the shorter term aims of NSET, Levelling Up, Just Transition and Shared Prosperity policies.

The specific objectives were developed through a process of co-creation with local, regional and national stakeholders, through a series of workshops held between May – August 2022.

The objectives reflect both the goals of good economic growth through diversification and ensuring that growth is equitably distributed amongst all people in the region. The objectives are illustrated in the image below and described in detail with how proposed indicators and targets in table 1.



Objective	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
1) To establish the North East as a pioneer of the energy transition, by delivering an 80% reduction in carbon emissions per head	<ul style="list-style-type: none"> Co2 emissions/capita Renewables jobs (work required to establish these data at regional level) 	4.8 tCO2e per person North East: 2020	3 tCO2e per person
2) Maintain regional GVA as a share of Scotland's overall GVA while increasing the share of regional GVA from region's growth sectors.	<ul style="list-style-type: none"> Regional GVA as a percentage of Scottish GVA increase share of region's GV from region's growth sectors (energy, food and drink, tourism, life sciences) 	11.3% North East: 2020 tbc	≥ 11.3% tbc
3) Maintain a healthy, sustainable, working age population through increasing economic participation rates	<ul style="list-style-type: none"> Economic Activity Rate 16-64 and 16-24 Economic Activity Absolute 50+ 	16-64 Rate: 78.7% 16-24 Rate: 64.1% 50+ Absolute: 86,900 North East: July 21–June 22	16-64 Rate: 80.1% 16-24 Rate: 66.5% 50+ Absolute: 90,376
4) Become a Real Living Wage region with 95% of overall employment offering a real living wage or higher.	<ul style="list-style-type: none"> % of employees earning above the real living wage Relative income measure (either Gini or Palma) 	84% North East: 2021 tbc	≥ 90% tbc
5) Protect and enhance the natural capital of the region by aligning to national ambitions to manage 30% of the region for people and nature by 2030	<ul style="list-style-type: none"> % of region's area benefiting from nature related designations. % of regions area managed for people and nature (work required to establish this data) 	tbc	tbc
		tbc	tbc



Four work programmes will support delivery of the vision and the high-level objectives:

1 | A thriving, innovation driven economy:

Growth across our key sectors will be driven by innovation, entrepreneurship and internationalisation so that good quality jobs are created. Investment in decarbonisation will be maximised through unlocking private capital for investment in the transition.

2 | An outstanding natural environment:

Our natural environments and biodiversity will be preserved, protected and restored, to ensure we retain their value and integrity, allowing them to continue providing all the essential services we need to support and strengthen our economy, people and places. The region remains a stunning, healthy and productive place to live, work and visit, and accessible to all. The North East's nature underpins many industries providing sustainable raw materials to business, supplying a world renowned food and drink sector, strengthening the health and wellbeing of our people and the natural beauty that the most cited reason for visiting by tourists - outdoor activity, natural environment, marine and adventure tourism are all unique features that the North East can capitalise on.

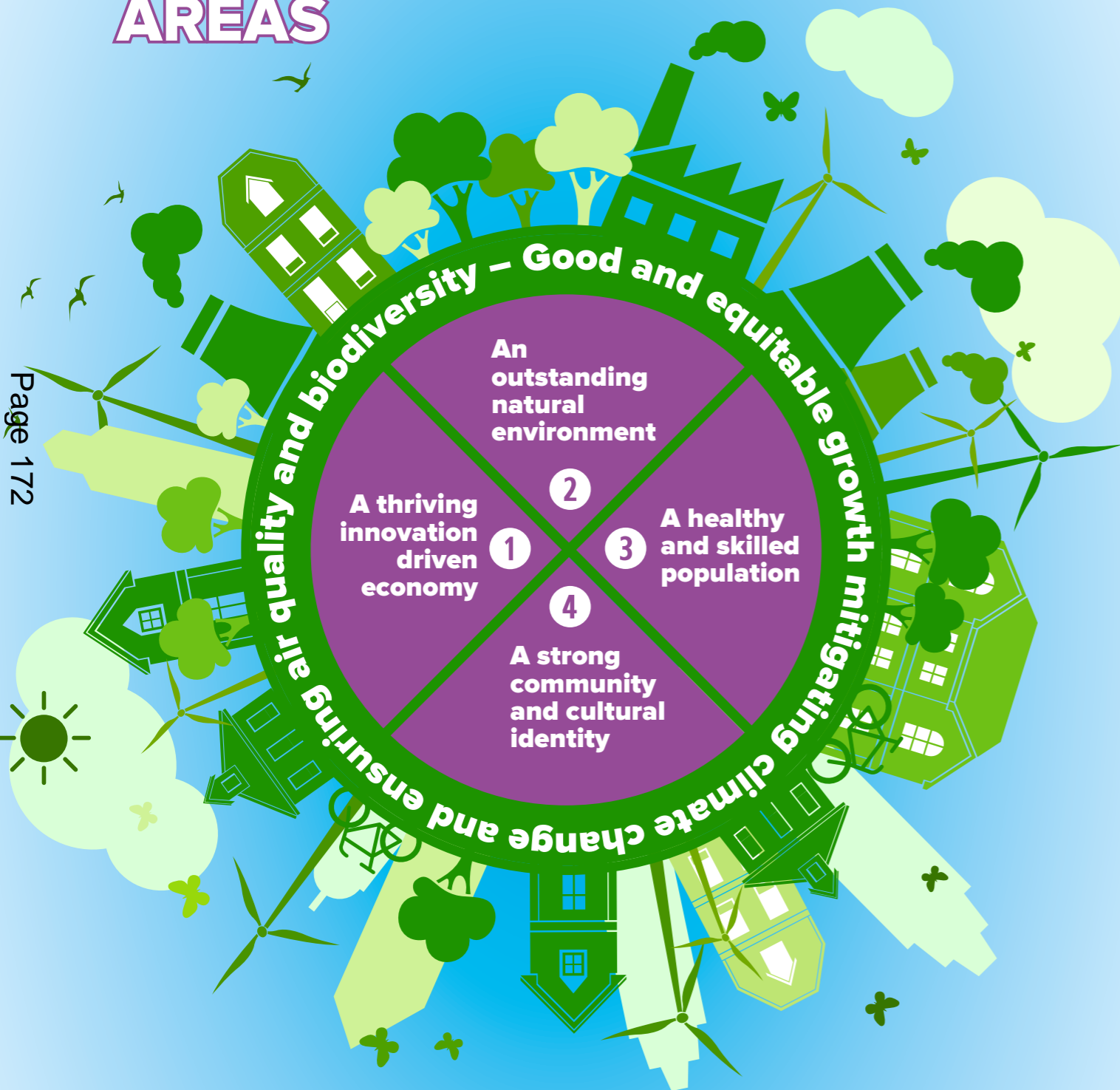
3 | A healthy and skilled population:

There will be investment in education, skills, technology and employment opportunities that help residents benefit from the transition to net zero. Individuals will be able to access high-quality education and training at all life stages. This, combined with a focus on Fair Work and a reduction in inequality will ensure that all residents and communities are equipped to fulfil their potential, contributing to an improvement in wellbeing and ultimately life expectancy.

4 | A strong community and cultural identity:

There is a vibrant culture and creative sector that is championed to enhance our distinctiveness with a successful arts and cultural sector that capitalises on new investments such as P&J Live or Aberdeen Art Gallery and forthcoming Levelling Up investments to create a new museum in Peterhead and expansion of Macduff Marine Aquarium.

SECTION 4 – PROGRAMME AREAS



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Programme 1

A thriving innovation driven economy

Outcome Areas

Under this programme, the regional partners will work towards achievement of the following outcomes:

- Maintaining and growing reputation of being a global innovation hub, stimulating increased research, technology and development, supported by entrepreneurship education and investment;
- Capitalising on the region's world-class reputation for offshore energy innovation, and drive growth and decarbonisation

- across wider regional industries such as food and drink, life sciences and digital;
- Supporting the internationalisation of key growth sectors, in order to maintain North East Scotland's share of overall Scottish exports;
- Maintaining and growing the North East's role as a food, drink, agriculture and fishing producer;
- Creating an investment environment where businesses can flourish; and
- Maintaining levels of inward investment into the region that in turn will grow Scottish supply chain.

Investment Environment

- Collaborate with the UK Government and Scottish Government to deliver a special economic zone with incentives to attract business to the North East and increase inward investment.
- Implement the City Centre and Beach Master Plan interventions and delivery of the Aberdeenshire Place Strategy.
- Implement digital programmes of activity including integrated and secure 5G networks by 2026 under the City Region Deal and create opportunities for digital innovation.
- Implement the Regional Transport Strategy and Action Plan
- Delivery of Invest Aberdeen support in partnership with Scottish Development International and Department for International Trade, with a focus on a pipeline of high potential opportunities in the North East.
- Support the work of the Aberdeen Convention Bureau and P&J Live to secure more UK and International business events for Aberdeen and maximise the financial and academic and investment opportunities arising from hosting.

- Deliver trading standards, licensing, planning and other local government 'business facing' services in support of businesses in a thriving economy.
- Work together to maximise opportunities from cruise market activity and secure embarkation port status.
- Support the work of VisitScotland and Visit Aberdeenshire to raise industry standards and market the region to increase visitor spend and improve the visitor experience as set out in the Destination Strategy.
- Maximise the route development opportunities and access led by Aberdeen International Airport.
- Support to Scottish Cities Alliance (SCA), Scottish Government Cities Recovery Plan, green infrastructure investment projects and the Scottish Towns Partnership. Support delivery of enhanced quayside infrastructure and expansion of Peterhead Port and Fraserburgh Harbour.
- Deliver the Aberdeenshire Harbours Masterplan.
- Deliver the Banff Active Travel Bridge to strengthen connectivity along our north coast.

Innovation

- Promote and attract future place and innovation investment as a next phase of the City Region Deal Innovation Programmes – SeedPod, BioHub and NZTC to maximise business investment.
- Establish the North East Innovation Alliance, aligning the R&D activities of the region’s extensive private-sector presence, universities, and public-sector initiatives under a coordinated plan to transform the North-East of Scotland into a net-zero innovation hotbed. This would improve diffusion of innovation by enhancing connectivity between private sector organisations (including SMEs) and universities.
- Maintain Aberdeen’s participation in Connected Places Catapult Innovation Place Leadership Programme.
- Expansion of entrepreneurial education across the innovation ecosystem.
- Deliver pathways for digital tech innovation, entrepreneurship, start-up and scale-up in ONE TechHub and the national Techscaler programme.

Food, Drink, Agriculture & Fishing Cluster

- Support delivery of sector specific (eg tourism, energy, life sciences, food and drink) business growth and start up support by ONE, Scottish Enterprise and Business Gateway. Deliver information, advice, and guidance to help employers contribute to the just transition to net zero and climate resilience.
- Maximise opportunity for growth in Fishing and Seafood Processing Sectors through the delivery of the Seafood Transformation Project with focus on innovation and automation.
- Support the delivery of grown on space such as Thainstone Business Park as a regional hub for agri-tech.

International Exports

- Deliver sector specific (eg tourism, energy, life sciences, food and drink) entrepreneurial, start-up and business growth support by ONE, Scottish Enterprise and Business Gateway. Deliver information, advice, and guidance to help employers contribute to the just transition to net zero and climate resilience.
- Work with the SDI and DIT to deliver the North East’s contribution to a Trading Nation with deeper collaboration on outward trade.
- Support the work of the Aberdeen Convention Bureau and P&J Live to secure more UK and International business events for Aberdeen and maximise the financial and academic and investment opportunities arising from hosting.
- Support delivery of enhanced quayside infrastructure and expansion of Peterhead Port and Fraserburgh Harbour.

Decarbonisation & Offshore Energy

- Support delivery of Energy Transition (ETZ) Campus Model at Aberdeen Harbour South
- Promote the case for the Acorn project to capture and store carbon.
- Maximise green energy production and decarbonisation from the North Sea Link, maintain the position as base for offshore subsea engineering and as a place for Offshore Wind (particularly floating offshore), green hydrogen and CCUS –
 - ensure North East representation on SG/ SE national offshore wind groups (eg SOWEC, SIM)
 - support delivery of bp Aberdeen H2 Energy Production, Storage and Distribution Hub
 - support delivery of Scotwind supplier development statements and creation of high value manufacturing facilities
 - secure industrialisation and a competitive, commercially attractive supply chain servicing green energy opportunities
 - support delivery of the Eastern Green Link to install a sub-sea HVDC from Peterhead.

Programme 2 An outstanding natural environment

Outcome Areas

Under this programme, the regional partners will work towards achievement of the following outcomes:

- Being widely recognised as Scotland

leading visitor destination by 2035 for sustainable growth, business innovation and delivery of high-quality visitor experiences; and

- Protecting the natural capital and landscape of the region;

Protecting Natural Capital & Landscape

- Support delivery of public sector and place based Net Zero, Climate Resilience and Nature Recovery ambitions through development of carbon and financial investment plans
- Using this RES as a ‘regional just transition plan’, work with Scottish Government to support businesses & communities to develop just transition & decarbonisation plans.
- Promote the work of East Coastal Grampian Partnership in their coastal development objectives including Turning the Plastic Tide.
- Support the work of Climate Ready Aberdeenshire to create a climate change adaptation and mitigation strategy for Aberdeenshire.
- Support the region’s ports and harbours to decarbonise through Shore Power Plants.
- Attract investment to deliver Sustainable Air Fuel Creation test bed for sustainable fuels such as aviation fuels and create a Sustainable Aviation Fuel Hub.

- Support Zero Waste Scotland, the circular economy and businesses to reduce, re-use and recycle – maximise gains around the energy transition and the decommissioning sector.
- Accelerate decarbonisation through accelerated implementation of digital transformation of port operations, low carbon fuelled maritime operations and onshore logistics, digital demand responsive transport solutions between employment clusters, and a future Drone Port.
- Build and implement industry methods, tools to strengthen place based approaches on data generation, analyses, monitoring and sharing as a means to drive understanding and positive outcomes on climate, nature and related matters.
- Work with partners such as the Met Office, Scottish Water, NatureScot, SEPA and others, to better understand local climate and nature challenges and develop investable, place based, blue and green network infrastructure plans, integrated with enhanced active travel networks for the benefits of people and nature.

A Leading Scottish Visitor Destination

- Deliver the Aberdeenshire Strategic Tourism Infrastructure Plan.
- Deliver the Destination Strategy Action Plan leveraging external funding to deliver projects.
- Support SE, ONE and VisitAberdeenshire activity in food tourism and North East Adventure Tourism (NEAT) project to develop the industry cluster and infrastructure.

- Support the delivery of the Cairngorms National Park Heritage Horizons Programme.
- Deliver the Fraserburgh Beach Masterplan.
- Deliver the Aberdeenshire Levelling Up Programme Peterhead Museum and Macduff Aquarium developments.
- Work with our partners to deliver the North East Highland Way.
- Support delivery of tourism attractions in Aberdeen and attracting new cruise business to the region

Programme 3

An healthy and skilled population

Outcome Areas

Under this programme, the regional partners will work towards achievement of the following outcomes:

- Delivering a world class digital skills programme within our schools;
- Reducing the % of employers with a skills gap;
- Narrowing disability, racial and gender-based inequalities;
- Driving interest in, and uptake of, educational pathways to deliver the future workforce for our key regional clusters – ensuring people achieve higher level qualifications reflecting the ongoing need for parity between vocational and academic qualifications;
- Reducing the proportion of income deprived households; and
- Getting more young people in lower SIMD out of poverty by focussing relentlessly on closing the gap.

Education, Employment & Skills

- Work with SDS to provide a regional skills plan in 2023 that will support the skills needs for delivering a just transition, offshore renewables and align to the workforce plans of the health and social care partnerships.
- Support the HE/ FE sector in their work to develop a thriving research and innovation ecosystem in the region to attract students and maximise graduate retention in support of economic growth.
- Support the regional learning and skills partners to encourage people of all ages to engage with and progress education and training opportunities.
- Work together to maximise pathways and progression routes to training and work, targeting green infrastructure and energy, health and care and tourism sectors.
- Support delivery of the Developing the Young Workforce Invest in Youth Group.
- Support work placements where appropriate within the Aberdeen Computing Collaborative initiative.
- Work with the increasing refugee population and international students in the North East to secure employment and take steps to harness the potential workforce through education and skills training.

Closing the Gap Between Places & Communities

- Promote and deliver the Real Living Wage and Community Wealth Building approach.
- Apply Fair Work practices and maximise community benefit clauses from the procurement and purchasing processes across the partners.
- Implement the ETZ Jobs Plan.
- Delivery of the Aberdeenshire Council Place Strategy.
- Support ETZ Ltd delivery of the Advanced Manufacturing Skills Hub..
- Support delivery of Energy Skills Accelerator, led by the universities and NESCOL and with support from SDS and ETZ Ltd.

Programme 4

Strong community & cultural identity

Outcome Areas

Under this programme, the regional partners will work towards achievement of the following outcomes:

- Creating a stronger identity and cultural narrative for the North East;
- Increasing the number of assets held by communities;
- Increasing the number of jobs in creative industries.

Strong Cultural identity

- Support development and attract international events and festivals in the Events 365 Plan 2023-2026, including Tall Ships 2025 and a celebration of the sea and maritime heritage in the North East.
- Support and invest in arts and cultural sector and increase participation by new audiences from local, regional and national markets.
- Deliver and market cultural, heritage and tourism attractions of national significance, and of international standard (existing and new assets).
- Support the work of venues, operators and businesses in Culture Aberdeen to deliver an inclusive and diverse programme of activity.
- Peterhead Cultural Quarter Delivery.
- Support regional festivals of cultural significance e.g. Agricultural Shows, Highland Games, Taste of Grampian, Aberdeen and North East of Scotland Music Festival etc.

Community Assets

- Promote the arts and cultural venues of the North East to attract and promote national and international exhibitions and programme.
- Support the work of venues, operators and businesses in Culture Aberdeen to deliver an inclusive and diverse programme of activity.
- Build all our communities' abilities to strengthen their local places through volunteering, friends of groups, community food, play nature and energy initiatives, asset transfers and similar approaches.
- Support communities, organisations and initiatives seeking to drive understanding, engagement and positive outcomes on climate change, nature recovery and a just transition.
- Support delivery of the Aberdeen City and Aberdeenshire Asset Disposal Strategies

Creative Industries

- Promote the arts and cultural venues of the North East to attract and promote national and international exhibitions and programme.
- Deliver the Creative Incubator Programme.
- Promote the region as a destination for film makers and work with production companies to facilitate their work.

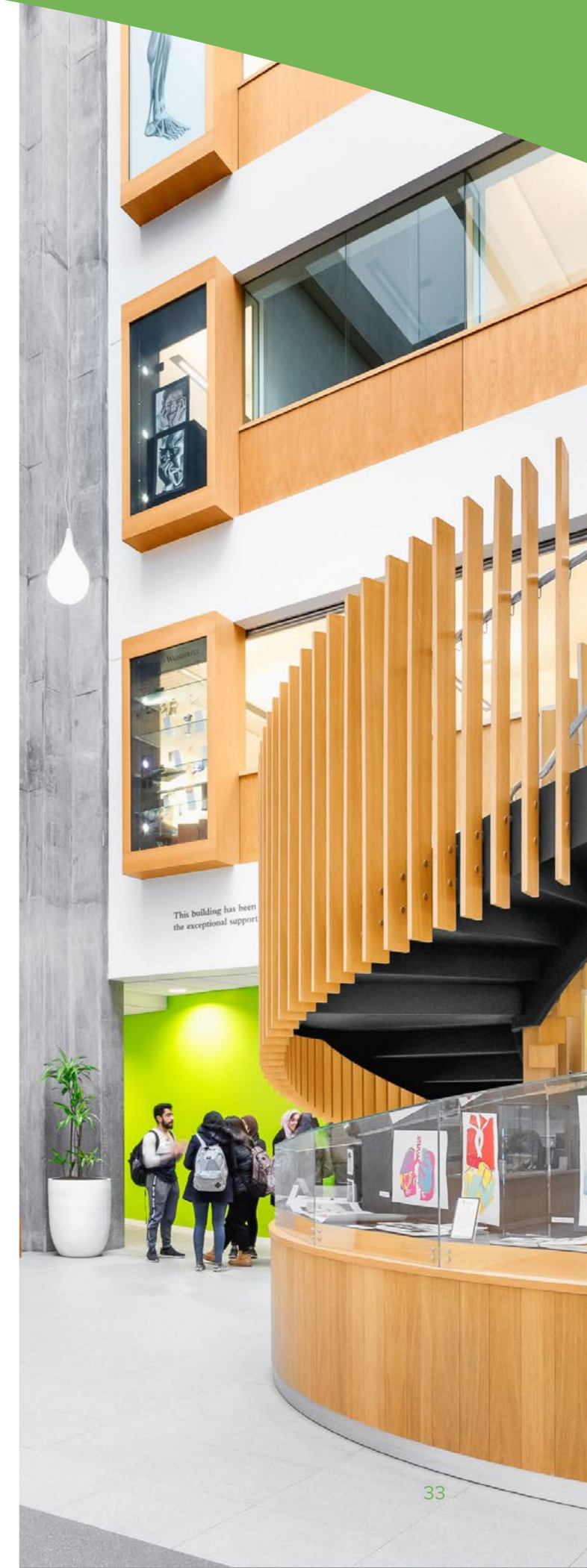
SECTION 5 – GOVERNANCE

Regional Economic Policy Review

The Scottish Government Regional Economic Policy Advisory Group¹⁸ review recognises the success of regional working and collaboration evident in the Aberdeen City Region Deal and noted “there is an opportunity to learn from the model led by ONE in the North East, and identify how similar positive public/private relationships can be built elsewhere in Scotland, to support regional economic growth.”

The Review’s recommendations include:

- Enhancing regional autonomy through a REP and Scottish Government structures – encouraging the REP to take responsibility for overseeing regional delivery of projects and policy;
- Making more joined up funding decisions and potentially using existing funding streams channelled through a REP and related accountable bodies in response to strategic priorities;
- Engaging with the private sector to deliver tangible activity and benefits through a ‘regional investment prospectus’ that highlights the next phase of investment required that is a statement of intent for support from the Scottish and UK governments.
- Stronger ‘place based’ focus of regional working by coalescing around regional economic strategies, and policy areas within these;
- Raising the profile of REPs across public (including national agencies), private and third sectors to deliver coordinated responses with a regional dimension;
- Establishing regional intelligence hubs such as North East of Scotland Performs, working alongside the Office of the Chief Economic Adviser (OCEA), linking to the Wellbeing Economic Monitor.



New Model for Regional Economic Partnership for the North East of Scotland

The Scottish Government has prioritised the funding landscape, aggregated budgets and establishing regional intelligence hubs with a view to establishing longer-term 'economic compacts' across the REPs in Scotland. It is also consulting on Community Wealth Building that aims to redirect wealth back into the local economy with a view to proposing new legislation following its consultation.

Since the development of the 2016 Strategy,

the ONE Board of Directors acts in an advisory capacity to partners on any matters of regional importance – for example, comment on regional skills or economic strategies.

In the short term, there are a number of emerging government workstreams that require and would benefit from an updated REP leadership model: the case for an Investment Zone, Just Transition Fund, Shared Prosperity Fund, ScotWind (Grid connections, marine and land use planning, supplier development), Withers Review on Skills,

Regional Skills Strategy, Wellbeing Economy Monitor, Just Transition Plan (with Moray Council) or Transient Visitor Levy.

Reflecting on these new policy changes from the review, and the needs of the regional economy, a refreshed partnership model would aim to:

- Provide leadership on matters of strategic importance to the regional economy – by locally elected leaders, industry, business, education and 'third' sectors;
- Provide oversight on activities that transform opportunities for communities in the region;
- Ensure that the North East maintains and offers a competitive business environment;
- Provide an effective governance for delivering the ambitions of the Regional Economic Strategy;
- Develop the relationship with the UKG and SG and their agencies so that the North East maximises its contribution to UK and Scottish economic growth targets, ensuring resources are in place to enable effective implementation of the RES and influence the governments for a menu of local powers and responsibilities.



The proposal is that the ONE Board's Regional Economic Forum transitions to a new REP model for the North East of Scotland, and is expanded to include a broader representation.

The ONE Board is comprised of the Principals of the two universities, the Leaders of both Councils, a representative from Scottish Enterprise (SE), AGCC, Port of Aberdeen, the Chair of VisitAberdeenshire, and the ONE key sectors of life sciences, food drink and agriculture, energy, digital tech and tourism. ONE also leads a 'sector board' for digital tech, food, drink and agriculture and life sciences. Energy activities are led through ETZ Ltd and the Chair of ONE is the current Chair of ETZ Ltd.

Broader representation could be drawn from for example:

- Business organisations – Federation of Small Businesses (FSB);
- Skills partners – Skills Development Scotland, NESCOL, Local Employability Partnerships;
- James Hutton Institute
- NESCOL;
- Third Sector leads (ACVO);
- VisitScotland;
- NESTRANS;

APPENDIX ONE – 2016 RES ACTIONS THAT WILL CONTINUE

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Action	Status
Development of investor ready pipeline of development opportunities	Invest Aberdeen formed in 2017 as a partnership by the two Councils, DIT and SDI. Institutional investment climate has moved away from traditional mixed use development to green infrastructure.
Develop and implement a region-wide housing strategy and action plan	Regional Housing Need and Demand Assessments are completed by the 2 Councils and Housing Land Audits with the Development Industry to ensure that at all times there is an effective housing land supply available to meet the Region's housing needs.
Lobby Transport Scotland to prioritise the implementation of key strategic upgrades on the rail and trunk road network, including A90 north and south of Aberdeen and the A96 dualling between Aberdeen and Inverness	<p>A90(N) Following earlier assessment work, a review of evidence is currently being undertaken on the A90(N)/A952 corridor linking Ellon to Peterhead and Fraserburgh. Outcomes of this work will inform next steps regarding option development, and the asks of Transport Scotland at Trunk Road Authority.</p> <p>A96 Dualling Nestrans and local partners continue to engage with and lobby Transport Scotland who are currently undertaking a review of options for dualling the A96 (including climate change assessment), as per the Government's Bute House Agreement. Outcomes are due to be published for consultation later in 2023.</p>
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	<p>External Links to Aberdeen South Harbour: Following option appraisal, work is now progressing on the design and consents process for the upgraded access arrangements, following guidance in the Design Manual for Roads and Bridges. The project will see replacement of the existing coast road overbridge, and upgrade of the link along the Coast Road to Hareness Junction via Altens. Active travel improvements are also included.</p> <p>Aberdeen to Central Belt Rail Journey Time Improvement Project: Design development continues on this project which will provide improved inter-city journey times between Aberdeen and the Central Belt, improved local rail connectivity between Aberdeen and Dundee, and enhanced rail freight opportunities by 2026. This is being achieved through signalling upgrades, changes to the track layout at key stations, and the construction of passing loops. This infrastructure provides opportunity to recast timetables in order to deliver the key project outcomes. Beyond 2026, work will continue</p> <p>Continued/</p>

Action	Status
	Continued/ on the railway in order to deliver electrification, currently planned for 2030. This will bring further benefits, including increased line height clearances for freight, and new electric powered rolling stock.
Deliver detailed design and cost proposals for site preparation and infrastructure to facilitate developer investment at Energetica Industry Park	Preparation of site briefs and development prospectus for Energetica Corridor being prepared by SE with support from Aberdeenshire Council
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 and Aberdeenshire Councils have now received their allocations from UK Government for UK Shared Prosperity Fund and the respective investment plans have been approved.
Implement the digital programme within the Aberdeen City Region Deal and build upon the projects that have already been delivered: 1: City Network Extension 2: Full Fibre Network 3: Duct Network 4: Gigabit Voucher Scheme 5: Port of Aberdeen 5G network 6: Scottish Agricultural Organisation Society (S.A.O.S) 5G network 7: 5G “pop up “ network to be used in the field across the region where required to test applications	The digital programme of City Region Deal has largely been delivered in Aberdeen City with further investment required in Aberdeenshire to address gaps in digital connectivity. City Network Extension and Full Fibre projects successfully delivered. Duct Network has three phases. Phase 1 complete, Phase 2 to be completed in May 2023 and Phase 3 completed by December 2024. The Gigabit Voucher scheme is ongoing and will provide immediate help for people experiencing slow broadband speeds in rural areas. Legal agreements are being drafted for the grant funding for the Port of Aberdeen 5G network, S.A.O.S 5G network and the ONE 5G “pop up” network.
Ensure we build on the Digital Programme in the City Region Deal to secure additional investment into development of Smart City activities and the rollout of 5G technologies across public sector and industry	5G projects continue to be developed in the region. Liaising with UK Government on rollout of Project Gigabit across North East of Scotland. Smart City strategy currently being refreshed with a new roadmap to support fostering citizen innovation, Digital Tourism, jobs and skills and an integrated data infrastructure 5G projects continue to be developed in the region. Liaising with UK Government on rollout of Project Gigabit across North East of Scotland.
Deliver Food Hub within the City Region Deal that provides R&D infrastructure and expertise for regional primary producers, processors and manufacturers	The construction programme for SeedPod has been finalised and the construction contract was awarded on 31 March 2023. Mobilisation is now underway and activity will commence on site in May 2023. The construction programme is being finalised, with completion currently scheduled for Q2 2024/25.

