

COMMITTEE Finance, Policy & Resources

DATE May 6th 2014

DIRECTOR Pete Leonard

TITLE OF REPORT Haudagain Upgrade (Middlefield) Update

REPORT NUMBER: H&E/14/032

CHECKLIST RECEIVED: Yes

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## 1 PURPOSE OF REPORT

This report provides an update on progress on instructions to officers at the Finance, Policy and Resources Committee meeting of December 5<sup>th</sup> 2013 as a result of a previous report. The instructions were as follows:

- (i) To instruct officers to proceed with the project subject to negotiating acceptable financial guarantees from the Scottish Government or one of its agencies by 30<sup>th</sup> April 2014 in order for a report to come forward to the meeting of the Committee on 6<sup>th</sup> May 2014
- (ii) To instruct officers to prepare a report for the 6<sup>th</sup> of May 2014 meeting of the Committee outlining proposals including where appropriate costs for the regeneration of Middlefield without the proposed Haudagain improvements should the Scottish Government or one of its agencies refuse to commit to providing the Council with acceptable financial guarantees as requested.

## 2 RECOMMENDATION(S)

The Finance, Policy & Resources Committee is recommended to:

- (i) Note the letter of Comfort received from Transport Scotland
- (ii) Note the indicative costs (£8m) for the regeneration of Middlefield without the proposed Haudagain improvements should the Scottish Government or one of its agencies refuse to commit to the project
- (iii) Note the risk profile
- (iv) Continue with the current Asset Management Strategy established since 2008 to discontinue capital investment in area 1 on the attached Zonal Map until such time as plans for the Haudagain upgrade are finalised.

- (v) Instruct the Directors of Housing and Environment and Corporate Governance to report back to this Committee in September 2014 with a feasibility study and proposals to re-house the directly affected tenants in Middlefield and to regenerate the wider Middlefield Area. This should include proposals to relocate affected community facilities.
- (vi) Instruct the Directors of Housing and Environment and Corporate Governance, to report back to this Committee in September 2014 with potential funding solutions for the new build and regeneration proposals, noting that this Council has previously expressed the view that the Scottish Government should meet the cost of relocating the affected community facilities. The Scottish Government should also be asked to consider what additional financial support could be given to the new build and regeneration proposals for Middlefield.
- (vii) Instruct that Council officers consult with the residents of Middlefield on new housing and regeneration matters and that the results of this consultation is reported back to this Committee in September 2014.

### 3 FINANCIAL IMPLICATIONS

There are broadly three inherent financial implications for the Council should the guarantee attached not suffice.

- 3.1 One implication is that should the Council continue re-letting in the area until such times as the Compulsory Purchase process is formalised (c.2017) there is a risk that when the property is compulsory acquired by the Scottish Government it may be tenanted and therefore that will affect the value of the Council property (a property has more value within the process when vacant possession can be offered).
- 3.2 The second implication is that if the Council chooses to continue its policy of not re-letting in the area in anticipation of the road, it will generate a risk to the HRA of a loss of income for properties which are vacant during the re-housing period. This will require to be mitigated against through careful housing management planning in conjunction with tenants and their demands, and potential new development opportunities.
- 3.3 A third financial implication is the associated costs involved to regenerate Middlefield should the roads project not go ahead for any reason. This is documented in 5.2 and the Housing Revenue Account (HRA) will have to make provision for these additional costs in its business plan if these works are to be scheduled for the future.

## 4 OTHER IMPLICATIONS

- 4.1 Legal – no immediate implications arising directly from this report, however future involvement will be imperative throughout all stages of this project.
- 4.2 Health and Safety – The regeneration proposals will require health and safety plans in accordance with Construction, Design and Management legislation.
- 4.3 Risk Management – Management of risk for the regeneration of the area will be identified, monitored and mitigated in accordance with the ability to meet risk policy and programmed objectives. The Council led projects will form part of the Programme Management Office (PMO) process and progress reports will be scrutinised by CMT at regular PMO Sponsors Board meetings.