Action	Status
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.	The construction of Bio-Hub is complete with a launch date at the end of May 2023. BioHub will provide a unique combination of facilities, networks and support programmes to its tenants, enabling business leaders, academics and clinicians to realise their commercial ambitions in life sciences.
Ensure opportunities for a Smart City Action Plan are maximised	Detailed stakeholder interviews and workshops were held, and a new Smart City Roadmap has been produced.
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	Inclusive growth objectives and outcomes now being monitored using the wellbeing economy monitor
Support delivery of Developing Young Workforce Programme	Ongoing
Continue the delivery of Business Gateway business start-up, funding and development support which is available to all businesses (including social enterprises in key health and social care sector)	Ongoing
Work with businesses on a more inclusive approach to business support and how they work with their supply chains to support business growth, including workplace innovation and adoption of progressive people practices	Use Wellbeing Economy Monitor approaches Refresh of the ACC Business Charter in 2023
Ensure we maximise opportunities for the fisheries sectors as the landing and processing hub for the UK in the context of Brexit	Ongoing
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	Ongoing ACC
Establish a new Convention Bureau model to maximise the impact of the new arena and conference centre and the Aberdeen Harbour expansion	Established within VisitAberdeenshire and supported by operators of P&J Live. Also includes the Ambassador Network to support the bids for international business events
Support delivery of Offshore Europe 2019, and secure support from 2021	Complete. Now focus on the 50th edition of OE in 2023
Support and attract events that will be of international and national significance as part of the delivery of the Aberdeen 365 events and festivals plan	Events 365 set up and operational and has seen a number of new national events been secured and existing events expanded

APPENDIX TWO – 2023 PROGRAMME AREAS – SUMMARY OF TARGET OUTCOMES AND MONITORING

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Programme 1 – A thriving economy – Target KPIs (Outcome Areas of innovation, decarbonisation, international exports, food, drink, agriculture and fishing and investment)			
Outcome	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
Maintaining and growing reputation of being a global innovation hub	• BERD (% of GVA)	1.2% of GVA	2% of GVA
Supporting the internationalisation of key growth sectors, in order to maintain North East Scotland's share of overall Scottish exports	• Total exports value	£11.3bn (23.1% of Scotland's total)	≥ 23.1% of Scotland's total North East: 2029 TARGET
Creating an investment environment where businesses can flourish	<ul style="list-style-type: none"> • Start ups achieving year-4 turnover of ≥£25m. • Increase the share of high growth businesses, those identified as increasing turnover by at least 20%, per year over a three year period 	1.1%	1.5%
Maintaining levels of inward investment into the region	• FDI/year	6 Projects (5.3% of Scottish Total) 14 Projects (13.1% of Scottish Total)	≥ 5.3% of Scottish Total ≥ 13.1% of Scottish Total

Programme 2 – An outstanding natural environment – Target KPIs KPIs (Outcome Areas of being a leading Scottish visitor destination and protecting natural capital and landscape)			
Outcome	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
Increasing the number of businesses in the region with accredited net zero credentials	<ul style="list-style-type: none"> Decarbonisation within key sectors of energy and food and drink i.e. proportion of energy sector companies in oil and gas activities 	70% (2022 Energy Transition Survey 36)	50%
Being recognised as a leading visitor destination by 2030	<ul style="list-style-type: none"> Overnight Visits Day Visits Bednights Spend Occupancy/ Revenue per available room Attractions 	1.2m (2019) 34.9 million (2017-2019) 4.4 million (2019 NE Scotland) Day Trip Spend £1,199m (2017-2019 average NE Scotland) Overnight Trip Spend £300m 2019 NE Scotland) 67% Aberdeen Grampian tbc	1.5m (back up to 2013 levels) 38.5m (10% increase) 5 million (back up to 2013 levels) £1,400m (back up to 2013 levels) £450m (back up to 2013 levels) 74% Aberdeen (10% rise) Grampian tbc
Protecting the natural capital and landscape of the region	Blue Flag status Green Flag status	9 beaches – kg of litter removed (East Grampian Coastal Partnership) Value of heritage tourism	12
Delivering a step change in the number and take up of active travel schemes	Number of active travel schemes established and usage	RTS key target is to reduce car/ sustainable travel to 50/50 mode split	

Programme 3 – A healthy and skilled population – Target KPIs (Outcome Areas of closing the gap to best performing places and communities and education and skills)			
Outcome	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
Improving our citizens' self-reported wellbeing	<ul style="list-style-type: none"> Warwick-Edinburgh Mental Wellbeing Scale (WEMBS) City Voice / citizens' forums 	WEMBS data that we sourced previously Aberdeen City: 49.9 Aberdeenshire: 50.7 (Scores range from 14 to 70 and higher scores indicate greater positive mental wellbeing)	Remain above the Scottish average
Reducing the % of employers with a skills gap to <5%.	• % of employers with a Skills Gap	12%	≤ 7.2%
Narrowing disability, racial and gender-based inequalities	<ul style="list-style-type: none"> Difference between median hourly earnings of men and women Improved employment rates for groups with protected characteristics 	Aberdeen: 11% Aberdeenshire: 13.8% Gap (16-64) Disability Disabled vs Not Disabled: 32.2% Gender Male vs Female: 6.9% Racial White vs Non-White: 14.7%	Aberdeen: 4.7% Aberdeenshire: 7.1% Gap (16-64) Disability Disabled vs Not Disabled: 27% Gender Male vs Female: 3.9% Racial White vs Non-White: 9.7%
Ensuring people achieve higher level qualifications	<ul style="list-style-type: none"> Working Age population with SVQ4+ Qualifications Latest RSA states that 57% of jobs between now and 2031 will require SCQF7 or above 	65.3%	≥70.8%
Delivering a just transition by reducing the proportion of income deprived households	• % of income-deprived households to be equivalent to, or lower than, the median of the top-five performing local authorities in Scotland.	Aberdeen City: 8.6% Aberdeenshire: 6.3%	For Aberdeen City and Aberdeenshire to be in the top five least deprived councils in Scotland
Improving levels of healthy life expectancy	• Healthy Life expectancy Males and Females	Aberdeen City Male: 58.3 Female: 61.3 Aberdeenshire Males: 67 Females: 65.9	Get to or above the Scottish Average – Aberdeen Remain above the Scottish average – Aberdeenshire:

Programme 4 – A strong community and cultural identity – Target KPIs (Outcome Areas of strong cultural identity, community assets and creative industries)			
Outcome	How will we measure success?	Most recent baseline	Target by mid-point review (2029)
Fostering a strong sense of cultural identity and belonging in the region	• Participation in a cultural activity in last 12 months (%)	Aberdeen City: 72.8% Aberdeenshire: 75.7%	Aberdeen City: 82.6% Aberdeenshire: 83.9%
	• Visits to relevant attractions	1,310,772	≥ 1,631,196
Increasing the number of assets held by communities across the region	• Number of assets in community ownership	34	≥ 57
Creating a clearer/ stronger identity and cultural narrative	• Number of distinct (to North East) festival and events	XX	XX
Increasing the number of jobs in the creative industries	• Number of jobs classified as being in the creative industries sector	6,100	≥ 7,700
	• Student enrolments in creative-related courses in higher and further education	6,669	XX



Footnotes

Section 1

- ¹ Offshore Energies UK, Business Outlook 2023
- ² Offshore Energies UK, Business Outlook 2023
- ³ Offshore Energies UK, Economic Report 2022
- ⁴ Energy System and Just Transition, Scottish Government March 2023
- ⁵ UK Offshore Energy Transferability Review, Robert Gordon University, May 2021
- ⁶ Offshore Energies UK, Business Outlook 2023
- ⁷ Offshore Energies UK, Business Outlook 2023
- ⁸ Just Transition Review of the Scottish Energy Sector. EY February 2023

Section 2

- ⁹RGU: Modern University Complete University Guide: www.rgu.ac.uk/news/news-2021/4193-rgu-is-scotland-s-top-modern-university-in-the-complete-university-guide-2022
- ¹⁰Guardian: [UK University rankings: www.theguardian.com/education/ng-interactive/2022/sep/24/the-guardian-university-guide-2023-the-rankings](http://www.theguardian.com/education/ng-interactive/2022/sep/24/the-guardian-university-guide-2023-the-rankings)
- ¹¹Working age population with high skills (NVQ4 or above) qualifications, 2021 (%)
- ¹²Annual Population Survey: Job Related training in the past 13 weeks 2012-2022: www.nomisweb.co.uk/sources/aps
- ¹³Making the Switch – The Future Shape of the Offshore Energy Workforce in the North East of Scotland, Robert Gordon University, May 2022
- ¹⁴www.abdn.ac.uk/news/16035/
- ¹⁵ONS (2022) Earnings and Employment from Pay As You Earn Real Time Information – August 2022
- ¹⁶Annual Population Survey
- ¹⁷[Building a New Scotland, October 2022](#)

Section 5

- ¹⁸The Regional Economic Policy Advisory Group (REPAG) is a representative body of stakeholders established to provide Ministers and officials with independent support understanding and managing the impact of the UK Government’s Levelling Up Agenda across Scotland. In addition, the Group has been tasked with developing a Review into Regional Economic Policy in Scotland, which was committed as part of the 2021 Programme for Government, considering the use of regional geographies to deliver a sustainable, wellbeing economy. Opportunity North East (ONE) was part of the Group.

Credits

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Front cover right, pages 2, 10-12, 17, 21, 33: Images by Felix Mooneeram

APPENDIX 2 - 2016 RES Actions – Delivery update

Action	Status	
Programme 1 – Investment in Infrastructure		
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	Multi Agency Management Group set up across public sector bodies in the ACC areas	
Development of investor ready pipeline of development opportunities	Invest Aberdeen formed in 2017 as a partnership by the two Councils, DIT and SDI. Institutional investment climate has moved away from traditional mixed use development to green infrastructure	
Develop and implement a region-wide housing strategy and action plan	Regional Housing Need and Demand Assessments are completed by the 2 Councils and Housing Land Audits with the Development Industry to ensure that at all times there is an effective housing land supply available to meet the Region’s housing needs.	
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’ Regional Transport Strategy to 2040 was approved by Scottish Ministers and adopted in November 2021. It contains over 100 proposals and actions aimed at achieving six high level priorities around enhanced connectivity, carbon reduction, improved health and wellbeing, casualty reduction, accessibility and modal shift.	
Lobby Transport Scotland to prioritise the implementation of key strategic upgrades on the rail and trunk road network, including A90 north and south of Aberdeen and the A96 dualling between Aberdeen and Inverness	<p><u>A90(N)</u> Following earlier assessment work, a review of evidence is currently being undertaken on the A90(N)/A952 corridor linking Ellon to Peterhead and Fraserburgh. Outcomes of this work will inform next steps regarding option development, and the asks of Transport Scotland at Trunk Road Authority.</p> <p>A96 Dualling Nestrans and local partners continue to engage with and lobby Transport Scotland who are currently undertaking a review of options for dualling the A96 (including climate change assessment), as per the</p>	

	Government's Bute House Agreement. Outcomes are due to be published for consultation later in 2023.	
<p>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</p>	<p><u>External Links to Aberdeen South Harbour:</u> Following option appraisal, work is now progressing on the design and consents process for the upgraded access arrangements, following guidance in the Design Manual for Roads and Bridges. The project will see replacement of the existing coast road overbridge, and upgrade of the link along the Coast Road to Hareness Junction via Altens. Active travel improvements are also included.</p> <p><u>Aberdeen to Central Belt Rail Journey Time Improvement Project</u> Design development continues on this project which will provide improved inter-city journey times between Aberdeen and the Central Belt, improved local rail connectivity between Aberdeen and Dundee, and enhanced rail freight opportunities by 2026. This is being achieved through signalling upgrades, changes to the track layout at key stations, and the construction of passing loops. This infrastructure provides opportunity to recast timetables in order to deliver the key project outcomes. Beyond 2026, work will continue on the railway in order to deliver electrification, currently planned for 2030. This will bring further benefits, including increased line height clearances for freight, and new electric powered rolling stock.</p> <p><u>A90/A957 Laurencekirk Junction</u> Project to improve the A90/A937 Junction at Laurencekirk. Following design development and publication of draft trunk and side road orders, Transport Scotland are currently working to resolve a number of objections that were raised, in order to progress the scheme without having to go to Public Local Inquiry. One objection was raised due to the deterioration of the Oatyhill Bridge upon which the published scheme relied upon for providing local residential access, and progress continues to be made on the resolution of this issue.</p>	

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	STPR2 and NPF4 both recognise Aberdeen Rapid Transit and bus prioritisation as identified schemes.	
Enhance City Centre environment by implementation of transport elements of the City Centre Masterplan and a Low Emissions Zone, including Hydrogen fuelled vehicles	Low Emission Zone implemented in Aberdeen City Centre in 2022.	
Development of business case and prospectus for Aberdeen's Queens Square redevelopment	Ongoing	
Deliver detailed design and cost proposals for site preparation and infrastructure to facilitate developer investment at Energetica Industry Park	Preparation of site briefs and development prospectus for Energetica Corridor being prepared by SE with support from Aberdeenshire Council	
Explore production of development briefs for Aberdeen Station Gateway, Castlehill and North Dee redevelopment (CCMP Projects)	Included within City Centre and Beach Masterplans	
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 and Aberdeenshire Councils have now received their allocations from UK Government for UK Shared Prosperity Fund and the respective investment plans have been approved	
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)	Partners continue to support the delivery of City Region Deal to deliver essential infrastructure required to drive economic regeneration and growth across the region. Energy Transition Zone business case approved April 2021 and implementation underway	
Implement the digital programme within the Aberdeen City Region Deal and build upon the projects that have already been delivered: 1: City Network Extension 2: Full Fibre Network 3: Duct Network 4: Gigabit Voucher Scheme 5: Port of Aberdeen 5G network 6: Scottish Agricultural Organisation Society (S.A.O.S) 5G network 7: 5G "pop up" network to be used in the field across the region where required to test applications	The digital programme of City Region Deal has largely been delivered in Aberdeen City with further investment required in Aberdeenshire to address gaps in digital connectivity. City Network Extension and Full Fibre projects successfully delivered. Duct Network has three phases. Phase 1 complete, Phase 2 to be completed in May 2023 and Phase 3 completed by December 2024. The Gigabit Voucher scheme is ongoing and will provide immediate help for people experiencing slow broadband speeds in rural areas.	

	Legal agreements are being drafted for the grant funding for the Port of Aberdeen 5G network, S.A.O.S 5G network and the ONE 5G “pop up” network.	
Ensure we build on the Digital Programme in the City Region Deal to secure additional investment into development of Smart City activities and the rollout of 5G technologies across public sector and industry	<p>5G projects continue to be developed in the region. Liaising with UK Government on rollout of Project Gigabit across North East of Scotland.</p> <p>Smart City strategy currently being refreshed with a new roadmap to support fostering citizen innovation, Digital Tourism, jobs and skills and an integrated data infrastructure</p> <p>5G projects continue to be developed in the region. Liaising with UK Government on rollout of Project Gigabit across North East of Scotland.</p>	
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	<p>Global Underwater Hub; National Decommissioning Centre and National Subsea centre all operational. Work underway on National Floating Wind Innovation Centre and Advanced Manufacturing Skills Hub. £3m of NEERSF support for learning and skills support in energy sector delivered. National Energy Skills Accelerator established.</p> <p>Growing subsea opportunities around floating offshore wind</p>	
Deliver Food Hub within the City Region Deal that provides R&D infrastructure and expertise for regional primary producers, processors and manufacturers	The construction programme for SeedPod has been finalised and the construction contract was awarded on 31 March 2023. Mobilisation is now underway and activity will commence on site in May 2023. The construction programme is being finalised, with completion currently scheduled for Q2 2024/25.	
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	The construction of Bio-Hub is complete with a launch date at the end of May 2023. BioHub will provide a unique combination of facilities, networks and support programmes to its tenants, enabling business leaders, academics and clinicians to realise their commercial ambitions in life sciences	
Increase the number of tourism businesses with online booking capabilities	Vast majority now do have such provision.	

Ensure energy sector is maximising opportunities for investment under place-based Industrial Strategy and Sector Deals	Energy Transition Zone investor offer developed, working with Invest Aberdeen and both governments.	
Implement the Regional Sustainable Energy Action Plan, promoting awareness and opportunities arising from it, to identify competitive advantage for the region		
Maximise supply chain development in alternative energies (including renewables and carbon capture & storage/hydrogen action plan, and support innovation in other fuel technologies	500 + energy supply chain companies supported with diversification and opportunities in green energy markets through ONE and ETZ Ltd supported by JTF	
Provide specific business growth support for private sector companies, focusing on diversification opportunities	Councils currently deliver business growth support with Business Gateway. Not focussed on diversification – SE work with wider local and national partners eg ONE	
Ensure opportunities for a Smart City Action Plan are maximised	Detailed stakeholder interviews and workshops were held, and a new Smart City Roadmap has been produced.	
Develop and deliver the digital and entrepreneurship hub to build a digital company cluster and enable digital transformation within the region's key sectors	ONE Techhub opened and operational, funded by ONE with thriving digital ecosystem – supported through ONE DT Business Growth Programmes and ONE Codebase start-up fundamentals and next steps. Partners include Techscaler, 5G Innovation centre, datalab, censis, Barclays.	
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	Work was undertaken to produce an outline business case for a Regional Data Exchange and Sensor Network through the City Region Deal. The commercial and economic case wasn't strong enough and the Joint Committee agreed to not proceed any further with these projects and to use the funding to prioritise digital infrastructure throughout the Region	
Review and scope potential future transformational projects, identified through the Renaissance stakeholder engagement, for economic impact and further development	Energy Transition Zone established as major transformational project by ONE and partners. NEAT North East Adventure Tourism phase 1 funding secured by ONE through Just Transition to support four infrastructure projects over two years.	
Programme 3 – Inclusive Economic Growth		
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	Circular economy principles focal point for Energy Transition Zone	

between local companies and academic institutions to identify business opportunities for both new and existing companies	AGCC has developed learning modules. Circular economy officer in post operating across the region.	
Build on the momentum created from the Buy North East initiative to promote local procurement and ensure regional businesses are aware and prepared to take advantage of the opportunities provided by the planned programme of infrastructure investment and other development projects	Local procurement still to be developed. Business Gateway procurement officer in post in Aberdeenshire as part of Community Wealth Building project. Aberdeen City Council has this worksream as part of its employability service delivery and a Communit Wealth Building Action Plan	
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	Ongoing	
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	Inclusive growth objectives and outcomes now being monitored using the wellbeing economy monitor	
Support delivery of Developing Young Workforce Programme	Ongoing	
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		
Align the region's skills system to support economic transition through delivery of Regional Skills Strategy	Regional Skills Strategy completed 2018	
Increase the take up of Scottish Enterprise support to businesses and grow the number of account managed companies based in the region		
Continue the delivery of Business Gateway business start-up, funding and development support which is available to all businesses (including social enterprises in key health and social care sector)	Ongoing	
Continue to deliver Elevator's accelerator programmes through their regional Centre for Entrepreneurship that assist early stage businesses to maximise their potential	Support all accelerators in the region	
Delivery of Elevator's programmes that support the development of future entrepreneurs	ONE developing entrepreneur culture including NEERSF MIT cohorts trained.	

- Grow Innovation Driven IDEs (IDEs)		
Delivery of sector-specific business growth programmes in food, drink and agriculture, life sciences, oil, gas and energy, and digital to accelerate company creation and growth	ONE developed and delivered growth programmes for all sectors including Tourism via Visit Aberdeenshire.	
Work with businesses on a more inclusive approach to business support and how they work with their supply chains to support business growth, including workplace innovation and adoption of progressive people practices	Use Wellbeing Economy Monitor approaches Refresh of the ACC Business Charter in 2023	Yes
Implement Regeneration Plans for Tillydrone, Middlefield, Northfield and Torry (Aberdeen City) and the towns of Peterhead, Fraserburgh, Macduff and Banff to support inclusion, sustainability and entrepreneurship	Locality Plans developed	
Ensure leverage of remaining Structural Funds (ERDF/ESF 2020) where relevant	Funds finish in June 2023. Working to delivery Shared Prosperity Funding and Levelling Up.	
Transformation and refurbishment of Union Terrace Gardens	Complete	
Redevelopment of Aberdeen Science Centre as focal point for STEM engagement with young people	Complete	
Develop and implement a regional narrative, and marketing campaign that supports the objectives of the Regional Economic Strategy in order to attract and retain people, and investment	Invest Aberdeen set up ABZolutely campaign delivered by AGCC	
Programme 4 - Internationalisation		
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 created New action to seek investment	
Rejuvenate North East of Scotland Trade Group as an export partnership focused on increasing the number of companies exporting and activity from existing exporters	North East Trade and Investment group now active	
Maximise civic, trade, World Energy Cities & EU memberships to link Aberdeen to international trade and investment markets		
Engage with Government to ensure Region is positioned to capitalise on any emerging trade deals following Brexit		
Ensure we maximise opportunities for the fisheries sectors as the landing and processing hub for the UK in the context of Brexit	Ongoing	

Delivery of the new Regional Tourism Strategy and Action Plan		
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	Ongoing ACC	
Support and promote the arts and cultural venues of the North East to attract and promote national and international exhibitions and programmes	Opening of Music Hall and Art Gallery. Coastal Economies Levelling Up Programme will create a new museum in Peterhead and expand the Macduff Marine Aquarium.	
Establish a new Convention Bureau model to maximise the impact of the new arena and conference centre and the Aberdeen Harbour expansion	Established within VisitAberdeenshire and supported by operators of P&J Live. Also includes the Ambassador Network to support the bids for international business events	Yes
Support delivery of Offshore Europe 2019, and secure support from 2021	Complete. Now focus on the 50 th edition of OE in 2023	Yes
Support delivery of the new arena and events complex in Aberdeen, including SMG business plan to attract events to the city	Done and ongoing	
Submission of a bid for UNESCO Creative Cities designation	Not Done	
Support and attract events that will be of international and national significance as part of the delivery of the Aberdeen 365 events and festivals plan	Events 365 set up and operational and has seen a number of new national events been secured and existing events expanded	Yes
Support development of projects and delivery of Culture Aberdeen Plan and Aberdeenshire Culture Strategy	Culture Strategy launched in 2017 Support creative sector and seek to attract cultural events and filming	
Establish feasibility of a sustainable investment fund for tourism, marketing, culture and events in Aberdeen	Scottish Government developing work for a bill on a transient tourism levy. Work has been done in 2017 that will be used to inform feasibility in 2023/24	
Retain and attract new air routes to Aberdeen International Airport	Ongoing	
In marketing as an embarkation port, develop case for delivery of a new cruise terminal, supporting infrastructure, along with a world class range of products and itineraries for the cruise market	Ongoing	

ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	17 th May 2023
EXEMPT	No - The content of the report is public but Appendices '1' and '4' are exempt under Paragraph 9 of the Local Government (Scotland) Act 1973; 'Any terms proposed or to be proposed by or to the authority in the course of negotiations for a contract for the acquisition or disposal of property or the supply of goods or services.'
CONFIDENTIAL	No
REPORT TITLE	Belmont Cinema and Media Centre Options
REPORT NUMBER	COM/23/138
DIRECTOR	Gale Beattie
CHIEF OFFICER	Richard Sweetnam
REPORT AUTHOR	Mark Bremner
TERMS OF REFERENCE	4.1

1. PURPOSE OF REPORT

- 1.1 To update the Committee on any developments in relation to the Belmont Cinema and the implications for the Council.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Notes the findings and recommendations of the Feasibility Report and Marketing Report;
- 2.2 Notes the outcome of the Options Appraisal;
- 2.3 Instructs the Chief Officer - City Growth in consultation with the Head of Commercial and Procurement Services to proceed with issuing a Prior Information Notice (PIN) through Public Contracts Scotland with a Request for Information (RFI), to market test for a prospective operator according to the financial modelling and recommendations in the Feasibility Report; and
- 2.4 Instruct the Chief Officer – City Growth to report back to committee on progress through a Service Update.

3. CURRENT SITUATION

- 3.1 The Council's Finance and Resources Committee in November 2022 instructed the Chief Officer City Growth to explore whether there are potential options for

the sustainable operation of the Belmont Cinema and to update a future meeting of this Committee (Notice of Motion 6.2).

- 3.2 The Belmont Cinema and Media Centre on Belmont Street is a Council owned facility which until October 2022 was operated through a ten-year agreement and lease by the charity 'The Centre for Moving Image' (CMI) trading as the charitable subsidiary 'Belmont Filmhouse'. It provided inclusive art-house media and educational programming, as defined in an agreed business plan, in exchange for deficit funding provision from the Council, up to a maximum of £85,000 per annum as well as a peppercorn rent for the premises.
- 3.3 The Centre comprises a three-screen cinema, with seating for 272, 146 and 67 persons, café/bar with catering facilities, kiosk shop, offices and seminar rooms. The Cinema includes a range of audio-visual technical equipment on site, including three digital projectors, which are the property of the Council.
- 3.4 The charity encountered a 'perfect storm' of financial challenges which led to them entering administration on 6 October 2022 leading to all associated subsidiaries and venues closing with immediate effect and 21 staff being made redundant. Challenges included:
 - Attendance levels around 50% of pre-Covid levels, and little indication customers would be returning;
 - Income generation through café/bar facilities not being maximised;
 - Steep increase in energy costs (with a projected 320% increase in gas costs in 2023/24, and a projected 250%+ increase in electricity costs in 2023/24), and a commensurate projected additional cost in real terms of £96,000 in 2022/23 and £150,000 in 2023/24;
 - Staff cost increases in line with inflation and real living wage; and
 - Volatility of the cinema market as production disrupted by Covid and shift to streaming services.
- 3.5 The administration process is ongoing with assets being disposed of in response to the priority interest of the company's creditors. The building remains leased to Belmont Filmhouse Limited through FRP Advisory as administrators, along with associated liabilities, until such time as new operator is in place, or the Council chooses to accept surrender of the lease.
- 3.6 Following the administration notice a number of parties came forward to express interest in potentially operating the venue, including the Save the Belmont campaign group. Officers engaged with all enquiring organisations, but it was apparent that there was no operator at that time that had the necessary capacity and experience to deliver the contract for culture cinema programme provision from the venue. This situation was not helped by the absence of detailed information on the trading history of the former company that would support any business plan for a new venture.
- 3.7 In response, officers engaged Shepherd Chartered Surveyors to undertake a marketing report on the premises (Appendix 4 to this report) and cinema experts Mustard Studio to provide a report on the feasibility of The Belmont providing a sustainable programme in future (Appendix 2 and 3), and the kind

of operator that could give the venue the best chance of future success. Appendix 1 provides a summary of the following options:

- Option 1 - Do nothing;
- Option 2 - Disposal of building by sale/auction;
- Option 3 – Provide a Council operated cinema;
- Option 4 – Market and procure a new operator based on feasibility report recommendations; and
- Option 5 - Procure operator for a mixed-use cultural venue.

Table 1: How the options compare

Ranking	Option	Rationale
1 st	4	Feasibility report identifies models for sustainable operations of the Belmont and presents the best option in terms of community and cultural benefit. It does not come without risk but given planning legislation delays option 2 it warrants further exploration through a market testing exercise.
2 nd	5	This remains a more speculative option given the stall in cultural attendance across other artforms. Adapting the building to other uses is likely to occur significantly more capital cost.
3 rd	2	Challenging building to market, potential for reputational damage. Under NPF4 there the building would need to be marketed as a cultural venue for 12 months
4 th	3	Given the margins it is unlikely this could be operated sustainably. Technical, business and cinema specific skills would need to be recruited. A Council operated venue will not benefit from rates relief and will have more limited access to grants and trust funding to meet capex.
5 th	1	Costs will still occur when liabilities return to the Council when lease ends 2024 or surrendered. This option does not resolve building issues and will likely lead to further dilapidation costs in the long-term as well as reputational damage

3.8 At this time ‘Option 4 – Market and procure a new operator based on feasibility report recommendations’ is the recommended next step.

3.9 The feasibility report does not recommend any specific cinema operators but provides an analysis and options for re-launching and operating The Belmont. As such the plan and financial model are adaptable and provides multiple options around legal structure, refurbishment schedules and ongoing operations to allow for flexible and innovative solutions in response to the wider challenges highlighted in 3.4 above.

3.10 The report highlights several options to deliver a sustainable cultural cinema programme, and examples of where similar operations are successful. It highlights key ‘critical success factors’ including prioritising the customer

experience, providing a curated film programme that is not too niche, and responsive to needs of local audiences, provision of quality food/ beverage offer and investment in the building.

- 3.11 For any potential operation to succeed, the report recommends that a re-launched Belmont must focus and prioritise on improving the overall visitor experience and provide attractive food and beverage service as part of the offer. Creating an inclusive quality experience will attract more attendance beyond the core audience already bound to The Belmont by loyalty or film choice, but whose custom may make a significant difference to long-term financial sustainability.
- 3.12 Creating a high-quality visitor experience will occur significant capital investment, even reopening the building to the public will occur some costs in order to meet legislation and certification requirements. The report and its financial modelling do suggest this can be achieved through a phased approach, and the financial model does not incorporate any direct revenue grant or capital investment from the Council in the projections. Support is limited to a 'peppercorn rent' on the provision of a continued programme of cultural cinema and education being central to an operators offer.
- 3.13 Based on the findings of the feasibility report, officers recommend that these findings are tested commercially with cinema operators. Officers would issue a Prior Information Notice (PIN) through Public Contracts Scotland with a Request for Information (RFI) from prospective operators to outline their proposed solutions and competency to operate the building sustainably as well as raise the necessary capital their model may require. This provides a final and robust testing of the market potential, and commercial assessment of the level of costs or subsidy requirements that might be required without restriction of formal procurement process or financial commitment at this time. The responses would then inform a final decision on a procurement exercise for an operator or disposal as applicable.

4. FINANCIAL IMPLICATIONS

- 4.1 The previous fee of £85,000 for the operational delivery of the Belmont Cinema remains within the City Growth budget for 2023/24 pending the resolution of options. Under the preferred option the grant is not assumed to be needed based on the Feasibility Report financial modelling.
- 4.2 The costs to the Council related to the building are contained as long as liabilities remain with the administrator. However, as soon as possession falls back to the Council, annual costs are estimated at £116,854. This figure is based on associated repairs for wind & watertight as well as plant equipment, energy costs, water, security, insurance premiums, and rates liabilities. Many of these costs are fixed, where there are options for further reduction to lower costs, such as energy, it is advisable to keep heating systems on to avoid expensive repair costs later down the line.

4.3 At this time there are no further direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

6.2 There are indirect implications, in so far as the refurbishments plans and environmental sustainability recommendations set out in the feasibility report. The RFI responses would explore the potential for any development plans to ensure the building is environmentally efficient.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	No significant risks identified	N/A	L	Yes
Compliance	Scenario risk of non-compliance with National Planning Framework 4 if recommendation is not pursued.	Issue RFI to market building for sustainable cultural use	L	Yes
Operational	No significant risks identified	N/A	L	Yes
Financial	Reopening may have financial implications for Council in the form of revenue and/or capital Building returning to the	Financial modelling options provide varying tiers and approaches without Council subsidy. RFI does not commit the Council financially	M	Yes

	Council would occur significant annual costs.	Recommendation seeks to make that the last option available to the Council.		
Reputational	Reputational damage if the Council does not reopen the venue	Recommendations support process to identifying sustainable operator for the venue	M	Yes
Environment / Climate	No significant risks identified	N/A	L	Yes

8. OUTCOMES

<u>COUNCIL DELIVERY PLAN 2022-2023</u>	
	Impact of Report
<p>Aberdeen City Council Policy Statement</p> <p><u>Working in Partnership for Aberdeen</u></p>	<p>The proposals within this report support the delivery of the following aspects of the policy statement:-</p> <p>Vibrant City- We will work tirelessly to make Aberdeen a more attractive place to live, work, report and visit with a vibrant cultural offering.</p> <p>Arts Matter - Our city should become distinguished by the range and depth of active creative expression and artistic enjoyment experienced by those who live here and by visitors. By supporting and working with cultural partners, we will ensure there is richness and diversity of arts activities.</p> <ul style="list-style-type: none"> • Support Aberdeen Performing Arts and other cultural providers to offer the widest possible arts programme for all across our communities • Seek to make Aberdeen a UNICEF Child Friendly City.
<u>Aberdeen City Local Outcome Improvement Plan 2016-26</u>	
<p>Prosperous Economy Stretch Outcomes</p>	<p>The proposals within this report support the delivery of LOIP Stretch Outcome 2 – 400 unemployed Aberdeen City residents supported into Fair Work by 2026 and key driver 2.1 Supporting labour market to recover from impact of Covid-19 on employment.</p> <p>The Feasibility report recommendations sets out the potential for up to 24 jobs being created with the reopening of the venue.</p>

Prosperous People Stretch Outcomes	The feasibility report and the proposal of activity in this report supports Stretch Outcome 8 Child friendly city, through Key driver 8.1 Secure required six UNICEF badges to gain Child Friendly City status in culture. As part of the feasibility report work the experience and view of children and young people as audiences, participants and users have informed the recommendations.
Prosperous Place Stretch Outcomes	The proposals within the report support the delivery of LOIP Stretch Outcome 13, Addressing climate change by reducing Aberdeen's carbon emissions by at least 61% by 2026 and adapting to the impacts of our changing climate. The Feasibility report recommends the upgrading and improvements to energy efficiencies of plant as well as making sustainability a central focus of the operating model.
Regional and City Strategies	<p>The proposals within this report support Culture Aberdeen, the City's Ten-Year Cultural Strategy and its 5 key objectives.</p> <p>Regional Economic Strategy - Support development of projects and delivery of Culture Aberdeen Plan and Support and promote the arts and cultural venues of the North East to attract and promote national and international exhibitions and programmes</p> <p>The proposal also complements the City Centre Masterplan vision and associated action plans, in particular the Belmont Quarters and Union Street Empty Shop Action Plan.</p>

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Stage 1 completed. Full IIA only applicable upon completion of RFI exercise.
Data Protection Impact Assessment	Not required
Other	Not required

10. BACKGROUND PAPERS

10.1 Notice of Motion 6.2, Finance and Resources Committee, 2 November, 2022.

11. APPENDICES

11.1 Appendix 1: Belmont Cinema Future Options Analysis EXEMPT

11.2 Appendix 2: Cinema Feasibility Report

11.3 Appendix 3: Cinema Feasibility Report Executive Summary

11.4 Appendix 4: Property Marketing Report EXEMPT

12. REPORT AUTHOR CONTACT DETAILS

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CINEMA FEASIBILITY REPORT

The Belmont Cinema, Aberdeen

Report and Business Plan Prepared for Mark Bremner, Aberdeen City Council

April 2023

Mustard Studio 

Mustard Studio / Cinema + Film Consultants
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Supplementary Documents

Topline Results Presentation

Financial Model

Architectural Drawing Portfolio

Quantitative Surveyor Costings Portfolio

We prepared this report between 22nd February and 5th April 2023. Our analysis and recommendations are based on the data and other information available to us during this time. Where relevant data is missing, we have made our best estimates based on general knowledge of the sector. Our work is based on careful analysis and thought, but there is necessarily some speculation involved, so our conclusions should be taken as indicative guidance rather than explicitly predictive. The report is based on the expertise of four practitioners who have developed and operated multiple venues. Aspects of the report were also commissioned from experts in their respective fields, including QS, architecture, F&B and educators.

1 - Background

The Belmont Cinema has been a central element in the screen culture of Scotland's Northeast for two decades.

It has presented a diverse programme of films unavailable at nearby cinemas; delivered a range of educational services to school children and people of all ages; enhanced film's place on the cultural map by partnering with other Arts operators in Aberdeen and beyond; and supported moving image production by showcasing the work of local and regional filmmakers.

The Belmont was originally conceived as a state-of-the-art media centre and a regional hub for cultural cinema programming and related educational services. It opened in 2000 and was initially operated by City Screen, a subsidiary of Picturehouse Cinemas, a nationwide circuit of neighbourhood cinema venues often located in popular student towns. In 2013 that contract ended after Cineworld's acquisition of Picturehouse created a risk of monopoly in Aberdeen. In 2014, The Belmont was taken over by the Centre for the Moving Image (CMI), an Edinburgh-based cultural cinema organisation, to deliver a diverse range of film and media screenings. The Belmont ceased trading on 6th October 2022 due to the insolvency of its parent company, the CMI. Factors contributing to the closure include lower attendance post-pandemic, inability to exploit income generation, and increased energy costs and wages.

Aberdeen City Council (ACC) seeks to support the Northeast's screen culture by re-establishing The Belmont on a stable footing to renew and develop its important role in growing local and regional cine-culture.

This report and business plan is the product of a feasibility study commissioned by ACC and carried out by Mustard Studio in February–April 2023. The purpose of the study is to determine whether and on what basis The Belmont might operate in a financially sustainable manner, and to assess what kind of operator may give the venue the best chance of future success.

Since the purpose of this document is to inform ACC's subsequent efforts to engage a new operator for The Belmont – and we cannot know at the time of writing who that operator is, or the specificities of their trading framework – certain aspects necessarily remain speculative. We have developed analysis and options planning that we hope offers significant guidance towards re-launching and operating The Belmont, no matter who takes on that responsibility. We have kept the plan adaptable by describing and assessing multiple options around legal structure, renovation and ongoing operations.

The report should be read in conjunction with the supplementary documents listed in the table of contents.

2 - Vision and Objectives

The Belmont's vision is to be the focal point for screen culture in the Northeast of Scotland, changing people's lives for the better through access to and education in the full diversity of film culture.

Operating year-round, on a full-time basis if possible, The Belmont will express its vision by delivering four primary objectives:

- **extending the cultural range of films available to Aberdeen audiences** by presenting a diverse programme that extends well beyond the mainstream, exploring films from all around the world as well as from local filmmakers, and adding value through informative events and guest appearances.
- **partnering with key cultural providers** both locally and nationally to ensure that Film is properly represented in Aberdeen's wider culture and that other Arts operators have the resource and support they need to engage fully with Film.
- **developing cine-literate audiences for the future** through an extensive educational programme, both via schools engagement and wider community engagement both formal and informal.
- **bolstering film and media production** in the city by supporting or delivering additional educational activities, as well as providing a hub for local film and media practitioners.

To deliver these objectives, the immediate goal is to re-launch The Belmont in such a way that it can operate sustainably despite a number of challenges, and can deliver the full range of public goods entailed by its vision and identified by ACC as key deliverables. This initial requirement creates three further preliminary objectives, as follows:

- **Appoint an operator** capable of running The Belmont on a commercially viable basis while delivering its cultural and educational objectives.
- **Make the building good and refurbish the facilities** so as to maximise the new Belmont's ability to attract customers and serve its various stakeholder constituencies.
- **Plan and deliver a launch campaign** to ensure the new cinema gets off to a strong start.

Fulfilling The Belmont's vision and objectives requires a clear understanding of local market conditions; a robust operational plan to address several core trading challenges; and an understanding of options around legal structure.

3 - Market Analysis

3.1 Context

This section examines Aberdeen’s cinema market to assess whether and how the Belmont might find a commercially viable niche.

The analysis uses historical box office data and survey results from recent years; contextual information regarding the outlook for the overall cinema market in the UK; case studies and recent business data from cultural and community cinemas in other parts of the UK, as well as The Belmont’s mainstream competitors in Aberdeen; and Aberdeen-specific catchment analysis based on demographic profiling from The Audience Agency.

3.2 Local Area

Aberdeen has a population of approximately 227,450. The largest age cohort is 25–44 (74,894, 33% of total). The population skews marginally female at 50.2%. The projected population increase between 2018 and 2028 will likely be around 1.1%.

Cinema provision in Aberdeen City includes two Cineworlds (Union Square and Queen’s Lane) and Vue Aberdeen. The only full-time independent or cultural provision up until October 2022 was The Belmont. There is currently no other operator offering a culturally diverse film mix.

Aberdeen has a healthy Arts scene, including His Majesty’s Theatre, the Music Hall and the Lemon Tree. All these venues have potential crossover with The Belmont’s audience.

3.3 Historical Box Office Data

The historical box office data available to us show a drop after 2014, followed by a reasonably consistent trajectory for 2017–2020. Reports from the end of the Picturehouse era (2012/2013) indicate admissions of 80,735; the start of the CMI era (2014/2015) saw admissions of 77,297, which suggests reasonable continuity despite the change in management. After a short gap in the available data (2016), however, we see that admissions had declined and settled on a plateau of approximately 65,000 annually.

We have analysed Q1 data as representative of the box office. The first quarter is often the strongest for cultural cinemas as it usually has a good spread of award-winning films that have played major festivals from the previous year. It’s therefore a useful lens for this sort of cinema.

A comparison across Q1 of the years 2017–2020 helps to clarify the pattern. While we don’t have a complete picture of Q1 2020 as all cinemas closed in mid-March due to COVID, there is enough data to extrapolate a comparison with previous years. It seems that Q1 2020 would have aligned with 2018 had the sector remained open for business.

Table 1: Q1 Historical Box Office at The Belmont, 2017–2020

	JAN	FEB	MARCH	TOTAL
2017	8,431	8,123	6,673	23,227
2018	9,097	5,585	5,299	19,981
2019	8,169	5,393	3,888	17,450
2020	6,966	7,717	1,928 (est. 5,287)	19,970

Q1 admissions at The Belmont gradually declined over 2017–2019 and then recovered somewhat in 2020 (likely due to the phenomenal success of 'Parasite'). The Belmont's performance in Q1 during these years is slightly out of step with general industry trends. Data from the Film Distributors Association yearbook 2022 shows that the UK and Ireland 2018 box office was 0.2% higher than 2017. In 2019 the box office dropped 1.7% from 2018. The decline at The Belmont, then, was clearly steeper than the industry average in this period.

We note that the Belmont Café-bar closed in 2017. Anecdotal reports suggest that the Café-bar operation had been running at a loss and that this was the immediate reason for the closure. In general, we would expect the closure of a cinema's main F&B operation to negatively impact the overall experience of attending the cinema and thus to have a knock-on impact on the broader business, including ticket sales. The fact that the audience declined significantly from 2014/2015 levels by 2017 when the Café-bar closed, and that performance after the closure lagged the sector as a whole, bears out the hypothesis that the closure had that impact. This suggests that a new operator at The Belmont should ensure that a reliable and attractive F&B service is part of the offer.

3.4 Evidence of Previous Audience Sentiments

Several audience surveys have been conducted in recent years.

In 2014, Scotinform Ltd. surveyed Belmont respondents (survey only) and participants (focus group). In Spring 2022, the CMI conducted audience surveys for both their sites, Edinburgh Filmhouse and Belmont Aberdeen. The results of these surveys can be found [here](#).¹

For clarity, there are three surveys: 2014 (conducted by Scotinform), 2022 (conducted by the CMI) and 2022 'external' (conducted by Mustard Studio).

The 2014 survey was conducted by e-survey and participants in person; the 2022 CMI survey was conducted by digital and post; and the final 2022 'external' was via Survey Monkey and participants in person.

The 2022 'external' surveyed Aberdeen cinemagoers on behalf of CMI. Previous surveys since 2014 had tended to pool their participants across the CMI ecosystem (Edinburgh and Aberdeen). Mustard Studio took a different approach, trying specifically to understand the behaviour of people in Aberdeen who go to the cinema but whose first choice venue might be somewhere other than The Belmont.

Strikingly, both 2022 surveys revealed similar sentiments to the 2014 survey. In presenting evidence of audience sentiment here, we have pooled results from 2014 and 2022 to illustrate a consistent range of audience feeling across the period.

3.4.1 Survey Results: Respondents By Post (2022 only)

LAPSED AUDIENCES (last visit in the previous two years or over two years ago): Respondents tended to cite the pandemic as the primary reason for not returning.

INFREQUENT AUDIENCES (last visit in the previous 12 months): Respondents gave fewer uniform answers about why they had not attended more often. These typically included 'I am not interested in the films/events offered'; 'due to the pandemic, I'm not ready to go back to normal'; 'I don't have time'.

¹ https://drive.google.com/drive/folders/14oP_ImcyHKYOao0hflpYDciFdWZKqZnR?usp=sharing

Only ten people fell into the 'infrequent audience' category; three (30%) said they were uninterested in the films being shown.

FREQUENT CINEMAGOERS (last visit in the previous six months):

Most had visited within the previous month. These cinemagoers are Belmont ambassadors and often comment on the friendliness of the staff.

Survey respondents often mentioned Cineworld Union Square as an alternative to The Belmont.

3.4.2 Survey Results: Digital Respondents

LAPSED AUDIENCES (last visit in the previous two years or over two years ago):

Respondents tended to cite the pandemic as the primary reason for not returning.

Digital responses included more 'I don't have time' answers. In general, it can be hard for people to get back into the habit when they stop attending something regularly.

INFREQUENT AUDIENCES (last visit in the previous 12 months):

No respondents offered a single main reason for not visiting The Belmont, but 64% of this segment said they were going to the cinema less frequently overall. Of this segment, 71% had been to see a film at another venue in the last 12 months, with a fairly even split between the two Cineworlds and Vue.

The 2014 respondents mentioned similar reasons for lapsing or infrequently attending, using language such as 'lack of time' and 'I'm not interested in the films showing'.

Interestingly, this section of respondents tended to associate the programme of independent and alternative films with 'stuffiness'.

FREQUENT CINEMAGOERS (last visit in the previous six months):

In the 2022 survey, frequent cinemagoers comprised the largest segment. We have the following data from their responses:

- 42% visited about the same as pre-pandemic.
- 24% visited less frequently, and the remainder more frequently.
- The respondents' top three age ranges were 60–69 (23%), 20–24 (21%), and 50–59 (20%).
- 'Welcoming', 'Aspiring' and 'Fun' were this segment's top descriptors of The Belmont.
- Of the respondents in this segment, 69% had been to another cinema in Aberdeen.
- 53% walk to the cinema, and 22% use a car.

The 2014 survey found that 72% of current attendees were Filmhouse members at that time. Members are often the backbone community of a cinema and tend to be more adventurous with their film choices because that's one way to get the best value out of their membership benefits.

The surveys reveal some additional comments about the cinema seats being uncomfortable.

3.4.3 Mustard Studio Survey (2022)

In the summer of 2022, with audiences remaining depressed after the COVID pandemic, Mustard Studio surveyed audience sentiment and behaviour on behalf of the CMI. Unlike the survey conducted by CMI themselves, Mustard's survey eschewed the usual cinema

channels. Instead, it reached out to the broader community via 'Massive' and 'The Skinny' to seek wider coverage of people who might not already be engaged with the cinema.²

20% of the respondents for Aberdeen said that The Belmont was the main cinema they visited. In contrast, the rest tended to name more than one cinema, including Cineworld or Vue alongside The Belmont.

Another key finding from the Mustard survey is the films this audience had seen (at any cinema). The films most often mentioned by respondents had wide releases and would have been available in the multiplexes. The top three titles were 'Top Gun' (53%), 'The Batman' (52.9%) and 'Dr Strange in the Multiverse' tied with 'Elvis' (41.1%). Alongside this, respondents mentioned less mainstream titles such as 'Belfast' (23.5%), 'Cyrano' (25.3%) and 'Everything, Everywhere All at Once' (25.3%) – but we note that these also played multiplexes. Films that would have screened only at Belmont, such as 'The Quiet Girl', 'Drive My Car' and 'Flee' (all selected for the survey questions because they are awards nominated or winners), were not selected by respondents to this survey (0%).

This illustrates how cultural cinema often works. There is a core audience that supports the niche and specialised titles. That audience can be limited or inconsistent, though. While specialist films constitute the 'flavour' of the cinema, they are often not enough to sustain the cinema as a business. This doesn't mean that the operator has to turn entirely to mainstream content, especially given ample competition in the city. Instead, a curated programme should offer a mix with some first-run content that leans more mainstream sitting alongside and supporting a diverse range of quality events and specialist content, thus forming a distinct programming identity overall.

3.4.4 Conclusion about Previous Audiences

Cinemagoers who had attended The Belmont in the past spoke highly of the experience, with the programme of films being the primary reason for their attendance and, in particular, the ability to see the kind of films they couldn't see elsewhere. Inside the cinema, they found the staff welcoming and friendly, and this was often expressed in the survey responses. Delivering a diverse programme of films and ensuring that frontline staff offer a warm welcome must be important operational objectives for any future operator.

There were, however, numerous critical comments about the café being closed. This emphasises that the lack of a complete retail offer likely impinged on the cinema's overall commercial performance in the period from 2017. Access to a reasonable F&B offering is now generally recognised as part of the cinema-going experience across the sector; the survey responses corroborate this view, which aligns with our conclusions from the box office data.

In line with the experience of other cinemas across the UK, there is no one particular influence on audience numbers in the post-COVID period in Aberdeen, but rather several factors in play. Primary factors include:

Reluctance to return:

A proportion of 'older' cinemagoers (50+) were slower to return to regular attendance.

Lack of knowledge of the programme:

² 'Massive' is a UK-based BFI-funded initiative connecting audiences aged 16–30 with independent film. 'The Skinny' is an Edinburgh-based listings magazine with a digital audience.

Like many cinemas in the pandemic, CMI did not republish their printed brochure coming out of lockdown. Many survey respondents commented they could manage without the brochure by using digital platforms such as the website and e-newsletter. That said, we generally know that websites are usually used when wanting to *action* something (e.g. book a ticket), and e-newsletters are specifically a *sales* tool. A printed programme, by contrast, *contextualises* the films – which is especially important when the films being screened won't have the same exposure as mainstream content or benefit from the nationwide marketing campaigns implemented by larger distributors. We note that lack of knowledge about upcoming films is a problem across the industry, not solely for cinemas, as media advertising has decreased since the pandemic.

Experience:

69% of digital respondents in the CMI survey had seen a film in another venue. As the only other venues in Aberdeen are multiplexes, these cinemagoers either chose to see a mainstream film because Belmont wasn't playing it, or they went elsewhere because they preferred the experience. We know from the survey data that younger people, as one example, might opt for a multiplex cinema because of price, location and general offers such as more food options.

Of these factors, we know reluctance to return is a nationwide challenge across many art forms. Once the habit of attending the cinema is lost, it can be hard to revive.

Lack of knowledge of the programme reveals limitations in marketing. A less attractive experience arises from a lack of ongoing investment in the public-facing areas of the building, most likely combined with the lack of an attractive café/dwell area.

Generally, then, the survey data suggest that there is a level of appetite for a more diverse film mix delivered by a friendly, welcoming venue; but that making the cinema work viably requires more emphasis on marketing, a suitably curated programme, an improved overall experience that can compete with what's available elsewhere; and crucially, a complete retail offer that includes a café-bar element.

3.5 The Cinema Market: 2023 Onwards

The cinema market remains depressed but is recovering. Pre-pandemic annual admissions across the UK and Ireland were around 190 million. Admissions for 2022 were 128 million – well short of pre-pandemic levels but considerably stronger than the 2021 total of 80 million. In parallel, Comscore reported total 2022 UK and Ireland box office of £979m, representing a 64% increase over 2021. UK and Ireland was the 4th biggest cinema market worldwide in 2022.

Given the generally positive topline trend in the UK and other major markets, industry specialists such as Comscore and Gower Street Analytics now project that the global cinema box office will return to pre-pandemic levels by 2024. The [February 2023 Report](#) from Gower Street shows the global box office is currently tracking 30% ahead of 2022 but still 16% below the average of the three pre-pandemic years (2017–2019).³

A key driver for this trend is the recovery in the content pipeline, which was heavily impacted on the production side by pandemic lockdowns. This article from [Forbes](#) explores the topic in more detail.⁴ Once the content pipeline re-establishes itself, however, significant tent-pole

³ <https://gower.st/articles/no-quantum-leap-february-global-box-office-continues-recovery/>

⁴ <https://www.forbes.com/sites/scottmendelson/2022/08/22/movie-theaters-are-being-starved-to-death/?sh=77fd601a3294>

releases that encourage people out of their homes will be more consistently available. We expect this to strengthen and complete the sector's post-pandemic recovery.

While analysts working on these global or nationwide figures tend to focus on the studio (i.e. mainstream commercial) end of the market, similar considerations apply to the cultural mix The Belmont will aim to present. In particular, improved reliability of access to attractive content at the more 'popular' end of The Belmont's own programming spectrum will not just improve immediate numbers but should, we anticipate, help get people back into the *habit* of attending the cinema.

3.6 Competitive Analysis

Aberdeen has three other cinemas:

Cineworld Aberdeen 9 (Queens Link) – 10-minute drive from The Belmont.

Cineworld Aberdeen 10 (Union Square) – 10-minute walk from The Belmont.

Vue Cinema (Shiprow) – 8-minute walk from The Belmont.

With the closure of The Belmont, no full-time venues are screening independent and non-mainstream films in Aberdeen. As we have seen from the survey results, audiences are open to more than one kind of experience; they will often make choices based on personal preference at the time rather than ongoing loyalty to a specific venue. At the time of writing (Feb/March 2023), five films were playing across all three multiplexes, and between the Cineworlds, there was an overlap of eight duplicate titles. So while the multiplex operators increase the volume of what is on offer in Aberdeen, they do not fully use their many screens to diversify the film mix available to the city. Aberdeen still needs a wider range of cultural content.

Recent commentary has often predicted the demise of Cinema after the pandemic, with audiences initially slow to return across the board and particularly slow to return to arthouse cinema. There is no denying that Cineworld (along with its US subsidiary Regal Cinemas) filing for bankruptcy in 2022 has resulted in marketplace jitters. While current trading conditions remain challenging, however, a wholly pessimistic outlook may increasingly be at odds with the numbers. To better understand the landscape, we have sampled key recent numbers in Aberdeen and comparable locations to create a snapshot of cinema-going today.

In Aberdeen, the three multiplex venues saw mixed results for the first two months of 2023 compared to the same period in 2022:

- Cineworld Aberdeen 9 (Queen's Link) had a gross box office of £221,823 in 2023, compared to £258,421 for the same date range in 2022, representing a drop of 16%.
- VUE Aberdeen box office dropped by 3% from £115,776 to £112,602 for the same period.
- By contrast, Cineworld Aberdeen 10 (Union Square) saw a year-on-year increase of 12% for this period, with box office rising from £412,794 to £462,941.

This suggests that Aberdeen's market is steady at present, but not much more. More interesting for reimagining The Belmont is evidence from a range of independent and cultural cinemas across the UK, which have seen a pronounced box office increase in the same time frame:

Nottingham Forum +3%
Glasgow Film Theatre +13%
Brewery Arts Kendal +16%
Watershed, Bristol +27%
Jam Jar Cinema, Whitley Bay +29%
Showroom, Sheffield +30%

Glasgow Film Theatre (GFT), for example, has been enjoying a more consistent income result in 2023. We compared January 1st to March 5th between 2022 and 2023 in more detail to better understand the GFT's 13% box office increase. The top 10 films at GFT account for 5% of that increase, indicating that more titles are finding healthy audiences in 2023 than in 2022. This may partly be due to increased confidence from film distributors, who are less likely to disrupt cinema businesses by changing release dates than they were in 2022.

The GFT results and those from the other comparison sites represent an encouraging pattern of recovery across the UK in community-based and cultural cinemas, including those devoted to the kind of cultural range that The Belmont will seek to deliver. Given that Aberdeen's mainstream cinema market is seeing a neutral trajectory at present, the improved buoyancy seen at other cultural cinemas, in the context of an overall national and global trend towards audience recovery, suggests that a re-launched Belmont may see stronger admissions than it did in the post-pandemic zone of 2021–2022.

The cultural and community cinemas we've listed as showing a recent attendance increase have successfully created a local brand identity – significantly improving their position to create a more attractive local offer. All these venues benefit from locally engaged staff hooked into the wider national discourse.

3.7 Cultural Cinema Programme Analysis

Data published in February 2023 by the BFI in a report called 'Watching Films in the UK: How often and how many?' show a snapshot of decline in UK film and independent film (i.e. films not backed by U.S. studios). This nationwide survey has been conducted before, during and after the pandemic and aims to illustrate how consumer habits have changed.

According to the BFI data, from the first wave of the study, UK films have declined by 13%, animation by 13%, and independent films by 15%. Foreign language films have stayed level, however, with only a slight decline of 5%. Documentaries have also remained essentially unchanged.

Product is a key driver of consumer behaviour, and the study doesn't offer specific titles. The study does show that there has been increased activity for Hollywood films, action and adventure. This could easily be explained by the success of two major titles, 'Top Gun Maverick' and 'Dr Strange', which skewed younger and male.

We have looked at the top five films from the first five weeks of 2023 across three cultural venues for a more granular assessment of current trends in cultural cinema.

Table 2: GFT Top 5

TITLE	ENGLISH LANGUAGE	UK PRODUCTION
TAR	✓	
WOMEN TALKING	✓	
THE WHALE	✓	
ALL THE BEAUTY & THE BLOODSHED	✓	
ENYS MEN	✓	✓

Table 3: Sheffield Showroom Top 5

TITLE	ENGLISH LANGUAGE	UK PRODUCTION
TAR	✓	
EMPIRE OF LIGHT	✓	
AFTERSUN	✓	✓
WOMEN TALKING	✓	
THE FABELMANS	✓	

Table 4: Lewes Depot Top 5

TITLE	ENGLISH LANGUAGE	UK PRODUCTION
EMPIRE OF LIGHT	✓	✓
TAR	✓	
THE FABELMANS	✓	
WOMEN TALKING	✓	
PUSS IN BOOTS	✓	

In summary, notwithstanding the overall trends highlighted by the BFI study, granular detail at venue level indicates that there remains a commercially significant appetite for UK film. Independent film survey data is often impacted by the range of films on offer when the participants participate. The table data show that audiences remain curious and are open to stimulating content.

Additionally, in March 2023, Apple announced it would be investing heavily in releasing its slate of films theatrically, rather than keeping content on the streaming platform only ([Marketwatch](https://www.marketwatch.com/story/apple-may-spend-billions-on-theatrical-movies-premier-league-reports-5e3f9d6f#:~:text=Apple%20Inc.%20is%20planning%20to,a%20bigger%20player%20in%20Hollywood)).⁵ One of the lasting results of the pandemic has been a dearth of content in the theatrical market, so Apple's move – in parallel with positive movement by some other streaming companies – bodes well for strengthening programmes in a way that will interest more cinemagoers.

3.8 Cultural Cinema Case Studies

Various cinemas across the UK successfully show a range of cultural and independent films. We have selected three case studies. Two are from cities roughly comparable in scale to Aberdeen. These case studies allow comparison of key factors such as the breadth of the programme, the nature of educational delivery, the café and bar offer, and ways the cinema is rooted in the community.

⁵ <https://www.marketwatch.com/story/apple-may-spend-billions-on-theatrical-movies-premier-league-reports-5e3f9d6f#:~:text=Apple%20Inc.%20is%20planning%20to,a%20bigger%20player%20in%20Hollywood>.

Notably, all three of these examples have evolved from being primarily programme-led towards an increased emphasis on other areas.

3.8.1 Quad, Derby

Quad describes itself as a cultural hub with facilities that include cinemas, a gallery, a café-bar and workspaces. It operates as a charity. The programme is quite varied and, at the time of writing included a foreign language title ('Close'), a documentary ('Meet Me in the Bathroom'), an Oscar-winner ('Women Talking') and a British independent ('Allelujah'). In programming, it feels close to what Belmont would screen.

The café-bar has a range of homemade dishes with locally sourced ingredients and vegetarian, vegan and gluten-free options. The café-bar is work-friendly with free super-fast wi-fi.

Quad has also invested in becoming a leading centre for the creative development of digital technologies, including AR, VR and AI, interactive media etc., which they facilitate through major residencies, exhibitors, workshops, talks and projects.

They have also developed another strand, Tech: Squad, which is an in-house technical team that has specialised across several competencies so they can be hired for various digital projects, including indoor cinema events, outdoor cinema, gallery and exhibition builds and projection mapping.⁶

Derby's Quad illustrates how a cultural cinema can innovate and diversify its income generation.

3.8.2 Broadway Cinema, Nottingham

Broadway's cultural film programme broadly aligns with what we would expect to see at The Belmont, screening some foreign language titles and British independents such as 'Allelujah' and 'Rye Lane'. Broadway is also the lead organisation for Film Hub Midlands in partnership with Flatpack; they house the BFI Academy where they run short courses for practical filmmaking skills; specialist courses to develop skills and build careers; and Labs, a series of masterclasses, workshops and networking sessions.

Broadway has developed a creative community via their Near Now Studio, a scheme funded by the Arts Council. Near Now Studio is a 'creative community to support new ideas and collaborations'. Studio members are eligible for free desk and project space, regular workshops, access to support from a creative producer and benefits such as discounted hire, food and drink and complimentary tea, coffee and wi-fi. See also section 4.1.4.

Broadway had diversified its cinema offer before the pandemic by investing in its basement and creating meeting and office spaces. Since the pandemic, they have benefited from firms in the city downsizing their office space and thus seeking to use Broadway's assets. The cinema has a strong F&B offer which has helped them to keep people coming through the door, regardless of whether they are watching a film.

Broadway is an example of a cultural venue that has aimed to capitalise on a range of potential income streams. They have invested in and developed their offer for local artists

⁶ Projection Mapping uses lower-lumen projectors to present moving image on complex real-world surfaces; it's used by heritage sites, such as castle courtyards, cathedral quadrangles, and in other contexts like car parks.

and creatives in the region and, in November 2022, the Near Now programme received £330K of NPO Funding for the next three years from April 2023.

3.8.3 Depot, Lewes

Depot Lewes has built a community-led 3-screen cinema with a restaurant on site, ensuring it is a destination venue and not reliant on film alone.

Lewes has a population of approximately 100,000. The Depot is a thriving space that perfectly illustrates how an independent local venue can be innovative. It has a bold and ambitious programme and a strong hospitality strategy. Depot was conceived and operated along the principles of accessibility for all and environmental and social sustainability.

Depot's varied programme currently includes mainstream films such as 'Dungeons and Dragons' and 'Allelujah', and kids' titles such as 'Mummies', but balances this with rather more indie programming such as '1976', 'The Beasts' and 'Pearl'. They often create seasons and have events, such as 'Book to Film Club'; and educational courses, including 'Introduction to Film Language'. They have a young programmers group ('KINO Collective') and a discussion programme ('Cinemas of the Mind'), on which they partner with the Arts Forum of Psychotherapy in Sussex.

The restaurant has a range of brunch food for the daytime with a more adventurous dinner menu including around five main course options. This is clearly a popular part of their offer, and they source the food locally and have links to their suppliers on the website. The cinema prides itself on checking suppliers' credentials in terms of ethics, environmental impacts and locality. This focus on core ethical values has become part of the marketing hook for the venue. Depot is often highlighted as a venue with best practice aims for the industry.

The main relevance for The Belmont is the strong emphasis on a restaurant-level hospitality offer in the context of a cinema that delivers some cultural range.

3.9 The New Evolution of Independent Cinemas

The cinema industry is still in survival mode rather than chasing growth. We can discern a few common themes by looking sector-wide, including beyond culturally driven sites, to examine how independent cinemas are changing their operations and evolving to win over audiences:

- *Localised programming that offers a bespoke experience.* Because of the South-West connection, Plymouth Arts Centre saw several sell-out screenings of Mark Jenkins' 'Enys Men'. An operator for Belmont could look at regular Scottish programming via archive.
- *Increased focus on food and beverage as part of the cinemagoing experience.* The venue becomes the destination, not only a building in which to watch a film. The success and expansion of the Everyman group indicate a strong audience desire to have a 'whole night out'.
- *The architecture of the experience.* The cinema aims to offer a conceptual space to welcome visitors – pop-up guest vendors, or book sales, for example. The Belmont had already successfully experimented with pop-up food events before its closure.
- *Increased focus on customer experience.* This includes everything from marketing to hospitality, digital journey to the technical presentation. Picturehouse Cinemas are the latest circuit to invest in a hospitality programme that will elevate its customer service.
- *Increased focus on environmentally sustainable methods.* Cinemas, like everyone, need a healthy world to live in – and audiences respond well to venues that share their

values and concerns. Lexi Cinema in West London sets out its core values and commitment to sustainability through its website and daily practice.

The [Architecture Magazine 'Domus'](#) describes the current evolution of cinema as follows:

Now, at the time of the world's greatest cinema crisis, a new concept of cinema is making its way, starting with a different use of space aimed at revisiting the social function of cinemas. And the numbers seem to prove that this is the future of cinema. The owners call them 'premium cinemas' to differentiate these newly designed cinemas from the more traditional ones. They are usually facilities with fewer screens and designed to present themselves as premium experiences. They are more comfortable, have warm and custom-designed decor and feature study rooms, bookshops, bistros and cafés. And then there are screening rooms. The premium cinema is not just an improvement of the film offer but rather an expansion of the concept of the movie theatre, which goes from being a place to simply watch a movie to a cultural hub, a place to spend time without watching movies, a place where humanity and ideas can come together.⁷

The cinemas that are surviving and thriving are those that can offer a genuinely attractive overall experience around the film. The film is still central, but the end-to-end experience is increasingly critical to success.

⁷ <https://www.domusweb.it/en/architecture/2022/07/29/the-future-of-the-cinema-lies-in-the-evolution-of-its-architecture.html>

3.9.1 Audience Catchment Analysis

Understanding the potential audience for the Belmont requires a look at demographic catchment data. This section is based on profiles from the Audience Agency.

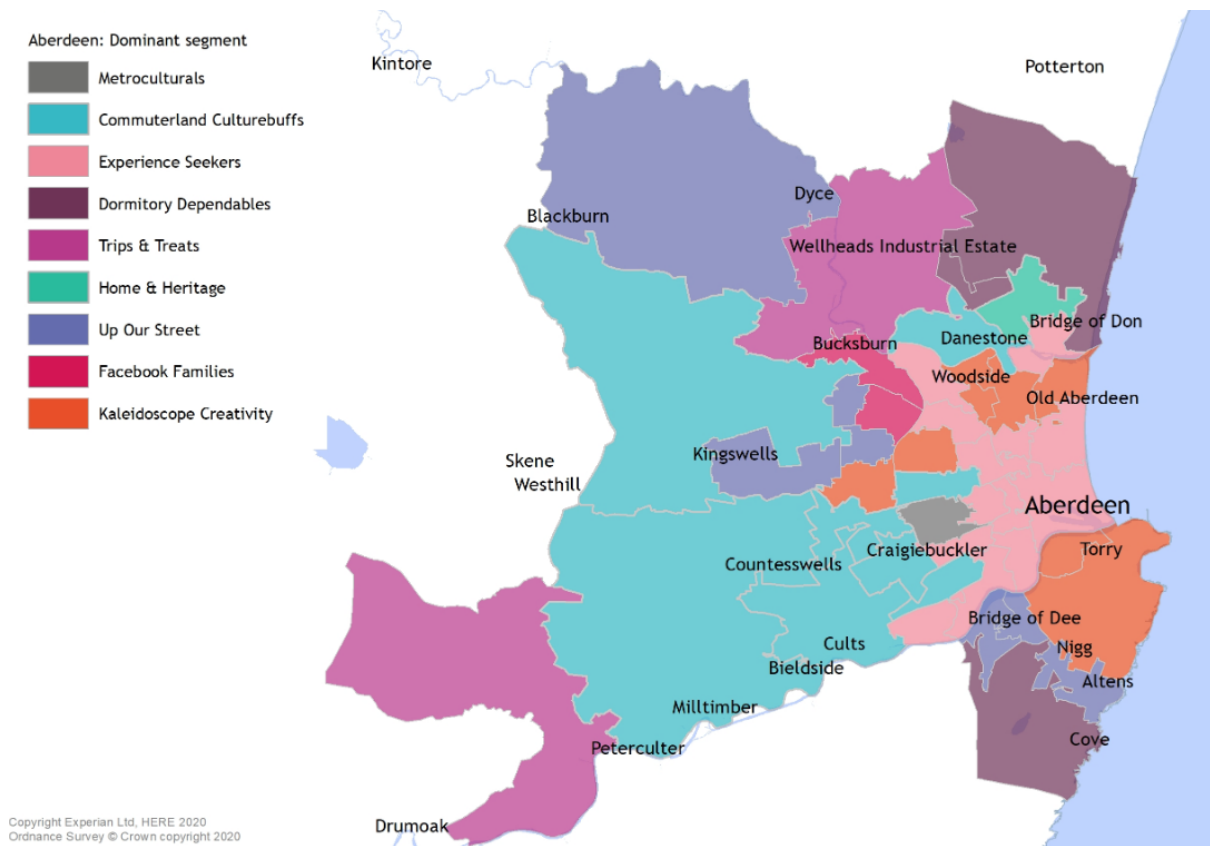


Figure 1. Aberdeen Catchment Area Map

The Audience Agency indicate that the primary cinemagoing groups relevant to developing an audience at The Belmont fall into the following categories (paraphrased from their work):

Primary:

EXPERIENCE SEEKERS

Based in a city centre location, these people like to be able to walk or cycle to the cinema, or may routinely use public transport.

Highly active, diverse, social and ambitious regular and eclectic arts engagers. As well as being culturally and digitally savvy, these audiences tend to be early adopters, looking at how to spend their disposable income. It's important to note this audience catchment falls into two categories:

E1 – socially minded mid-life professionals with varied tastes.

E2 – students and graduates with adventurous attitudes in diverse urban areas.

It is likely that E2, and to some extent E1, will be affected by the cost of living crisis.

Secondary:

KALEIDOSCOPE CREATIVITY

This audience has pockets in old Aberdeen and Torry, with roughly a 12-minute drive time.

Mixed age, urban low engagers preferring free, local, culturally specific arts and festivals. This audience is the most ethnically diverse segment and is classed as seeking income-restriction leisure opportunities. This group is, therefore, more likely to attend free events.

Secondary:

COMMUTERLAND CULTUREBUFFS

Those living on the periphery of Aberdeen offer audience potential, too. Craigiebuckler or Danestone, for example, are within striking distance. Although the driving time for both areas is under 15 mins, public transport takes longer at 43 and 33 minutes respectively. These audiences will likely be motivated by special occasions rather than regular cinema trips.