### 4.4 Risk Profile

ID	Description	Type	Impact	Likelihood	Score	Counter-measures / Updates	Owner	Identified	Updated	Status
1	Scottish Government no longer funds the construction of the road (Haudagain) including all compensation costs	Strategic	4	2	8	Letter of Comfort received 30 April 2014 from Transport Scotland	JQ/SW	April 2014	01/05/14	Open
2	The Council delaying re-housing of affected tenants until the financial terms of the CPO are legally finalised will negatively impact on the road construction programme, with economic consequences and reputational damage to the Council. Also, there would be an opportunity cost circa £8m related to the lower value of compensation received by the Council for the units being CPO'd.	Operational	3	4	12	Housing Allocations High Priority rating for tenants affected has been introduced  Risk would be more fully mitigated by early action to re-house affected tenants.	DU/JQ	April 2014	01/05/14	Open
3	The Council commencing re-housing as soon as practical in order to avoid delays to the roads programme will result in rent loss of upper limit circa £800k over 3 years, depending on the rate of re-housing. This would not be mitigated against until the CPO process is formally concluded in 2017.	Financial	2	3	6	Early discussions on CPO process have taken place  Risk can be more fully mitigated by additional housing provision in the local area as this will facilitate a more seamless re-housing programme which will likely be more "back loaded", reducing rent loss in the early years.	JQ/SW	April 2014	01/05/14	Open

## 4.5 Risk Analysis

**Risk 1** was discussed in the report to the December FP&R Committee and was scored at 16, which correlates to a risk rating of RED.

The Council has since received a letter of comfort from the Finance Director of Transport Scotland. Whilst this is in no way legally binding, Council officers view this to be sufficient to mitigate the probability element of the risk from a score of 4 to a score of 2. With the impact of this risk remaining at a score of 4, this gives an overall risk rating of 8, which represents an AMBER risk.

**Risk 2** is a newly identified risk which would result from the Council delaying any re-housing of affected tenants until the CPO process is formally concluded in 2017.

Officers have determined a risk rating of 12 for this risk, which represents an AMBER risk.

The project will demand a housing programme which will fit with the Council's re-letting and re-housing policies and its strategic commitment to deliver 1000 new houses by 2017. Availability of replacement stock options in a high demand market makes any delay to the process serious in terms of impact and significant in terms of probability.

**Risk 3** is a newly identified risk which highlights the potential rent loss associated with early action re-housing commencing with immediate effect.

Officers have determined a risk rating of 6 for this risk, which represents a GREEN risk.

An early re-housing programme maximises the level of overall compensation arising from the CPO process which mitigates against the financial risk presented by Risk 3.

### **Opportunity**

The above risks should be assessed in the context of corresponding opportunities which are presented by the various activities involved in the road improvement programme.

The early introduction of a housing replacement (new build) programme would facilitate the re-housing of tenants which would minimize the financial impact on the Council and avoid delays to the roads improvement project. The provision of new affordable housing would improve the quality of life of local tenants.

Such a programme would require a capital investment of £20-25m, whilst Investment requirements for the wider regeneration of the Middlefield area have yet to be established.

An opportunity to maximise cross subsidy for the investment requirements exists, using compensation payments for the 130 or so directly affected properties (c £10m).

In addition the Scottish Government should be asked to consider what additional funding they may wish to provide towards the new build/regeneration investment for the Middlefield area. This should include the costs associated with replacement community facilities that are directly affected by the roads project.

## 5 REPORT BACKGROUND

The Finance, Policy & Resources Committee at its meeting on December 5th 2013 recommended that officers pursue specific actions outlining proposals including where appropriate costs for the regeneration of Middlefield without the proposed Haudagain improvements should the Scottish Government refuse to commit to providing the Council with acceptable financial guarantees as requested.

### 5.1 Regeneration Investment Indicative Costs

The attached Zonal Map (appendix 1) sets out the proposed investment and indicative associated costs for the regeneration of the Middlefield area.