CC is a predominantly middle-aged group of older families and empty nesters. It is likely that this audience decreased some of their cultural and artistic activity post-pandemic and has been slower to return to typical pursuits. This has been the case across the cultural sector, for example in theatre; however, they have recently been seen returning more frequently.

Aberdeen thus offers several demographic segments that The Belmont should focus on engaging.

3.10 The Belmont's Market

Aberdeen's cinema market currently lacks the sort of provision The Belmont would exist to deliver. The city's market currently appears to be at a plateau, but the outlook should be relatively promising based on wider industry trends. In particular, recovering performance over the past twelve months at cultural and community-focused independent cinemas around the UK may warrant cautious optimism that the market for a diversified film offer in Aberdeen will recover at least as quickly as the overall market.

Box office data and survey results indicate that The Belmont's cultural film mix appeals strongly to some people but not everyone. Many filmgoers choose their venue based on other factors, highly likely including the overall experience of visiting the cinema. In particular, historical data and anecdotal reports point strongly towards the closure of The Belmont's Café-bar as a significant factor in its below-trend box office performance since 2017.

The evidence available to us suggests that to maximise the chance of commercial sustainability, a re-launched Belmont should focus on improving the overall experience of visiting and, as a priority, should ensure an attractive food and beverage service with comfortable dwell space is part of its offer. By elevating the offer while keeping it welcoming, friendly, inclusive and accessible, it should be possible to attract more people not wedded to The Belmont by loyalty or film choice, but whose custom may make a significant difference to financial sustainability.

4. Partnership and Community

4.1 Education, outreach and professional development

The Belmont was initially conceived as a cinema with a media centre to deliver cultural cinema programming and related educational services. Two essential purposes of the venue are:

- 1) to provide an extensive educational programme aimed at both the formal sector and the community on a city-wide basis, so as to enhance the appreciation of cinema and media; and
- 2) to encourage the involvement and development of local cultural and media practitioners.

The BFI National Lottery Strategy 2023–2033 supports the crucial objective of ‘everyone experiencing screen culture’ by establishing an award of £34.2 million across education and skills. The BFI has said that within the first three years of their 10-year plan, they will publish an education strategy and work with exhibition partners to ensure that cultural cinemas across the UK are accessible, affordable and welcoming spaces for young people. This significant national effort will ensure that film education is not an afterthought in cultural cinemas but, rightfully, part of a core commitment to the community.

4.1.2 Education

We note that there is latent ‘soft’ educational benefit that arises simply from bringing a wider diversity of film culture to Aberdeen audiences. We must not ignore this positive, if passive, educational impact emerging from the basic delivery of good cultural programming. Beyond this, though, there is a lot of enthusiasm in Aberdeen for a more formal education programme at The Belmont. This might include a range of activities:

Schools Screening Programme

A schools screening programme to tie in with local curricula is a core learning activity at most independent cultural cinemas. Such activities cost relatively little to deliver but have broad impact because they reach a relatively large number of young people. We would expect The Belmont to continue running schools screenings in future on similar lines as previously. This might include screenings tying in with seasonal events such as National Holocaust Memorial activities and Black History Month; screenings to tie in with curricula for specific subjects such as French or Spanish language and culture; or collaboration with Into Film, the UK’s leading charity for film in education.

Small Group Learning

A fully effective Education programme would also include opportunities for small group learning. We spoke with Murray Dawson (SHMU) and several educators in the Save the Belmont group. Their perspectives raise a number of possibilities for small group learning activities, including some that have been delivered successfully in the past:

- Group and Individual filmmaking workshops.
- Student volunteering or internship opportunities.
- Young Programmers courses.
- Young Filmmaker's practical experience – this could go beyond just filmmaking to bring in craft elements.
- Content creation beyond films – podcasts, video and audio etc.
- Creating a hub for third party regional or national initiatives such as BFI Academy, etc.

Activities such as these impact a smaller number of people but the impact can be deeper if the engagement is more sustained and involved.

4.1.3 Outreach

An example of a successful outreach programme in the recent past was a year-long project with Northfield Academy. This was a Young Programmers project specifically targeted at reaching a poorer socio-economic group who were, on evidence and data, less likely to attend The Belmont. The Communities, Engagement and Education officer spent a full year (Sept–Aug) working fortnightly with 16-year-old students in order to nurture their understanding and experience of cinema. The programme culminated in a well-received screening at the Edinburgh International Film Festival.

Projects of this kind often need to be assessed on a more qualitative than quantitative basis. Anecdotal feedback about the Northfield project suggests that it generated positive outcomes for the participants. We suggest that a future operator of The Belmont should ideally continue and develop this kind of approach – bringing film education out into the community to create whole new opportunities that make a real difference in people’s lives. We note, however, that this kind of initiative would be atypical for a purely commercial operator. It’s likelier to happen if the operator is a not-for-profit with explicit public service objectives. See section 9, Legal Structures.

4.1.4 Professional Development

The Save the Belmont group includes several creative practitioners, including writers, filmmakers, and artists. Conversations with some of these individuals, as well as with Aberdeen University representatives, suggest a need for a hub that contributes to local professional development. Scotland’s central belt is felt to have many more facilities to encourage film production. We see potential for The Belmont to develop an industry-facing strategy, providing a place for practitioners and creatives to develop their skills to contribute to the filmmaking industry in Scotland.

In discussion, practitioners asked for:

- A space to edit
- Access to a green screen
- Podcasting studio

There are models elsewhere in the UK where a venue helps individuals to develop their creative practice. Broadway Nottingham, for example, has developed the Near Now Programme, a dynamic studio for arts, design and innovation. Near Now is funded by the Arts Council and receives approximately £104K annually.

The Near Now concept is structured around ‘The Future of Storytelling’, and a base eligibility requirement is that each practitioner’s work must have a technical element. In terms of film, this includes work in Augmented Reality (AR) and Virtual Reality (VR). Projects initially conceived at Near Now have been exhibited at MoMA, The Guggenheim and Tate Britain – an impressive example of an independent cultural cinema in the UK having a cultural impact internationally. As part of the delivery of Near Now, a full-time creative producer is on hand to oversee the programme and enable practitioners by connecting them with the industry.

Near Now works through three mechanisms:

- 1) a fellowship programme
- 2) a studio
- 3) a gallery

The Studio aims to build a community of creatives in the city. Studio space is given to practitioners who work in a cross-collaborative way. The Studio has technical equipment that can be loaned out to the practitioners: green screen, iPads, raspberry Pi, VR sets, and 2 PCs for game development. Beyond this, practitioners get free access to the space, plus monthly workshops and professional development events. They also get a discount on rental fees across the venue and other spaces, for example, for screen hire.

The Fellowship works somewhat differently. It is an opportunity for artists to work in the space for 12–18 months and use the time for prototyping and R+D activity for a product or service. Applicants for the fellowship apply with an *idea*, whereas the studio space application is based on the *individual*.

Considering possibilities at The Belmont, the studio programme seems the most relevant element of Near Now. It's a flexible concept and seems achievable since the main resource it requires is simply space.

Looking elsewhere, Bristol Watershed now operates the Pervasive Media Studio – a diverse community exploring creative technology, a home for early ideas and companies, and a studio offering space, events and opportunities. So we see the outlines of a trend for serious cultural cinemas in the UK to diversify into supported studio offerings that aim to foster individual development and collaborative achievement by creative practitioners.

In crafting an Education & Learning programme for Aberdeen, we suggest that the future operator of The Belmont look to some of the ground-breaking examples of professional development schemes being delivered by cultural cinemas elsewhere in the UK. The Near Now programme in Nottingham is a great example and might provide some core ideas to take forward in Aberdeen.

4.2 Partnerships

Some important Aberdeen organisations have expressed interest in working with a re-launched Belmont Cinema. These include:

The University of Aberdeen, possibly involving:

- A programme of events with speakers recruited by and in partnership with the University, and relating to the curriculum.
- Screenings of student films.

Station House Media Unit (SHMU), possibly involving:

- A strategic partnership encompassing screenings and production workshop activities.
- A studio space where film development could take place.

These organisations acknowledge that their suggested collaborations would likely depend on reciprocal partnership rather than providing an immediate source of revenue for The Belmont. This highlights that it can be challenging for a cinema to deliver significant

educational benefits while remaining financially viable. That said, reciprocal educational partnerships may yield real benefit in a commercial sense as well, as they help the cinema engage with a broader community and may help draw in the 'kaleidoscope creativity' audience outlined in section 3.9 – while also driving immediate footfall and therefore some additional F&B spend. In any case, there is clearly ample scope for The Belmont to engage with local educational partners to diversify the programme and amplify educational impacts for the community.

We also spoke to people and organisations in the city who have a more commercial perspective and who may be able to fulfill a central role in cinema operations, in partnership with other providers:

Aberdeen Performing Arts (APA)

APA's current priority is the continued governance and growth of its portfolio of venues: the Music Hall, the Lemon Tree and His Majesty's Theatre. Cinema is not an area where they have experience and they are still building back audiences for their existing venues, while dealing with ongoing maintenance issues and renewing energy contracts. That said, they know that The Belmont is a big part of the Arts sector, and was indeed previously a valued partner for them. There is crossover with their audiences so they would not rule out any conversations about future collaboration. They imagine working with a new operator at the Belmont in a manner similar to their past collaborations, specifically through event crossover and complementary programming. For example, APA curate the Granite Noir Festival and The Belmont concurrently ran a themed film series to complement the wider literary festival.

Craig Thom, Faffless

Craig Thom is a locally based hospitality entrepreneur who set up Faffless. This is a small venue hosting music and comedy, working with local artists and offering a range of spirits and small plates. In September, Craig worked with The Belmont to set up sold-out pop-up dinners in the basement. He is also consulting on the menu for Montrose Playhouse.

Craig is very keen to expand his brand and has expressed interest in operating, or contributing to operations of, The Belmont. He demonstrates an understanding that a new operator needs to create a cinema with personality, and a hospitality destination. He is also keen to expand trading income through the private hire of the cinema spaces. We were struck by his enthusiasm for the venue and a core desire to create something special for Aberdeen. He has some innovative ideas for events and programming and in particular seems to understand the younger demographic quite well.

4.3 Summary and Suggestions

There is clear appetite and potential for formal film education activities in Aberdeen, ranging from school screenings and small group learning activities, to extended community outreach programmes and structured professional development spaces. Some of this work (e.g. school screenings) can be delivered relatively cheaply. Other areas (e.g. production training) would probably require working in partnership with other organisations. Others still (e.g. structured professional development) would need to be done in-house and would demand significant resource, probably thus requiring dedicated funding.

In order to accommodate the many potential options for education, outreach, community and partners, we recommend regularly scheduled slots built into the programme and across the venue. We recommend the top floor be renamed as a Studio space (and we refer to it in this way for the remainder of the document) and configured to maximise flexibility and create spaces for the broader community. See section 6 and Appendix 1 on Renovation Scenarios.

We imagine the Studio space providing:

- Co-working spaces that can be hired on a fair rent basis Monday–Friday, aligned with the cinema opening hours.
- Sound-proof spaces that can be used for podcasting or with a green screen, or potentially AR or VR shooting; and used as a chargeable conference room at other times.
- Hot desks which can be used with occasional chargeable passes and also as a meeting space for the co-workers.
- Space for masterclasses and weekend craft workshops.

Meanwhile, cinema spaces would accommodate:

- School Screening Programme.
- Masterclass and Q+A schedule.
- Twice a week free of charge slots in the smaller auditorium for Young Programmers, or for hosting other screenings with an educational or community outreach focus.

The Studio would be a proof of concept in the first 18–24 months, to demonstrate local practitioners' use and needs. Provided the initial phase is successful and confirms demand, we would recommend a long-term plan to develop a programme like Near Now or Pervasive Media Studio, where grant funding could augment the project and incorporate tech elements that aim to future-proof careers for emerging artists.

5 - Core Trading Challenges

Several challenges arise from The Belmont's position in Aberdeen's broader cinema market.

Aberdeen is a mid-sized city with ample mainstream cinema venues and a limited history of locally managed grassroots cultural film exhibition. Historical data and new conversations indicate a core demand for the diverse programming that The Belmont has provided. Still, a full-time cinema in any city of this scale will also necessarily be commercially reliant on a mix of first-run content with rather broader appeal. Many of the broader appeal films at the Belmont will likely also play at the multiplexes. In other words, The Belmont's programme will be partially differentiated, but at the less specialist end of the spectrum, The Belmont must compete head to head with larger, well resourced cinemas nearby.

The fundamental concept underlying all cinema business models is to generate revenue by charging people to see films and selling them food and beverage. To extend their programming in directions that would not be commercially viable on their own, not-for-profit or mission-driven cultural cinemas augment their budgets through some combination of subsidy, grants, sponsorship, or philanthropic donation; and they practice commercial self-subsidy (i.e. using the profit generated by more popular films to cover the cost of showing culturally significant but loss-making films). To deliver its cultural vision, The Belmont must a) sustain a cinema business and b) ensure its objectives are satisfied across programme diversity, education, partner working and community engagement activities. To sustain a cinema business, The Belmont must i) sell enough tickets and ii) sell enough food and beverage. Even if available, public funding will never be enough to sustain the entire business and is not necessarily safe to rely on. Therefore, selling enough tickets and F&B is necessary for The Belmont to achieve its public-service cultural vision.

Historically, the Belmont operated on an apparently commercially sustainable basis under Picturehouse until 2014, seeing around 75K–80K annual admissions; and then since 2014, on a reportedly loss-making basis under CMI, with reduced admissions of 60K–65K annually over 2017–2020. One key change was the change in operator in 2014. A further key change was the closure of the Café-bar in 2017. While the audience decline may have had more than one cause, it's clear that the decline in admissions had a direct impact on commercial sustainability. To reverse the decline and thus assure commercial sustainability, The Belmont must *improve its offer* to survive and thrive in a competitive marketplace.

Core Challenge: Attract enough film-goers at a workable price-point despite strong competition from much larger operators a few minutes' walk away.

Alongside external market conditions, there are additional challenges and limitations arising from the current condition and structural arrangement of the building itself. A recent dilapidations survey has identified roughly £250K worth of repairs needed simply to make the building good for future use. Beyond that, the decoration, furniture and fittings are now dated, giving the site a worn feel that is unlikely to attract new customers or retain old ones. Furthermore, the building layout, designed in the late 1990s, is not optimal for cinema audiences of the 2020s because there is virtually no dwell space at street level, and the bar is down a flight of stairs. The dilapidations, outdated décor and fittings, and structural layout make the site a less comfortable and welcoming place for people to walk in off the street. This represents a drag on The Belmont's commercial potential, especially stark when we consider the broader context of independent cinemas evolving towards a more attractive end-to-end offer as a way to attract new audiences and get people back in the habit of visiting.

In order to compete against well-resourced and nicely appointed cinemas nearby, the Belmont needs to be as comfortable and appealing as possible, so that visitors have a strongly positive 360° experience from walking through the door to leaving when they're done. This means ensuring sufficient dwell space when they walk in; configuring the layout for intuitive and efficient customer flow; and ensuring that the decorative state and fittings are not just un-dilapidated but genuinely attractive to today's consumers. Showing a brilliant cultural programme that also has sufficient commercial traction is one important side of the coin. It is also necessary to make the whole experience around the film as attractive as possible – though we caution against moving towards an outright 'luxury' offer, which would likely be inappropriate and counter-productive for a cinema with public service goals and a commitment to inclusivity.

Core Challenge: Improve the building's commercial potential by (where possible) repairing dilapidations, modernising decoration and fittings, increasing dwell space and improving customer flow. Invest in the customer's experience end-to-end.

Planning a viable future for The Belmont requires new thinking to address both of these core commercial challenges, while ensuring there remains the capability and focus to deliver the primary cultural and educational objectives expressed in The Belmont's cultural vision for the Northeast.

6 - Renovation Scenarios

Developing a truly attractive, inclusive and modernised 360° customer experience at The Belmont is a major plank in building its commercially sustainable future. This will require capital expenditure prior to relaunch. Since a new operator has not yet been appointed, we cannot determine what level of CapEx may be possible, in practice. In order to assess and illustrate the building's potential, and to clarify why capital expenditure at some level may be warranted, we have developed four renovation scenarios.

Each renovation scenario has implications for future operations within the site and for the associated financial modelling. The remaining sections of this business plan, plus the detailed financial model provided with it, are structured around the four scenarios, which are:

- Scenario 1: Status quo.
 - o *Minimal CapEx scenario.*
 - o Minimise CapEx and prioritise speed to re-opening; allowing for professional surveys, servicing, and making good, only.
 - o The space remains much as it has been; major problems, such as out of date heating and ventilation plant, are stored up for future.
- Scenario 2: Refurbishment
 - o *Low CapEx scenario.*
 - o Make good all dilapidations noted in the recent survey; replace heating and ventilation plant (which expired in 2015).
 - o Replace or refresh FF&E and decoration throughout, including new cinema seats.
- Scenario 3: Improvement
 - o *Middle CapEx scenario.*
 - o Make good all dilapidations noted in the recent survey; replace heating and ventilation plant (which expired in 2015).
 - o Refresh furnishings and decoration throughout, including new cinema seats.
 - o Open up ground floor lobby for café-style dwell space by removing kiosk, office and projection room.
 - o Revamp basement as speakeasy bar with option for live performance.
 - o Open up top floor into more flexible co-working space for local creatives.
- Scenario 4: Transformation
 - o *Higher CapEx scenario.*
 - o Make good all dilapidations noted in the recent survey, except where rendered irrelevant by wider reconfiguration; replace heating and ventilation plant (which expired in 2015).
 - o Refresh furnishings and decoration throughout, including new cinema seats.
 - o Convert ground floor to full restaurant with open kitchen by removing kiosk, office, projection room and Cinema 1; reinstate windows to allow natural light. Café-style dwell space still also available on ground floor.
 - o Install a small cinema in the basement and reconfigure other spaces on that level, allowing additional dwell space, a unisex WC and breakout space for private hires.
 - o Open up top floor into more flexible co-working space for local creatives; reinstate windows and expand into the roof void to add space, and create roof lights to bring in more natural light.

Additional descriptive detail about each of these scenarios, including granular operational aspects, is available in Appendix 1. The detailed financial model accompanying this business plan illustrates the impact each scenario would have on business viability. See also section 8, 'Financial'.

The nature of what a cinema offers to its customers and other stakeholders has a direct bearing on its projected financial viability. Each renovation scenario has different implications for the character of The Belmont's offer.

7 - The Belmont's Offer

This section sets out The Belmont's 'offer' under each of our four renovation scenarios. See also Appendix 1.

Scenario 1: Minimal Change

Programme: A balanced programme meeting ACC's specific cultural diversity requirements, but possibly trending more towards offbeat eclecticism than has been the case in recent years. As a first-run cinema, there will inevitably be overlap in programming with the larger commercial sites, but the emphasis will be on differentiation. In this scenario we recommend somewhat less than full-time operation, with 16 showings per screen per week.

Food and Bev: Café-bar operating in basement whenever the cinema is open, as this is critical to sustaining cinema audiences even in the sub-optimal building configuration. In this scenario, we recommend that the cafe is run by a third party until there is a step up to the next scenario – someone like Craig Thom from Faffless might be well placed, for example, as might BaxterStorey. The cinema, meanwhile, operates a kiosk on the ground floor.

Education: School screenings tying in with local curricula; small group activities in partnership with an external organisation; an allowance of weekday screen time to support collaboration with local media / production workshop partners.

Studio: Apart from trying to rent the top floor rooms cheaply to media sector parties, media activities may be limited to a reciprocal arrangement for use of facilities with an outside specialist agency such as SHMU. The top floor is not currently well configured.

Customer Experience: The customer experience is basically the same as in recent years, with the main exception being that the bar will be open for business. Scenario 1 perpetuates some longstanding negatives: lack of ground floor dwell space combined with inconvenient location of the main F&B area render the site less attractive to potential customers; the top floor spaces remain difficult to deploy due to room layout, lack of natural light etc.; and the building remains in a somewhat dilapidated condition.

Membership: A standard membership offer, as additionality is limited.

Scenario 2: Refurbishment

Programme: Same as for Scenario 1, except in this scenario we recommend somewhat fuller operation with 20 showings per screen per week.

Food and Bev: In this scenario, we recommend that the cinema operate its own Café-bar in order to realise the potential for live events in the basement area. A simple menu of snacks and light bites is designed to appeal to people who are visiting to watch a film. The cinema also operates the kiosk on the ground floor.

Education: Same as for Scenario 1.

Studio: Same as for Scenario 1.

Customer Experience: The customer experience is improved relative to recent years by the general repair and refresh of decoration, furniture and fittings. The basement bar in particular should be transformed into a speakeasy venue that feels more attractive despite the lack of windows. New ventilation plant ensures customers are comfortable throughout their visit. Reseating the cinemas further improves the experience. Projection and technical aspects should be maintained at industry standard to ensure a top quality experience of the films, matching or exceeding that of local competitors. Notwithstanding these positives, Scenario 2 still perpetuates some longstanding negatives: lack of ground floor dwell space combined with inconvenient location of the main F&B area render the site less attractive to potential customers; the top floor spaces remain difficult to deploy due to room layout, lack of natural light etc.

Membership: Same as for Scenario 1.

Scenario 3: Improvement

Programme: Same as for Scenarios 1 and 2, but now potentially including occasional live performance elements in the basement speakeasy. In this scenario we also recommend a full-time operation with 28 showings per screen per week. Overall, the eclecticism and diversity of the programme are used to amp up The Belmont's sense of personality.

Food and Bev: Café-bar operating in the basement whenever the cinema is open, but now complemented with a small café-style dwell area at street level, with a coffee dispense bar/kiosk in the lobby near the entrance of cinema 1. The menu is upscaled relative to Scenarios 1 and 2, so as to encourage attendance by people not initially planning to watch a film. The basement speakeasy bar has the option of live performance.

Education: Same as for Scenarios 1 and 2.

Studio: A reconfiguration of the top floor into a more flexible Studio workspace now promotes *ad hoc* usage and collaboration by local creatives; flexible use for community meetings; and additional private hire opportunities.

Customer Experience: All the improvements outlined in Scenario 2, but now with a significant further improvement regarding the core structural challenge arising from lack of dwell space at street level exacerbated by poor customer flow. The possibility of popping in off the street into a really attractive small café with comfy seating, without having to navigate winding steps and go down a level, will boost footfall and therefore both F&B spend and cinema attendance.

Membership: Full membership scheme.

Scenario 4: Transformation

Programme: Same as for Scenario 3, with additional potential for live events in the restaurant.

Food and Bev: The street level café-style dwell area (as in Scenario 2) is now the frontage for a large restaurant with open kitchen operating at street level from mid-morning and whenever the cinema is trading. Menu is upscaled relative to Scenarios 1-3, so as to encourage use of the café by people not initially planning to watch a film,

and to make The Belmont a destination venue by offering a much more comprehensive all round experience. Street level restaurant has option of live performance, for example Jazz Sundays.

Education: Same as for Scenarios 1–3.

Studio: Same as for Scenario 3, with further enhancement to private hire opportunities.

Customer Experience: There is no longer a core structural challenge arising from lack of dwell space at street level exacerbated by poor customer flow. The possibility of popping in off the street into a comfortable dwell area or a really attractive large restaurant and bar with comfy seating, suitable for a proper meal and forming a central element in the all-round 360° experience of visiting the Belmont, may boost F&B spend. Natural light in the street level café-bar and in the top floor co-working space will make the building a much nicer place to visit and use – as a customer, member, private hire guest, or user of upstairs work facilities.

Membership: Same as for Scenario 3 but now with the possibility of a higher value membership offer.

These scenarios require very different levels of initial CapEx, but offer substantially different pathways to financial sustainability. The central concept underlying the four scenarios is that attracting audiences, and generating film admissions and trading revenue, depends on improving the overall experience of visiting The Belmont. In other words, investing in all the stuff *around* the films can lead to better business performance overall.

- Scenario 1 is cheapest, but offers least potential gain.
- Scenario 2 would render the cinema more usable but carries only limited upside potential.
- Scenario 3 would represent a major step forward with significant business implications.
- Scenario 4 would create a whole new type of business.

Our initial hypothesis was that more investment in renovation would lead to better experience and therefore higher operating margins. This is partly born out by our operational and financial modelling, but with some variance.

8 - Financial

This report is accompanied by a financial model that provides detailed projections around CapEx, profit & loss, and cashflow for all four renovation scenarios, and for the operational landscapes that they create. For granular insight into the financial implications of different CapEx and operational scenarios, please refer to the model, including the detailed assumptions outlined in the 'Assumptions' tab.

We have designed the model on the basis that a local not-for-profit entity will operate the site, since this seems attractive in various ways (see section 9, Legal Structures). Drawing conclusions for other types of operator would require adjusting a number of model inputs, for example property costs and staffing levels.

The Studio Offer

This section outlines how we think about pricing and trading income generation from the reconfigured top-floor Studio space. We offer this summary text here because The Studio is a less conventional concept than the main cinema and F&B operations, so a summary financial implications may be needed more for the Studio than other areas. See also detailed revenue workings in the 'Studio' and 'Room Hire' tabs of the financial model.

Based on our research for this project, we believe the concept of a practitioner space in The Studio could be a popular and viable concept. In this model, you bring together creative and industry practitioners, giving them a collective space for idea generation and collaboration, and build on this blueprint in future to potentially add funding for seed projects, creative producers and equipment.

Revenue projections are based on expected usage for Studio space in the different renovation scenarios. There is no internal re-configuration in Scenarios 1 and 2, so we have assumed light rental opportunities for the space, only. That said, in Scenario 2 there will be some internal redecoration and 14 desk spaces, so there is some additional potential. In Scenarios 3 and 4, there are 16 desk spaces and a meeting table/hot-desk option for occasional use and day passes. There is also a conference space which can be hired for masterclasses, corporate training days and presentations. As the offer improves, we project more income.

The fees for the co-working space follow a sliding scale so that SMEs, freelancers and artists can use the space, with different options for different budgets.

The meeting table spaces could be rented on an *ad hoc* basis or booked if needed for creative and workshop meetings, community groups and so forth. As a guide, this could be around £10 per day per desk.

Developing the studio space should also generate some additional income beyond the immediate rental revenue. This can be derived from the practitioners having meetings in different parts of the venue, buying F&B, and booking screening space for their projects. Practitioners would automatically become cinema members and receive the usual member discounts, thus helping to build a community of loyal cinema-goers, as well.

The Studio can thus offers a modest but meaningful financial contribution to the business, alongside the non-financial benefits around community engagement.

Key Levers

Key levers affecting overall operational receipts include:

- Cinema attendance and F&B footfall, calculated via an occupancy percentage.
- Spend per head (SPH) on film tickets and F&B.

Attendance, footfall and SPH values in the model are based on our market research and our assessment of potential compared to historical data, and then benchmarked against our understanding of these key variables at comparable sites in the present day.

Key levers affecting operational expenses include:

- Cost of sale proportions.
- Staffing costs.
- Energy costs.
- Property costs.

Cost of sale proportions are benchmarked against comparable operations elsewhere and sense checked against historical data from The Belmont, where available.

Payroll costs are based on a detailed staffing plan developed for each scenario in view of our knowledge of cinema and F&B operations at a range of comparable cinemas, and sense checked against historical staffing levels.

Energy costs are our best estimate under current publicly available energy market info, based on a 50% increase over pre-COVID levels and ignoring energy efficiency gains made by CMI through new lighting installations in 2022, and additional gains assumed to be made in any new renovation work.

Property costs are hard to project since ACC may vary their rental offer according to the type and intentions of the lessee; so we are leaving property costs as £0 in the model, for now. This is consistent with the core modelling assumption of a local not-for-profit operator, as per this first paragraph of this section, since such an operator would likely be able to negotiate a cheap rent.

Sources of Capital

The four scenarios assume different levels of capital expenditure in order to positively transform the experience of visiting The Belmont, to a greater or lesser degree. See the 'Renovation' and 'Assets Plan' tabs in the financial model, and the Quantity Surveyor Costings, for more detail of the CapEx required by in each scenario.

How funds may be sourced for capital expenditure is a broad question and the answer depends in practice on many factors that we cannot know just now, including what sort of entity the operator will be (see section 9). Table 5 briefly sets out some of the ways in which capital might be accessed for a new cinema development. This table is not exhaustive and is intended only as a starting point for someone to begin the process of seeking funds.

Table 5: Sources of Capital

Source of Capital	Legal / Operator Framework	Notes
Bank	Any	A cinema operator may be able to secure bank finance. This normally requires a trading record and a solid business plan; for a brand new operator it may also require some form of guarantee from an established entity in order to reduce the bank's perception of risk.
Own funds	Any, but circuit operators most likely	Some cinema operators already have ample funds and may choose to invest their own money. This seems likelier to be possible with a large circuit operator, for example, than a new local company – though if the cinema is to be run on a commercial for-profit basis, then it's conceivable a local entrepreneur would invest in it.
Community-driven funding organisations	Not-for-profit structures geared to serve their community	Organisations such as Social Investment Scotland or Scottish Communities Finance may be able to provide grants, investment or soft loans to help a community-focused cinema get started. A cinema that shapes itself as a social enterprise may be more likely to secure this kind of support.
Philanthropic Fundraising	Any, but most likely not-for-profit structures geared to serve their community	A new not-for-profit cinema operator may be able to raise funds from private donations.
Crowdfunding	Any	Given the level of public support for The Belmont, a crowdfunding campaign stands a chance of generating a meaningful amount of money towards renovation or re-opening.
Commercial Fundraising	For-profit structures	A new for-profit cinema operator may be able to attract commercial investment if their business model suggests ample scope for a good ROI. In this situation, aiming for EIS eligibility can be important.
Government Funding Initiatives	Most likely community-led ownership structures	Schemes such as the UK Government's Community Ownership Fund may offer opportunities to acquire or renovate assets that are of value to a local community. ⁸
City Council	Any	City councils sometimes choose to provide funds to assist a new cinema development, since cinemas are generally thought to bring cultural, economic and social benefits to city centres. Council support might take the form of direct investment or a soft loan.

⁸ <https://www.gov.uk/government/publications/community-ownership-fund-prospectus/community-ownership-fund-prospectus>

Financial Highlights

Our financial modelling is based on our assessment of the local market, our understanding of the current and near term outlook for the wider sector, our analysis of The Belmont's historical position, and context from comparable sites. The four scenarios we have modelled represent four different points on a wide spectrum of possibilities. This is a matrix of topline financial highlights for each renovation scenario, from a trading perspective:

Admissions	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	62,117	62,738	63,365	63,999	64,639
Scenario 2	78,719	79,113	79,508	79,906	80,305
Scenario 3	99,186	99,682	100,180	100,681	101,185
Scenario 4	98,271	99,254	100,247	101,249	102,262

Net Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	£549,134	£570,940	£587,851	£605,266	£623,200
Scenario 2	£968,906	£1,002,823	£1,027,850	£1,053,504	£1,079,798
Scenario 3	£1,528,760	£1,582,168	£1,621,547	£1,661,908	£1,703,274
Scenario 4	£1,860,154	£1,934,373	£1,992,031	£2,051,416	£2,112,578

Gross Profit	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	£340,457	£353,981	£364,471	£375,274	£386,399
Scenario 2	£600,120	£621,136	£636,646	£652,545	£668,840
Scenario 3	£966,009	£999,699	£1,024,521	£1,049,960	£1,076,033
Scenario 4	£1,182,451	£1,229,483	£1,265,979	£1,303,565	£1,342,273

Payroll	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	£228,459	£235,313	£240,019	£244,819	£249,716
Scenario 2	£415,326	£427,785	£436,341	£445,068	£453,969
Scenario 3	£613,671	£632,081	£644,723	£657,617	£670,770
Scenario 4	£948,680	£977,141	£996,684	£1,016,617	£1,036,950

EBITDA	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	(£193,952)	(£196,593)	(£197,252)	(£195,145)	(£195,574)
Scenario 2	(£133,813)	(£134,929)	(£134,656)	(£136,803)	(£136,367)
Scenario 3	£16,132	£21,150	£26,222	£29,011	£34,526
Scenario 4	(£119,274)	(£111,710)	(£102,465)	(£95,188)	(£84,859)

We can also look at a matrix of key proportions:

GP as % of Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	62%	62%	62%	62%	62%
Scenario 2	62%	62%	62%	62%	62%
Scenario 3	63%	63%	63%	63%	63%
Scenario 4	64%	64%	64%	64%	64%

Payroll as % of Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	42%	41%	41%	40%	40%
Scenario 2	43%	43%	42%	42%	42%
Scenario 3	40%	40%	40%	40%	39%
Scenario 4	51%	51%	50%	50%	49%

EBITDA as % of Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	-35%	-34%	-34%	-32%	-31%
Scenario 2	-14%	-13%	-13%	-13%	-13%
Scenario 3	1%	1%	2%	2%	2%
Scenario 4	-6%	-6%	-5%	-5%	-4%

Here is the expected CapEx for each scenario:

CapEx	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	£215,531	£155,000	£205,000	£166,400	£175,000	£145,000
Scenario 2	£1,275,134	£30,000	£30,000	£30,000	£30,000	£0
Scenario 3	£1,804,470	£30,000	£30,000	£30,000	£30,000	£0
Scenario 4	£2,537,753	£30,000	£30,000	£30,000	£30,000	£0

Costs of Capital	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	(£32,152)	(£37,400)	(£47,280)	(£58,659)	(£65,341)
Scenario 2	(£196,811)	(£183,627)	(£170,599)	(£157,581)	(£144,440)
Scenario 3	(£272,502)	(£258,586)	(£245,191)	(£232,155)	(£219,332)
Scenario 4	(£372,736)	(£354,074)	(£335,933)	(£318,125)	(£300,477)

And here is an internal view of topline figures for each scenario, separately:

Scenario 1	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		62,117	62,738	63,365	63,999	64,639
Net Sales	£0	£549,134	£570,940	£587,851	£605,266	£623,200
Gross Profit	£0	£340,457	£353,981	£364,471	£375,274	£386,399
Capex	£215,531	£155,000	£205,000	£166,400	£175,000	£145,000
Opex	£34,931	£534,409	£550,574	£561,722	£570,419	£581,973
EBITDA	(£34,931)	(£193,952)	(£196,593)	(£197,252)	(£195,145)	(£195,574)
Net Profit	(£34,931)	(£226,105)	(£233,993)	(£244,532)	(£253,804)	(£260,915)

Scenario 2	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		78,719	79,113	79,508	79,906	80,305
Net Sales	£0	£968,906	£1,002,823	£1,027,850	£1,053,504	£1,079,798
Gross Profit	£0	£600,120	£621,136	£636,646	£652,545	£668,840
Capex	£1,262,634	£30,000	£30,000	£30,000	£30,000	£0
Opex	£51,458	£733,933	£756,065	£771,303	£789,348	£805,208
EBITDA	(£51,458)	(£133,813)	(£134,929)	(£134,656)	(£136,803)	(£136,367)
Net Profit	(£51,458)	(£330,625)	(£318,556)	(£305,255)	(£294,385)	(£280,807)

Scenario 3	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		99,186	99,682	100,180	100,681	101,185
Net Sales	£0	£1,528,760	£1,582,168	£1,621,547	£1,661,908	£1,703,274
Gross Profit	£0	£966,009	£999,699	£1,024,521	£1,049,960	£1,076,033
Capex	£1,786,470	£30,000	£30,000	£30,000	£30,000	£0
Opex	£69,552	£949,877	£978,549	£998,299	£1,020,949	£1,041,506
EBITDA	(£69,552)	£16,132	£21,150	£26,222	£29,011	£34,526
Net Profit	(£69,552)	(£256,370)	(£237,436)	(£218,970)	(£203,143)	(£184,805)

Scenario 4	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		98,271	99,254	100,247	101,249	102,262
Net Sales	£0	£1,860,154	£1,934,373	£1,992,031	£2,051,416	£2,112,578
Gross Profit	£0	£1,182,451	£1,229,483	£1,265,979	£1,303,565	£1,342,273
Capex	£2,497,753	£30,000	£30,000	£30,000	£30,000	£0
Opex	£92,550	£1,301,726	£1,341,192	£1,368,444	£1,398,753	£1,427,132
EBITDA	(£92,550)	(£119,274)	(£111,710)	(£102,465)	(£95,188)	(£84,859)
Net Profit	(£92,550)	(£492,011)	(£465,784)	(£438,398)	(£413,313)	(£385,336)

Analysis

It's clear from the numbers that finding a sustainable operating model for The Belmont will be challenging. This is unsurprising given that it faces strong competition from nearby mainstream operators in a small city, and that even after differentiating its programme it will need to rely on more popular tentpole features that will likely also play elsewhere. There is of course a core audience who will attend a diverse cultural programme no matter what; but to reliably survive as a business, The Belmont must attract a wider audience as well.

We know that the overall experience of visiting the cinema is a critical element in many customers' choices about where to watch films. It's not the only element, but it is a centrally important part of how The Belmont can attract a large enough audience to sustain itself commercially.

We now see this born out in the financial projections, but only up to a point. In scenarios where there has been more investment in the building, we can comfortably project higher occupancy and SPH levels. This translates clearly into higher net sales, and on balance tends to offset the higher cost of delivering an enhanced offer. Interestingly, these gains reverse in the highest CapEx scenario, where the business is more like a restaurant with cinemas attached. The only scenario showing a positive EBITDA on our current inputs is Scenario 3, where the building is significantly refreshed and where the ground floor is opened up and the top floor converted to a flexible Studio space.

Scenarios with more complex F&B and hospitality offers tend to need more staff. Delivering these more elevated offers without causing payroll to balloon is a challenge, and we note that our projected payroll is quite high in all scenarios, around 40% of net sales in scenarios 1–3, and closer to 50% in Scenario 4.

So, Scenario 3 is our most promising vision. The increased dwell space on the ground floor, the more ambitious refresh of the basement into a speakeasy bar, and the conversion of the top floor into a more useable co-working and conferencing Studio space allow a more bullish view on revenue potential from F&B, ticket sales, and ancillary income streams. Scenario 3 does require more staff than Scenarios 1 or 2, but this is offset by the increased trading revenue. The equation clearly sours somewhat in the more radical Scenario 4. It seems that Scenario 3 is near a sweet spot.

This makes sense on first principles, given our understanding of audience behaviour and the development of independent cinemas in recent times. Cinemas that offer a genuinely attractive end to end experience tend to thrive; those that do not, decline. This is true even of community-focussed and cultural cinemas that are strongly supported by their local people. Audiences may love their local independent cinema in theory, but if the experience of visiting it is materially inferior to that of other nearby venues, they may choose to spend their money elsewhere.

One frustrating aspect of the situation in Aberdeen is that The Belmont building has not enjoyed a programme of ongoing physical and decorative improvement in recent years. There is therefore much to be done to bring it up to a standard that can hold its own against its better resourced competitors nearby. This requires relatively high capital expenditure – a cost stored up over a number of years.

We note that the model currently assumes that the cinema finances 100% of the initial capex in all scenarios. The discrepancy between EBITDA and net profit in all scenarios arises from depreciation and interest payments. Likewise, the cashflow projections in all scenarios are

depressed by repayment of loan principal and payment interest. If capital repayment and the costs of capital are removed, then a cinema under Scenario 3 looks very close to year-to-year financial viability. This suggests that while the cinema needs significant initial CapEx in order to become viable from a trading perspective, it still does not reach a point where it can fully bear the repayment and costs of that initial capital outlay. The obvious conclusion is that for The Belmont to re-open on a financially sustainable footing, there needs to be an initial injection of capital from an external source that is not looking for a normal ROI or even full repayment.

It is unsurprising that the cinema finds itself in this position, since to the best of our knowledge it has not had a major refit or renovation in two decades.

Our financial projections illustrate that re-opening the Belmont will carry a significant level of risk. Even in our most favourable renovation scenario, there is very little range for downside variation before the business goes underwater – unless we factor in revenue from public grants or fundraising, which are not currently included. Similarly, there does not appear to be meaningful scope to repay initial capital from trading revenue, so any party investing the initial funds will likely need to be public sector or philanthropic, as we do not anticipate that a normal commercial investor would approach this cultural project with confidence.

We are nevertheless hopeful that with determination and creative thinking, and adequate support, there may be a path to viability for The Belmont under something that looks like Scenario 3. Please see Section 10, Recommendations, for our overall conclusions and for some ideas for how a potential operator might think about addressing the challenges around CapEx and OpEx to make re-launching The Belmont a viable proposition. See also Appendix 5 for risk weighting.

Before developing recommendations from the analysis so far, we need to examine options around legal structure and operating context. Choices in this area may have a significant effect on The Belmont, both for its commercial viability and for its ability to deliver cultural and educational value to Aberdeen.

9 - Operating Concept and Legal Structure

9.1 Background

A key question for any new cinema is what legal structure to adopt – all the more so in the context of cultural provision, where the fundamental goal of providing a public good must sit alongside the commercial realities of operating a sustainable business.

Delivering substantial public benefits may at times create pressures in conflict with the raw commercial needs that arise from operating a cinema in a competitive marketplace. To deliver the cultural benefits sought by ACC, the cinema operator must be capable of striking the right balance between public service objectives and commercial necessities. Operating concept and legal structure have a fundamental bearing on what balance an operator will strike, in practice.

This section provides an overview of the likeliest legal structures and some considerations that may help a new operator navigate the range of options. Nothing in this document constitutes legal advice; we recommend that anyone setting up a new company seek legal and accountancy advice to ensure they comply with the law and other regulations.

9.2 Synopsis of common and relevant legal structures

The most common and realistic legal structure options available to a new cinema operator, and the basic characteristics of each, are as follows (and see Table 6):

Private Company Limited by Shares

- Governed by shareholders.
- For-profit trading, i.e. shareholders may withdraw profits.
- No special restrictions on trading.
- Assets not locked; can be disposed of flexibly.
- Light-touch regulatory reporting.
- Possible to attract commercial investment.
- Normally exposed to corporation tax and business rates.
- Cannot register as a charity.
- Restricted access to public funding.

Company Limited by Guarantee and Registered as a Charity (or, a SCIO)

- Governed by guarantors/members and regulated by OSCR.
- Not-for-profit trading, i.e. profit cannot be withdrawn.
- May only trade to serve the charitable objects defined in its constitution.
- Asset-locked, so fixed assets can only be disposed of to serve the charitable objects.
- Heavier regulatory reporting (to OSCR).
- Not possible to secure commercial investment.
- Exempt from corporation tax and business rates.
- Best access to public funding.

Community Interest Company (CIC) Limited by Guarantee

- Governed by guarantors/members and regulated by the CIC Regulator.
- Not-for-profit trading, i.e. profit cannot be withdrawn (assuming liability is limited by guarantee, not shares).
- Must serve a clearly defined 'community' but fewer trading restrictions than for a charity.
- Asset-locked, so fixed assets can only be disposed of to serve the defined community.
- Mid-level regulatory reporting (to the CIC Regulator).

- Not possible to attract commercial investment.
- Normally exposed to corporation tax and business rates.
- Some access to public funding but less widely than a charity, e.g. no Gift Aid.

There are other legal structures which we will leave aside, as being plainly inappropriate or unlikely to be a prudent choice for a full-time multi-screen cultural cinema in this context. These include: unincorporated structures; CICs limited by shares (uncommon); cooperative structures; trusts; etc.⁹

Table 6: Features of some likely legal structures.

	Private Company Limited by Shares	Company Limited by Guarantee and Registered as a Charity (or, a SCIO)	Community Interest Company (CIC) Limited by Guarantee
Governance	By shareholders.	By guarantors / members and regulated by OSCR.	By guarantors / members and regulated by the CIC Regulator.
Profit Motive	For profit.	Not for profit.	Not for profit.
Trading Restrictions	None.	May only trade to serve the charitable objects defined in its constitution.	Must serve a clearly defined 'community', but fewer trading restrictions than for a charity.
Asset Lock	None.	Fixed assets can usually only be disposed of to serve the charitable objects.	Fixed assets can only be disposed of to serve the defined community.
Regulatory Reporting	Light touch.	Most burdensome.	Middle level.
Tax and Rates	Full exposure.	Exempt.	Normally full exposure.
Commercial Investment	Possible.	Not possible.	Not possible.
Public Funding	Limited.	Best availability.	Partial availability.

Deciding about legal structure requires attention to other considerations:

- Operating concept: Is the cinema operated locally, or by an outside party? Part of a larger corporate structure, or fully independent?
- For-profit versus not-for-profit: What is the cinema's driving purpose? Maximising profit or delivering other objectives?
- Unitary versus Complex Structure: Should the cinema be one single entity, or should it run elements such as F&B as a trading subsidiary?
- Consortium or Partnership: Will the cinema operating company be a simple company formed by its individual directors, or a partnership between other established entities?

⁹ For more guidance on choosing between a CIC and a charity, see <https://www.charityexcellence.co.uk/Home/BlogDetail?Link=Starting A Nonprofit Social Enterprise Or Charity>

We will assess each of these topics in turn before focussing on The Belmont in particular.

9.3 Operating Concepts

The question of a cinema's legal structure depends in part on the basic operating concept. By 'operating concept', we mean the type of operator that runs the cinema.

The three most plausible operating concepts for The Belmont are:

- Circuit operator.
- 'Like-minded' independent cultural cinema operator.
- Dedicated local company.

A circuit operator is a company that already operates multiple cinemas elsewhere, and which has the capability to run the cinema viably while, possibly, delivering the cultural impact sought by ACC. Examples of circuit operators with a history of delivering cultural benefit are Picturehouse and Curzon Cinemas. See however section 9.8 for a survey of the most relevant circuits operating today.

A 'like-minded' independent cultural cinema operator is an existing independent entity that is not part of a wider circuit, but which has a track record of delivering significant cultural impact, including through film education. Examples in Scotland include GlasgowFilm, DCA – or indeed the CMI, until recently.

A dedicated local company would be a NewCo formed by either:

- a) a group of local individuals, or
- b) a single established Aberdeen entity, or
- b) a consortium of established Aberdeen entities.

We assume that any local group that takes on The Belmont would have an interest in film, media, or the Arts more broadly; would be committed to delivering cultural cinema in Aberdeen; and would therefore wish to deliver the public service goals they share with ACC. We assume that they would set up a NewCo to operate the Belmont, and that they would likely appoint specialist third party service providers to access any industry-specific professional expertise that is not available on the ground in Aberdeen.

Considerations around legal structure for the Belmont differ in certain respects for each class of potential operator.

9.4 For Profit versus Not for Profit

The choice of legal structure embeds a specific relationship to profit. Is the cinema's primary purpose to maximise profit for shareholders, or is profit-generation a means to another end? This fundamental choice informs the cinema's core motivations and objectives. This in turn affects the balance it will find between cultural delivery and commercial pressures.

For profit

The majority of mainstream cinemas are private companies limited by shares trading on a for-profit basis. They rely on commercial investment to become established and must then prioritise returns for their shareholders.

Circuit operators (e.g. Picturehouse, Curzon Cinemas, Odeon etc.) are almost always private limited companies trading for profit. If a circuit operator takes on The Belmont, then they will

most likely create a new private limited company as a trading subsidiary in Aberdeen, and it will operate on a for-profit basis.

Some independent cinemas are also for-profit (e.g. The Dominion in Edinburgh). If a local entity operates The Belmont independently, then a for-profit model is possible; but various considerations may argue in favour of a not-for-profit approach for a local operator, as the following account suggests.

Not for profit

Many independent cultural cinemas and community-focussed cinemas are not-for-profit. They identify specific objectives for the public good. They aim to achieve those objectives in part by generating trading profit that can be deployed towards their public service goals.

Independent cinemas specifically dedicated to broadening film culture regularly choose a not-for-profit model. This embeds their cultural mission and allows the cinema more easily to orient itself towards public service objectives, to the extent that this is commercially possible. The majority of leading cultural cinemas in the UK are companies limited by guarantee registered as charities (or, CIOs/SCIOs). Examples include GlasgowFilm/GFT, HOME Manchester, Bristol Watershed, Tyneside Newcastle, and indeed CMI/Filmhouse as was.

Comparison

A 'for profit' approach can allow valuable cultural impact – as it did, for example, in cities where Curzon or Picturehouse used to diversify the film offer in a market otherwise served only by mainstream operators (see 9.8); or in captive markets like Fort William, where the Highland Cinema now broadens cine-culture by making cinema available where it does not otherwise exist, at all.

Generally speaking, though, a purely commercial company may have less inclination to push the boundaries in areas that can cost a lot to deliver while yielding little financial gain. This might include: education and skills development; engagement with diverse local and national curation partners; presenting commercially risky but artistically crucial films; and so forth. Cinemas dedicated to goals like these normally choose a not-for-profit model, in order to allow them to push beyond the market to the extent they can.

Aberdeen is well served by mainstream commercial multiplex operators but does not currently benefit from a cinema pushing into more diverse areas of film culture, or engaging with local partners and the community to deliver educational objectives. Given the lack of cultural diversity in Aberdeen's current cinema marketplace, it is plausible that value could be added by either a for-profit or a not-for-profit operator, in one of the following ways:

- A) A for-profit circuit operator with a track record of delivering a more diverse mix than mainstream cinemas could enhance Aberdeen's film culture simply by differentiating their programme from the multiplexes.
 - a) Hard-wiring a commitment to cultural and educational delivery in the terms of ACC's operating contract would guard against the risk that a for-profit operator's lack of innate public service mission would lead them to steer too far back towards the mainstream under market pressure, as Curzon and Picturehouse have done in most of their non-London sites (see 9.8).
- B) A local NewCo operating as a charity with cultural and educational objectives could similarly diversify Aberdeen's film offer to the extent the market allows, and potentially also push beyond what would make sense on a straight commercial basis.

- a) Lacking a circuit's economies of scale, it's crucial that a local entity have a robustly viable trading model.
- b) They may be able to access specialist support and some approximation of economy of scale by engaging third party service providers in the cinema sector.

A circuit operator's choice of legal structure will be determined by their wider corporate framework. It will almost certainly be for-profit. The challenge for ACC is how to ensure that a for-profit operator consistently delivers cultural and educational goods that may at times go against the commercial flow.

A local entity has more flexibility of choice. Based on current information, we envisage that a local entity taking on the Belmont would select a not-for-profit charitable structure, for the following reasons:

- It embeds cultural and educational goals at constitutional level, in line with ACC's public service objectives.
- It opens up funding opportunities that may allow the cinema to push farther into uncommercial areas, across both cultural delivery and education.
- A local operator will lack economies of scale, so the financial benefits from tax and rates relief, lower property costs, and improved access to public funding (including Gift Aid) are likely to be all the more important for the cinema's financial health.

Any cinema operating on a not-for-profit basis must nevertheless behave in a commercially astute manner in order to survive and thrive in a relentlessly competitive marketplace dominated by large for-profit players. Cinemas with not-for-profit legal structures may be better positioned to prioritise activities that are culturally valuable but commercially sub-optimal, to the extent that trading conditions allow. They are fundamentally mission-driven, not profit-driven; generating a profit is a means to achieve a public-service end, not the end in itself.

9.5 Unitary versus Complex Structures

The initial choice of legal structure – in particular, about charitable status – may carry further implications for how the company needs to be set up. These implications arise from the fact that UK law allows charities to trade only in direct connection within their primary charitable aims, not solely to raise funds. At the same time, cinema charities normally do need to trade in F&B (and often other areas such as merchandise, corporate hires, etc.) in order to fund their charitable objectives; yet these areas are usually secondary to the charitable aims themselves, since they do not directly consist of connecting people with film.

A charitable cinema may generate crucial trading revenue while still complying with the law if it sets up one or more trading subsidiaries to handle secondary commercial activities. The subsidiary might be a regular for-profit company, or could be set up as a CIC or a social enterprise with a constitutionally embedded community focus in its own right. Provided the trading subsidiary covenants 100% of its profit up to the parent charity, it will enjoy the same exemptions on tax and rates as the parent charity.¹⁰

A cinema operating as a charity will be just as reliant on F&B revenue as any other cinema and will therefore need a complex legal structure that includes a trading subsidiary. A cinema

¹⁰ For more context on how charities use trading subsidiaries, see here: <https://www.diycommitteeguide.org/charities-trading-tax-and-subsidiaries/>

operating on a for-profit basis, however, may choose a unitary legal structure since there is no special restriction on its ability to trade commercially.

In view of all this, if the Belmont is run on a for-profit basis it may well have a simple, unitary legal structure – unless the operator prefers to segregate F&B trading for operational or accounting reasons of its own. It might, however, be only one component of a large and complex structure if the operator is a circuit. If, by contrast, The Belmont is run as a charity by a local company or a like-minded cultural operator, then it will (locally) need a more complex legal structure that allows an F&B operation to feed trading revenue into the overall business.

9.6 Partnership Working

Local Operating Partnership

In recent decades, Aberdeen has not had a full-time cultural cinema operated by a local party. There is, therefore, no entity or group that is a 'shoe in' to take on Belmont as a local operator, in the current situation. Nevertheless, Aberdeen does have much relevant expertise on the ground in the form of experienced former managers and staff of The Belmont, whom a new operator may be able to recruit. It also enjoys an enthusiastic community of support for cultural cinema, with more than 3,500 members in the Save the Belmont campaign group, whose steering committee includes a number of impressive individuals. Moreover, Aberdeen's Arts, media and education landscape is ably supported by strong entities that have core competencies directly applicable to operating a cinema like The Belmont, should they take an interest; and the city has motivated and culturally aware F&B operators who might have a role to play.

We cannot know at this time who, if anyone, will step forward locally with a credible plan to re-open The Belmont. One plausible scenario is that two or more existing entities with complementary objectives and skillsets form a partnership to run The Belmont. For example, let's imagine that:

- an established entity that knows how to run venues (not necessarily cinemas) partners with an established entity that knows how to deliver film and media education;
- they access cinema-specific operational expertise by
 - hiring experienced local individuals for on-site roles, and
 - contracting specialist support from third-party service providers;
- they engage the pool of grassroots support currently incarnated as the Save the Belmont group to spread awareness and buy-in throughout the local population.

Such a partnership might have a strong case for becoming the operator. Another variant might include a film-interested local F&B entrepreneur.

A partnership between multiple established entities could take various forms depending on the deal they work out between themselves. We cannot explore every possible permutation here but will draw a few broad outlines.

One approach would be to form a joint venture, in the sense of creating a new free-standing legal entity with its own governance structure, in which each of the founding partners has a direct governance role; and then deploying relevant resource and expertise from each of the partners at operational level, to develop and run the new cinema.

Another approach would be for one of the partners, only, to set up the Belmont NewCo; and engage with the other(s) on a service contract basis to bring in specific expertise.

Either way, if The Belmont is run by a local partnership, it is likely best to set it up as a separate legal entity with its own governance structure, so as to insulate the founding partner entities against risk.

Circuit Operator Partnership

If, by contrast, a circuit operator takes on The Belmont, they may have the capability to deliver a broader range of content in their core programming than the existing multiplex operators; but it's likely that they will lack either the capability, or the commercial will, to extend as far as ACC would like into the areas of cultural partnership or film and media education. They may also be committed to a higher price point, thus potentially limiting the innate educational potential of the core programme itself. While a circuit operator is unlikely to enter into a formal joint venture with a local entity, since this would be inconsistent with their corporate framework, it might still be worth their while to consider a service partnership with a local provider of film and media education services.

A mixed model of this kind might have the benefit of putting the cinema operation in the hands of a lower-risk operator whose economies of scale will help it thrive commercially while ensuring that the less commercial work in education, partnership and media development is delivered by a mission-driven entity with personal and professional roots in the local community; and allowing the education side to seek financial support restricted to not-for-profit entities.

A mixed model might indeed be structured in different ways:

- Two totally separate entities each lease part of the building from ACC and contract to deliver specific services;
- The cinema operator leases the building from ACC and contracts to deliver all Belmont requirements, but sub-contracts education and outreach to a local operator;
- The cinema operator leases the Belmont building and operates it; the education entity is based elsewhere; the education entity and the cinema simply collaborate for the use of screen space when appropriate.

There is a wide range of possibilities for partnership working, which may be relevant across the spectrum of possible operating concepts for The Belmont.

9.7 Structures in Use for Cultural Cinemas in the UK

Many leading cultural cinemas in larger cities operate as charities. For example, cinemas like GlasgowFilm/GFT, HOME Manchester, and Bristol Watershed operate on a charitable basis to deliver significant cultural impact to their communities. Their cities are otherwise well served by cinema, so to have a meaningful impact, the cultural cinema operators need to push as far as they can into territory not served by the commercial market. A charitable structure makes sense in this context since the focus on educational services and pushing beyond the market tends to require funding support, and charities are better placed than for-profit entities to attract both public subsidy and private donations.

There are also larger towns where operators working on a straight commercial basis generate significant cultural impact. Oxford is an example, where the Ultimate Picture Palace (a community-owned private company) continues to generate a richer cine-culture than would

be delivered by VUE and Odeon alone, now that Phoenix Picturehouse and Curzon Oxford have drifted more towards the mainstream (see 9.8).

Some culturally significant cinemas in smaller towns operate as private companies limited by shares. The Highland Cinema (Fort William) falls into this category. In such cases, the cinema operates in a market that is not otherwise well served for cinema. It has a mostly captive audience, albeit a small one, and produces significant cultural impact for its community simply by trading successfully and presenting a varied programme. Since it is locally owned and operated, it also enjoys strong relationships with its audiences and close stakeholders, and is thus able to increase engagement and respond to local interests.

There are not many examples of full-time urban cinemas operating as CICs, perhaps partly because the CIC structure is a relatively new option. CIC structures sometimes are used by film societies and smaller film exhibitors like local film festivals.

9.8 Boutique Circuit Operators

This section looks at those nationwide circuit operators that seem likeliest to consider opening in Aberdeen. We have focused on three key indie cinema circuits because each of these has past form for driving their growth through the acquisition or occupation of existing venues, rather than building new. All three have strong brand recognition and their headquarters cover functions such as finance, HR, technology, programming and marketing – so circuits such as these might potentially offer a solution for an immediate operational takeover. See the previous sub-sections in this section 9 for a broad general assessment of possible legal structures and operating frameworks for The Belmont; what follows here is a specific market analysis of three relevant commercial circuits.

9.8.1 Curzon Cinemas

Curzon Cinemas operate 17 venues and a successful streaming platform, Curzon Home Cinema. Ten of their venues are in London, where the programming team are based. Curzon's three central London sites – Bloomsbury, Mayfair and Soho – programme a diverse range of films, including arthouse, world cinema and quality independent titles. These three venues also host numerous events, with Soho, in particular, attracting A-list talent for their premieres. Curzon's London venues outside of those three, and their regional sites, tend to show a more mainstream content mix.

Curzon Oxford, the most successful regional site, has five auditoria. At the time of writing it was screening one arthouse title, 'The Beasts' (a Curzon film release), but the rest of the programme was more mainstream: 'John Wick 4', 'Allelujah', 'Puss in Boots', 'Rye Lane', 'Shazam', and 'What's Love Got To Do with It?'. Curzon's trend to more mainstream programming has evolved over several years and has seemingly been exacerbated by the pandemic.

In recent years Curzon has developed an F&B offer in all its new sites. Although it is a relatively small menu, it is based on a quality offer such as pizza, small plates such as tapas, and traditional staples such as hot dogs and nachos.

Curzon does not have an education remit or partner with providers to deliver an education programme at its cinemas. Pricing is based on an upmarket night out. In London, one peak ticket can be up to £18, whereas in Sheffield, it's £10 and in Knutsford, which was renovated in the last five years, £14.50.

9.8.2 Everyman

Everyman operates 40 cinemas. In their September 2022 'Interim Report and Financial Statement', they say the 'pipeline for 2023 is well-developed, with four further venues confirmed and another two nearing exchange'. They also state, 'The Board is constantly evaluating new opportunities to grow the Everyman estate, be that a new build, the conversion of an existing building or the acquisition of other cinemas'.

Everyman have created a position for enhancing experiences and have partnerships with Apple TV+ and Jaguar. They have been very innovative in taking over spaces to amplify their brand at pop-up events. Their programme is mainstream, although their events are often quite broad. Still, by their very nature, these tend to be one-offs rather than core to the programme. Everyman don't provide a cultural cinema offer unless there happens to be a breakout hit. At the time of writing, their film mix was the same as Curzon's in Oxford, although 'Beasts' wasn't programmed.

Everyman have invested heavily in their F&B offer and added handheld devices to their technology strategy, allowing customers to order seamlessly from their seats. Everyman's SPH on F&B remains one of the highest in any circuit. They were also the only circuit to post revenue growth in 2022, indicating a strong appetite for the elevated experience they offer.

Adult peak tickets at Everyman venues in Glasgow and Edinburgh are £15.90 and £14.90, respectively.

There is no evidence of any education partnerships or related activity across their estate.

9.8.3 Picturehouse

Picturehouse describes itself as a neighbourhood cinema with a distinct local identity. They have 26 venues, with three more coming soon, and they have traditionally located venues in university cities such as Cambridge, Brighton and York.

Cineworld acquired Picturehouse in 2012, giving rise to a risk of monopoly that led Picturehouse to relinquish the Belmont in 2014. Cineworld's shares have slumped in recent years following the pandemic and it has recently been attempting to liquidate assets. It has been reported that the original founder of Picturehouse, Lyn Goleby, was proposing to buy back Picturehouse from Vue – if VUE had been successful in a takeover. On 16 March, however, it was reported that Vue was frozen out of the sales process by Cineworld's advisers. On 24 March, Screen International reported that Curzon had confirmed interest in buying Picturehouse. The outcome for Cineworld and Picturehouse remains uncertain, but it seems plausible that a third party will acquire Picturehouse in the coming months, possibly thus removing the competition concerns that forced Picturehouse out of The Belmont in 2014.

For as long as Picturehouse remains part of Cineworld, it's hard to guess their future strategy for new venues but they seem unlikely to expand significantly given the financial distress at their parent company; and in any case they cannot take on the Belmont while they are part of Cineworld, due the competition concerns.

On paper, Picturehouse is a circuit offering a breadth of cinema content beyond mainstream film. They have slots including 'Discover' and 'Rediscover', with the former screening cultural cinema and the latter classics and rep cinema. It should be noted these are individual slots rather than an integral part of their weekly programming, and like the other circuits we've looked at, their operations are based in London.

The larger and more modern Picturehouse venues have restaurants and comfortably designed dwell areas. Even the smaller venues will usually have cafés with a range of food and speciality beverages. There is less emphasis on taking food into the screen than in the other two circuits we're considering.

Out of all the relevant circuits, Picturehouse is the only one with an education offering. With a web page aimed at teachers and students, they clearly have a lively school screening programme in many sites. Unlike other independent venues we have looked at, however – who have firm educational aims – Picturehouse's education offer feels quite process-driven.

Picturehouse has a sustainability policy focusing on responsible and ethical suppliers, choosing UK products where possible and working to improve all their waste and recycling streams.

An adult peak ticket price at Cameo, Edinburgh, is £12.90.

9.8.4 Summary

Boutique cinemas have tended to be able to weather the pandemic better than the multiplexes. If one of these circuits were interested in taking on The Belmont, they would offer a different experience to the other venues in the city with their focus on design, dwell space, in-screen service and a comprehensive F&B offer. It's likely that alongside this offer, the ticket price would rise beyond £10.

Out of all the circuits, Picturehouse fits The Belmont's model most closely, not least in that it actually has a film education programme. It is perhaps unsurprising that it is a better fit, since it was the original operator. It's important to note, however, that Picturehouse's programming has trended more mainstream since 2014, and its education offer seems more process-driven. There is therefore no guarantee that they would deliver the same cultural impact as they did up to 2014, if indeed the competition concerns can be resolved through a separation from Cineworld. That said, a focus on sustainability is arguably a positive strategy that differentiates them from the other circuit brands.

Everyman present a mainstream programme and are unlikely to extend the cultural range for Aberdeen in the way that ACC seek. It is not hugely likely that either Curzon or Picturehouse would go much farther, given the trends we have seen in their non-London programming in recent years. All three of these circuits offer parent and baby screenings. Picturehouse also offers relaxed and dog-friendly screenings, and Everyman does a silver screen programme.

All three circuits are based in London, where head office staff will feel removed from the day-to-day operations of the cinema. Curzon and Picturehouse both offer an alternate model whereby they programme the key films and events, but the cinema operates as an independent local business and can diversify the programme on a local level. Our evidence finds that local operations and local programming tend to support a more diverse slate because the team are usually on the ground, able to build up audiences and do the grassroots work needed to amplify the venue's engagement. An approach such as this might be a good solution for The Belmont, if a local entity is prepared to take responsibility for the cinema.

9.9 Aberdeen

Aberdeen is well served by cinemas, with two Cineworld sites and a VUE in a city of only about 250K people. The possibility of Everyman opening elsewhere in the city centre remains

on the horizon. On any analysis, The Belmont, therefore, lacks the 'captive market' conditions that allow the cultural impact of small-town for-profit operators such as The Highland Cinema.

Moreover, the Belmont building is owned by ACC. ACC has clarified that any operator they appoint will be expected to deliver a range of cultural and educational objectives. Simply extending the range of what films are available to cinemagoers in Aberdeen is necessary but not sufficient. There is a clearly defined expectation of delivering extensive educational services and working in partnership with other local cultural bodies. This goes well beyond what is likely to make sense on a purely commercial basis.

In the event that a local company forms to operate the Belmont, it will be a small-scale independent company in a crowded commercial marketplace. A mission-driven outlook protected in a charitable structure is more compatible with such a company delivering cultural and educational benefit to Aberdeen, much as we find with the home-grown fully independent cultural cinemas in Manchester, Glasgow and Bristol. Such an entity would raise additional funds through the commercial activities of its trading subsidiary; through public grants and funding; and where possible through philanthropic giving.

A similar analysis might apply if the new operator is a 'like-minded independent cinema', by which we understand a cultural cinema operator from outside Aberdeen that is already working on a mission-driven basis. This is similar to the operating concept applied in recent years by the CMI.