It highlights an approximate Capital cost of £8 m for site 1 which includes housing upgrades to SHQS (Scottish Housing Quality Standard) and environmental improvements on all 325 properties originally associated with the Haudagain upgrade. (ACC capital investment has been discontinued since 2008 as these properties were either likely to be affected by the Haudagain improvements or contained within the triangle which was identified as a future opportunity site, no longer appropriate for housing.) Along with the SHQS programme for these houses a series of environmental improvements within the area would be required in order to improve and enhance the “streetscape” and overall quality of living in the neighbourhood.

### 5.2 Implications on the HRA Business Plan

The HRA will have to make provision for the additional Capital investment in the business plan if these houses and environmental works are scheduled for the future. At this present time there is no budget allocated for these works if they were to proceed.

## 6 THE POTENTIAL FOR ADDITIONAL NEW BUILD HOUSING PROVISION

A further £20–25m investment is associated with the housing developments and improvement works to be taken forward at the former Smithfield School site (site 2), Manor Walk (site 3), Woodside (site 5), Greenferns (site 6) and Smithfield Court (site 7). Some or all of this provision could be made available to re-house tenants directly affected by the road improvement project.

It is proposed that a feasibility study into the potential for new build housing provision for the re-housing of directly affected tenants be brought to the Finance Policy and Resources Committee in September 2014.

## 7 WIDER REGENERATION INVESTMENT

A number of wider regeneration initiatives around the social, economic, health and education agendas are currently being developed by Council officers.

For example, the Granitehill (site 4) new location for Reserved Museum Artifacts will see a further investment of £3.8m into the area. Council Services are working together to develop an overall regeneration strategy and action plan for the area.

It is proposed that a feasibility study on housing and regeneration investment requirements be brought to the Finance Policy and Resources committee in September 2014.

### 7.1 Community Engagement

Clearly the local community has a major contribution to make to the shaping of new housing and regeneration plans for the area. It is proposed that a detailed consultation exercise is carried out in order to inform the development proposals and that the outcome of the consultation exercise is presented to the Finance Policy and Resources Committee in September 2014 together with the feasibility study into the planned developments.

## 8 SMARTER ABERDEEN

### **Smarter Economy (Competitiveness) & Smarter Living (Quality of Life)**

We will improve access to affordable housing in both social rented and private sector, by supporting first time buyers, regenerating areas within the city and by working with developers to maximize effective use of developer contributions.

### **Smarter Governance (Participation)**

We will seek to develop a sense of community in Aberdeen based on principles of openness, fairness, reciprocity and responsibility.

## **Smarter Environment (Natural Resources)**

We will provide a clean, safe and attractive streetscape and promote bio-diversity and nature conservation. We will encourage wider access to green space in our streets, parks and countryside