In the event that a circuit operator takes on the site, then the legal structure for The Belmont would need first and foremost to fit into their wider corporate framework. Since the majority of circuit operators are for-profit trading companies, it is likely that they would set up the Belmont in the same way. In this context, then, the choice of legal structure is secondary to the immediate question of whether the proposed operator has the capability to deliver the ACC's requirements for the public good. Our survey of the most relevant major circuits suggests that it may be difficult to secure a sufficiently strong commitment from them to deliver cultural and educational benefits that push beyond the market.

In any scenario, exploring ways to build on Aberdeen's existing capabilities will potentially add value. A local partnership between a venue operator and a film & media education specialist, supported on the cinema side by third-party service providers, seems attractive in principle but depends on suitable local parties taking the initiative. At the other end of the spectrum, a circuit operator might be able to elevate its educational impact by partnering with a local entity on a service contract basis.

Please see Appendix 2 for a breakdown of risks and benefits around a few more likely operating concept / legal structure options.

10 - Recommendations

Aberdeen is a small city with a crowded market for mainstream cinema. There is clear appetite in the city for a different kind of venue – one that diversifies the films on offer and delivers a range of cultural and educational benefits to the community; one with a distinctive identity and a unique sense of atmosphere. For such a cinema to thrive, it must push beyond the market to deliver real cultural range, while still competing successfully against larger, well-resourced commercial operators.

10.1 The Belmont Offer: Cultural Cinema, F&B, Studio, Education

Our market analysis, sector research and financial modelling all strongly suggest that meeting its cultural and educational goals is not in itself enough to ensure The Belmont's financial viability. Community-focussed education activities are not generally all that profitable (though they can be funded; see below), and the core audience for a culturally diverse programme in Aberdeen is highly likely insufficient to sustain the cinema commercially. The Belmont must therefore attract a wider audience – people who want a distinctive and welcoming venue, and who might sometimes experiment with a wider range of films, but whose choice of cinema will also be largely driven by the overall experience of visiting. In other words, the film is at the core, but the whole experience around the film matters very greatly indeed.

The Belmont has historically earned top marks for the warmth and enthusiasm of the welcome its staff have offered customers. That has to be part of the future. The venue has been let down, however, by years-long under-investment in the physical and decorative state of the building. Closure of the Café-bar, while perhaps done for reasons that appeared sound at the time, has clearly had a negative impact on overall performance. Improving the condition of the building, including by re-seating the cinemas and ensuring that an attractive Café is part of the offer, should be a priority for any new operator.

A Belmont that re-opens with an enhanced customer offer should continue to push beyond the other cinemas in town in terms of cultural range. We imagine a programme that might have a slightly stronger bias towards culty eclecticism, and a slightly reduced emphasis on more 'highbrow' arthouse fare. Broadly speaking it should continue to present a diverse range of films from all over the world, a mix of fiction and documentary, features and shorts; it should support local filmmakers and aim to host live events, guest appearances, festivals, and other added-value programming. It can be genuinely hard to deliver such a diverse programme and survive as a business, but The Belmont should pursue this ambition, since that is its core purpose.

The path to making this work for the long term lies through a renewed investment in the overall customer experience.

Beyond the core programme and the revival of a Café-bar, we recommend that a new operator looks to innovators elsewhere in the country in order to develop a Studio space that delivers real value for local media practitioners and other creatives. Broadway Nottingham's 'Near Now' programme is an inspiring example. There are others.

For Education and Learning, The Belmont should continue to produce a series of regular school screenings and workshops, and ongoing programmes such as those for Young Programmers. The recent example of a Young Programmers scheme with students at Northfield Academy is an excellent example of how this sort of activity can generate a real and direct impact on individuals beyond the cinema's four walls, and is something any City Council or funding agency should be proud to support. The Belmont can further amplify its

educational impact through partnerships with other Aberdeen parties that have serious expertise in the film and media space. The University of Aberdeen and Station House Media Unit are two obvious examples.

A cinema that can do all this will continue to earn the loyalty and enthusiasm of its local community – the sort of invaluable support we currently see expressed through the Save the Belmont campaign. Crucially, by making the overall experience of visiting the cinema more attractive, it will also have a better chance of securing enough trade to survive as a business.

10.2 Operating Framework

It is possible to imagine various types of operator running The Belmont and doing so credibly. A circuit operator or a local independent; a for-profit or a charity; a standalone entity or a joint venture partnership.

One approach that seems particularly attractive is for The Belmont to be run by a locally operated charity. This is for several reasons:

- Local ownership and management tend to attract the greatest loyalty.
- When decisions are taken locally, the community tends to be better served.
- We are not fully confident that any of the circuit operators who might realistically take on the site would have the commercial will to diversify into cultural film to the extent that would most benefit the people of Aberdeen; and they are unlikely to deliver the same educational value.
- A charitable entity will be better placed to raise funds.
- A local company can buy in specialist cinema-specific support on a services basis.
- A local company will be best placed to draw on the many strengths in Aberdeen's wider arts, culture and media sector by partnering with others in the city.

We cannot know who will take on operation of The Belmont. It is entirely possible that a non-local or non-charitable entity will do so, and that they'll and make a brilliant job of it. For The Belmont to become a truly local cinema, however – rooted in its community in a way that it has never fully been before – a local party would need to step forward, make a business case, and take responsibility.

10.3 Financial Outlook

Our financial modelling corroborates our other analysis by indicating that investing in the overall customer experience and including a really attractive F&B offer is highly likely the best route to an operationally viable business (see section 8 'Financial Highlights'). There are two serious challenges around this:

- 1- Bringing the building up to a good standard will require significant capital expenditure.
- 2- Even in our best performing case, Scenario 3, the operating margin appears to be thin.

How should ACC, Creative Scotland, potential operators and others address these challenges? Can The Belmont actually work, given the evidently challenging financial outlook? Or is the risk too high to justify the attempt?

We'll look at CapeEx, then OpEx, but first we want to emphasise that our four scenarios are not built in stone. They are simply four points on a spectrum – four specific arrangements in a complex landscape of possibilities. A future operator might find a position that successfully mixes elements from more than one of our scenarios.

Our Scenario 3 gives a sense of direction. It has the following merits:

- The best financial performance of our four scenarios.
- Improved dwell space and overall improvement in the building makes the cinema generally more attractive so there is potentially greater upside than the model reflects.
- A transformed Studio space opens up possibilities for real innovation.

In assessing how to tackle CapEx requirements to realise Scenario 3, a future operator might seek to reduce expenditure by taking measures such as these:

- Take a risk on HVAC:
 - o The HVAC installation should have been replaced in 2015, but it is apparently still operational. Choosing not to replace it now (thus saving £290K in initial CapEx) would soften the upfront financial burden – though we note it would likely store up pain for future.¹¹
- Stagger the work:
 - o It's possible that some elements included in the renovation costings could be done in stages. For example, maybe the HVAC or other repairs and improvements could be phased over several years. Fully assessing this would require detailed consultation with specific contractors but could be worth exploring.
- Get creative:
 - o The renovation budgets we have provided are professionally costed by an experienced cinema-specialised architect and quantity surveyor. They are not over-priced, by any means – but could a local operator achieve savings through creative sourcing of goods and labour? An eclectic mix of second-hand but stylish tables in the bar, for example? Are there any tradespeople in the Save the Belmont group who might be willing to contribute free work, or pass on savings from their suppliers? Can the cinema re-seating be done using second-hand seats in good condition?
- Fundraise:
 - o A local not-for-profit operator would be well placed to mount a grassroots fundraising campaign to supplement whatever capital they can access via more formal sources. From crowdfunding to major philanthropic donation, there is scope to find support. It will be essential to have a clear vision and a coherent business case.

If the capital can be raised to renovate and re-open The Belmont under Scenario 3 or something similar, then the next challenge is to deal with the thin operating margin revealed by our modelling. On the face of it, based on the numbers and the character of the local market, The Belmont is a high risk proposition. A future operator might explore various ways to address the financial challenge, such as:

- Seek grants and subsidy:

¹¹ For the record, Mustard does not recommend taking a risk on the HVAC. It's better to replace it now, if at all possible.

- We have described (and modelled) a cinema that makes a serious cultural and educational contribution to its city and region. We have not, however, included any grants, subsidy or fundraising monies in the financial model. It would be normal in Scotland and the UK for a cinema that delivers this level of cultural and educational benefit to seek and receive public grant support. A conversation with ACC and Creative Scotland might reveal whether our Scenario 3 projections are close enough to viability that sufficient subsidy could be found to push it over the line.¹² Additional options might open up for a cinema that positions itself explicitly as a social enterprise.
- Use volunteers:
 - Payroll is a major cost and it may be possible to reduce this, while further driving community engagement, by recruiting some volunteer support. This might be frontline workers to assist at Front of House, or non-executive directors willing to give their time and expertise to support key functions such as financial management or HR.¹³
- Fundraise, permanently:
 - We have been thoroughly impressed with the breadth and depth of grassroots support for The Belmont, and we know that there are people in and around Aberdeen with plenty of money. A locally run arts charity that develops a habit of sustained and effective advocacy with stakeholders, and that consistently makes the case for why its work matters in the community, stands a chance of raising a meaningful amount of ongoing fundraising income.
- Invest in energy efficiency:
 - Given high energy costs for the foreseeable future, it would be prudent for The Belmont to assess its insulation (roof, walls, doors and windows) and energy consumption so that a plan for system efficiency can be employed to reduce energy costs. The Belmont could switch its energy use to renewable sources, not just by using a green energy supplier but also by generating energy on-site, with solar panels on the roof and air source heat pumps. These solutions would, in time, reduce expenditure on energy from the National Grid and deliver a return on investment for the installation costs.

These are the ways we'd be thinking if we were trying to re-launch The Belmont, ourselves. Aberdeen is a challenging market, and delivering culturally diverse film programming is hard at the best of times. Our financial projections are challenging from a straight commercial perspective, and the most promising scenarios require significant CapEx. Any new operator will need to develop a robust plan for risk assessment and mitigation (see also Appendix 5). On the positive side, though, there is widespread support in the community, and the operational finance numbers for Scenario 3 are close enough that a bit of creativity and hard work by a potential operator may well make the difference.

10.4 A Phased Approach?

¹² Adding a grant subsidy amount to cell H30 on the tab called 'Inputs A', and then checking results on Dashboard 1, may be a useful exercise to assess the funding gap.

¹³ We note that there may be ethical concerns about relying on volunteer labour, and we do not pro-actively suggest or condone it. That said, we are aware that other cinemas in Scotland and the UK have successfully relied on volunteer staff and that their volunteers reportedly find their work very rewarding. We flag the possibility here in the interest of contributing to a creative discussion about how to make The Belmont workable.

We recognise that the CapEx required to implement Scenario 3 may be impossible to access all at once. With careful planning, creativity, and a lot of dedicated support from individuals in the community, there may be a way to open more cheaply, keeping Scenario 3 as an ambition to work towards over a few years.

The more limited CapEx in Scenario 1 means that opening is easier. The challenge in Scenario 1 is sustaining a business. Our results show that it is hard to run a cultural cinema which has had chronic underinvestment over many years. Given no improvement in the space, we've kept the staff to an absolute minimum to reduce costs; kept the ticket price at £8 and under to reflect the experience; and cut out some costs and overheads that are not strictly essential. So it's already a bare bones operational plan. But, it might offer a bridge to get the cinema open and operating for a couple of years while funds can be raised for significant improvements. For this to work, there would likely need to be significant volunteer labour involved on the frontline, with non-executive directors also taking on some executive responsibility without pay. Trimming operating costs in this way in a low rent context while seeking bridging subsidy from public funding sources in the short term could allow the cinema to trade, and thus buy time.

A highly motivated local group who were running the cinema might also succeed in driving occupancy up through local outreach and engagement and networks. Higher occupancy would lower the financial gap.

The medium term ambition in this storyline would be to raise funds to make improvements to the building, thus pushing the cinema towards more sustainable ground over time. Our financial projections indicate that Scenario 3 is the sort of position to aim for, but improvement to the building might to an extent be rolled out incrementally as funds are secured. This is reflected in the financial model's 'Assets Plan' tab for Scenario 1.

This kind of approach would require a truly dedicated team and genuine ongoing support from the community. From the Save the Belmont Campaign and elsewhere, it appears to us that the conditions may be in place for this to happen. It depends on someone stepping forward to lead it and take responsibility.

10.5 Conclusion

Our conclusion is therefore that running a cultural cinema business on Belmont Street is challenging and carries significant risk, but may be potentially viable under the right conditions. In order for The Belmont to survive and thrive, there needs to be initial and ongoing investment in the overall customer experience by renovating and improving the building. Innovative thinking around education and community outreach can be part of the picture, too, including a re-imagined Studio offering for local media practitioners.

An organisation that can find a pathway to re-open The Belmont along these lines has a real chance of enriching the Northeast's film culture for many years to come.

APPENDIX 1: Operational Plans by Scenario

This appendix sets out a more granular view of the operational vision for each of the four renovation scenarios.

Shared Operational Assumptions

All four scenarios share certain operational assumptions, including:

- Business success relies on harnessing the existing local sentiment and love of the cinema with a strong marketing plan.
- The atmosphere should be welcoming and down to earth with an engaged and enthusiastic team of staff.
- Excluding Scenario 1, all items flagged in the schedule of dilapidations are dealt with, including acoustic wall coverings and carpeting in the screens; and crucially, the heating and ventilation plant. This means that in Scenarios 2–4 the building is up to a better baseline standard, whereas in Scenario 1, it is not.
- A core objective for The Belmont is to deliver a cultural mix of films not available elsewhere, including foreign language films, documentaries, and local filmmaking. In order to approach commercial viability, it is necessary to balance this cultural offer with more popular content, providing audiences with a variety of choice.
 - o We suggest introducing a greater sense of eclecticism, including a selection of cult or eccentric films and events.
 - o This will include working to gain a new following for 35mm screenings by creating a sense of discovery for the audience and featuring well known world cinema and cult cinema titles that audiences are unlikely to have seen on the big screen.
 - o The programme will incorporate close captioned screenings and community focused screenings, as well as autism-friendly and dementia-friendly screenings.
- A core value is inclusivity; a core business aim is to engage with as many people as possible; and a core goal is to deliver cultural/educational benefits to as much of the community as possible. While commercial reality may in certain scenarios argue in favour of higher ticket pricing, this should always be accompanied by cheaper options for those who need them – whether through reasonable concession rates, special offers or an ‘On the House’ comp ticket allowance at each screening for those who cannot afford the price of a ticket.
- All screens will present digitally for the most part but Screen 2 should retain 35mm projection, so that analogue screenings can be a regular part of the programme.
- Old and new members will be welcomed. This includes individuals, joint memberships and the student and young person membership offer. Standard membership benefits include:
 - o a free ticket (for a standard screening).
 - o priority booking.
 - o a 10% discount on F&B and merchandise.
 - o exclusive membership comms.
 - o the cinema could work with a local artist to collaborate on membership merch.
- All customers are encouraged to book online, and walk-in sales are also possible via the ticket ATMs in Scenarios 3 & 4 and via the Kiosk in Scenarios 1 & 2.
- Where possible, The Belmont should seek to offer opportunities for young people through paid work placement or paid internship opportunities on an ongoing basis for FoH, restaurant, bar and kitchen roles.

SCENARIO 1 - Minimal Change

Concept

This scenario involves opening as quickly as possible, with minimal repairs and improvements to the building; and it does not make significant structural changes to the building. The building configuration is essentially the same as it has been historically, and the site will still suffer from a range of dilapidations including ventilation and heating plant that expired in 2015. Staffing is kept to an absolute minimum to reduce costs.

VISION	The concept is to open the cinema much as it was before, with 'essential only' investment and a quick timeframe to re-opening.
OPERATING HOURS	<p>MONDAY / TUESDAY - CLOSED Wednesday / Thursday: 5 pm onwards. Friday / Saturday / Sunday: 12 pm onwards</p> <p>For Scenario 1, we recommend opening the venue only 5 days per week. The key reason for this is staff costs and payroll management. Monday and Tuesday tend to be lower attendance days, so pushing the wage bill into the naturally busier times of the week makes the smaller budget work harder. Over time, once the rest of the week has been established and there is a clear sense of the audience, it could go to a 7-day-week and use Mondays and Tuesdays for student offers or cheaper tickets. (16 screenings / screen / week = 48 screenings / week)</p>
TICKET PRICES	<p>Standard: £8 (£6 concession). Event Cinema, special events: £10. Student and Young People members: £5. Repertory screenings: £5. Weekday cheap ticket offer, e.g. Weds all tickets £7.</p> <p>For context, note that the standard ticket price at Cineworld Aberdeen is £10.40.</p>
MEMBERSHIP	Standard offer only.
FRONT OF HOUSE	To aid customer flow and reduce queues at the Kiosk, the Box Office will sell concession items like sweets. The Kiosk will sell canned or bottled drinks, popcorn, coffee and tea, and some sweet options like muffins, cupcakes and slices of cake.
CAFE-BAR	<p>To keep costs low in this scenario but to maximise the use of the cinema we would recommend partnering with a local hospitality operator who can run the cafe bar when the cinema is open, create pop up events and potentially bring in local live performers for evenings such as stand-up comedy, small acoustic music gigs, bingo nights and DJ events.</p> <p>One local F&B operator, Elixir, has indicated that The Belmont basement is not a sufficiently attractive prospect on current numbers to take on. Others, Faffless and BaxterStorey, are more confident in the outlook.</p> <p>The hospitality partner could rent the space allowing additional income or create a profit share scenario.</p>

AUDITORIA	The current seating is soiled; some are broken. In this limited CapEx scenario, it is not possible to reseat the cinemas or otherwise improve the viewing experience. Capacity is 266, 142 and 61. The rather worn in-auditorium experience will leave Belmont struggling to compete against the existing multiplex offerings in the city, thus discouraging new audience engagement and forfeiting ongoing loyalty.
THE STUDIO	The potential for use of the top floor space remains limited due to the awkward layout and lack of natural light.
STAFFING	<p>Staffing in this scenario is kept as low as possible. Since we are modelling on the basis of a free-standing local independent operator, we allow some head office type functions like Finance on a part-time basis. We include dedicated staff for film education the GM is the main programme liaison as well as business manager. Frontline staffing is the minimum viable, and since the Café-bar is franchised out in this scenario, there is no allowance for dedicated F&B roles. For a detailed staff list, see the payroll tabs in the financial model. To reduce costs, we have pushed the staffing in this scenario down to a level that might require some additional volunteer support, in practice.</p> <p>The Belmont will be a Real Living Wage Employer.</p> <p><i>Staff benefits</i> All staff should be offered opportunities and training for upskilling and career development with an annual budget for training, plus discounts with local partners like APA, a local gym, restaurants and wellness centres etc.</p>
INDICATIVE TIMEFRAME	We anticipate a minimum three-month timeframe from greenlighting the project to launch. This allows for operational set-up, recruitment, POS installation, grassroots marketing etc. This timeframe assumes that the operator already exists as a legal entity and has a bank account and basic company elements in place before the lease is signed.

Scenario 1 Conclusion

With a bare-bones refresh, The Belmont will open much as it was before and is thus likely to miss out on opportunities for greater audience engagement and business success.

SCENARIO 2 – Refurbishment

Concept

This scenario involves repairing dilapidations as required by the Schedule of Dilapidations and refreshing the decor and fittings throughout, but does not make significant structural changes to the building. Since the building configuration is essentially the same as it has been historically, a key goal is to make all available spaces as active as possible.

<p>VISION</p>	<p>The concept relies on using paint and refreshed furnishings rather than significant structural changes. All public areas would be re-painted and carpets replaced and there is new seating in all three screenings, bringing the total number of seats to 249.</p> <p>The basement bar would be redecorated to create a speakeasy décor, harnessing the moodiness of darker colours, quietly glowing through table lights and sconces. There would be mixed-use furniture to create different levels but with the flexibility to allow for cabaret-style seating, theatre-style seating or restaurant seating. A speakeasy is a perfect way to lean into the windowless space – allowing that intimate, ultra-secret bar vibe.</p> <p>The lobby mural would also be used as part of the brand and marketing materials and celebrate the unique identity of the venue.</p> <p>See architect drawings: Figure 00 FLOOR SCENARIO 2 Figure 01 FLOOR SCENARIO 2 Figure 02 FLOOR SCENARIO 2 Figure B1 FLOOR SCENARIO 2</p>
<p>OPERATING HOURS</p>	<p>Monday: 12 pm to close (access/community shows from 12 pm – 5 pm). Tuesday / Wednesday / Thursday: 5 pm onwards. Friday: 12 pm to close. Saturday / Sunday: 10 am to close.</p> <p>The programme includes a minimum of two screenings per screen per day Tuesday, Wednesday, and Thursday; and a minimum of four screenings per screen per day on Friday, Saturday, Sunday and Monday. (20 screenings / screen / week; total of 60 screenings / week).</p>
<p>TICKET PRICES</p>	<p>Standard: £10 (£8 concession). Event Cinema, special events: £12. Student and Young People members: £5. Repertory screenings: £7. Weekday cheap ticket offer, e.g. Monday + Tuesday all tickets £7.</p> <p>For context, note that the standard ticket price at Cineworld Aberdeen is £10.40.</p>
<p>MEMBERSHIP</p>	<p>Standard offer only.</p>
<p>FRONT OF HOUSE</p>	<p>To aid customer flow and reduce queues at the Kiosk, the Box Office will sell concession items like sweets. The Kiosk will sell canned or bottled</p>

	<p>drinks, popcorn, coffee and tea, and some sweet options like muffins, cupcakes and slices of cake.</p> <p>We expect a Kiosk SPH of £1.50.</p> <p>See architect drawing: Figure 00 FLOOR SCENARIO 2</p>
CAFÉ-BAR	<p>See architect drawings: Figure B1 FLOOR SCENARIO 2 Figure B1 FLOOR SCENARIO 2 - CABERET-STYLE</p> <p>The Basement should be revived as a fully licensed café-bar serving cocktails, with an active kitchen serving lite bites like hotdogs, toasties, salads and soups (in winter), and a menu including plant-based options. A simple menu, easy to prepare. The café-bar should operate fully from 5 pm Monday–Friday and from midday Saturday and Sunday and be available as an <i>ad hoc</i> dwell space any time the building is open, with guests using the Kiosk for refreshments when the Café-bar is not in operation.</p> <p>Guests are invited to order at the bar/counter and will receive a table number for any items that need to be prepared. Otherwise items will be dispensed there and then. In all Scenarios 1–3, FoH staff are able to work across Box Office, in the Café-bar as servers and bartenders as well as ushers. A FoH server will serve the items to their table. FoH staff are also responsible for welcoming guests, ensuring the Café-bar is inviting at all times by clearing tables and keeping the space neat and tidy.</p> <p>Figure 'B1 FLOOR SCENARIO 2' shows the Café-bar space with 52 covers, plus lounge seating for 12, and 8 bar seats. The lobby space of the stairwell has lounge seating to allow for additional dwell space and extend the speakeasy bar vibe.</p> <p>Figure 'B1 FLOOR SCENARIO 2 - CABERET-STYLE' illustrates alternative use for live performances. The furnishings will allow for multi-purpose use in this way.</p> <p>The Café-bar should be available for private hire during the day and used whenever possible for live performances like stand-up comedy, small acoustic music gigs, bingo nights and DJ events. Various board games might be provided for guests to entertain themselves and encourage longer dwell times and opportunities for more F&B sales.</p> <p>We expect a £3.50 SPH in the café-bar space, the industry average for limited F&B offerings (i.e. less skilled staff required). For comparison, Electric Birmingham has an F&B SPH of £4.</p>

AUDITORIA	<p>See architect drawings: Figure 00 FLOOR SCENARIO 2 Figure 01 FLOOR SCENARIO 2</p> <p>The existing seating is soiled; some are broken. For this reason, we have replaced them with Ferco Opus seats. This will improve the customer experience while reducing cinema capacity from 272, 146 and 65 to 133, 81 and 35 respectively. Alternatively, second hand seating can be sourced at a much reduced rate, though with obvious longevity implications.</p> <p>A better in-auditorium experience will bring The Belmont up to a similar standard to the existing multiplex offerings in the city, thus encouraging new audience engagement and promoting ongoing loyalty.</p>
THE STUDIO	<p>See architect drawing: Figure 02 FLOOR SCENARIO 2</p> <p>Refreshed with new décor and furnishings, this space will be offered to the local community, education groups, or those requiring meeting rooms. The potential for use of the top floor space remains limited to the awkward layout and lack of natural light.</p> <p>The Studio offers 2 meeting or seminar rooms for 8–10 people, as well as 4 office spaces for 10–30. The meeting rooms can be hired by the day and the office spaces hired on a more permanent basis by community groups or small businesses.</p>
STAFFING	<p>Staffing in this scenario starts from the minimal level established in Scenario 1 but given the widening of the operation to include the Café-bar operation, which is no longer franchised out, we also add in an Assistant General Manager plus additional frontline staff to deliver the F&B offer in the Café-bar. For a detailed staff list, see the payroll tabs in the financial model.</p> <p>The Belmont will be a Real Living Wage Employer.</p> <p>Staff benefits: As in Scenario 1.</p>
INDICATIVE TIMEFRAME	<p>We anticipate a minimum four month timeframe from greenlighting the project to launch. This allows for operational set-up, HVAC replacement and other improvements, recruitment, POS installation, grassroots marketing etc. This timeframe assumes that the operator already exists as a legal entity and has a bank account and basic company elements in place before the lease is signed.</p>

Scenario 2 Conclusion

By repairing and refreshing the building, The Belmont will offer a better experience than previously and may thus see meaningful gains in audience engagement and business performance.

SCENARIO 3 – *Improvement*

Concept

This renovation scenario opens up the ground floor and top floor, allowing for improved operational efficiency and more dwell space and encouraging customers to enjoy the building at all times, even outside film showings. Thus Scenario 3 envisages more operational activity throughout the day and week, offering scope for additional income generation and community use.

<p>VISION</p>	<p>See architect drawings: Figure 00 FLOOR SCENARIO 3 Figure 01 FLOOR SCENARIO 3 Figure 02 FLOOR SCENARIO 3 Figure B1 FLOOR SCENARIO 3</p> <p>The Box Office is replaced by self-serve ticket devices so that guests can purchase and collect tickets without queuing and with less obstruction of new entrants to the building. Using the self-serve machines for basic transactions frees staff to focus on customer service.</p> <p>The Ground Floor lobby space is opened by removing the cinema office, kiosk and Cinema 1 projection box. This produces a larger and more inviting café-style dwell space at street level. The current kiosk area becomes a Kiosk-bar for drinks and snacks on the way into the screen. Popcorn, sweets and cinema snacks will be available here, as will cinema tickets. Opening the space allows for an extra 26 covers of dwell space and approximately 4–8 seats at the Kiosk-bar.</p> <p>A sofa, armchairs and tables are placed along the lobby and in the corner space. Guests sitting in these spaces can be seen from the street, giving passers-by a sense of occupancy and busyness.</p> <p>Seating capacities are as in Scenario 2 and the cinemas benefit from refreshed décor and new acoustic fabric on the walls. The projector in Cinema 1 is housed in a ceiling pod and can be programmed centrally or via a tablet in the screen.</p> <p>The rear stairwell allows staff back of house access to all floors (previously there was no through flow on the 1st or 2nd floor). Opening up access allows staff to carry out their work without doing so in the guest areas – like emptying bins or carrying stock to all floors.</p> <p>The creation of ample dwell space at street level, on top of the refitting and redecoration of the lobby and Cinema 1, makes The Belmont a significantly more attractive place to visit.</p>
<p>OPERATING HOURS</p>	<p>The building's increased usability and attractiveness justify longer trading hours and a defined opening framework for The Studio.</p> <p>Monday–Friday: Ground Floor: 8 am to 11.30 pm. 1st Floor: 12 pm to 11.30 pm.</p>

	<p>2nd Floor Studio: 8 am to 7 pm (unless private hire or events). Basement: 12 pm to 11.30 pm.</p> <p>Saturday Ground Floor: 9 am to 11.30 pm. 1st Floor: 10 am to 11.30 pm. 2nd Floor Studio: 10 am to 5 pm (unless private hire or events). Basement: 11 am to 11.30 pm.</p> <p>Sunday Ground Floor: 10 am to 10 pm (last film out). 1st Floor: 12 pm to 10 pm. 2nd Floor Studio: 10 am to 5 pm (unless private hire or events). Basement: 11 am to 10 pm.</p> <p>The programme caters for a minimum 4 screenings per screen per day in all screens (28 screenings / screen / week; total 84 screenings / week).</p>
TICKET PRICES	<p>Given the improved customer experience and overall enhanced offer, standard ticket prices can increase – though we note that offering cheaper options through reasonable concessions, special offers, and an ‘On the House’ comp ticket allowance will help ensure inclusivity and engage a wider community.</p> <p>Standard: £10 (concession £8). Event cinema, special events: £12. Student and Young People members: £7.50. Weekday cheap ticket offer, e.g. Monday + Tuesday all tickets £8.</p> <p>For context, note that the standard ticket price at Cineworld Aberdeen is £10.40.</p>
MEMBERSHIP	<p>A full suite of membership options. Any practitioner of The Studio will also get membership at a reduced price.</p>
FRONT OF HOUSE	<p>See architect drawing: Figure 00 FLOOR SCENARIO 3</p> <p>To aid customer flow and reduce queues at the Kiosk-bar, the Box Office is repurposed as a self-service ticket alcove, offering guests the opportunity to purchase or collect tickets and relieve queues at the Lobby bar/coffee counter. The additional dwell space seats 22 covers.</p> <p>We expect a Kiosk-bar spend per head of £1.50.</p> <p>Ferco Opus seats in Cinema 1 reduce the capacity from 242 to 133. Along with new carpets, acoustic wall fabric and lighting sconces and a refreshed pre-show (reflected in all screens), audiences are offered a much improved in-auditorium experience.</p>
CAFÉ-BAR	<p>See architect drawings: Figure B1 FLOOR SCENARIO 3 Figure B1 FLOOR SCENARIO 3 - CABARET-STYLE</p>

	<p><i>Basement Speakeasy Café-bar</i></p> <p>As in Scenario 2, the basement is a café-bar with 52 covers, plus lounge seating for 12, and 8 bar seats; or private hire space, with dimmed lighting and a speakeasy vibe in the evenings. A small, removable stage to the left of the entrance to the Speakeasy Café-bar will be used for live performances, music gigs and DJ events across the Belmont's annual calendar. We have allowed for a larger FF&E spend on this space to enhance the speakeasy vibe.</p> <p>The basement kitchen will serve an upscaled all-day menu (compared with Scenarios 1 and 2), offering more all-around choice to guests and customers given the extended opening hours. The menu will be available in the ground floor dwell space as well as the Basement.</p> <p>As in Scenario 2, guests will order at the bar, and receive a table number for any items that aren't able to be dispensed there and then. A FoH server will serve the items to their table. They are also responsible for welcoming guests, ensuring the Café-bar is inviting at all times by clearing tables and keeping the space neat and tidy.</p> <p>We expect a spend per head of £5.50.</p>
AUDITORIA	<p>See architect drawing: Figure 01 FLOOR SCENARIO 3</p> <p>To allow staff back of house access through to the screening rooms' lobby and stair well, we have reduced Cinema 2 in size and created a corridor. The store room is repurposed as a small kiosk dispensing bottled drinks and snacks. This only needs to be manned at busy times to reduce any bottlenecks at the Ground Floor Kiosk-Bar.</p> <p>New Ferco Opus seats in the screens and increased legroom yield new seating capacities of 81 in Screen 2 and 35 in Screen 3. Improved seating plus refreshed décor significantly improves the viewing experience, thus boosting audiences.</p>

<p>THE STUDIO</p>	<p>See architect drawing: Figure 02 FLOOR SCENARIO 3</p> <p>The top floor is completely opened up by removing all the existing partition walls, allowing flexible use of the entire space. This becomes an open and inclusive co-working space for local creatives, community groups and others. The space can be used in the evenings for events such as book readings, product launches, specialist talks, community events or workshops. These might be special members-only events or straightforward private hires.</p> <p>A kitchen space is serviced by a Quoker tap for hot and cold water that users can make hot and cold drinks. A Nespresso coffee machine is provided for self-service coffees. There will be a small undercounter fridge for milk and any perishables should members wish to store their lunch overnight. A kitchen island invites networking opportunities for members.</p> <p>The kitchen island can also be used for private hires of the conference space, set up with refreshments for working lunches, drinks and snacks.</p> <p>The configuration in '02 FLOOR SCENARIO 3' features a conference space seating 38. This space could be available for private hire by local businesses or community groups and used for internal staff training or events. It is intended to also be used as a studio space for filming or podcast recordings, depending on requirements. This configuration of the top floor also offers 16 desk spaces, 20 seats at meeting/work tables, plus banquette seating for 10 and two 2-person meeting pods. A total of 50 covers.</p> <p>Included is an admin office for the cinema, a staff room and staff WCs.</p> <p>These two top-floor figures apply equally to both Scenarios 3 and 4. The only difference with Scenario 4 is that the roof space and all window spaces open up, allowing natural light during the day.</p>
<p>STAFFING</p>	<p>The increased dwell space on the ground floor, the upscaled F&B offer, and the co-working space on the second floor will require more hospitality-focused staffing than in Scenarios 1 or 2. The staffing structure therefore includes an increase in frontline staffing, including some with specific F&B skills. There is also now a Technical Manager to deal with implementation across the cinemas and the Studio. For a detailed staff list, see the payroll tabs in the financial model.</p> <p>Staff benefits: As in Scenario 1.</p>
<p>INDICATIVE TIMEFRAME</p>	<p>We anticipate a minimum six month timeframe from greenlighting the project to launch. This allows for operational set-up, HVAC replacement, planning and delivery of structural changes to the building, other improvement works, recruitment, POS installation, grassroots marketing etc. This timeframe assumes that the operator already exists as a legal</p>

	entity and has a bank account and basic company elements in place before the lease is signed.
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Scenario 3 Conclusion

Substantially reconfiguring the ground floor and the top floor will make The Belmont a much more attractive place to visit, with new customer and community engagement opportunities; and a more efficient place for staff to work. Thus, it would likely attract larger audiences and generate more trading revenue than in Scenarios 1 or 2.