### REPORT AUTHOR DETAILS

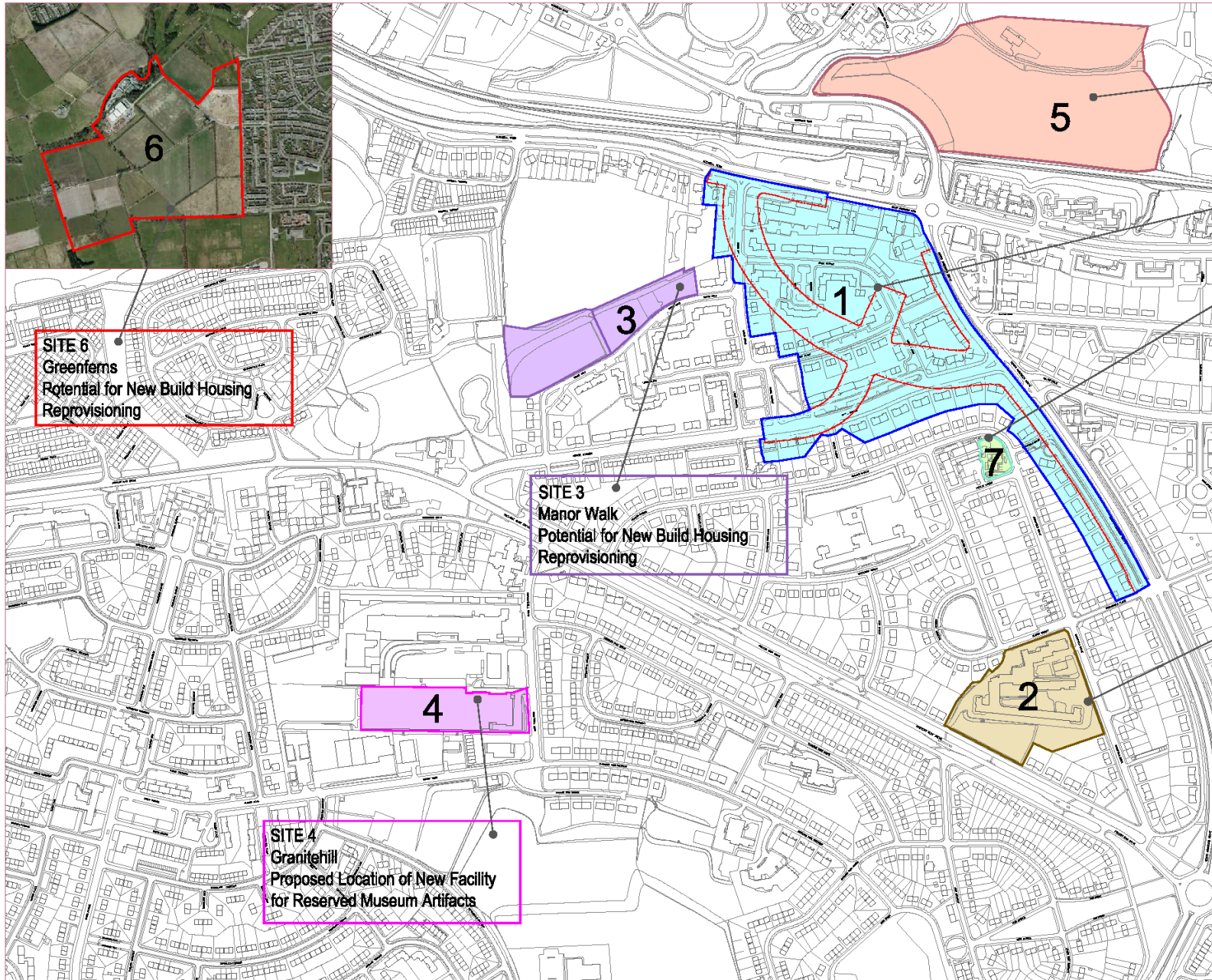
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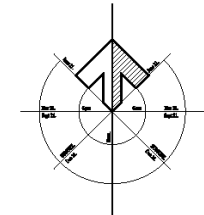
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**SITE 5**  
 Woodside (Joint Ownership)  
 Potential for New Build Housing  
 Reprovisioning

**SITE 1**  
 Housing Upgrade to SHQS and  
 Environmental Improvements

**SITE 7**  
 Smithfield Court Upgrade




**SITE 2**  
 Former Smithfield Primary School  
 Proposed For New Build Housing  
 Reprovisioning and Potential for  
 Re provisioning of Community  
 Facilities

**SITE 6**  
 Greenferns  
 Potential for New Build Housing  
 Re provisioning

**SITE 3**  
 Manor Walk  
 Potential for New Build Housing  
 Re provisioning

**SITE 4**  
 Granitshill  
 Proposed Location of New Facility  
 for Reserved Museum Artifacts

Rev.	Date	Description	By	Iss.
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Client: Aberdeen City Council				
Project: Middlefield Redevelopment				
Title: Middlefield Conceptual Layout Option B				
Date:	4/3/14	Scale:	1:2500	