SCENARIO 4 – Transformation

Concept

This renovation scenario transforms the building through significant structural reconfiguration and by opening up windows to allow natural light. The top floor is expanded into the roof space, allowing for higher ceilings and natural light through windows in the roof, also allowing views over Aberdeen. The ground floor becomes a restaurant and bar space with windows, encouraging guests at all times of the day and capturing cinema-goers before and after screenings, making the Belmont a destination experience rather than a stop-gap. Cinema 1 moves to the basement, offering a smaller, more intimate screening experience and adjacent dwell space. The Scenario 4 configuration may lend itself better to private hire opportunities.

<p>VISION</p>	<p>The cinema is transformed by moving Cinema 1 to the basement and installing a full service restaurant and bar at street level.</p> <p>See architect drawings: Figure 00 FLOOR SCENARIO 4 Figure 01 FLOOR SCENARIO 4 Figure 02 FLOOR SCENARIO 4 Figure B1 FLOOR SCENARIO 4</p> <p><i>Ground Floor – Lobby</i> The configuration of this area remains quite similar to Scenario 3, with a self-serve ticketing alcove and a Kiosk-bar serving a café-style dwell area where the office and projection room used to be. There are 16 covers in the Lobby space, and we envisage SPH in this space to be £2, with most customers ordering tea or coffee and drinks.</p> <p><i>Ground Floor – Restaurant and Bar</i> Moving through from the lobby space, the restaurant is centred around an island bar. Bar stool seating, tables for dining and a lounge space provide 88 covers in all. The fully functional kitchen is open, so guests can see the chefs at work. The kitchen has ample space to prepare and provide for private hires. We imagine a down-to-earth, locally sourced menu, reflecting the cinema’s Northeast heritage. Guests are encouraged to use the restaurant space for mid-morning coffee, brunch, lunch, afternoon teas and pre- or post-screening dinner. Or just a drink or two at the bar. We do not imagine a restaurant intended for fine dining; rather, an accessible and affordable menu with something for everyone. By providing opportunities for a tasty full meal in an attractively decorated space at street level, this renovation scenario has the potential to transform The Belmont’s audience by offering a full, all-round experience on every visit to the cinema.</p> <p>We suggest an average F&B SPH for the restaurant of £15, with a food spend of £10 and a drink spend of £5 per person. Based on a conservative assumption that the restaurant will serve 968 covers weekly, a total of 48,350 covers annually giving a strike rate of 41% of The Belmont's annual footfall.</p> <p>A 'strike rate' refers to the percentage of admissions that utilise the restaurant. Experience shows that restaurant sales increase with increased admissions.</p>
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<p>OPERATING HOURS</p>	<p>Monday - Friday: Ground Floor: 8am to 11.30pm (restaurant from 11 am). 1st Floor: 5pm to 11.30pm (Mon + Fri 3 pm, Tue - Thu 5 pm). 2nd Floor Studio: 8am to 7pm (unless private hire or events). Basement: 5pm to 11.30pm (unless required for day time hires).</p> <p>Saturday Ground Floor: 9am to 11.30pm (restaurant from 11 am). 1st Floor: 10am to 11.30pm. 2nd Floor Studio: 10am to 5pm (evening private hire or events). Basement: 11am to 11.30pm.</p> <p>Sunday Ground Floor: 10am to 10pm (last film out, restaurant from 11 am). 1st Floor: 12pm to 10pm. 2nd Floor Studio: 10am to 5pm (unless evening hire or events). Basement: 11am to 10pm.</p>
<p>TICKET PRICES</p>	<p>Given the improved customer experience and overall enhanced offer, standard ticket prices can increase – though we note that offering cheaper options through reasonable concessions, special offers, and an ‘On the House’ comp ticket allowance will help ensure inclusivity and engage a wider community.</p> <p>Standard: £12.50 (concession £10). Event cinema, special events: £15. Student and Young People members: £7.50. Weekday cheap ticket offer, e.g. Monday + Tuesday all tickets £8.</p> <p>For context, note that the standard ticket price at Cineworld Aberdeen is £10.40.</p>
<p>MEMBERSHIP</p>	<p>A full suite of membership options. Any practitioner of The Studio will also receive membership at a reduced price. Founder memberships at a premium price would be available to those who join before the cinema re-opens.</p>
<p>FRONT OF HOUSE</p>	<p>See architect drawing: Figure 00 FLOOR SCENARIO 4</p> <p>As in Scenario 3, the Box Office is repurposed as a self-service ticketing alcove, while drinks, snacks and popcorn can be purchased from the Kiosk-bar.</p> <p>We expect Kiosk SPH to be £2 with the additional input of footfall sales who are not cinema admissions.</p>

<p>BASEMENT</p>	<p>See architect drawing: Figure B1 FLOOR SCENARIO 4</p> <p>With the ground floor now entirely given over to dwell space and F&B, Cinema 1 moves to the basement. The basement lobby space is opened up by removing the female WCs and refitting the male WCs as individual unisex cubicles. Fitted with Ferco Tala seats, the new screen 1 capacity is 42 seats. There is additional dwell space (26 covers) for guests to enjoy pre- or post-screening drinks.</p> <p>This downstairs area is now more attractive for private hire clients, who are able to use the whole floor to allow for pre-screening networking or a break-out space during presentations. As with the 02 Floor Studio, a skilled kitchen team can service working lunches for private hires – canapés, nibbles and so forth. This space could also be offered to community groups at a reduced rate for screening room hire, plus fees for any F&B consumption.</p> <p>The previous kitchen space is repurposed as a kitchen prep space and additional food storage area, and the original bar store is reduced to allow for a new corridor linking back of house staff access from the rear stairwell through to the screen and dwell space. This allows for better food service for private hires as well as staff cleaning access.</p>
<p>AUDITORIA</p>	<p>See architect drawing: Figure 01 FLOOR SCENARIO 4</p> <p>As in Scenario 3, 01 Floor is reconfigured for better customer flow through the space and access to fire escapes, as well as Stair 1, the staff back of house access. The store room becomes a small bar and kiosk to service Cinema 2 and 3. Both screens have Ferco Tala seats with a capacity of 66 seats in Screen 2 and 33 seats in Screen 3.</p>
<p>THE STUDIO</p>	<p>See architect drawing: Figure 02 FLOOR SCENARIO 4</p> <p>Configuration and usage of this floor remains the same as in Scenario 3 with the major exception that the roof space is opened up. Windows in the roof itself will make the top floor space more attractive, encouraging use of the co-working area by creatives and private hire of the conference space during the day or evening takeovers of the whole floor. The bigger kitchen and more skilled F&B team downstairs will enable The Belmont to cater for private hire clients with, e.g. canapés, finger food items, working lunches or even sit-down dinners.</p>
<p>STAFFING</p>	<p>The restaurant and bar on the ground floor, upscaled F&B offer and the co-working space on the top floor require more skilled staff with hospitality experience, as well as an increase in waiting staff. The staffing structure therefore builds on the staff in Scenario 3 by adding a considerable number more frontline staff including several with F&B specialisms; and a full kitchen team lead by a Head Chef. For a detailed staff list, see the payroll tabs in the financial model.</p>

	Staff benefits: As in Scenario 1.
INDICATIVE TIMEFRAME	We anticipate an 8–12 month timeframe from greenlighting the project to launch. This allows for operational set-up, HVAC replacement, planning and delivery of major structural changes to the building, other improvement works, recruitment, POS installation, grassroots marketing etc. This timeframe assumes that the operator already exists as a legal entity and has a bank account and basic company elements in place before the lease is signed.

Scenario 4 Conclusion

By radically reconfiguring the ground floor and basement, and fully transforming the top floor, The Belmont can become an entirely different type of cinema operation. As a destination venue with a fully-fledged all-round offer and extensive F&B and hospitality, it might see significantly higher revenue than in the past. See, however, our analysis and recommendations in sections 8 and 10 of the main report.

APPENDIX 2: Legal Structure Scenarios with Risk and Benefit

This section formulates a limited set of specific options around operating concept and legal structure; and sets out the primary benefits and risks under each option.

Many possible permutations and combinations exist, so the options in the following tables are by no means exhaustive. It does however represent the operating models we consider most likely to be achievable and suitable at The Belmont.

<i>Company Limited by Shares, owned and managed by a Circuit Operator</i>	
Risks	Benefits
Commercial circuit operators may lack the capability or commercial will to push as far beyond the market as ACC may wish (and Aberdeen's cultural life may need), particularly in education/outreach activities but also in the film programme itself.	Scale of the operating company reduces financial risk.
The cinema may not earn as much loyalty / local support, if it is operated from afar.	Scale of the operating company yields financial gains from greater efficiency. For example, the circuit's head office can handle functions such as finance, HR, Marketing and Tech.
Education / outreach / local partnership / media centre activities depend on local connections and networks and require local staff for delivery; will a commercial head office elsewhere invest enough resource in this area?	Stronger negotiating position in the market e.g. for film hire terms.

<i>Registered Charity (or SCIO), owned and managed as a local independent entity</i>	
Risks	Benefits
Small scale of operation means business is less financially efficient.	Access to additional funding sources through charitable status.
Lack of commercial acumen / wider corporate framework may lead to business risk, especially if the local operators are inexperienced in previous projects at this scale (less of a risk in a joint venture model).	Roots in local community generate greater loyalty and support.
Lack of specific expertise in local operators may require buying in services from specialist third party providers.	Education / outreach / local partnership / media activities benefit from local connections and networks.
Risk of weak governance, friction between new colleagues at governance level, or commercial inexperience, as in any new entity (less of a risk in a joint venture model).	Non-commercial mission clarifies decision-making around less-commercial activities such as education and cultural partnership.
	If set up as a joint venture between established Aberdeen entities, then the partners' competencies, experience and inherent stability would boost the cinema's chances of success.
	Stand-alone operators potentially have more room than large circuits to be innovative and entrepreneurial, as we have seen in case studies from Derby, Notts and Bristol.

<i>Registered Charity (or SCIO), owned and managed as subsidiary of a like-minded cinema</i>	
Risks	Benefits
Small scale of operation means business is less financially efficient.	Access to additional funding sources through charitable status.
A standalone independent parent company may be less stable than a larger circuit operator, irrespective of conditions in Aberdeen itself (as we have seen with CMI's collapse).	Skills, expertise and insight from an established cultural cinema operator.
It may turn out to be too big a stretch for a standalone cinema, however capable in its own right, to take on management of a whole other site. In other words, circuit operators are designed to manage multiple sites; home-grown standalone cultural cinema charities are generally not, so it's a big change that can be operationally challenging.	Non-commercial mission clarifies decision-making around uncommercial activities such as education and outreach.
	Stand-alone operators potentially have more room than large circuits to be innovative and entrepreneurial, as we have seen in case studies from Derby, Notts and Bristol.

<i>Mixed Model: a commercial circuit operator runs the cinema to ACC's specification, while an established local not-for-profit delivers education and media engagement</i>	
Risks	Benefits
Commercial circuit operators may lack the capability or commercial will to push as far beyond the market as ACC may wish in terms of diversifying the film programme itself.	Scale of operating company reduces financial risk for the main cinema operation; risk arising from the education and outreach is ringfenced in the separate entity.
The cinema may not earn as much loyalty or local support, since operated from afar.	Scale of cinema operating company yields some financial gains from efficiency. For example, the circuit's head office can handle functions such as finance, HR, Marketing and Tech.
A standalone education and outreach operator might not be commercially viable on its own; may either need sustained subsidy, or funding support from the cinema operator (if subcontracted).	Stronger negotiating position in the market, e.g. for film hire terms.
The arrangement may be too complex to easily be implemented, or might lead to friction between the two separate entities when their priorities are in conflict.	Charitable status for the education and outreach operator opens access to additional funding sources for the part of the operation most in need of it.
	Local education operator's roots in the community generate loyalty and support, even by extension for the cinema.
	Education / outreach / local partnership / media activities benefit from local connections and networks.
	Non-commercial mission clarifies decision-making around less-commercial activities such as education and cultural partnership, while cinema focusses on commercial sustainability and delivering specific programme objectives set by ACC.

APPENDIX 3: Pre-launch Activity Plan

Activity	Outcome by launch date
Renovate building	<ul style="list-style-type: none"> • The Belmont building is fit to re-open in a form considerably more attractive to potential customers. • Depending on the chosen CapEx scenario, the building may be simply refreshed, significantly improved or radically transformed.
Deliver a launch campaign	<ul style="list-style-type: none"> • Potential audiences throughout Aberdeen know that the cinema will be re-opening. • Initial membership recruitment raises awareness and engagement, and generates a core member base as well as some pre-launch revenue. • Mailing list exists. • Launch event is planned and guests invited to any non-public elements. • The programme is set and highlights featured in the launch campaign.
Recruit and train staff	<ul style="list-style-type: none"> • All on-site staff are employed before opening. • All on-site staff receive full training in their roles.
Set up third party support	<ul style="list-style-type: none"> • Appoint third party service providers (or activate head office support) where needed; this may include: <ul style="list-style-type: none"> - Maintenance contracts. - Specialist programming or technical services. - Marketing services. - Utilities and other overheads. - Banking. - Professional services.
Set up systems and licensing	<ul style="list-style-type: none"> • All required systems in place including: <ul style="list-style-type: none"> - IT systems. - Projection systems / TMS etc. - POS systems. - Website. - PRS/PPL.
Outreach for Education	<ul style="list-style-type: none"> • Initial conversations underway, and relationships begin, with schools and community stakeholders.
Outreach for Media Production Engagement	<ul style="list-style-type: none"> • Initial conversations underway, and relationships begin, with relevant local media sector entities and individuals, and other community stakeholders.
Outreach for Cultural Partnerships	<ul style="list-style-type: none"> • Initial conversations underway, and relationships begin, with potential cultural partners in Aberdeen and beyond.
Programme on sale	<ul style="list-style-type: none"> • Programme on sale 2 weeks in advance of launch.

APPENDIX 4: Year 1 Activity Plan

Activity	Outcome during year 1
Cultural programming	<ul style="list-style-type: none"> ● Belmont presents a programme that: <ul style="list-style-type: none"> - Significantly extends the cultural range for Aberdeen. - meets ACC's cultural diversity specifications. - appeals to a broad spectrum of audiences. - builds a sense of personality through offbeat, eclectic and culty selections. - differentiates the site from nearby competitors. ● The programme includes at least five projects organised in partnership with third party arts operators (e.g. live events, small festivals, themed screenings etc.). ● The programme includes at least five 'added value' screenings (filmmaker Q&A, expert panel discussion with the film, etc.). ● In Scenarios 2-4, the programme includes occasional informal live performances in the speakeasy bar or the restaurant.
Food and Bev	<ul style="list-style-type: none"> ● The F&B offer is consistently available whenever the cinema is open to the public. ● In Scenario 1, the F&B operation delivers simple quick bites and snacks suitable for those intending to watch a film. ● In Scenarios 3 and 4, the F&B operation delivers an upscaled menu that still caters for filmgoers, but also attracts others into the building to relax and graze.
Marketing and sales	<ul style="list-style-type: none"> ● A unified marketing and sales strategy across films, events and F&B ensures that Aberdeen is well aware of the Belmont's new and improved offer, including what's on day to day. Routine marketing will include: <ul style="list-style-type: none"> - Website and newsletter. - Social media. - CRM-driven targeted comms. - Direct outreach for specialist audiences. - Special offers.
Membership	<ul style="list-style-type: none"> ● Ongoing outreach cements core audience loyalty through membership or loyalty scheme. ● In Scenarios 3 and 4, additional value from access to co-working space elevates membership offer and improves engagement with core constituencies.
Education	<ul style="list-style-type: none"> ● Education screenings tied in with local school curricula affordably introduce multitudes of youngsters to a more diverse film culture (at least 15 screenings in year 1). ● Workshops in the community or at the cinema, possibly run by or in partnership with a local agency such as SHMU, introduce members of the community to film production or programming skills (allowing 24 basic workshops in year 1, or fewer if more complex to produce).
Studio	<ul style="list-style-type: none"> ● Scenarios 1 or 2: Limited use. ● Scenarios 3 or 4: Co-working space and flexible workspaces and presentation spaces on top floor create a shared work area where local media creatives can forge new connections and relationships, and share insight and expertise, while they ply their craft. A trial period for the Studio professional development concept gets underway.

APPENDIX 5: Risk Comparison Tables

These tables set out some key risks and potential failure points and score each one in order to provide a comparative sense of relative risk. Risks are scored 1–5 with 1 being lowest risk, 5 being highest. The first table compares the four renovation scenarios, assuming that the operating model is the one described in the Financial model, being a locally operated charitable organisation. The second table compares three different operating models, assuming that renovation scenario 3 applies.

Risk Comparison: Four Renovation Scenarios

Area	Risk	Sc. 1	Sc. 2	Sc. 3	Sc. 4
Governance / Management	Inexperienced board	3	2	2	2
	Inexperienced senior management	4	2	2	2
	Leadership culture	4	2	1	1
	Compliance Problems	2	2	1	1
CapEx	Cultural return too low to justify initial capex	3	4	3	4
	Commercial return does not recoup initial capex	5	5	5	5
	Renovation over-budget	1	4	4	4
Market & Audience	Everyman opens nearby	3	3	3	5
	People choose other venues	4	3	2	3
	F&B underperforms	5	3	2	2
	Cinema underperforms	4	3	2	2
	Disruption to content access for programme	1	1	1	1
	Membership uptake slow	3	3	2	2
Culture and Education	Cinema fails to extend cultural range	2	2	2	3
	Cinema fails to deliver educational services	4	2	2	4
Operations	Operational challenges - Cinema	4	3	2	2
	Operational challenges - F&B	3	2	2	2
	Operational challenges - Education / Studio	3	3	2	2
Costs	Energy	3	3	3	3
	Payroll	4	2	2	2
	Costs of sale	2	1	1	1
	Overheads	1	1	1	2
TOTALS		68	56	47	55

Risk Comparison: Three Operating Frameworks

Area	Risk	Circuit / Commercial	Charity / Non-local	Charity / Local Operator
Governance / Management	Inexperienced board	1	2	4
	Inexperienced senior management	1	2	3
	Leadership culture	2	2	3
	Compliance Problems	1	1	2
CapEx	Cultural return too low to justify initial capex	5	3	3
	Commercial return does not recoup initial capex	5	5	5
	Renovation over-budget	4	4	4
Market & Audience	Everyman opens nearby	5	3	2
	People choose other venues	3	3	2
	F&B underperforms	2	3	3
	Cinema underperforms	2	2	2
	Disruption to content access for programme	1	1	1
	Membership uptake slow	2	3	3
Culture and Education	Cinema fails to extend cultural range	5	2	2
	Cinema fails to deliver educational services	5	2	2
Operations	Operational challenges - Cinema	2	2	3
	Operational challenges - F&B	1	3	3
	Operational challenges - Education / Studio	5	2	3
Costs	Energy	3	3	3
	Payroll	2	2	3
	Costs of sale	1	2	2
	Overheads	1	2	2
TOTALS		59	54	60

Contributors

This report was prepared by **Mustard Studio**.

Mustard Studio is a boutique consultancy providing services to the cinema, film and hospitality sector.

It was founded by **Kate Gerova** and **Mandy Kean**, and is supported by Associate Consultants **James Rice** and **Jordan Heflin**, and Project Associate Consultant **Rob Kenny**.

This report includes additional contributions from:

Michael Cowan

Principal Architect, Soho House Design

Design Consultant for Mustard Studio, Michael Cowen comes from an architectural background most recently as Principal Architect at Soho House Design. With over 10 years of design experience in the hospitality industry, Michael has successfully developed and delivered a wide range of projects internationally, ranging from Members Clubs, including cinemas, in Hong Kong, Doha and Central Europe, boutique hotels and small to mid-sized restaurants in London, as well as large scale office fit outs in the US. Michael worked closely with founder Nick Jones to develop and roll out new concepts including Mollies Motel and Soho Works. Michael has taken an active role in building the in-house design team at Soho House, nurturing the development of a growing team and instilling the culture and standards that translate through to the design. Prior to Soho House Design, Michael worked at Foster + Partners, as part of the team delivering the Apple Campus 2 in Cupertino, California.

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Andrew is an accomplished Quantity Surveyor with extensive experience in the construction industry. He has expertise in Value Engineering, Design & Build, Cost Management and Quantity Surveying. He holds a BSc (Hons) in Quantity Surveying from Glasgow Caledonian University. In 2020, Andrew established Foggie Moss, offering personalised and flexible project cost management and project monitoring services to clients in the construction industry, including those in the Prime Residential, Commercial, Hospitality and Education sectors.

MUSTARD STUDIO

FEASIBILITY REPORT PREPARED

FOR ABERDEEN CITY COUNCIL

APRIL 2023



BACKGROUND

Following the closure of The Belmont in October 2022, Aberdeen City Council (ACC) commissioned Mustard Studio to create a report and business plan to determine whether, and on what basis, The Belmont might operate in a financially sustainable manner and to assess what kind of operator may give the venue the best chance of future success.

Since this document aims to inform ACC's subsequent efforts to engage a new operator for The Belmont – and we cannot know at the time of writing who that operator is or the specificities of their trading framework – certain aspects necessarily remain speculative. We have developed analysis and options planning that we hope offers suitable guidance for re-launching and operating The Belmont, no matter who takes on that responsibility. We have kept the plan adaptable by describing and assessing multiple options around legal structure, renovation and ongoing operations.

Mustard Studio is a cinema and film consultancy established in 2020 and works across projects in exhibition and hospitality.

All our projections are based on our understanding and experience running cinema operations in the UK and elsewhere and on our knowledge of the industry's current state. We are confident that our forecasts offer realistic project development and planning guidelines but we do not guarantee financial performance. As we outline in this document, many factors influence a cinema's success.

ABOUT THIS REPORT

This is a topline summary report. A full report, business plan and financial model have been delivered to Aberdeen City Council. For in-depth context and analysis and a fuller set of recommendations, please refer to the main report and the various supplementary documents.

This summary report expresses the current market conditions and gives an overview of the positioning of The Belmont should the cinema be able to reopen.

We have assessed four operational and financial scenarios for the cinema. These scenarios are based on existing venues across the UK that have created blueprints for a thriving cultural cinema. Each scenario has implications for the The Belmont's ability to trade successfully. By comparing the scenarios from both operational and financial perspectives, we can develop a sense of where The Belmont needs to aim in order to re-launch on a viable basis and to continue delivering cultural value to Aberdeen and the Northeast.

CINEMA INDUSTRY + TRENDS

Before the pandemic, cinema admits had grown yearly, and 2020 looked set to follow that trend. Admits at Belmont in 2020 (Q1 data only) looked like they would match 2018 admits based on reporting that existed from CMI. Pre-2020 trends also showed that the top 20 films were taking over 50% of the box office, which means that programming the right mix of content is as much science as art to ensure a consistent offer and steady income over a calendar year.

Industry experts such as Comscore and Gower Street Analytics now predict that the UK box office will return to pre-pandemic numbers by 2024. One of the biggest concerns since 2020 has been the lack of film content that helps to draw people to cinemas; by 2024, that picture will have changed, with more films for all audiences being released. Alongside the expected recovery in production and distribution pipelines from established studios, recent reports in industry outlets such as Deadline and Screen International show that streamers such as Apple will pivot to releasing films theatrically and supporting them with healthy marketing budgets.

Cinema is surviving despite the series of unique challenges for the sector, but audiences and audience behaviour have changed. Whilst there has been a lot of discussion in the industry about older audiences failing to return to the cinema, that is only part of the picture. Overall, audiences have gotten out of the habit of going to the cinema - possibly because of the gaps in film content caused by COVID's impact on production and distribution. Mid-market European and arthouse films have struggled in the current market. Customers book later. Distributors have reduced advertising and media spending, although this is an opportunity for closer and more direct working relationships with cinemas.

Some cinemas have reduced their barriers to entry by launching 'Choose Days' tickets where you can opt to pay for a ticket at one of three price points (i.e. £6, £8 and £10 on specific days) and have seen some success with this.

Everyman was the only cinema group to post an increase in admits for 2022 (with most cinema circuits posting a decrease of around 20%). This circuit is renowned for its hospitality and guest experience. Cinemas must invest in the experience, food and beverage and other ancillary streams such as private hire and membership to contribute to the overall bottom line. Cinema remains a uniquely powerful and inclusive form of art and entertainment and, when done correctly, will continue to be a commercially attractive line of business.

EVOLUTION OF INDEPEDENT CINEMAS

LOCALISED PROGRAMMING

Localised programming that offers a bespoke experience. Because of the South-West connection, Plymouth Arts Centre saw several sell-out screenings of Mark Jenkins' 'Enys Men'. An operator for Belmont could look at regular Scottish programming via archive.

CUSTOMER EXPERIENCE

Increased focus on customer experience. This includes everything from marketing to hospitality, digital journey to the technical presentation. Picturehouse Cinemas are the latest circuit to invest in a hospitality programme that will elevate its customer service.

FOOD + BEVERAGE

Increased focus on food and beverage as part of the cinemagoing experience. The venue becomes the destination, not only a building in which to watch a film. The success and expansion of the Everyman group indicate a strong audience desire to have a 'whole night out'.

SUSTAINABILITY

Increased focus on environmentally sustainable methods to provide healthy spaces for audiences and staff and address rising energy costs. Cinemas, like everyone, need a healthy world to live in – and audiences respond well to venues that share their values and concerns. Lexi Cinema in West London sets out its core values and commitment to sustainability through its website, the addition of their second screen which was built to be sustainable and includes a living roof, and their daily practice.

THE OFFER

The architecture of the experience. The cinema aims to offer a conceptual space to welcome visitors – pop-up guest vendors, or book sales, for example. The Belmont had already successfully experimented with pop-up food events before its closure.

THE MARKET

Aberdeen's cinema market currently lacks the sort of provision The Belmont would exist to deliver. The city's market currently appears to be at a plateau, but the outlook should be relatively promising based on broader industry trends. In particular, recovering performance over the past twelve months at cultural and community-focused independent cinemas around the UK may warrant cautious optimism that the market for a diversified film offer in Aberdeen will recover at least as quickly as the overall market.

Box office data and survey results indicate that The Belmont's cultural film mix appeals strongly to some people but not everyone. Many filmgoers choose their venue based on other factors, highly likely including the overall experience of visiting the cinema. In particular, historical data and anecdotal reports point strongly towards the closure of the Café-bar as a significant factor in its below-trend box office performance since 2017.

With the closure of The Belmont, no full-time venues are screening independent and non-mainstream films in Aberdeen. As we have seen from the survey results, audiences are open to more than one kind of experience; they will often make choices based on personal preference at the time rather than ongoing loyalty to a specific venue. At the time of writing (Feb/March 2023), five films were playing across all three multiplexes, and between the Cineworlds, there was an overlap of eight duplicate titles. So while the multiplex operators increase the volume of what is on offer in Aberdeen, they do not fully use their many screens to diversify the film mix available to the city. Aberdeen still needs a broader range of cultural content.

The evidence available to us suggests that to maximise the chance of commercial sustainability, a re-launched Belmont should focus on improving the overall experience of visiting and, as a priority, should ensure an attractive food and beverage service with comfortable dwell space as part of its offer. Moreover, by elevating the offer while keeping it welcoming, friendly, inclusive and accessible, it should be possible to attract more people not wedded to The Belmont by loyalty or film choice but whose custom may make a significant difference to financial sustainability.

BELMONT OFFER



AUDIENCES IN ABERDEEN.

The Audience Agency indicate that the primary cinemagoing groups relevant to developing an audience at The Belmont fall into the following categories (paraphrased from their work):

Primary:
EXPERIENCE SEEKERS

Based in a city centre location, these people like to be able to walk or cycle to the cinema, or may routinely use public transport.

Highly active, diverse, social and ambitious regular and eclectic arts engagers. As well as being culturally and digitally savvy, these audiences tend to be early adopters, looking at how to spend their disposable income. It's important to note this audience catchment falls into two categories:

- E1 – socially minded mid-life professionals with varied tastes.
 - E2 – students and graduates with adventurous attitudes in diverse urban areas.
- It is likely that E2, and to some extent E1, will be affected by the cost of living crisis.

Secondary:
KALEIDOSCOPE CREATIVITY

This audience has pockets in old Aberdeen and Torry, with roughly a 12-minute drive time.

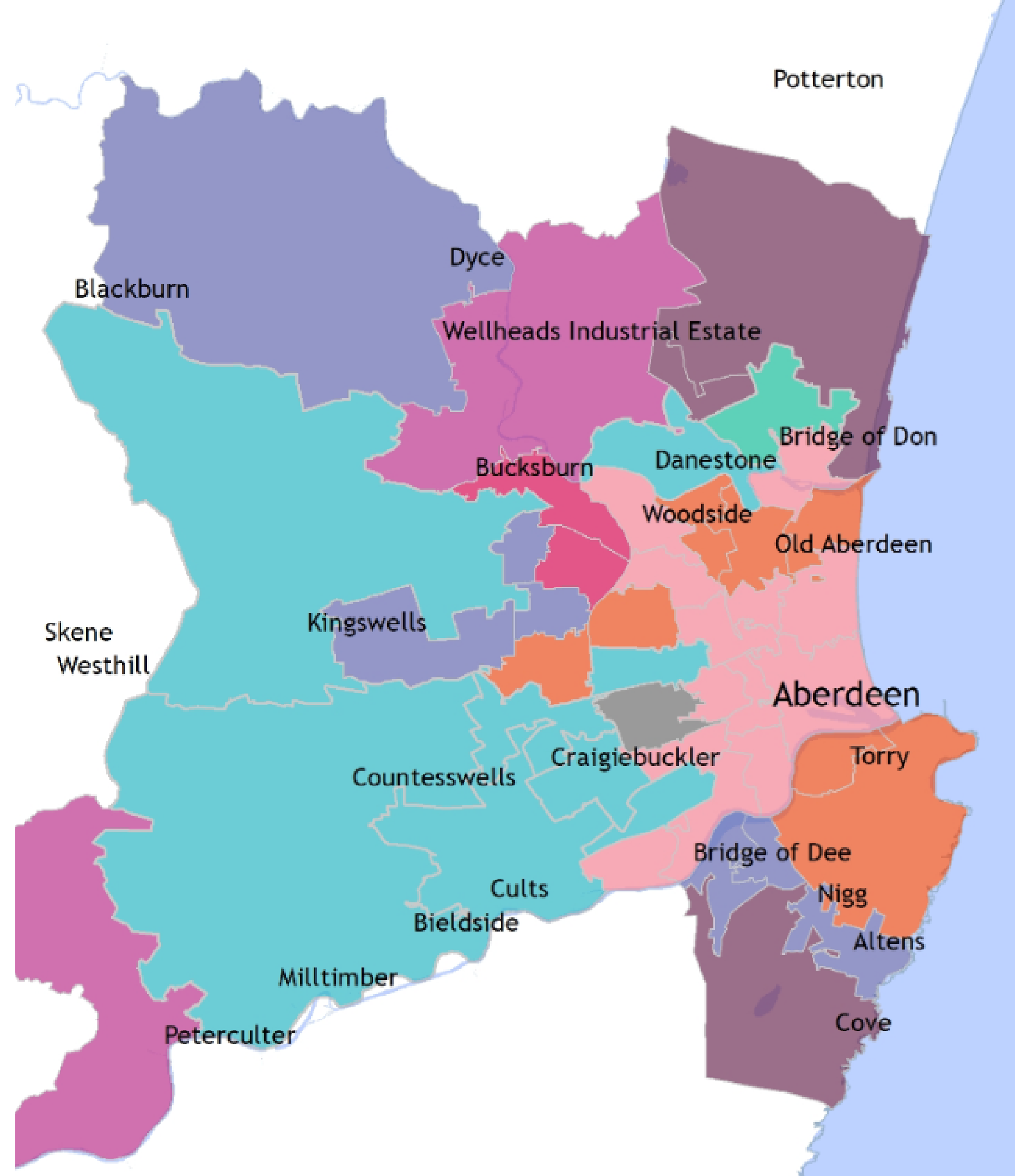
Mixed age, urban low engagers preferring free, local, culturally specific arts and festivals. This audience is the most ethnically diverse segment and is classed as seeking income-restriction leisure opportunities. This group is, therefore, more likely to attend free events.

Secondary:
COMMUTERLAND CULTUREBUFFS

Those living on the periphery of Aberdeen offer audience potential, too. Craigiebuckler or Danestone, for example, are within striking distance. Although the driving time for both areas is under 15 mins, public transport takes longer at 43 and 33 minutes respectively. These audiences will likely be motivated by special occasions rather than regular cinema trips.

CC is a predominantly middle-aged group of older families and empty nesters. It is likely that this audience decreased some of their cultural and artistic activity post-pandemic and has been slower to return to typical pursuits. This has been the case across the cultural sector, such as theatre; however, they have recently been seen returning more frequently.

Aberdeen thus offers several demographic segments that The Belmont should focus on engaging.



POSITIONING

PROGRAMMING MIX

A balanced programme meeting ACC's specific cultural diversity requirements but possibly trending more towards offbeat eclecticism than has been the case in recent years.

As a first-run cinema, there will inevitably be some overlap in programming with the larger commercial sites, but the emphasis will be on differentiation. The Belmont will deliver a cultural mix of films unavailable elsewhere, including foreign language films, documentaries, and local filmmaking.

- We suggest introducing a greater sense of eclecticism, including a selection of cult or eccentric films and events.
- This will include working to gain a new following for 35mm screenings by creating a sense of discovery for the audience and featuring well-known world cinema and cult cinema titles that audiences are unlikely to have seen on the big screen.
- The programme will incorporate close captioned, community-focused, autism-friendly and dementia-friendly screenings.
- In our renovation scenarios 1, 2 and 3, the basement area could be used for additional events such as comedy, music and other events that bring in new audiences.

EDUCATION

An education programme should be built into all scenarios. The list of benefits to the local community is usually very evident. In addition, there are multiple partners across the region who could work with the cinema to develop programmes and activities.

Schools Screening Programme

A school screening programme to align with local curricula is a core learning activity at most independent cultural cinemas. Such activities cost relatively little to deliver but have a broad impact because they reach a relatively large number of young people. We expect The Belmont to continue running school screenings in future on similar lines as previously. This might include screenings tying in with seasonal events such as National Holocaust Memorial activities and Black History Month; screenings to tie in with curricula for specific subjects such as French or Spanish language and culture; or collaboration with Into Film, the UK's leading charity for film in education.

Small Group Learning

A fully effective Education programme would also include opportunities for small-group learning. We spoke with Murray Dawson (SHMU) and several Save the Belmont group educators. Their perspectives raise several possibilities for small group learning activities, including some that have been delivered successfully in the past:

- Group and Individual filmmaking workshops.
- Student volunteering or internship opportunities.
- Young Programmers courses.
- Young Filmmaker's practical experience - this could go beyond just filmmaking to bring in craft elements.
- Content creation beyond films (podcasts, video and audio etc.)
- Creating a hub for third-party regional or national initiatives such as BFI Academy, etc.

Activities such as these impact fewer people, but the impact can be deeper if the engagement is more sustained and involved.

POSITIONING

THE STUDIO (TOP FLOOR SPACE)

The Save the Belmont group includes several creative practitioners, including writers, filmmakers and artists. Conversations with some of these individuals and with Aberdeen University representatives suggest a need for a hub that contributes to local professional development. Scotland's central belt is felt to have many more facilities to encourage film production. We see the potential for The Belmont to develop an industry-facing strategy, providing a place for practitioners and creatives to develop their skills to contribute to the filmmaking industry in Scotland.

As part of the research for this report, we looked at regional professional development programmes linked to cinemas, and a number, such as Nottingham Broadway's Near Now and Watershed's Pervasive Media Studio, could be blueprints of how The Belmont could develop their offer.

The Near Now concept is structured around 'The Future of Storytelling', and a base eligibility requirement is that each practitioner's work must have a technical element. Pervasive Media Studio is a diverse community exploring creative technology, a home for early ideas and companies, and a studio offering space, events and opportunities.

The Studio would operate by having co-working spaces that can be hired at sliding fee scales, ensuring the entry level is genuinely affordable. In addition, The Studio space would be configured to allow for conferences and masterclasses.

MEMBERSHIP

Membership is an important part of building a cinema identity, and it also offers a data point that contributes to understanding the audience. Members can often champion more diverse and specialised films. In all the scenarios, we have built a subscription model based on a 4-ticket price. Membership will always be marginally cheaper than buying four peak tickets, making it a no-friction offer. Once people have a membership, they are more likely to return to the cinema to get the full benefit of their membership.

PRIVATE HIRE

A private hire income stream is built into all scenarios. Private hire has several advantages: it brings in new audiences, adds a level of commerciality, and has potential upside opportunities such as catering provision.

BRAND + MARKETING

A local operator must consider rebranding the cinema and undertaking regular marketing activity. At a minimum, a weekly newsletter and social media would be necessary for listings and bookings, and then eventually, this would be built up to include digital marketing such as advertising, analytics and SEO (search engine optimisation).

SCENARIOS



RENOVATION SCENARIOS

Developing a truly attractive, inclusive and modernised 360° customer experience at The Belmont is a major plank in building its commercially sustainable future. This will require capital expenditure prior to relaunch. Since a new operator has not yet been appointed, we cannot determine what level of CapEx may be possible, in practice. In order to assess and illustrate the building's potential, and to provide an adaptable plan that might be used by any operator – whether they can deploy much or little capital – we have developed four renovation scenarios.

Each renovation scenario has implications for future operations within the site and for the associated financial modelling. Scenario 1 is a minimal CapEx scenario prioritising speed to open and leaving the cinema basically unchanged, with limited upside potential. Scenario 2 is similar to Scenario 1, although some refurbishment has taken place to improve the experience including re-seating which reduces the number of seats in all three screens. Unlike Scenario 1, Scenario 2 imagines the Café-bar will be operated by the cinema operations team. The payroll cost for operating the Café-bar in Scenario 2 means the OpEx in this scenario remains quite high and makes the numbers hard to square.

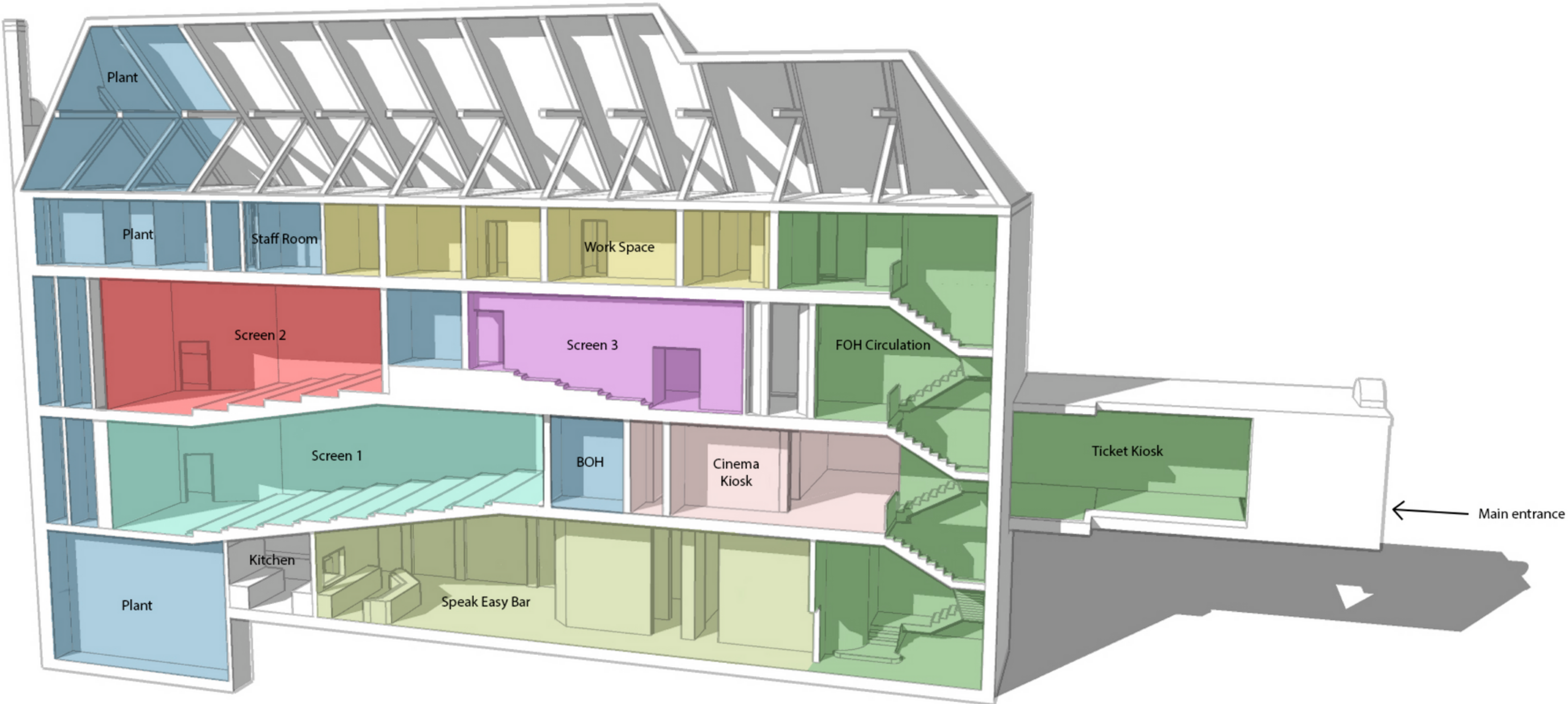
SCENARIO ONE

- Scenario 1: Status quo.
 - *Minimal CapEx scenario.*
 - Minimise CapEx and prioritise speed to re-opening.
 - The space remains much as it has been; major problems, such as out-of-date heating and ventilation plant, are stored up for the future.
 - This model has minimal staffing and is likely supported by a volunteer contingent.
 - The cafe-bar would be operated by a third party so that cinema operations could concentrate on the programme and top floor space for education and partnership opportunities.
 - This scenario is for the short-term only whilst there is a fundraising drive for Scenario 3.

SCENARIO TWO

- Scenario 2: Refurbishment
 - *Low CapEx scenario.*
 - Make good all dilapidations noted in the recent survey; replace mechanical installation (which expired in 2015).
 - Refresh furnishings and decoration throughout.
 - Cafe-bar is operated as part of the cinema operations rather than by a third party.

SCENARIO 2 - 3D



RENOVATION SCENARIOS

Scenario 3 represents significant improvement to the layout of the building, creating the possibility of a significantly improved offer with only a modest increase in OpEx over Scenario 2.

Scenario 4 is a radical transformation of the cinema. Using as our guide other venues across the UK that have successfully combined a cinema and restaurant to create a 'destination' venue we looked at the sums to configure the building for a restaurant in the ground floor area and wider seats in the screens to create a more opulent experience. To make this model work its likely that cinema tickets would have to increase well above £10, to an extent that may not work in the Aberdeen market.

The model (available as a 5-year P&L projection with monthly cashflow breakdown alongside the main report) illustrates that Scenario 3 offers the best hope for the cinema to create a viable business. Our recommendation is therefore to aim for Scenario 3. If that is not possible in the first instance, then it would be worth exploring ways of starting in Scenario 1 and phasing up to Scenario 3.

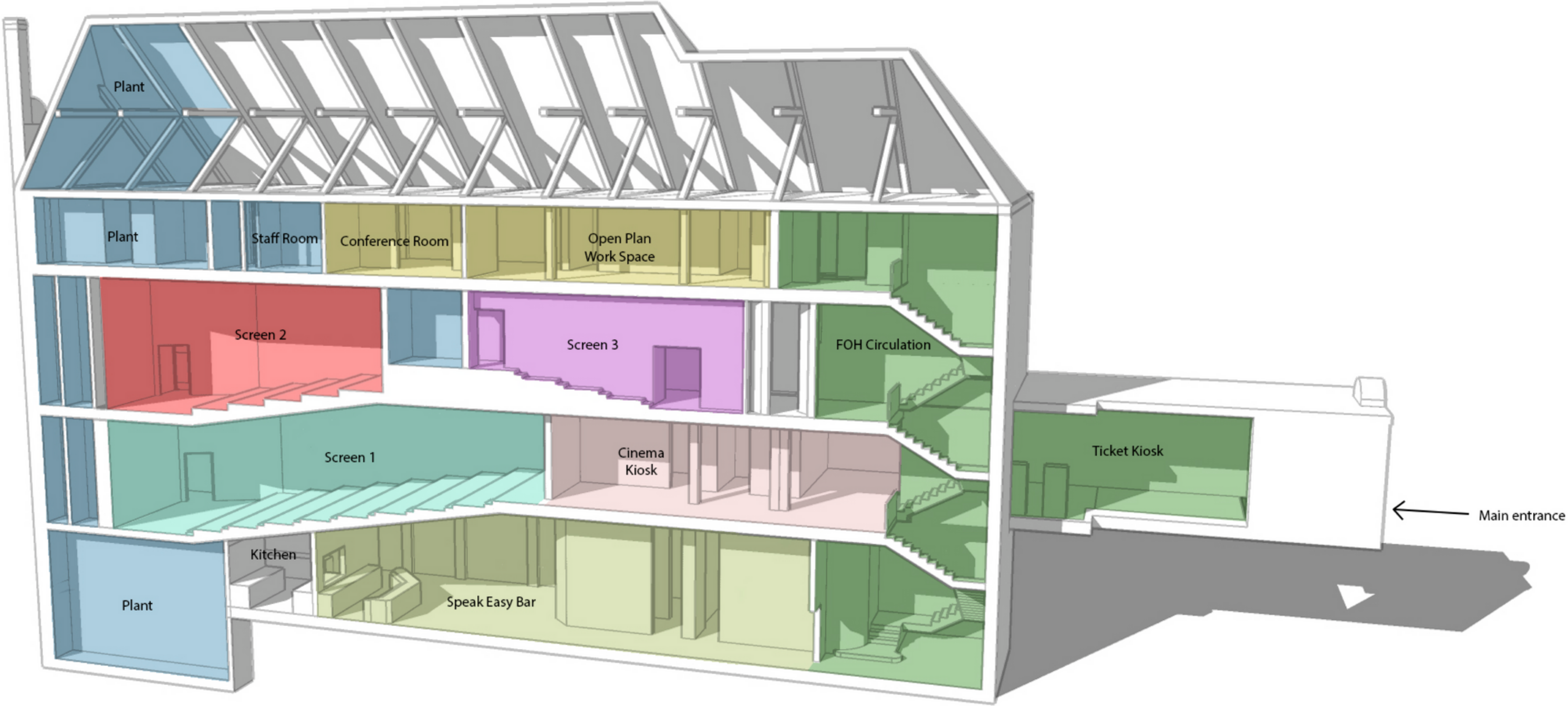
SCENARIO THREE

- Scenario 3: Improvement
 - *Middle CapEx scenario.*
 - Make good all dilapidations noted in the recent survey; replace mechanical installation (which expired in 2015).
 - Refresh furnishings and decoration throughout.
 - Open up ground floor lobby for café-style dwell space by removing kiosk, office and projection room.
 - Retain basement as speakeasy bar with option for live performance.
 - Open up top floor into more flexible co-working space for local creatives.

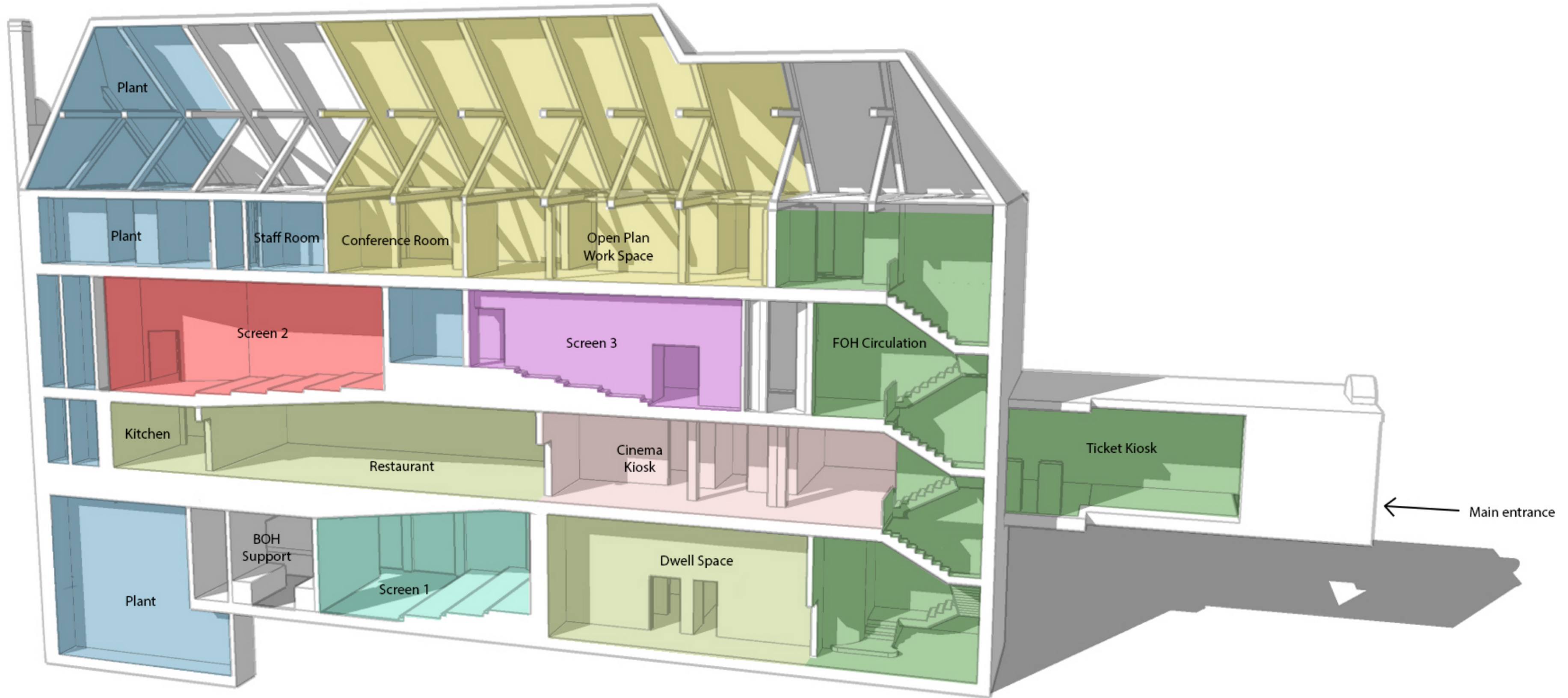
SCENARIO FOUR

- Scenario 4: Transformation
 - *Higher CapEx scenario.*
 - Make good all dilapidations noted in the recent survey, except where rendered irrelevant by wider reconfiguration; replace mechanical installation (which expired in 2015).
 - Refresh furnishings and decoration throughout.
 - Convert the ground floor to a full restaurant with an open kitchen by removing the kiosk, office, projection room and Cinema 1; reinstate windows to allow natural light. Dwell space café is still also available on the ground floor.
 - Install a small Cinema 1 in the basement and reconfigure other spaces on that level, allowing additional dwell space and breakout space for private hires.
 - Open up the top floor into a more flexible co-working space for local creatives; reinstate windows and expand into the roof void to add space and bring in more natural light.

Scenario 3 - 3D



Scenario 4 - 3D



EXECUTIVE SUMMARY

- Aberdeen is a small city with only mainstream cinemas, so there is a clear appetite and need for an alternative venue, particularly one of historical relevance such as The Belmont.
- That venue should deliver a range of cultural and educational benefits to the community but, to survive, it must attract a broader audience. This is likely to require investment in the building and fittings to improve the overall experience.
- Only Scenario 4 exceeds a £10 per peak adult ticket; the offer should thus be competitive in the local market.
- The cinema requires a high-quality F&B offer.
- The cinema programme may need a stronger bias towards cult eclecticism and a slightly reduced emphasis on 'highbrow' arthouse fare to position itself as a more attractive offer to all audiences.
- We recommend the new operator look to innovators elsewhere in the country to develop a Studio space that delivers for local media practitioners.

FINANCIAL VIABILITY

- The financial summaries displayed in the next few slides are taken from our full granular financial model, in which we map likely performance over an initial five-year period.
- Three of our four scenarios present a negative EBITDA. Operating The Belmont will clearly present financial challenges.
- Our modelling is based on a local charitable organisation operating the site but does NOT include any grants or other subsidies. Shortfalls in the bottom line illustrate the gap. (Note that property costs are also set to £0, as are the revenue lines for grants and funding).
- Scenario 3 is the only scenario that achieves a positive EBITDA on our current inputs. This indicates the direction to aim for.
- The initial renovation is what pushes the cinema towards financial viability, but even in the best-case scenario, it looks impossible for the cinema to cover repayment and costs of initial CapEx at that scale.
- The core viability challenge, then, is to find a way to deploy enough capital to realise the trading gains we see in Scenario 3, without placing the entire burden of deploying and servicing that capital squarely on the cinema business.
- For full context and analysis, further recommendations, and ideas as to how to proceed from here, please refer to the main report especially section 8 (Financial) and section 10 (Recommendations).

FINANCIALS



KEY INDICATORS - 1

The table of projected P&L figures illustrates the financial difficulty of operating The Belmont under any conditions, emphasising that Aberdeen is a challenging market. The spread in outcomes shows that the character of the cinema's offer matters greatly.

In scenarios where there has been more investment in the building, we can comfortably project higher occupancy and SPH levels. This translates into higher net sales, and tends to offset (up to a point) the higher cost of delivering an enhanced offer. The EBITDA comparison indicates Scenario 3 is the most promising route to viability.

The model currently assumes that the cinema finances 100% of the initial CapEx in all scenarios. The discrepancy between EBITDA and net profit arises from depreciation and interest payments. If the costs of capital are removed, however, then a Scenario 3 cinema looks much healthier. So, while the cinema needs significant initial CapEx in order to become viable from a trading perspective, it cannot fully bear the repayment and costs of that initial capital outlay. We can conclude that for The Belmont to re-open on a financially sustainable footing, there needs to be an initial injection of capital from an external source that is not looking for a normal ROI or even full repayment.

Admissions	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	62,117	62,738	63,365	63,999	64,639
Scenario 2	78,719	79,113	79,508	79,906	80,305
Scenario 3	99,186	99,682	100,180	100,681	101,185
Scenario 4	98,271	99,254	100,247	101,249	102,262

Net Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	£549,134	£570,940	£587,851	£605,266	£623,200
Scenario 2	£968,906	£1,002,823	£1,027,850	£1,053,504	£1,079,798
Scenario 3	£1,528,760	£1,582,168	£1,621,547	£1,661,908	£1,703,274
Scenario 4	£1,860,154	£1,934,373	£1,992,031	£2,051,416	£2,112,578

Gross Profit	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	£340,457	£353,981	£364,471	£375,274	£386,399
Scenario 2	£600,120	£621,136	£636,646	£652,545	£668,840
Scenario 3	£966,009	£999,699	£1,024,521	£1,049,960	£1,076,033
Scenario 4	£1,182,451	£1,229,483	£1,265,979	£1,303,565	£1,342,273

Payroll	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	£228,459	£235,313	£240,019	£244,819	£249,716
Scenario 2	£415,326	£427,785	£436,341	£445,068	£453,969
Scenario 3	£613,671	£632,081	£644,723	£657,617	£670,770
Scenario 4	£948,680	£977,141	£996,684	£1,016,617	£1,036,950

EBITDA	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	(£193,952)	(£196,593)	(£197,252)	(£195,145)	(£195,574)
Scenario 2	(£133,813)	(£134,929)	(£134,656)	(£136,803)	(£136,367)
Scenario 3	£16,132	£21,150	£26,222	£29,011	£34,526
Scenario 4	(£119,274)	(£111,710)	(£102,465)	(£95,188)	(£84,859)

KEY INDICATORS - 2

A look at KPI proportions, projected CapEx, and costs of capital (repayment loan and depreciation) provides further context for assessing of the four scenarios.

The next two slides present internal views of topline numbers for each of the four scenarios.

GP as % of Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	62%	62%	62%	62%	62%
Scenario 2	62%	62%	62%	62%	62%
Scenario 3	63%	63%	63%	63%	63%
Scenario 4	64%	64%	64%	64%	64%

Payroll as % of Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	42%	41%	41%	40%	40%
Scenario 2	43%	43%	42%	42%	42%
Scenario 3	40%	40%	40%	40%	39%
Scenario 4	51%	51%	50%	50%	49%

EBITDA as % of Sales	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	-35%	-34%	-34%	-32%	-31%
Scenario 2	-14%	-13%	-13%	-13%	-13%
Scenario 3	1%	1%	2%	2%	2%
Scenario 4	-6%	-6%	-5%	-5%	-4%

CapEx	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	£215,531	£155,000	£205,000	£166,400	£175,000	£145,000
Scenario 2	£1,275,134	£30,000	£30,000	£30,000	£30,000	£0
Scenario 3	£1,804,470	£30,000	£30,000	£30,000	£30,000	£0
Scenario 4	£2,537,753	£30,000	£30,000	£30,000	£30,000	£0

Costs of Capital	Year 1	Year 2	Year 3	Year 4	Year 5
Scenario 1	(£32,152)	(£37,400)	(£47,280)	(£58,659)	(£65,341)
Scenario 2	(£196,811)	(£183,627)	(£170,599)	(£157,581)	(£144,440)
Scenario 3	(£272,502)	(£258,586)	(£245,191)	(£232,155)	(£219,332)
Scenario 4	(£372,736)	(£354,074)	(£335,933)	(£318,125)	(£300,477)

SCENARIO ONE - STATUS QUO

Scenario 1	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		62,117	62,738	63,365	63,999	64,639
Net Sales	£0	£549,134	£570,940	£587,851	£605,266	£623,200
Gross Profit	£0	£340,457	£353,981	£364,471	£375,274	£386,399
Capex	£215,531	£155,000	£205,000	£166,400	£175,000	£145,000
Opex	£34,931	£534,409	£550,574	£561,722	£570,419	£581,973
EBITDA	(£34,931)	(£193,952)	(£196,593)	(£197,252)	(£195,145)	(£195,574)
Net Profit	(£34,931)	(£226,105)	(£233,993)	(£244,532)	(£253,804)	(£260,915)

SCENARIO TWO - REFURBISHMENT

Scenario 2	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		78,719	79,113	79,508	79,906	80,305
Net Sales	£0	£968,906	£1,002,823	£1,027,850	£1,053,504	£1,079,798
Gross Profit	£0	£600,120	£621,136	£636,646	£652,545	£668,840
Capex	£1,262,634	£30,000	£30,000	£30,000	£30,000	£0
Opex	£51,458	£733,933	£756,065	£771,303	£789,348	£805,208
EBITDA	(£51,458)	(£133,813)	(£134,929)	(£134,656)	(£136,803)	(£136,367)
Net Profit	(£51,458)	(£330,625)	(£318,556)	(£305,255)	(£294,385)	(£280,807)

SCENARIO THREE - IMPROVEMENT

Scenario 3	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		99,186	99,682	100,180	100,681	101,185
Net Sales	£0	£1,528,760	£1,582,168	£1,621,547	£1,661,908	£1,703,274
Gross Profit	£0	£966,009	£999,699	£1,024,521	£1,049,960	£1,076,033
Capex	£1,786,470	£30,000	£30,000	£30,000	£30,000	£0
Opex	£69,552	£949,877	£978,549	£998,299	£1,020,949	£1,041,506
EBITDA	(£69,552)	£16,132	£21,150	£26,222	£29,011	£34,526
Net Profit	(£69,552)	(£256,370)	(£237,436)	(£218,970)	(£203,143)	(£184,805)

SCENARIO FOUR - TRANSFORMATION

Scenario 4	Initial	Year 1	Year 2	Year 3	Year 4	Year 5
Admissions		98,271	99,254	100,247	101,249	102,262
Net Sales	£0	£1,860,154	£1,934,373	£1,992,031	£2,051,416	£2,112,578
Gross Profit	£0	£1,182,451	£1,229,483	£1,265,979	£1,303,565	£1,342,273
Capex	£2,497,753	£30,000	£30,000	£30,000	£30,000	£0
Opex	£92,550	£1,301,726	£1,341,192	£1,368,444	£1,398,753	£1,427,132
EBITDA	(£92,550)	(£119,274)	(£111,710)	(£102,465)	(£95,188)	(£84,859)
Net Profit	(£92,550)	(£492,011)	(£465,784)	(£438,398)	(£413,313)	(£385,336)

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ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources
DATE	17 th May 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Commercial Property Auctions – Pilot Project
REPORT NUMBER	RES/23/161
DIRECTOR	Resources
CHIEF OFFICER	Corporate Landlord
REPORT AUTHOR	Stephen Booth
TERMS OF REFERENCE	4.1 and 4.4

1. PURPOSE OF REPORT

- 1.1 The report highlights an opportunity for the council to consider an alternative way to dispose of council properties and seeks consent to trial this with assets that have proven difficult to dispose of on the open market and report back to committee on the outcome.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Instruct the Chief Officer - Corporate Landlord to carry out a pilot project to dispose of the asset noted within the report through a commercial property auction route and report the outcome to a future committee.

3. CURRENT SITUATION

- 3.1 The Council currently have a number of surplus and vacant assets which are either being marketed or are about to come to the market. In line with current disposal procedure these are marketed through traditional property channels by either the council directly or through third party agents.
- 3.2 Whilst this process guarantees maximum market exposure some properties can be difficult to sell due to their location, previous use, condition or limited activity within the market at any particular time. Offers to purchase properties are generally received on a conditional basis, often subject to planning or satisfactory ground condition investigations. While this can maximise capital receipt potential the result of this is that many sales can be protracted over a long period (sometimes years) whilst legal missive are agreed, site investigations are undertaken and planning applications are granted.
- 3.3 Sales can fall through due to purchasers not securing the planning consent they based their offer on, being unable to get the support of funders once they have consent or simply not performing.

- 3.4 During the time the property is under offer the council have to continue to maintain the property, including regular inspections, meet NDR cost, utilities securities etc.
- 3.5 There is significant staff time in undertaking these works and in the general sales process at a time where there is an acute shortage of suitably qualified commercial surveyors within the market.
- 3.6 The Corporate Landlord proposes that a pilot project is undertaken to dispose of 2 assets through a commercial auction process which have been openly marketed for a considerable period of time and currently have no interest. In this instance the staff time is invested in preparing an information and legal pack on the property. Potential bidders are then asked to bid for the property in competition at auction. The winning bidder has to pay a non-returnable deposit on the day and conclude the transaction with a 4 week period.
- 3.7 The benefit of this process should be:-
- a. the sales process should be much shorter with a quick conclusion.
 - b. lower holding costs
 - c. greater certainty over sales
 - d. lower staff time
- 3.8 The disbenefits of this would be
- a. the property may not get full market exposure
 - b. there is an upfront investment with legal packs etc.
 - c. the capital receipt may not be as high if it was sold subject to planning (reserve pricing would be agreed)
 - d. the asset still may not be sold.
- 3.9 it is proposed that an initial trial is undertaken with a local chartered surveying practice who have established a commercial property auction option to clients in recent years. It is further proposed that the following properties are withdrawn from the market and disposed of in this manner:-
- Former St Peters Nursery, 137 Spital, Aberdeen, AB24 3HX
 - The Hollies, 43 King's Gate
- 3.10 The former St Peters Nursery located on the Spital consists of the nursery building and outdoor space. The building is in a poor state of repair and would require considerable investment to make it habitable. The site has been marketed for several years and while it has been under offer on two separate occasions neither of these sales concluded. Since being placed back on the market in 2021 no formal offers have been received.
- 3.11 The Hollies, 43 Kings Gate is a three-storey detached house of traditional granite construction with garden. Similarly, it requires extensive works to make it habitable, but it is considered to have development potential for flats subject to planning. Similarly, since being placed on the market in 2022 no offers have been received.

4. FINANCIAL IMPLICATIONS

4.1 The proposal would hopefully lead to receipts being identified in a shorter timescale for assets that have been marketed for some time meaning a reduction in holding costs.

5. LEGAL IMPLICATIONS

5.1 The proposal would require greater upfront legal input than a traditional sale process as well as a priority to conclude the sale within the deadline of the auction process.

6. ENVIRONMENTAL IMPLICATIONS

6.1 The proposal may allow properties to come back into economic use in a shorter period.

7. RISK

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	None			
Compliance	Requirement to meet best value	A reserve price would be placed on each property representing what the council consider to be a best value threshold.	L	Yes
Operational	None			Yes
Financial	Best value	As noted above. Proposal would also reduce revenue/ holding costs.	L	Yes
Reputational	Council may be criticised for being seen to be disposing of assets at a reduced price.	As above, a minimum reserve price would safeguard against low bids.	M	Yes
Environment / Climate	Council may lose control	None – however this is similar to a general	L	Yes

	over next development.	sales process. There are the usual local authority statutory controls		
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8. OUTCOMES

- 8.1 The report relates to a new avenue of disposing of property assets on the basis of a pilot project. The project will result in income from capital receipts and hopefully a reduction on revenue spend which will in turn impact on the council delivery plan.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Full impact assessment not required – all assets have been closed for some time.
Data Protection Impact Assessment	Not Required
Other	None.

10. BACKGROUND PAPERS

- 10.1 None

11. APPENDICES

- 11.1 None.

12. REPORT AUTHOR CONTACT DETAILS

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